

International Trade Committee

Oral evidence: The work of the Department for International Trade, HC 534

Wednesday 24 June 2020

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

Questions 1 – 91

Witnesses

I: Elizabeth Truss MP, Secretary of State for International Trade and President of the Board of Trade; and Andrew Mitchell, Director General, Global Strategic Sourcing and Engagement Project, Department for International Trade.



Examination of witnesses

Witnesses: Elizabeth Truss and Andrew Mitchell.

Q1 **Chair:** In today's session we will hear from the Secretary of State for International Trade and President of the Board of Trade, the right hon. Liz Truss MP. The Secretary of State will be giving evidence on our inquiry into the Covid-19 pandemic and international trade. In addition, Ms Truss will answer questions on current issues, including the future of her Department in light of recently announced changes in the machinery of government. Welcome, Secretary of State. Before we kick off, I believe you would like to make a statement. That will extend your session slightly but, with the agreement of members, I am glad to say you have five minutes. We look forward to your statement. Over to you, Secretary of State.

Elizabeth Truss: Thank you very much, Chair, and thanks for inviting me today. I look forward to talking to you about the important work my Department is doing around the world.

For the first time in many generations, the UK can strike free trade agreements with the rest of the world and export the best of Britain abroad in ways we have not always been able to. The work is beginning with our closest allies, like the United States of America, Australia, New Zealand and Japan, as well as seeking entry to the wider Pacific alliance, CPTPP. Throughout the negotiations, this Government will fight for Britain's best interests. To coin a once familiar phrase, no deal is better than a bad deal. We are not going to rush into a deal and there is no deadline. We will be tough in pressing our interests.

The US talk a good game about free trade and low tariffs, but the reality is that many UK products are being kept unfairly out of their market. UK steel has been hit by 25% tariffs due to claims of security issues and our cars have also been threatened, despite the fact we are a close security ally. UK lamb has been banned through the small ruminants rule, and many of our excellent products, like ceramics, face steep tariffs. There are onerous testing regimes on everything from toys to machinery, not to mention the Buy American procurement policy and other restrictions, which mean UK companies cannot access two-thirds of the US Government market.

Let me be clear. I am not going to strike a trade deal with the US unless all these points are dealt with. We want to upgrade our trade relationship to match the closeness of our security partnership. There is no doubt to me that when these barriers are removed it will be a big boost for British industry, alongside better access to the Asia-Pacific market. Membership of CPTPP will help realise the vision of a global Britain that looks far beyond our own shores, coupling us to one of the most dynamic and vibrant trading areas in the world. We can do that now we are no longer stuck behind the EU tariff wall. It presents a huge opportunity in Britain's industrial story. Over the coming months my Department will work



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tirelessly to deliver deals that are in the best interests of British families, British jobs and the British economy. A family-first trade deal, a jobs-first trade deal and trade deals that help turbocharge our recovery.

Over the past few weeks, the first rounds of negotiation have taken place with the US. I am aware that some members of the Committee are concerned that a US deal will undermine our food standards or somehow undercut the UK farming industry. Today I want to reiterate that, when it comes to food, we will never lower our standards in order to sign a trade deal and, contrary to claims in the press, these standards—the ban on chlorinated chicken and hormone-injected beef—are already in UK law through the Withdrawal Act. Not only that, but we will not sign a trade deal that leaves our farming industry, with its high animal welfare standards, worse off. In fact, the opposite is true. My officials and I are working round the clock to ensure any trade deal we strike has British farmers at its heart and is one that British shoppers have confidence in.

To me, the debate needs to be based on fact. Take one small example. The UK currently imports chicken from Thailand and Brazil. We have zero tariff quotas on Canadian agriculture, and we are able to do this without the UK farming industry being negatively impacted. This is because, at its heart, trade is about spreading prosperity and growing British farming not crushing it. As a former DEFRA Secretary, and someone who represents a rural constituency, I understand the positive impact farming has on our country, so by putting British farming first we will give our food producers the best opportunity to export their world-class food and grow their businesses.

Trade deals can open up new markets and new opportunities for Welsh lamb, British beef and Scotch whisky. Any trade deal that locks British produce out of the market is one that we will leave on the shelf. As for Japan, I am very clear that we will not be bounced into a deal that is not in British interests. While I understand the media's interest in trade matters, we would do well to remember that statements are negotiating positions not indisputable fact.

Covid-19 has upended many of our economic assumptions. Indeed, the only known known, when it comes to the economy, is that we face a time when we need to revitalise and revive. My right hon. Friend, the Chancellor, and I view international trade as an important tool during the economic recovery. A US deal could boost trade by £15 billion and wipe almost £0.5 billion off tariffs, benefiting Scotland, the Midlands and the north-east the most and helping level up our country.

Whisky is worth almost £4 billion to the Scottish economy, employing more than 10,000 people, but faces tariffs of 25% to the US. We export £8 billion of cars to the US. Ceramics manufacturing, one of the biggest traditional industries in the Midlands, faces tariffs of 28% to the US, and the south-west dairy industry—worth about £3 billion—faces tariffs of up



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to 25%. Lamb and beef contribute £1.3 billion to Northern Ireland's economy but farmers face tariffs of 38% into Japan.

These are not abstract numbers. Cutting these tariffs means more jobs, higher wages, better standards of living and more vibrant local economies and communities, and an industrial revival in all our regions. I look forward to taking your questions.

Q2 Chair: Thank you very much indeed, Secretary of State. I hear the fighting talk there. I hope Donald Trump wasn't listening, or else you might be starring on his Twitter in the next five or 10 minutes. Who knows?

Secretary of State, to add fighting talk, you will be aware that the WTO ruled last week on the stealing of intellectual property from the UK, particularly involving UK football and Saudi Arabia. What exactly do you propose to do about that?

Elizabeth Truss: We have been very concerned about the stealing of IP. We have taken it up directly with Saudi Arabia. I understand this activity has now stopped, but we will make sure that we always work to protect our vital intellectual property, both in any trade deals we strike and also at the WTO.

Q3 Chair: It may have stopped in Saudi Arabia, but I do not think beoutQ has ceased transmission.

Elizabeth Truss: My understanding is that particular issue has been dealt with, but I am happy to look into it further. I am very concerned about what has happened. We have raised it directly with Saudi Arabia, and we will continue to pursue Britain's intellectual property interest.

Q4 Chair: Thank you. It will be something we can all keep an eye on, then.

The Department for International Development, as you know, has merged with the Foreign and Commonwealth Office, or the Foreign, Commonwealth and Irish Office it should perhaps be called. Trade commissioners have been transferred from the DIT to the new Department, and the Prime Minister was bamboozled when I asked him about South America where he has 12 ambassadors and one trade commissioner.

Leaving that to one side, there has been speculation about your own Department. Where do you think that is going, Secretary of State?

Elizabeth Truss: The Department for International Trade was created three years ago and already has a huge amount of achievements under its belt, negotiating £110 billion of transition deals, but has really stepped up in recent months. We are now negotiating with four trade partners. We are looking for accession to CPTPP. We have launched the first UK global tariff for many, many decades, setting out a new tariff that is simpler to—

Q5 Chair: Have you been given any assurances about your Department?



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Elizabeth Truss: What I am focused on is making sure we deliver on the promises we made for Brexit: getting these new trade deals, making sure we get more British businesses exporting and making sure we attract investment into the country. I am working very closely with Dominic Raab, the Foreign Secretary, on doing just that. My view is that foreign and trade policy should be prosecuted in concert, and this is about projecting British values in the world but, also, achieving for Britain economically. One of our key values is that we believe in free trade and the rules-based global system. The Foreign Secretary is very committed to that and I am very committed to that, and we are working together on all these goals.

Q6 **Chair:** It is notable there was no answer to the question of whether you have been given any assurances. Have you sought any assurances about your Department going forward?

Elizabeth Truss: I am 100% focused on getting good deals for—

Chair: Which is good, but the question is about your Department.

Elizabeth Truss: I am not focused on the precise structure of Whitehall. What I am clear about is having a Trade Department that focuses on trade policy. Under the leadership of Antonia Romeo and Crawford Falconer, it has delivered huge amounts already and is due to deliver a lot more in the coming years. There is no other country conducting so many simultaneous trade negotiations as the UK.

Chair: Indeed.

Elizabeth Truss: We now have a trade negotiation staff that is bigger than USTR's and they are doing a fantastic job, despite the fact that we are recovering from Covid and are having to do things via video conference. They are working round the clock on behalf of our country, and I want to support them in doing that really important work.

Q7 **Chair:** Isn't the main plank and strand of that—supporting the staff—making sure that the staff have some security to focus on their work and will not be facing a Whitehall upheaval whenever it takes the Prime Minister's or Dominic Cummings's mind to do so? Surely, given what has happened and the state of upheaval going on at the moment between the Department for International Trade, which is about to end, and the Foreign and Commonwealth Office, it would only be expected that that tiny nugget, that this Department will remain longer or will not remain, incentivises and informs because how can people concentrate when they think the rug could be pulled from under their feet at any moment?

Elizabeth Truss: The Prime Minister is very clear that the Department for International Trade remains and has a lot of important work to do.

Q8 **Chair:** We know it remains, but how long for? It is not clear.

Elizabeth Truss: What is also clear is that we need to speak with one voice internationally, which is why I am working closely with the Foreign



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Secretary and is why our trade commissioners are working closely with local ambassadors and high commissioners. I am focused on getting this job done and realising those opportunities.

Chair: You have had your opportunity to answer that one, and our viewers will make of it what they will.

Q9 Robert Courts: Secretary of State, I want to ask you about some of your recent announcements. In the last few weeks you have announced that there will be the start of trade talks with Australia and New Zealand individually and then, of course, the collective negotiations for accession to CPTPP, which obviously includes those as well as Canada, Mexico, Japan, Singapore and others.

First, is it your strategy to seek to accede to CPTPP collectively at the same time as the bilateral agreements with Australia and New Zealand independently?

