HOUSE OF LORDS

The Select Committee on the European Union

Internal Market Sub-Committee & External Affairs Sub-Committee

Corrected oral evidence: Brexit: future trade between the UK and the EU

Thursday 13 October 2016

2.25 pm

Watch the meeting

Members present (External Affairs Sub-Committee): Baroness Verma (Chairman); Baroness Armstrong of Hill Top; Lord Dubs; Lord Horam; Earl of Oxford & Asquith; Lord Risby; Lord Stirrup; Baroness Suttie; Baroness Symons of Vernham Dean; and Lord Triesman

Members present (Internal Market Sub-Committee): Lord Whitty (Chairman); Baroness Donaghy; Lord German; Lord Lansley; Lord Liddle; Lord Mawson; Baroness Noakes; Lord Green of Hurstpierpoint; Baroness Randerson; Lord Rees of Ludlow; and Lord Wei.

Evidence Session No. 5 Heard in Public Questions 40 - 67

Witnesses

I: Lord Price CVO, Minister of State for Trade Policy, Department for International Trade (DIT); Lord Bridges of Headley MBE, Parliamentary Under-Secretary of State, Department for Exiting the EU (DExEU).

Examination of witnesses

Lord Price and Lord Bridges of Headley.

Lord Whitty took the Chair

Q40 **The Chairman:** Welcome. We are at some distance from you at the moment. We try not to be confrontational, but we would like to be nearer than we are. Nevertheless, you are very welcome, and welcome to our visitors and officials. Thank you very much for giving us this time. It is helpful at this stage in our relatively short initial inquiry for you to be here and, indeed, for both departments to be represented here. We appreciate you doing this and will try to fit all our questions within the time that we have told you.

This is a public session. It is being recorded. There will be a transcript, and we all have to bear that in mind in our discussions.

Could I perhaps open and allow you to expand on my specific questions? We had the Prime Minister's statement last week, which has moved things on in one sense. We also had a debate in the House of Commons, which may or may not have moved things on, but has set a context in some respects. Could you start by telling us how you see the sequence of events in both the period between now and the triggering of Article 50? More importantly, after the triggering of Article 50 are we then in negotiations both on the withdrawal treaty and on the trade treaty, or at least a framework for the trade treaty, or, as some from Brussels have hinted, do they have to be sequential? Is there a possibility of the trade treaty being in a number of stages, possibly with transitional arrangements? Also, have we reduced the number of potential models that people have been talking about in the light of the Prime Minister's statement, or have we not in the sense that the Prime Minister seemed to say we want a bespoke UK agreement, not a Norwegian or Swiss agreement? There are other agreements around, of course. Balancing the different needs of the different sectors with which your departments are engaged, have we limited the number of options as yet, and, specifically, does the Prime Minister's reference to being kept out of the European Court of Justice and control of immigration being of paramount importance mean that some of the models are not available, or are the Government still considering those various options?

Lord Bridges of Headley: First, thank you very much for inviting us both here. It is very good to see you and I hope that this is the first of a number of appearances. Forgive me for saying this, but I am going to say it all the same: I want to try and manage expectations from the off. We have a lot of work under way. We will be talking about that in due course. Secondly, as the Prime Minister has said, we are not giving a running commentary, but we will try to give as much certainty and clarity wherever possible. We are absolutely intent on ensuring that we keep our negotiating position and the national interest paramount as we go along, while balancing that with the need for accountability. Forgive me if you leave this session frustrated, but let me start by saying that.

This is, as you say, extremely complicated as a challenge. In my mind there are five dimensions that we are operating on, which makes the Schleswig-Holstein question look relatively like a GCSE question. There are two dimensions that are related to Article 50. The first is the exit negotiation and the second the negotiation over our new relationship. The third is the repeal of the European Communities Act (ECA) and subsequent legislation that might be required as a result of that. The fourth in my brain is the WTO and what we need to do there. The fifth is the Free Trade Agreements (FTAs) and future trade arrangements. Clearly, as you will all know, these are entangled in certain respects.

In terms of the timetable that we are in control of—let me come to that as the first question—the Prime Minister has set out that we are not going to trigger Article 50 this side of the new year but we will before the end of March. Within that time we are doing the work that we are going to be talking about, coming back to this afternoon.

On the question of what then follows, there will obviously be the need for discussions about the framework of those negotiations and how they are set out. Then we will be within the two years and the framework as set out in Article 50. Your point about wishing to ensure that my first and second strands—that is, the conversations on the exit treaty and the new relationship—are conducted together is a very good one. Indeed, when you read Article 50, it would appear that that is also what is intended. Obviously we would wish to clarify that. It makes it difficult to see how one can do one without the other.

We are looking at all options. The Prime Minister has set out very clearly the overriding aims and objectives, as you say, and we are looking for a bespoke—I am sorry; that is a word I will use a lot this afternoon—approach to this and an agreement at the end of it, because we perceive ourselves as being in a unique position as regards the EU. We are looking to control our borders and our laws, as the Prime Minister has said. Although I know it may not necessarily be the focus of these Committees, we wish also to maintain co-operation on the common challenges that we and Europe will face in the years and decades ahead, and at the same time we will be aiming to achieve the freest possible relationship as regards trade for our businesses right across the UK. We are not ruling out options at this point. Clearly, there are noises from various quarters that certain things are and are not possible, but we are assessing everything, and we will come on to some of those points in due course.

I do not know if Mark wants to add anything.

Lord Price: On the sequencing for FTAs, which was the last of George's points, and the WTO before, both the Secretary of State and I have met Roberto Azevêdo from the WTO and had constructive conversations. Officials have met with the WTO. We have also had constructive meetings with officials at the EU. We know that one of the first things we have to do in the sequence is strike our own schedules with the WTO. We were of course a founder member of the WTO. We do not need to accede to the WTO as we are already a member, but we need to go through the technical process of adopting our own schedules. Clearly, that is the first thing we need to do.

The second important thing is to come to an agreement with the EU on our trading relationship with the EU. Once those two things are shaped, we can of course begin negotiations with third parties, cognitive of the tariff or the non-tariff barriers, or the other regulations we have put in place. That would be the sequence. The Secretary of State has been very clear that negotiations on the signing of any deal that we do will be after leaving, so we are clear on when we can sign and move to ratification, and we are clear on the sequence of things we need to know before we can fully strike FTAs with third-party countries.

The Chairman: On the last point about third-country FTAs, does that mean we could negotiate but not reach the point of conclusion and signature in parallel with our relationship with the EU, or does it mean we cannot negotiate until the conclusion of a withdrawal treaty?

Lord Price: Clearly, we would want to have a discussion with the EU about some of our arrangements, because we are tied with the EU. As I said, the discussions with the WTO are very constructive and consultative. The formal position is that we cannot sign and ratify until after we have left, but we can have discussions ahead of that.

Baroness Symons of Vernham Dean: We cannot sign any FTAs with third parties until we are no longer a member of the EU, but there are such things as memoranda of understanding, which can provide building blocks on the way, surely. Those are the sorts of things that are being mooted by the people who are interested in FTAs with us at the moment. Do you see that as a useful way of protecting ourselves in the interim, so that once we are out of the EU we can go forward pretty quickly in doing what we will have to do in getting FTAs elsewhere?

Lord Price: As the Prime Minister and the Secretary of State have said, we want a smooth transition, particularly for business. We currently have FTAs with the EU, so we are thinking about how they might be adopted. In addition, on new FTAs, we are thinking about what we might want to do in advance of leaving. Working groups have been formed—we have said that publicly—with a number of countries, and we will start working through the art of the possible over the next two years.

Lord Green of Hurstpierpoint: To what extent is there a problem in the parallel negotiation, in that the third party will find it difficult to crystallise what they want of us until they know what our relationship with the EU is going to be? In that sense this is sequential, even if the process is not sequential.

Lord Price: As a former Trade Minister, you know that absolutely to be the case. One of the requirements to sign an FTA is that we have clarity on what our own tariffs and non-trade tariffs are going to be, so crystallising our agreements with the WTO and understanding better our agreement with the EU will lead us to be able to do those FTAs. One can imagine a scenario where those things become clearer over a number of years, and as they become clearer our discussions can clearly strengthen.

Q41 **Lord Dubs:** May I ask about the specific situation in Ireland? We do not know whether there will be a hard border, a soft border or no border, so I suppose your answer will depend on that. Do you see any need to look at the situation as regards Northern Ireland and the Republic and trade between the two differently from anything else, or do you think it will be entirely taken over by the total discussion with the EU?