Elizabeth Truss: I would expect the bilateral agreements to be concluded before full accession to CPTPP, so those are necessarily going to be more rapid negotiations. With CPTPP we have to negotiate market access schedules with 11 different members. That is quite an undertaking, which is likely to take longer, but it is very important to note that Australia, New Zealand and Japan are all key players in CPTPP and their support for CPTPP and the UK's accession is incredibly important in giving us access to this fast-growing set of 11 nations, but also helping us strategically join a free trade agreement, a rules-based agreement, that helps set global standards. That is also extremely important, as well as the pure economic benefit.

Q10 Robert Courts: I will come on to that again in a moment, if I may, but, before we get to that, can I look at some of the economics? Some people may say, "Look, Secretary of State, these countries are a long way away. They are small economies. Is this really worth your doing?" Could you give us an outline of what, in your view, are their specific benefits to UK exports, so things like the automotive sector, digital services or financial services?

Elizabeth Truss: There are pure economic benefits in striking deals with Australia and New Zealand, valued at an extra £1 billion in terms of exports. We already have 13,000 exporters exporting to Australia, small business exporters. Of course, as you point out, there are opportunities in areas like food and drink, automotive, financial services and insurance—I think there are big opportunities. Also, we will be able to sign advanced digital and data chapters that we were not able to sign as a member of the European Union. We are third in the world in terms of our number of unicorns, billion dollar tech companies. We really are a leader in this sphere, so you are getting more access to markets, getting things like free flow of data and agreements, getting anti-data localisation clauses. These are really important for our fast-growing tech industry. In fact, we just launched a new Asia-Pacific network to help support our tech



industry export into those regions, so those are some of the areas that can benefit from trade deals with Australia and New Zealand.

Q11 Robert Courts: You referred to some of the wider benefits as well, and of course the Chair started off the session by asking you about some of the departmental changes that we have seen recently. I am just thinking about the structure of the TPP talks, as they were, before the Americans took the view that they were going to leave. There always seemed to be quite a security and foreign policy angle to these talks, this vision of a league of democracies. Has your Department given any thought to whether there are geopolitical benefits to joining CPTPP? If the USA, under another Administration, were to rejoin, how would that leave Britain placed?

Elizabeth Truss: You are right. There are geostrategic benefits in joining and in helping set new global standards. The reality is that the WTO is in desperate need of reform. We now have an opportunity to select a new director general. I hope they can lead the organisation forward. In the absence of the WTO being able to move things forward, trade groupings like CPTPP are incredibly important because they help set mutual rules. They have mutual tariff liberalisation, so there is a 95% reduction in tariffs as part of CPTPP, and they set new rules in areas like digital and data, which are becoming increasingly important for the global economy.

The UK is a supporter of rules-based free trade, and there are some countries, frankly, who are not always following the rules in areas like the theft of intellectual property, forced technology transfer and subsidies by state-owned enterprises, so it is really important that blocs like CPTPP gain more members and more clout in that global argument about how the rules should work. My view is that we should have transparent rules, we should have fair rules and we should be working against some of the issues I raised.

Robert Courts: Thank you very much.

Q12 Chair: Thanks very much. On the trade deals, we know that Brexit is going to cost the Government 5% of GDP. A US deal will give between 0.16% and maybe up to 0.2% in some averages. Japan is 0.07%, Australia is 0.01% and New Zealand could be negative, but CPTPP has not yet been published. Can you tell us today what the GDP yield could be from the UK's accession to CPTPP?

Elizabeth Truss: I dispute the premise of your question, but in the interests of time—

Chair: Which part?

Elizabeth Truss: Well, I dispute your reading of the alternative economics on the EU. I also—

Q13 Chair: Could you write to us or give us the—



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Elizabeth Truss: Certainly, I would be absolutely happy to do so. It is based on a hypothetical rather than a reality, and I think it is not representing—

Q14 **Chair:** This is from the UK Government. Do you agree with that, that it is from the UK Government, but it is wrong?

Elizabeth Truss: No, that is not what you said. You said that this gap is in existence. I dispute that fact.

Q15 **Chair:** Hold on. Brexit has cost about 5% of GDP. You agree with this?

Elizabeth Truss: I dispute that.

Q16 **Chair:** What do you think it is going to cost?

Elizabeth Truss: There is no evidence that that is the case.

Q17 **Chair:** Okay. What is your evidence? What is it costing?

Elizabeth Truss: You are comparing a hypothetical scenario with the scenario we followed.

Q18 **Chair:** Therefore, any of the gains are also hypothetical, would you say?

Elizabeth Truss: No one has a crystal ball and can forecast the future. What we know is that removing trade barriers benefits companies. It benefits people. It helps the free flow of trade, and we know that the more free trade we have the better off people are. It has lifted huge numbers of people out of poverty. In the case of the US trade deal, for example, we have used the forecasting metrics that are provided, but it is important to recognise that we are in a world of growing protectionism, so one of the other things that free trade deals can protect against is rising tariffs.

It is very hard to predict what would happen in an alternative scenario if tariffs rose. The importance is that, first of all, it delivers direct economic benefits, but it also protects us from a high tariff world, so there are benefits to our resilience as a country as well as benefits to our economy. That is important to note, and I am very happy to set that out.

In terms of your specific question about CPTPP, we will produce an economic study when we commence the formal accession process. At the moment we are in talks with the 11 members about the details of how our arrangements with them would work. Essentially, it is a bit like the working groups we have done in advance of the free trade negotiations. When we are ready to formally launch our accession plans, we will produce that economic analysis.

Q19 **Chair:** Just to be clear—because you have opened a wider point here—you said lowering trade barriers helps trade, and I met a famous courier service yesterday that has a lot of problems with Brexit because of the barriers it is going to raise and, hence, the 5% figure the UK Government have produced, but you dispute that figure. Do you dispute the other



figures the UK Government have given on the GDP change from new FTAs? Are you with these figures? Is it in scenario one: 0.17% from the US, 0.07% from Japan, 0.01% from Australia and 0.00% to 0.01% from New Zealand? Are you with some of these figures, none of these figures or all of these figures?

Elizabeth Truss: These are scoping studies about a hypothetical deal. What they don't do—

Q20 **Chair:** Are they roughly correct or far out?

Elizabeth Truss: —is they don't reflect the actual deals we have negotiated because we have not negotiated them yet. When we are at a point of presenting a fully negotiated deal to Parliament, we will be doing a new economic analysis that analyses what we have actually negotiated.

Chair: Many will be gobsmacked by that, but I do not want to go any further.

Q21 **Craig Williams:** I am not overly gobsmacked, but we will discuss that as a Committee. Can I thank the Secretary of State for outlining the scale, the ambition and the timescale of these trade deals? And can I perhaps dig into the policy that she and her Department follow for seeking these agreements both with countries and partnerships? Is there a particular order that your Department is going around the world?

Elizabeth Truss: We are looking in the first instance at working with likeminded free-market democracies, and also at where the opportunities are greatest for the UK economy. It is natural that we should be looking to the United States, which is the world's biggest economy, and Japan, which is the world's third largest economy. In the case of Australia and New Zealand, there are some very strong reasons for commencing negotiations with them. First, they are key allies to the UK; secondly, they help us set the terms of trade with other countries, because they are both committed to free trade and advanced agreements; and, finally, they are a key gateway into the Asia-Pacific region, as well as being old friends of the UK.

That is the reason for selecting the first four trade deals and, alongside a trade deal with the EU—which is being negotiated by Taskforce Europe and David Frost—that represents access for UK businesses into all of the three major trade blocs in the world, so that is the starting point. Of course, we are now working on what phase two looks like. We are advancing talks with India. We are advancing talks with the Gulf countries. We are looking at areas like Mercosur but those would very much be in phase two once we are significantly more advanced in the talks with those initial groupings.

Q22 **Craig Williams:** Could I bring you in on the groupings? You clearly have a sequence where you are looking at likeminded countries, and we talked about intellectual property and other aspects such as GVA and GDP growth. What kind of priority do you give to the wider partnerships, or is



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it countries first to get that foothold and then work on them?

Elizabeth Truss: In order to gain access to CPTPP, we have to be in bilateral relationships with the key parties to that agreement. It is an important part of the CPTPP accession, as well as being a good in itself, to have bilaterals with those important partners. That strategy works hand in hand.

Q23 **Sir Mark Hendrick:** Secretary of State, what are your top three objectives in negotiating a trade agreement with the United States? Can you quantify how much you feel that would benefit the UK economy given an ideal scenario?

Elizabeth Truss: The top three priorities: first, getting rid of tariffs on areas like industrial goods, whether it is the car industry that exports £8 billion to the United States or industries like ceramics or steel. Those are all very important. I think it will be an important part of our overall industrial strategy of reviving industries, particularly in the Midlands and the north of England.

The second priority is data, digital and financial services. We have a strong comparative advantage in these areas. More access to the US market, which is one of the biggest markets in the world, is going to be key for our software companies, our AI companies, our robotics companies and our financial services industry, about which we are having very positive discussions.

The final point I would make is that there has been a lot of talk about the US trying to access the UK market. Let me be very clear, we are not going to be lowering our standards for that access to take place. That is not something that I am contemplating as part of these negotiations. There are British products that have been kept out of the US market. For example, lamb, due to the small ruminants rule, has been kept out. The US is the second largest importer of lamb in the world, and there is a big opportunity for our sheep farmers, particularly in areas like Wales and Scotland. At the moment, the vast majority of our lamb exports go into the EU. I want to find alternative markets so that we are not solely dependent on one set of markets for those exports. British beef, for the first time in many years, will be leaving our ports this summer destined for the US. Again, I want to see tariff reductions on that beef. Those are the first three priorities.

Q24 **Sir Mark Hendrick:** On 3 June, *The Daily Telegraph* reported that the Government were considering the idea of a dual tariff system in its FTA negotiations with the US. The idea is that higher or lower tariffs would be imposed on food imports, depending on whether they comply with UK food and animal welfare standards. Could you comment on this? Is it going to be part of the discussions?

Elizabeth Truss: Our food import standards are set by the Food Standards Agency and Food Standards Scotland, which are in statute.



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Sir Mark Hendrick: I am on about the tariffs.

Elizabeth Truss: I know, but you were asking about food standards and I say they are not part of the negotiation with the US.

Sir Mark Hendrick: I accept that.

Elizabeth Truss: They are already in UK law through the Withdrawal Act. It would require Parliament to decide differently for those to change, and that is not something I am negotiating.

Sir Mark Hendrick: I accept that. I am asking whether the tariffs can change—dual tariffs.

Elizabeth Truss: In terms of animal welfare, in our negotiations I am very clear that I will not allow our farmers, with their high standards, to be undercut by unfair competition. That is what I am looking to negotiate in deals with the US and, indeed, with other partners, but I am not going to go into detail on our negotiating strategy in this Committee because I suspect our counterparties from across the Atlantic might be taking account of my comments, and I don't want to reveal anything at this stage.

Q25 **Sir Mark Hendrick:** Well, don't reveal anything, but you have not ruled out dual tariffs?

Elizabeth Truss: As I say, I am not going to be revealing my negotiating strategy in this Committee meeting.

Sir Mark Hendrick: I think you have already told us a bit of what we need to know. Thank you, Secretary of State.

Q26 **Matt Western:** My understanding is that the Cabinet are split on that point, and it would be interesting to know from the Secretary of State which side she is on within the Cabinet.

Secretary of State, you referred to the importance of the automotive sector. You quoted the figure, quite rightly, of £8 billion of exports to the US—obviously, Honda is a chunk of that presently, which we will lose—and it accounts for 14% of our manufactured exports.

Secretary of State, you will appreciate that, with the renegotiation of NAFTA and the emergence of the USMCA, one of the big renegotiations was around automotive and rules of origin. Do you imagine that part of your negotiation strategy is going to have to be conceding on rules of origin on UK manufactured vehicles, such that there will have to be a greater US content of vehicles sold in the US?

Elizabeth Truss: You are absolutely correct about the vital importance of the car industry to the UK economy and, also, in terms of our exports to the US. I think it is worth noting that, whereas we export £8 billion-worth of cars to the US, we export £12 billion-worth to Europe, so both of those markets are very, very important for the car industry. What I am looking to do in our negotiations is remove tariffs, remove non-tariff



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barriers and get, as you pointed out, the most advantageous rules of origin from a UK position.

In terms of where we are in our negotiation, we have now been through all of the key areas. We are now in a position of laying negotiating text with the US. More detailed discussions around market access, rules of origin, are yet to come, but I can assure you that I will be fighting to make sure that we get the best possible rules of origin for the UK car industry.

Q27 Matt Western: Do you accept that the UK's current tariff levels are actually extremely low as part of EU exports into the US? How are you going to improve on those?

Elizabeth Truss: They are low for passenger cars, but they are higher for things like trucks, for example, and other vehicles.

Matt Western: We do not make many trucks.

Elizabeth Truss: There is also a number of non-tariff—

Q28 Matt Western: We sell cars, Secretary of State. We do not actually manufacture heavy trucks in the UK.

Elizabeth Truss: There is always a chicken and egg question. We might not manufacture something because the barriers are too high in some cases, so eliminating the barriers on cars and trying to reduce the barriers across the board is beneficial to the UK industry, as well as seeking to remove those non-tariff barriers and make the entire process easier.

Q29 Matt Western: Do you accept, though, that the great fear for the automotive industry in this country, which has enjoyed a fantastic renaissance in the last 10 years, is that in any deal negotiated with the US you are going to have to concede UK manufacturing to US soil?

Elizabeth Truss: I do not agree with that at all. I completely do not agree with that. The position between the US and the UK is that we are roughly in balance in terms of our trading relationship, unlike the situation between the US and the EU. I certainly want to see more cars made here in the UK, and I will be looking for terms in those detailed negotiations with the US that allow that to happen. We have had a number of pieces of good news about the UK car industry recently—namely Nissan in the north-east—and, of course, making sure we continue to get investment into the industry, making sure we are trading on the best possible terms, is an absolute priority.

As part of our business engagement we have a group of ETAGs, which are engaged on specific industries—we have an automotive ETAG—where figures from industry communicate directly with our negotiators to make sure, at every stage in the negotiations, we are taking account of what British industry wants in those deals. The only reason we are negotiating



rules of origin and automotive rules is because we want the British car industry to do better in terms of exports to the US.

Q30 Robert Courts: I have two brief follow-up points, if I may. The first is about financial services. Of course, there is an obvious link between New York and London as two of the world's great financial centres, and there is obvious potential for increasing prosperity there. Secretary of State, could you comment on whether there is potential for influencing the regulation of world financial services if there were to be a deal covering those sectors?

Elizabeth Truss: Yes. There certainly is an opportunity for more regulatory co-operation between the US and the UK. We are looking for an advanced financial services chapter, but there is also work going on between the UK Treasury and the US Treasury to further regulatory co-operation, which will be beneficial for both financial services industries.

Q31 Robert Courts: On a separate point, you have made reference to lamb and whisky during this session, but I want to ask you about one case I was reading about, which is about Walkers biscuits. That has been in the news, and it is the largest exporter of sweet biscuits from the UK. It is about 5,000 tonnes of shortbread per year. I think I am right in saying it now faces a 25% tariff barrier as a result of the tariffs that have been introduced by the current Administration because of the dispute with the European Union. With people like that in mind, would you agree that it seems that a deal with the US isn't a nice to have but is essential? Is that something that is very much in your mind?

Elizabeth Truss: You are absolutely right about how deeply unfair these tariffs are that have been levied on Walkers, on the cashmere industry and on whisky. I have been speaking to both Phil Hogan, the EU Trade Commissioner, and Bob Lighthizer, the US Trade Representative, to get an early resolution to this dispute between Boeing and Airbus because these tit-for-tat tariffs are not helping anybody. Likewise, we have seen tariffs levied on the US bourbon industry, Harley-Davidson and Florida orange juice. All this is doing is damaging the competitiveness of both Boeing and Airbus.

I have had a few calls in the last month talking to both the leads on this—while we are still in the transition period, the EU lead the negotiations on this—to urge an urgent settlement and to get Boeing and Airbus to the table to sort this out, because it really is incredibly unfair on the likes of Walkers, who have nothing to do with this dispute, to be lobbed with these very high tariffs.

Q32 Matt Western: I want to come back to food standards in the US. Before I do that, you were asked a few moments ago about what you see as the UK Government's three priorities—your Department's, really—in negotiating a deal with the US. Could you just reiterate and remind us what the US priorities are, the top three?



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Elizabeth Truss: You can read the US negotiating objectives, which they put out.

Matt Western: Could you remind us?

Elizabeth Truss: I am not going to list all of my counterparty's negotiating objectives but, clearly, the US want greater access to the UK market and they want a reduction in barriers. Also, the United States want to help more UK businesses sell their fantastic produce in the US. I would point to Woody Johnson, the US Ambassador here, who is doing a brilliant job taking British companies and helping them get into the US market.

Matt Western: I understand that. It was just—

Elizabeth Truss: To come on to your point, we will only do a trade deal with the US if it is a win-win. The reason you do trade deals with other countries is to benefit both countries, and I think we can both benefit.

Q33 **Matt Western:** I appreciate that. I was just hoping you would be a little more concise on the three areas because I understood them essentially to be: agriculture is their lead issue and then manufactured goods is second, particularly vehicles. When Woody Johnson says, "We want a win-win" and so on, I think it is kind of win and do as well as you possibly can against the US. Certainly that is the recent experience of Canada, Mexico and others.

Just to come on to food standards, given their priority is about the agricultural sector. Penny Mordaunt, the Paymaster General, recently told the House regarding food standards, "If people do not want to put their faith in Government, we should trust the consumer". Of course, the consumer can only work on what they are informed of and on what is put in front of them. You may have seen the recent YouGov poll that said that 80% of the population would not wish to see chlorinated chicken here. Bear in mind, I take on board the comments you were making a moment ago but, given that a huge proportion of the food sector in this country is through the food services sector—whether it is to hospitals, to schools, to prisons or to the restaurant catering trade—is it not the reality, and this is a view held by the NFU, that a huge proportion of UK agriculture is going to be lost to the US because that sector is going to be swallowed up by US agri-industry?

Elizabeth Truss: First of all, other countries have their negotiating objectives. They publish their negotiating objectives, and they might communicate those negotiating objectives. That does not mean that we are going to accept them. I will only strike a deal with the US if it is in British interests and if it protects all our red lines in the negotiation, and I am very clear about that. There is no time limit on getting this deal. There is no way that I am going to be bounced or pressured into getting an agreement. Many countries smaller than the UK have successfully negotiated with the US, including Australia, so I do not buy this argument



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that it is a loss for the UK, because we can simply not do the deal if we do not think it is in our interest.

On the subject of import standards, the reason that we have the Food Standards Agency, which is a non-ministerial Government Department, is precisely so we have an independent body that oversees what is safe for British people to eat. The Food Standards Agency rules are put into law, in this case through the Withdrawal Act, so those bans on chlorinated chicken and hormone beef are in law. There has, frankly, been a lot of scaremongering about this, trying to worry British consumers that that is going to change. This is not a matter for the Trade Department, and it is not something I am negotiating in any of these trade deals; this is a matter for the Food Standards Agency and for Parliament. I do not think I could be any clearer about that.

I also made it very clear that what I want to see is a good deal for British farmers. If you look at the scoping assessment, to which the Chair referred earlier in this hearing, it is clear that UK agriculture would benefit from a US deal. We have products that people around the world want to buy, and we should be confident in our high standards, our high quality and our high animal welfare. These are products that people around the world respect and want to buy into. We have become a net dairy exporter, for the first time in many years, just in the last year, because people want to buy what we have to offer. Let's have a bit of self-confidence rather than assuming that British consumers are going to turn their backs on British products. I simply do not think that is true.

Q34 Matt Western: To go back to the Paymaster General's point about trusting the consumer. If I was to have a steak or a chicken dish—Chicken Kiev or whatever it might be—in Wetherspoons, how would I know it was actually a UK-produced chicken or a piece of beef produced to our high standards, rather than coming from the US?

Elizabeth Truss: What you would know is that piece of beef, wherever it was from, would have to comply with UK import standards. I have been very clear about what those UK import standards are. Do I think there is a further role for labelling internationally? I certainly do. I have always been a big supporter of country of origin labelling. I am going to be working towards that at the World Trade Organisation because I think it is important that consumers have information about where their food comes from. I think that is extremely helpful.

What I do not want to do is just to let this point pass that, somehow, people will be eating products that are deemed unsuitable for consumption by the Food Standards Agency. That simply isn't true. We will not be allowing products into Britain that are not deemed by the Food Standards Agency to be safe.

Q35 Matt Western: Are you saying that the menu card in Wetherspoons will have details of whether the piece of beef is US sourced?



Elizabeth Truss: This is all extremely hypothetical.

Q36 **Matt Western:** But it is important. The service sector is a huge part of the industry.

Elizabeth Truss: What I am saying is that I support country of origin labelling, and I want to work internationally to achieve that. Certainly in any trade deals we strike, that is precisely the type of information we will be looking for for consumers. It is a fundamental principle that every piece of food sold in this country has to be safe and cannot violate the rules laid out by the Food Standards Agency.

Q37 **Matt Western:** To be honest, it does not sound as if it is really going to happen, does it? The US have put on record that they will not accept any form of labelling.

Elizabeth Truss: Lots of countries set out lots of negotiating strategies in public. What happens in the negotiating room is that we will be pressing British interests.

Q38 **Robert Courts:** I would like to follow up on a brief point about standards. I think we will all agree that we want to see that anything consumed here meets the same high standards. I was looking at some figures from Compassion in World Farming, who say that when we are looking at the allegation we have just heard about—very low standards in US farming—the UK has about 789 so-called US-style mega farms and that there are similar operations in the EU and in Asia, from where we also import food. No one would say that those are producing food that is unsafe, so surely isn't it the case that we should be judging the US fairly against the same standards as we judge imports from the EU or Asia?

Elizabeth Truss: It is a very fair point, and I made the point in my opening statement that we currently import chicken from Thailand and Brazil, but that chicken has to fulfil UK standards. It has to be safe according to the Food Standards Agency, and the ban on chlorinated chicken and hormone-injected beef is there in UK law.

In addition, it is important that we work internationally to improve animal welfare standards. The UK leads the world in this area, along with some other nations such as New Zealand, and there are international standards through the OIE that we should be seeking to influence in improving animal welfare across the world. That is a real priority for this Government, and it is something on which we are working very closely with the Foreign Office.

We have to make sure that, absolutely, our rules apply fairly and that we have a sustainable farming industry. The fact is that we have been behind a tariff wall for 40 years. We are not looking to make rapid adjustments. If you look at the UK global tariff, yes, we have cut the overall level of tariffs. We have simplified it. We have got rid of things like the Meursing table, which had 13,000 different ways of putting tariffs on biscuits and confectionary, but we have not reduced tariffs to zero



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because we want gradual liberalisation. We do not want a situation where our companies, our farmers, are facing unfair competition from other nations.

What I am doing in each of the trade deals I am working on, working with industry, is making sure that we get a fair deal so that our domestic producers, with their high standards, are able to compete. That really is a point of principle in every deal we are negotiating.

Q39 Robert Courts: One last point, you have mentioned the FSA a couple of times. Do you see its role changing in the future as the guardian of safety for food imports?

Elizabeth Truss: There is perhaps more the FSA could do to engage wider stakeholders, such as in its communication to Parliament. The really important thing about the FSA, and why it was established in the first place, is to give the public confidence that there is an independent body, separate from politicians, making these decisions about food standards.

Q40 Mick Whitley: Secretary of State, in what respects do you anticipate the UK-Japan agreement will differ from the EU-Japan Economic Partnership Agreement, particularly regarding agricultural products, the automotive sector, investment protection and trade in services?

Elizabeth Truss: I think we can strike a deal with Japan that goes beyond what the EU was able to agree with Japan. The particular areas I would highlight are data and digital. We want to strike an advanced data and digital chapter with Japan. We are both advanced digital countries and we both believe in liberal digital rules, so I think there is a big opportunity.

In terms of agriculture, I want to see more access for UK farmers into the Japanese market. There are big opportunities in areas like malting barley, for example. We are currently the second biggest malting barley exporter into Japan after Canada. Therefore, we will be looking for the best possible terms for UK business.

Q41 Chair: Just before we move on—Martin Vickers is going to explore quite an important area—the other week we had Nick von Westenholz of the NFU. Basically, the thrust of what he was saying is that the small ruminants rule, which has been mentioned in connection with the trade deal, is actually a win for the United States. The NFU was given an indication five years ago that it would be removed and we would be able to start exporting lamb to the USA, and he said we still cannot. That rule has still not been removed. We need to be very careful that all this does not get thrown into negotiations and used as leverage for the UK to start giving up concessions. He said the rule should have been removed before now. Is the NFU right in that view?



Elizabeth Truss: The NFU is absolutely right that this rule should have been removed years ago. I am very annoyed that it has not been removed. It amounts to protectionism, frankly, that this rule is in place.

Q42 **Chair:** Should it be removed from the trade negotiations, then?

Elizabeth Truss: The point I was making in my earlier statement is that these types of unfairness have to be addressed before we are able to sign a trade deal with the US. He is right; it is not part of the trade deal per se.

Q43 **Chair:** I think he would be comforted to hear that, and negotiators will hopefully be aware of it. Your predecessor Liam Fox said, "If the UK maintains its existing standards on food, animal welfare and good farming practice, then the US will walk away from negotiations". How do you feel about that?

Elizabeth Truss: It is for the UK to decide our own standards. We have been a member of the EU for 40 years, and one of the main reasons for leaving was the ability to decide our import standards in domestic regulation. We should not be leaving the EU just to have somebody else tell us what standards we should adopt. As far as I am concerned, we should have the standards that are right for Britain. We should trade with other nations and work closely with partners, like the United States, but we should not allow anybody to dictate how we regulate our businesses or how we regulate our food.

Q44 **Chair:** Finally, things have a habit of finding their way to us as a Committee, when it is important that they come our way. We have had sources telling us, through charities and NGOs—sources that sit on some of the trade advisory committees that see documents and texts from the trade negotiations—that they are concerned about US-UK trade negotiations. They are seeing a lot of US text proposals and UK reactions to those text proposals, but they are not seeing the UK initiating any text proposals. What do you have to say to that?

Elizabeth Truss: I would say that we are initiating text proposals. We have proposed UK-specific texts. We are also using some of the best negotiations that have already taken place around the world, whether it is CETA, which is a good agreement, or whether it is CPTPP. We are interested in what is best for the UK but, of course, where there is existing text that fits our purposes, we will use that.

What is important is the outcome for the UK's position, rather than precisely where the text comes from. It is important what the text says.

Q45 **Chair:** I know no more than that, but of course I thank those who give me information. Anybody else who wants to give the Committee information anonymously is more than welcome to.



Elizabeth Truss: I know you have written to me about this, and I would be very happy to have a private session with the Committee to brief members on more of these details so that you are fully up to speed.

Q46 **Chair:** Great. We will take that. As you know, we have also been looking for some of the negotiators, not the top negotiators—not the presentation-level negotiators—but those who are at the granular level of negotiations. We are having some difficulty with that, and the Committee would like that as well. We will certainly take you up, and we hope you could provide the coalface negotiators. We would be grateful for that as well.

Elizabeth Truss: One of the problems with the coalface negotiators is they are at the coalface every day on video conferences doing all the work. These are very intensive negotiations, and they are going at a pretty rapid pace. That is probably the issue you have in accessing some of those negotiators.

Chair: A very good story, Secretary of State. We will leave it there.

Q47 **Martin Vickers:** Secretary of State, it is good to hear your optimism as you embark on these negotiations, which hopefully means that in the not too distant future you will have some agreements that will need some scrutiny. You will be aware of concerns that have been expressed by some members of this Committee, and more widely, about the level of that scrutiny. You have just indicated that you would be happy to come to a private session. Can we take it that you would be content to release some sensitive information and briefing notes about those negotiations? Also, would you be prepared to ensure that this Committee can report on each agreement before you lay it before Parliament?

Elizabeth Truss: The position in a parliamentary democracy is that treaties are a matter for the Executive. However, we want to make sure that Parliament is fully engaged and involved. That is why I have been presenting written ministerial statements at the end of each round. I understand the Committee had a meeting with our chief negotiator on the US, Oliver Griffiths, and I hope the Committee will follow up with meetings with our chief negotiators on Australia, New Zealand and Japan.

In terms of precisely what we can share, the only issue is making sure that we maintain confidentiality. We have just been talking about some information from the ETAGs. It concerns me that we clearly do not want our negotiating strategy getting out to our counterparties. Let me see what I can do. I will write back to the Committee about the type of information we can share but, certainly, as we get into a more intensive phase in the negotiation I would like to be able to share more information with you. Also, with reference to your being able to lay a report before we use the Constitutional Reform and Governance Act to lay that treaty—yes, I am happy to accede to that.

Q48 **Martin Vickers:** That is welcome, Secretary of State. How would you deal with any recommendations in that report?



Elizabeth Truss: It would depend what they were, wouldn't it?

Q49 **Martin Vickers:** Clearly, there could be some disagreement.

Elizabeth Truss: It depends what they were, if they were good or not.

Martin Vickers: I thought you might say that.

Q50 **Sir Mark Hendrick:** I was going to follow up on that particular point because, obviously, we would not want to unpick any detailed agreement that has taken the negotiators quite some time to get to, but if there is something quite glaring that the Committee is particularly concerned about, we would want to engage on probably a private or informal basis that would not embarrass the Government but could make the feelings of the Committee known before the agreement is put before Parliament.

What are the Secretary of State's views on that? You sound fairly open and outgoing as far as the general approach is concerned. Would you be prepared to look at certain recommendations, if we felt that the proposed recommendations were unreasonable or would hit a certain sector of our economy and put our constituents at great risk of unemployment or put them out of business, or whatever? Would you perhaps comment on that?

Elizabeth Truss: That would be better done considerably in advance of our reaching the final point in the negotiations. This surely would be a topic for the private session so there is a broader understanding of the scope of the agreement.

Q51 **Sir Mark Hendrick:** Yes. If it was a particular sectoral concern such as, for example, aerospace. We talked about—

Elizabeth Truss: Exactly, although I think it would be best to discuss that in advance of that section of the negotiation.

Q52 **Sir Mark Hendrick:** Will we be kept up to date with what stage the negotiations are at?

Elizabeth Truss: Yes.

Q53 **Sir Mark Hendrick:** So you would be interfacing with us at that point?

Elizabeth Truss: Good.

Sir Mark Hendrick: Okay, fine.

Elizabeth Truss: As I said last time I appeared in front of the Committee, I see the ITC as the key parliamentary scrutiny of these negotiations. If you remember, there were previous proposals to have a separate Committee but my view is that that is the role of the ITC. Certainly, we should have some private sessions to go through more of the detail with you.

Q54 **Sir Mark Hendrick:** I am very pleased to hear that. Certainly from the way in which the Trade Bill was discussed on Second Reading, and the way the discussions are going at the moment, it appeared to many that



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the Government do not necessarily want that input and involvement. You seem far more open and candid about it.

Elizabeth Truss: The difference is that the Trade Bill is really dealing with the continuity agreement; it does not deal with new FTAs. This is the first time we are doing FTAs in 40 years, so to some extent we are creating a new process. However, the next step will be to have a private session with the Committee over the next few weeks to go through more of the issues like the type of text we are using and the areas we are discussing, which would be helpful.

Sir Mark Hendrick: Good, I am pleased to hear that. Thanks.

Chair: Excellent, thank you very much. We will certainly take that to the bank.

Q55 **Mark Garnier:** Secretary of State, can I turn to the issue of staff and your resources. How many members of staff do you now have in the Trade Policy Group?

Elizabeth Truss: As a former Minister from the Department, you will probably be very familiar with the development of the Trade Policy Group. We now have 723 staff in the Trade Policy Group. Across Government, we have over 100 negotiators for the US, over 50 for Japan and Australia, and a further 30 for New Zealand.

Q56 **Mark Garnier:** About a year ago I think there was a survey, or an expectation, that the Trade Policy Group would need 785 staff to pick up all the work that is coming its way. Have you done an assessment of how many staff you now need in light of some of the other deals you are looking at, particularly CPTPP, and some of the other work coming through? What is your current expectation of how many you need in that policy group?

Elizabeth Truss: We currently have enough staff to conduct the negotiations we are conducting. We have recruited 30 more staff just in the Trade Policy Group in the last two months. We have a really expert staff, recruited from negotiating partners—the likes of Australia and New Zealand—from the World Trade Organisation and from law firms. We really do have an extremely strong team.

All these negotiations are being conducted on video conference—I hope at some point we will be able to do face-to-face negotiations—but that is extremely draining for a lot of people because it is always on. The whole concept of a round structure is slightly more difficult when you can call somebody at any time of the night or day, and we are working in various different time zones.

We continue to recruit staff. In the last few months we have seen a reduction in staff turnover, which is very positive, and pretty high levels of morale. We are still developing our capability and we are still, indeed, looking for staff. We have very dedicated staff who are doing an excellent job of moving these negotiations forward very rapidly. We should be in a



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position with the US, for example, to be able to close a couple of chapters by the end of the next round, which is really rapid progress in terms of trade negotiations.

Q57 Mark Garnier: That is very good but, none the less, the estimate a year ago was that 785 staff were needed and you still have fewer than that. However, you are happy that you are managing the demands on the Trade Policy Group to be able to negotiate these deals. Are you happy with that?

Elizabeth Truss: Yes, I am very happy with the very good work staff are doing and the progress we are making. As I mentioned, we have more potential deals in the pipeline so, of course, we continue to look for excellent staff to join our organisation.

I am very pleased that the recent staff morale survey had very positive results. I think people are really enjoying that we have now moved from the development phase into the full-on trade negotiation phase. People see it as an excellent opportunity to work for the UK as we conduct our first independent trade negotiations for over 40 years. I think it is a very exciting place to work, which is reflected in terms of staff morale.

I want to introduce Andrew Mitchell, the official attending this hearing with me, to say a few more words on the subject of staff morale.

Chair: Can you just give us your title, Andrew, before you proceed much further?

Andrew Mitchell: Good afternoon, everybody. My name is Andrew Mitchell. I am Director General of the Global Strategic Sourcing and Engagement Project. I recognise that is quite a long title but it reflects the work we have been doing on international supply chains and the sourcing of PPE and other medical goods, which was part of the initial response to the crisis in which DIT was instrumental.

To say a word about the position within the Department on staffing, as the Secretary of State has said, morale is good. It is good because the staff are very highly motivated. It is clear that trade is a very big and important part of economic recovery, and it is part of our international strategy. We are launching trade negotiations around the world, so staff are motivated. To point to the figures, 93% of our staff responded to the staff survey, which is a very high level, with 65% engagement—the engagement score is the critical measure that we use to identify how effective we are in deployment and how responsive our staff are to what we are doing on leadership around objectives and so on—that was 2% above the civil service average. Of people in DIT, 71% were proud to tell their friends and family that they work for the Department.

I also clarify that this is a pretty unprecedented time for the Department more generally, launching simultaneous trade negotiations while, at the same time, many of our staff around the world are in crisis mode, but it has been a really effective effort.



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Q58 **Mark Garnier:** Going back to that survey, presumably you are referring to the civil service people survey?

Andrew Mitchell: That is correct.

Q59 **Mark Garnier:** In the last one we have, DIT seems to be the median in engagement, my work, my manager, learning and development, inclusion, fairness, leadership and change. That is reasonable, you do not have to be the best at everything. Objectives, in the top quartile. Resources, below median. Pay and benefits, very low. Therefore pay and benefits still seems to be a problem for staff.

Andrew Mitchell: Yes, I think it is fair to say that staff tell us they are concerned about pay and benefits. Of course, for the Department this is a concern. We do what we can to address that. I think recognition for staff is a really important part of that. As a diverse and inclusive employer, we are seeking to ensure that we can motivate teams by non-pecuniary means. It is also worth saying that the Department is three years old.

Mark Garnier: Four years old, actually.

Andrew Mitchell: Four years old and, over the course of that time, that engagement score has risen by 9%, so we are certainly on the right trajectory.

Q60 **Mark Garnier:** That is very good, thank you very much. I will direct the question to you, but the Secretary of State may want to jump back in on this one. When I was in the Department—I joined the Department four years ago, when it first started, as Investment Minister—what we were doing was, of course, drawing back all the teams from various other Departments around Whitehall. There was a great deal of movement of members of staff.

If I were a member of staff at DIT at the moment, one of the things I would have picked up from this session is the Chair's opening questions to the Secretary of State about the merger of International Development into the Foreign and Commonwealth Office. There is no doubt about it, one of the things that members of staff in any organisation hate is reorganisation. The uncertainty of reorganisation is incredibly bad. I suspect it does not help, although I do not think it is anything do with her, there is speculation that Antonia Romeo—by the way, she is one of the most astonishingly capable and talented individuals I have come across since I have been in politics—may go off to replace Simon McDonald in the Foreign and Commonwealth Office. The rumours circulating about the changes in the machinery of government are inevitably going to have an effect on members of staff and staff morale in any Department that is being talked about.

As I say, Secretary of State, maybe you would like to come back and address that point. Staff will inevitably be looking to see leadership from you in standing up for the Department to make sure it is not rolled into another Department or split up between, for example, BEIS in the UK and the FCO overseas.



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Elizabeth Truss: I am very clear that the Department is doing a fantastic job. I think our staff morale results, our success in recruitment and the work going on in the Department demonstrates that the Department is going places.

In terms of the reorganisation chat and the recent announcement about the FCO and DfID, it was a long time coming. People understood that was happening, and it makes sense to have your foreign policy and your development policy sharing a united approach.

Mark Garnier: I am not sure everybody would agree.

Elizabeth Truss: If I can just reply, it is very different when we are talking about something that is entirely new for the UK, trade policy. We have now developed capability that is comparable with our key negotiating partners, and we want to build up and develop the capability.

What I was saying to the Chair earlier, and I will say to you now, is I am focused on getting the job done. We motivate staff because of what we do. I think the best thing to do with speculation in the press, frankly, is to ignore it rather than winding people up about it.

Q61 **Mark Garnier:** That is a very good point. If I could ask one last question, Secretary of State, and actually you raised this with the level of resignations. Inevitably, I keep hearing stories from people who have left the Department who talk about morale and stuff, but maybe they have their own agenda. You said resignations had slowed down and you were seeing more permanence with staff not resigning.

Elizabeth Truss: Yes.

Mark Garnier: Can you talk a little bit about that?

Elizabeth Truss: Staff turnover has reduced from 17% in October to 14% in March. I think one of the reasons is that we have moved into full operational mode. The Department has done a lot of work on rolling over the transition deals in the investment work you were talking about, the export work. Now we are absolutely clear that we are leaving the transition period at the end of this year, these trade negotiations with the US, Japan, Australia and New Zealand are happening. There is a difference of tone in the Department. We are a Department that is fully operational, fully functional, working at top gear, and I think that carries across to everybody who works in the Department.

Chair: Next is Paul Girvan, my southern neighbour.

Q62 **Paul Girvan:** I thank the Secretary of State for her openness in dealing with this, and I appreciate the opportunity for the Committee to have a private briefing on some of this, which will be very helpful.

The Government have reportedly launched Project Defend to address supply-chain vulnerabilities, including an overreliance on Chinese goods, by means such as onshoring production in the UK. How does this relate to



the Government's ambition to be a champion for free trade?

Elizabeth Truss: I start by relaying what has happened during the coronavirus crisis. Immediately, as the crisis emerged, DIT set up a joint unit with the Foreign Office, which was led by Andrew Mitchell who is also on this call, essentially to make sure we kept our supply chains open. We kept the goods flowing in, whether that was paracetamol from India or PPE from China. Ministers across both Departments were involved in lobbying their respective Ministers to lift export bans, make things happen and get the goods into the country. That resulted in the sourcing of 18.5 billion items of PPE, as well as making sure that the UK was not without paracetamol when we found out that virtually all our supplies of paracetamol came from India. That was also extremely important.

We also worked with our G20 counterparts at that time. I spoke to many of them, and we had a G20 Trade Ministers' meeting to put out a statement in favour of free trade, in favour of keeping those supply lines open and making sure that any measures taken by countries during the coronavirus were temporary and transparent so we could keep that trade flowing. I wrote an op-ed with my colleagues from Singapore, Australia and New Zealand on precisely this issue.

As we moved beyond that immediate crisis we launched Project Defend, which is about understanding our supply chains. I do not think we realised the issue of being dependent on India for paracetamol, for example, and being dependent on various other countries for PPE. What we need to do is make sure that, through all our critical supply chains, we know what the situation is and take steps to ensure the Government are able to deal with future crises and that we, as a country, are resilient. My view is the answer to resilience is not autarky, as you might have been suggesting. It is not onshoring all our industry because that makes you less resilient, as you are subject to a shock on the UK. The way we make ourselves more resilient is by having more trade with a greater diversity of trade partners, so we are not dependent solely on some countries for imports and we are not dependent on certain markets for exports. Project Defend is about doing the analysis behind that so we understand what is currently happening and are able to devise our strategy accordingly. Our strategy on trade is already making sure we are trading with a diverse range of partners, and the US and CPTPP are good examples of that.

It is not an anti-free trade policy; it is about knowing what is happening and making sure that we are, in trading terms, both economically successful and resilient.

Q63 **Paul Girvan:** We have put out that message, but how is it being interpreted by other regions and other nations? Are they looking at this as just the sectors associated with Covid? Will other industries feel a cold house in relation to future deals because of the approach we are taking with Project Defend? Is there a possibility that it might affect other sectors of our industry?



Elizabeth Truss: Certainly speaking to industry over the last few months, a lot of people are telling me that they are now looking at multiple sourcing of their goods. They are making sure their supply chains are resilient, and they are understanding the length of their supply chains more. I think this has brought attention not just to Government but to business about how resilient they are in the face of crises.

The fact is that supply chains worked pretty well during the coronavirus crisis. There were fears about food supplies or medical supplies, but things kept working. My view is there is more we could do as a Government, which is what Project Defend is about, and there is more the private sector can do to make sure that we deal with future crises. As you rightly say, it might be a different crisis next time but transparency and diversification are the answers.

In terms of how other countries are reacting, the fact is that other countries are doing precisely the same thing. Everybody is looking at this, and I speak to my international counterparts regularly. One of the things we are interested in is working with our allies across the world on how we make sure that we jointly secure critical supplies, how we make sure that we are not overly exposed to single-nation exporters. This is something we are actively engaged in with other countries. I am determined that we should maintain our reputation for being a free-trading nation but also one that works within the global system and the WTO rules.

Andrew Mitchell is the official who leads on this project, so he might want to say a bit more on this subject.

Chair: We will maybe hold that, and maybe Andrew Mitchell might want to come in.

Q64 **Sir Mark Hendrick:** I thank the Secretary of State again for putting forward what I think is a perfectly reasonable approach. I think what she is saying is that we are stopping short of what anybody would call protectionism by trying to onshore everything but, at the same time, not being reliant on a single source. That multi-sourcing could include having indigenous capability in some areas that we could still develop as well as importing from abroad, which gives us maximum choice and opportunity to keep supply chains moving instead of one particular factory somewhere else in the world stopping a whole industry in this country from functioning.

However, I am a bit concerned—I was particularly interested in the way the question was posed—about the specific mention of China. I would not want to see us get wrapped up in a US-led trade war. At the moment, I think the United States is looking around to find allies to try to isolate China in trade and business. Will the Secretary of State comment and totally disassociate herself and her Government from that?

Elizabeth Truss: We continue to trade with China as, in fact, do the United States. It was only this week that they confirmed they are following through with phase one of their trade agreement with China. It



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is not a fully comprehensive trade deal, it is a trade agreement, but they confirmed they are following through with it. I think it is right to take that approach.

However, there are instances where rules are not being followed at the World Trade Organisation in terms of transparency, in terms of forced technology transference and in terms of subsidisation, using state-owned enterprises. One of the points of the Trade Bill, of course, is that we are setting up the Trade Remedies Authority, which is specifically going to deal with issues like dumping. It is right that we deal with unfair practice and that we make sure the WTO is reformed. However, we should continue to trade with China, as indeed the US does. They are our fifth-largest trading partner.

Sir Mark Hendrick: I think some are concerned that the current attitude in the United States is very much tailored towards the November elections as much as anything.

Chair: None of us can say too much about that.

Q65 **Taiwo Owatemi:** Before I ask my question, I would like to declare that I am a registered pharmacist and that I belong to pharmacy associations and unions.

As a pharmacist, I have often had supply chain issues in accessing certain essential drugs. The Committee has heard evidence that the Government should help create a parallel supply chain for essential drugs so that production in the UK can be ramped up if there are disruptions to global supply chains. How much merit do you see in that idea?

Elizabeth Truss: There is certainly an issue around pharmaceuticals; in fact, I have had conversations with the pharmaceutical industry about precisely this topic. I talked earlier about the issues we have had with generic drugs, such as paracetamol. I cannot go into the details of Project Defend, for obvious security reasons, but making sure we have a proper supply of those drugs for this country is very much our focus and the focus of the Department of Health. I work very closely with Matt Hancock on precisely this issue. We have been working together throughout the Covid issue to make sure that supply is here in the UK.

Q66 **Taiwo Owatemi:** I understand that. However, if we were in a situation where an outbreak happens again, how do we ensure we have the capacity and the flexibility to turn on production when it is needed?

Elizabeth Truss: Yes, a previous member asked me about more onshoring and what we can do around that. The fact is that there is more onshoring taking place anyway, because of technological advances with 3D printing and CNC machines. It is easier to produce things in the UK than it was, say, 20 years ago. Certainly I know we produce drugs here in the UK.

We are working very closely with the Department of Health to make sure that we have security of supply in all those products. It is a combination,



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of course, of making sure that we have domestic supply but also that we have multiple sources and reliable partners, too.

Q67 **Chair:** Before we move on from supply chains, *Channel 4 News* recently—last week, I think—did some amazing work on the trade problems with medical rubber glove maker Top Glove in Malaysia, which is the UK's biggest supplier of gloves. BM Polyco buys their stuff. There were allegations of modern slavery highlighted in that report by Jonathan Miller, using workers from Bangladesh and Nepal in Malaysia. How much diligence can the UK possibly do around that area? Surely none of us wants to see modern slavery.

Elizabeth Truss: I completely agree. We have a modern slavery strategy precisely to deal with those types of issues. Of course, this is something we are looking at very closely. I know our Ministers have been involved in detailed discussions on this issue.

Q68 **Matt Western:** Secretary of State, if we could turn to investment policy, what we have heard so far in evidence is that there has been very little on DIT's website specifically regarding support for inward investors during the pandemic. What is the Department doing to help and advise them, and how are you telling them what services are available?

Elizabeth Truss: I am very proud of our record as a country in investment; we are the third in the world and the number one in Europe. We have attracted more investment in digital than France and Germany put together. We have recently had a new Investment Minister appointed, Lord Grimstone, who is leading our investment strategy. He has been working with and talking to investors. If there are any particular investors you would like to draw my attention to, I am very happy to take that forward.

We are reforming our investment strategy overall to make sure it is levelling up the UK. We are looking at working closely with the Treasury. We have a new economic campus that we are establishing in the north of England, and I want our investment strategy to be very much at the heart of that.

We will be saying more about our investment strategy in due course. We are absolutely focused on this issue because, as we come out of the coronavirus crisis, we are going to see diminished investment availability across the world. We need to make sure that UK companies are getting the lion's share of that investment.

Q69 **Matt Western:** Has the website been updated since then, and are you happy with what is currently available on it?

Elizabeth Truss: I will go and double-check our website to make sure it has all the latest information, and I will discuss that with Lord Grimstone.

Q70 **Mark Garnier:** That used to be the job I did in your Department a couple of years ago. One of the things I was slightly perplexed by was the way



in which we counted foreign direct investment; it was counted on the basis of transactions, not the value of transactions. How are you assessing FDI now?

Elizabeth Truss: The figures I have just quoted are the overall value of FDI. What we are looking to do shortly is set some new objectives on what we want to achieve, and we are looking at precisely these issues.

I agree with you, Mark, that we should be focusing on the value of that investment. We should be focusing on the location of that investment, too. I am very committed to making sure that we bring investment in—particularly in areas like upgrading our infrastructure, upgrading our housing stock—and that we bring that in right across the country.

Q71 **Mark Garnier:** I would agree with that. If I could make perhaps an old point, the slight problem we had in counting this was that the SoftBank investment in Arm Holdings was categorised as one investment, some were saying it was also a £23 billion investment, but actually it was a stock market investment. It was merely a purchase of shares rather than necessarily a new direct investment into the UK. There has always been a certain sort of tension in how some of these figures are collected.

You are right that what you do not want to do is say that a SoftBank investment of £23 billion in Arm Holdings is the equivalent of somebody opening up one shop in central London, for example, which is clearly not the case. As I say, it is the categorisation. If you are merely buying shares from somebody else, you are not investing anything—it is a transaction as opposed to a new investment. That is the only point I wanted to make on this.

Elizabeth Truss: That is a very fair point, and I hope we can consult you as we launch our new strategy.

Mark Garnier: I am always available to help if needed.

Chair: A kind offer, thank you.

Q72 **Mick Whitley:** Secretary of State, witnesses have told this Committee that Governments could be subject to costly lawsuits by investors over actions taken during the pandemic. How do you view the argument that investment agreements need to be reformed to ensure Governments' right to regulate?

Elizabeth Truss: Let me be clear that any agreement we sign will be absolutely clear about the right of the UK Government to regulate. We do not want to be in a position where overseas corporations are able to ride roughshod over UK law. That is something we are looking at in all of the FTA negotiations we have conducted.

Q73 **Mick Whitley:** For any future agreements, we will not have any multinational companies suing us because they never got a tender or never got an agreement?



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Elizabeth Truss: As I have said, I do not want to sign anything that will hamper our right to regulate.

Q74 **Mick Whitley:** So that will not appear in any agreement, then?

Elizabeth Truss: As you probably know, we have investor chapters in a number of investment agreements we have already signed. There is a mechanism, for example, in CETA as well. What I am saying to you is we will be going through investor chapters with a toothed comb to make sure companies are not able to do that to us, absolutely.

Q75 **Chair:**, I would like to move to a slightly different area. Concerns have been expressed about the threat to national security from strategic assets being bought up cheaply in the wake of the pandemic. My mind goes back to a story that was in *TechRadar* a number of years ago when Dr Peter Cochrane, who was chief of a team at British Telecom, told a story about how in about 1986 he was finding a way to bring fibre to people's homes, cheaper than copper. By 1990, the feeling was it would only be a monopoly for BT and the thing was sold off to provide competition instead. What happened was that the assets were stripped and the fibre-making capabilities were moved to Korea and Japan in subsequent years. The advantage the UK might have had, if not for the privatisation in 1990, was lost because of people coming in and buying stuff.

With the danger of people coming in and buying stuff, will the forthcoming National Security Investment Bill balance the concerns of maintaining assets—we have just heard quite a lot about that—and capabilities here with a need for inward investment?

Elizabeth Truss: We want to continue to be an incredibly attractive country to invest in. We want to have a clear regulatory system and clear planning laws that allow investment to happen in our country. We continue to be particularly attractive in areas like digital and tech. I think it is important, at a time where companies could be low valued due to the coronavirus crisis, that we are careful to make sure that we do not see predatory investments. That is something I am working on closely with the BEIS Secretary of State, who is responsible for this overall, looking at those types of investors and screening techniques.

If you look at the global picture, this is exactly what countries like Australia and Japan are doing to make sure that, although they are open for positive investment, we do not see those types of predatory activity.

Q76 **Chair:** Yes, indeed the difference between mergers and acquisitions and the greenfield direct investment. Will the Bill give your Department any role or powers, do you think?

Elizabeth Truss: The powers will not be exercised by our Department. Our interest in this is maintaining, of course, strong international investor confidence.

Q77 **Chair:** Will you have a role?



Elizabeth Truss: Our job is bringing the investment in. We need to make sure, and we are making sure, that any legislation does not prevent positive investment. I am extremely supportive of the whole concept of investment screening, guarding against the predatory investment we have just been talking about.

Q78 **Chair:** I suppose in FDI reporting it is better to have a demarcation between the greenfield investment, which we want, and the mergers and acquisitions that can tend—

Elizabeth Truss: The devil is always in the detail of this accounting. Mr Garnier has just been telling us about his views on how we present these figures. There are many areas where we could reform some of the way we report these things, but inevitably things like intangible assets are very hard to capture and there is often difficulty when you are talking about investment in service industries. The more I look into this, the more it becomes quite tricky. That is why we need some kind of judgment in these cases as well.

Chair: Thank you. You said that the devil is in the detail. Well, here is somebody who is a master of detail and not a devil at all.

Q79 **Mark Menzies:** Thank you, Chair. The next series of questions is around UK Export Finance. I want to touch primarily on support for British business during the pandemic but, maybe towards the end, we can also look at UK Export Finance a bit more generally. What has been the level of take-up of Government support to businesses trading internationally during the pandemic, including support by UK Export Finance?

Elizabeth Truss: I do not have figures for the period of the pandemic. What I can tell you is that UK Export Finance currently has £30 billion of projects underwritten. What we have done during the crisis is extend export insurance to more countries, more developed countries, making sure that exports are protected. We have also extended the Export Working Capital Scheme to more businesses in the UK.

I will write to the Committee with additional figures about exactly what we have been able to do during the immediate coronavirus crisis, but UKEF has been very responsive in extending those products to help companies deal with the crisis.

That is not the only piece of work DIT has done. We have also been working through our network of trade advisers, for example, to support businesses exporting to the Gulf. They were having to fulfil wet-stamping requirements, physical paperwork. We have been able to negotiate digital certification. We have a whole network of people around the country who are ready to support businesses on a case-by-case basis alongside the wider Treasury schemes such as the Bounce Back Loans and the other finance available.

Q80 **Mark Menzies:** It was suggested to us in one of the evidence sessions that there may well be issues of businesses accessing trade credit



insurance and eligibility for Government loan schemes. Are you fairly confident that some of those issues may have been resolved?

Elizabeth Truss: Absolutely. If there are businesses that feel they cannot currently get that access, they should speak to their local trade adviser and we will look at them on a case-by-case basis. Certainly we have expanded the Trade Credit Insurance Scheme, and I have talked about the Working Capital Scheme as well, to make sure businesses are covered at this difficult time.

UKEF is working on a number of schemes to support the recovery as well, to make sure that businesses have the guaranteed finance to be able to expand their businesses for export. We also want to make sure UKEF is serving small and medium-sized enterprises, so we are developing new products to support that as well.

Q81 **Mark Menzies:** That leads into my final point. Is the Department currently working to look at how we can support businesses, particularly small and medium-sized businesses but also manufacturing businesses? At the end of the day, it is easy to talk about numbers but we should never lose sight of people's jobs. Jobs in the manufacturing environment are often dependent on support from Government. In the City of London, we have probably one of the most dynamic financial centres anywhere in the globe that can think up incredibly slick products to meet a whole range of needs. Is UK Export Finance currently engaging with some of the brightest minds in the City of London to make sure we have products that can support business as we come out of Covid?

Elizabeth Truss: I specifically mentioned the scheme that is all about supporting small and medium-sized enterprises that we are working on at the moment. We have also launched a series of bounce-back export strategies. We launched one for the tech industry a few weeks ago. One thing that we want UK Export Finance to do is to engage with the tech industry to make the products more suitable for those types of businesses—not your traditional bricks-and-mortar businesses but the tech industry. We have also launched a bounce-back package for agriculture. Again, we think a lot of the UKEF products can be developed for agricultural businesses, particularly where we know there is a market for a product and there needs to be capital investment in the UK to support that product being created. We think that is a really strong opportunity for agriculture that we are developing at the moment.

On your point about manufacturing, we are going to be doing a consumer goods bounce-back package soon to support consumer goods exporters. That will be areas like ceramics and textiles, those types of products. We are also doing one with the automotive sector as well.

UKEF is an export agency that has now been running for over 100 years. It does a fantastic job. I want its products to be accessible to more industries, industries like the tech industry, like agriculture. I want them to be more accessible for small businesses, and I want them to be



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accessible right across the UK as part of our levelling-up agenda. To me that goes hand in hand with our investment strategy. The investment strategy and UK Export Finance should work to get more of those British products overseas.

Mark Menzies: That is very welcome news. Thanks very much, Secretary of State.

Chair: Now the great Martin Vickers is standing patiently by.

Q82 **Martin Vickers:** Thank you, Chair. The point I want to make very much follows on from the previous question. You have outlined, Secretary of State, some very welcome packages that are available. Often, particularly from small and medium-sized businesses, we hear they are unaware of the help and support that is available. Particularly during this pandemic, what has your Department been doing to make businesses aware of the support and opportunities available?

Elizabeth Truss: The work we are doing on small businesses, particularly export finance, we are planning to announce shortly. We have been working closely with the Federation of Small Businesses on a series of webinars and talks, and we are also talking about the trade deals and SME chapters we are negotiating and their benefits for small businesses. We are seeking to communicate this through a number of different channels to get the message across to small businesses.

The sector-specific strategy for food and drink, for example, had the 'food and drink exports in a box' in which we presented some of the high-quality British products we want to get around the world. We are developing more of those kinds of ideas so that businesses can understand what we are offering. We can help them be part of Team UK in approaching the international market, rather than having to go it alone. We will shortly be launching a broader export strategy, being led by Graham Stuart, which will do just that.

Q83 **Martin Vickers:** Can we assume that once we are free of the pandemic, and once Zooms and webinars perhaps become less prominent, you will be out and about in real time, as it were, with roadshows and the like to ensure businesses are made aware?

Elizabeth Truss: Absolutely. We are very keen to get out when the Covid crisis allows us to do that. In the meantime, we are doing a lot of webinars. I have done one this lunchtime with businesses in Birmingham on the potential opportunities. Businesses can look at our website, which has all the details of the various packages available. There is also our network of international trade advisers around the country with whom businesses should get in touch. We also have a document that MPs can use to communicate with businesses about those various schemes, too. I will be sending that again to everybody on the Committee.

Chair: Martin Vickers, I am glad to hear that you did not say they cannot join in these great Zooms and webinars, which are a fantastic addition to



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our lives.

Martin Vickers: They are not the real thing, Chair.

Chair: You can say that in faraway Westminster. Here at the centre of the world, in the Hebrides, we think they are fantastic things.

Q84 **Mark Garnier:** Finishing off on that previous point, Secretary of State, it is certainly the case that one of the biggest challenges you face is not finding an export market but finding the supply to deliver to that export market. It seems we increasingly need to persuade people to think about selling overseas, rather than just selling to the town next door.

I really want to talk about the Tradeshow Access Programme. Looking through the briefing notes, the Tradeshow Access Programme essentially seems to have the same problems that it had when I left the Department two and a half years ago. There are the run-of-the-mill questions, not enough funding, a limit to the number of trade shows you can apply for in any given period in any given region and—the great old one—you could go to a trade show anywhere around the world and you would have a massive Germany stand, a massive France stand, a massive Italian stand or an American stand, and our team would be out there valiantly holding up one of the smaller countrywide stands. Trade show access, at the end of the day, is the most old-fashioned way of selling something: it gets you face to face with other people by putting out your stall.

Are we putting enough into the Tradeshow Access Programme?

Elizabeth Truss: On your specific point, we are actually raising the limit in terms of trade show attendance. So we are dealing with one of the points you raised.

You raise some very fair points. I remember visiting a number of trade shows as DEFRA Secretary and finding that some of the other stands could be bigger. However, size is not always what is important; it is important what is on the stand. We have to make sure our money is focused in a clear way on what will deliver the results. This is where the concept of 'British exports in a box', getting it across to key markets, is very important.

The budget for trade shows this year is £6.5 million. Anybody on the Committee who wants to help me lobby the Chancellor for more funding is very welcome to do that. Of course, we are in a position where we cannot actually run the Tradeshow Access Programme at the moment, so we are looking for virtual opportunities to sell our products overseas as well.

Q85 **Mark Garnier:** I would certainly be very happy to lobby the Chancellor. Obviously his chequebook has become bigger and bigger, so no doubt we can slip in an extra few million for you to promote British exports.

You mention your time at DEFRA, and there was a joint telephone conversation between a DIT Minister and a DEFRA Minister earlier this week about promoting British agricultural exports. I did not attend that



webinar but I read the note afterwards with slight incredulity because this is exactly what we should have been doing all along. Why are we now talking about export promotion of agricultural products when, actually, DIT's job is to promote everything? What is new about this, and why is it different?

Elizabeth Truss: These are specific packages around recovery from coronavirus. We know that global GDP has fallen, but global trade has fallen even further than GDP. We are going to be fighting for an increased share of what is going to be a slightly smaller market this year, so it is very important that we get our products out there. We are taking an approach of doing this by sector.

You said earlier that the key thing is getting businesses to take the next step. One way of doing that is introducing them to other businesses in the same sector so they can understand the processes and the opportunities. That is precisely what these bounce-back export packages are about. As I say, we have launched tech and agriculture. It is getting the message across to people that there are huge opportunities out there and that this is an ideal time to go for them as we go into the recovery phase, as economies around the world are opening up. We saw over the last quarter that, understandably, consumer demand fell across the globe. We expect to see that rise again in Q3, so we want to make sure that British exporters are primed for those opportunities.

Q86 Mark Garnier: You clearly have some very big challenges ahead in trying to get into a diminished export market. I suppose the size of the export market really does matter, because obviously opportunities have to be there.

Do you think you will have learned a lot of lessons about export promotion through this difficult time that may carry on when we get back to some semblance of normality in terms of export promotion and how to tackle difficult markets?

Elizabeth Truss: We have talked about everything being done on Zoom. We are certainly learning on the trade negotiation side that it is possible to do a lot more virtually than we ever thought possible. I think we will not go back to doing things the way we were doing them originally, and I think a lot more international commerce is going to take place online and there will be more of that. Nothing replaces face to face, but we will see an augmentation of face to face with a lot more video conferencing, a lot more Zoom calls. Having such a fantastic tech industry as we do in the UK, we are in the ideal position to capitalise on that. We need to make sure we are helping our exporters use that technology to get their products around the world.

In terms of coronavirus, we are gradually moving forward but there is still a risk of a second spike, and the Prime Minister has been very clear about that. Therefore we have to learn to cope with the new environment we are in, and that is inevitably going to mean a lot more online activity.



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Chair: Excellent. In Parliament we need to wake up Jacob Rees-Mogg and the Prime Minister to the benefits of technology, but I will leave that to one side.

Q87 **Robert Courts:** I would like to move on to talk about international responses to the pandemic. There are a couple of points I would like to ask about, particularly in the context of G20 Trade and Investment Ministers. There have been two statements on the G20 response to the Covid-19 pandemic. How pleased have you been with how far those statements went? Were they adequate, or was there more you would have liked to see?

Elizabeth Truss: First, we were really pushing for those statements to take place. There has been a lot of protectionist rhetoric across the world, which is very dangerous. If you look at what happened in the Great Depression, countries putting up barriers made the economic problems a whole lot worse. We are not out of the woods yet on that. It is really important that we work with likeminded free-trading partners to challenge the whole concept of protectionism and promote the idea of free trade, the idea of low barriers and the idea of international co-operation.

I called a lot of the G20 members to get a statement agreed. It was positive that we got a statement agreed. That was not a given, given the variety of voices around the table and the different opinions on these issues. To get an agreement that we would make sure that any restrictions were proportionate, transparent and temporary, and indeed to work with likeminded allies to reduce tariffs in areas like medical supplies as the UK has done, is positive.

Would I like the statement to have been more ambitious? Absolutely, I would. There are more opportunities to reduce tariffs on critical areas of supply. That would not just benefit countries like the UK; it would benefit the developing world as well. There is more need for global leadership on trade. Of course, our Prime Minister is very committed to that, and I know he wants to do more in that area. However, we also need a good Director General of the WTO to move things forward and we need other countries to recognise how crucial the global trading system is, because without it we would have been in a much worse position during this crisis. It is because it has carried on working that we have been able to source the vital goods we have needed. However, would I like us to be more ambitious? Absolutely, I would, and I push very strongly for that at the WTO.

Q88 **Robert Courts:** Can I ask about the list of actions that was produced in May, I think, and that was produced again by the G20 Ministers? Could you give us an update on how the Department is getting on with implementing that?

Elizabeth Truss: We have implemented the actions. I can write you a letter on the extent to which other countries have implemented the



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actions. What I wanted to see established was an officials' working group, which has been established, to chase up on some of those actions.

Chair: That is excellent. Now I am going to go to Taiwo Owatemi, who is waiting patiently.

Q89 **Taiwo Owatemi:** Secretary of State, several proposals for multilateral agreement on trade in medical goods have been put forward in recent months. What has been done to evaluate these proposals, and do the Government support any of them?

Elizabeth Truss: As I say, we have worked closely with other countries that want to see reductions in barriers on medical goods. In terms of the other proposal, I am not quite sure which one you are referring to.

Taiwo Owatemi: In terms of the proposal with the Trade Ministers from Australia, New Zealand and Singapore regarding co-operation on how drugs would be based on a multilateral or plurilateral approach.

Elizabeth Truss: I am, broadly speaking, in favour of that. Given our status at the moment of not having our own independent tariff policy—we will be introducing that when the UK global tariff comes in at the end of the year—it can make it slightly difficult for us to join these arrangements, but I am certainly in favour of the principle.

Q90 **Chair:** Thanks very much, Secretary of State. I wonder if any other members want to come in with a point or two. Before they might do, I have become aware of a communication that your Department has put out regarding the USTR and the reaction to them launching a public consultation "to increase the tariff rates on current UK and EU products as well as other products on the retaliatory duty list. The US first reported these tariffs on the EU and the UK in October 2019", and they are looking to do more. They are having a consultation up until 26 July on, "goods currently subject to tariffs, goods included in the April and July 2019 list but not currently subject to tariffs and", annex 3, "a new list of goods being considered for additional duties". Given the relationship you are trying to kindle with the US, what is your reaction to that news?

Elizabeth Truss: I am very disappointed to see this latest communication from the United States. I strongly urge them not to impose further tariffs on British products. I understand that, for example, gin is on that list. I strongly urge them not to do that. As I said, we need Phil Hogan and Robert Lighthizer to get a negotiated settlement on this issue. Tit-for-tat tariffs between the EU and the US are simply harming businesses on both sides of the Atlantic, and I do not want to see any more of these arbitrary tariffs.

Q91 **Chair:** At the beginning, you had some fighting talk regarding the United States and its approach to trade. Does this add fuel to your fire or fuel to your fight, if you like, because the United States is going to be hitting, by the look of it, UK business interests with this next round of tariffs?



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Elizabeth Truss: This is a consultation and, if you recall, earlier this year there was a consultation on imposing tariffs on blended malt whisky that, at the moment, are just imposed on single malt whisky. I urged the Americans very strongly not to impose that, and it was not imposed. I am urging them again not to impose any additional tariffs on the UK, and indeed to lift the tariffs that are already in place.

Chair: Regardless of political party, we would all welcome that and we would wish you luck in achieving that end, Secretary of State.

If there are no further questions from Committee members—I am scanning my screen anxiously, and I think you have exhausted their appetite for questions—it was great to see you at the Committee, Secretary of State. Hopefully we will see you again when we can discuss the various ins and outs of trade, people hiding behind tariff walls and Americans erecting further tariff walls. There is always plenty to talk about in this sphere.

We wish you well in your general direction and hope the Committee can also be of assistance. While at times the scrutiny might seem uncomfortable, I know you know it is welcome and is helpful overall, although in the very short term it might not be your favourite way to spend two hours. However, overall, hopefully you have found it useful, too. We certainly have, and we wish you well.

Elizabeth Truss: Thank you very much, Chair. As discussed, I would be very happy to have a private meeting with the Committee to talk through some of those details of the US negotiation that I am not able to share in public.

Chair: As Chair of the Committee, I think we accept that offer. Thank you.

Elizabeth Truss: Thank you very much.