Lord Bridges of Headley: That is a very good question, Lord Dubs. In a sense, I would say that we have to look at it from the perspective of our overall approach, and within that the context of Ireland and Northern Ireland. On Monday I cited at the Dispatch Box Protocol (No 20) on the application of certain aspects of Article 26, which sets out that the EU recognises the common travel area—I need to check the specifics—as a specific case. I think there is a widely held view not just obviously in this country, in Northern Ireland and in the Republic but across Europe that we need to think about the challenges faced in Northern Ireland and the Republic as regards the border there. We are absolutely clear that we do not want to return to the hard border, and we are looking very carefully at the solutions and approaches that could entail.

I am sorry, but I cannot be more precise than that at this juncture. We are in very close co-operation with the Irish government on this. As was also raised in the House the other day, Ireland itself is a big exporter of goods to the UK, so it is a question not just people but of goods.

Q42 **Lord Liddle:** This is a follow-up to the question I asked you in the Chamber the other day. Clearly, any interim arrangement that we make on trade, given that it is most unlikely we will be able to negotiate a comprehensive free trade agreement within two years with the EU, is of extreme importance. What options are the Government considering for that interim arrangement?

Lord Bridges of Headley: I am so sorry, forgive me for smiling. I am not going to go into lots of options, but I can certainly give you comfort in that—and here I will repeat what I said the other day—we are intent on this being smooth and orderly. A number of business organisations have indeed come to us and flagged with us the need for transitional arrangements. Those could take a number of forms, which people have mooted. I am not going to be drawn into that right now, if you do not mind, but I will say that we are cognisant of the need for us to look at this, not just for the reason that you gave but because when we come to agree a new treaty there will obviously be a time when that will need to be ratified across Europe, as you so rightly say. There are various meanings of this term 'transitional arrangement', and I am trying to pick my words with extreme care here so that we do not start confusing these things. We are looking at options and are considering various things, but it is part and parcel of an entire package.

I am sorry that I cannot go further, but I completely heed not just your question but the concerns that businesses have about this point.

Q43 **Lord Liddle:** Could I come back on one point? I am not trying to be difficult; I am very encouraged by what you say about smooth and orderly and all that. But does that not mean that the Government have ruled out as an outcome the possibility of simply being dependent on WTO rules after two years for trading?

Lord Bridges of Headley: We want this to be smooth and orderly and in the best interests of the entire British economy, and we believe that if we obtain the right deal it will also be in the best interests of the European Union. We are looking at all options but, as I say, it is of paramount importance that we make sure that this is smooth, orderly and in the economic interests of this country.

Q44 **Baroness Randerson:** It has been put to me that WTO schedules are already quite seriously out of date and that there are a significant number of countries that would be likely to use any agreement that we make on a new set of agreements with the WTO, which will have a knock-on effect across the world and could mean a serious and lengthy renegotiation across WTO member countries. I am interested in your comments on that.

Lord Price: That is a point I have heard. I am pleased to say that the advice we have is that what we intend to do is predominantly technical, moving from an EU schedule to a UK schedule. I am also pleased to say that since the referendum I have talked to 19 Trade Ministers in the EU and outside, and all have been very supportive of the need in the first instance for us to have our own schedules. To that extent, I am not anticipating any major issues with that piece of work being completed in good time.

Q45 **Baroness Armstrong of Hill Top:** My main question has been asked by Lord Liddle, but I want to push you a little further on transitional arrangements, because the reality is that, for example, in the automotive industry, which I am having to learn far more about than I ever wanted to know, it is very clear—I come from Sunderland—that investment decisions leading up to 2024, and I have a list of them here, will be made within the next two and a half years. That means that their knowledge and understanding of how we intend to proceed is absolutely critical to the retention of the car industry in this country, and certainly, I might say, in Sunderland. I am sure you are aware that Renault is now a major investor in Nissan, and it has factories in France that are only at 40% capacity. It could transfer production within a month. That means that the lack of clarity around interim arrangements is potentially hugely damaging.

How are the Government approaching this, and what are you going to do? This is not only the automotive industry; I am giving that as an example, for obvious reasons. What are you going to do to make sure that that level of uncertainty does not lead to massive disinvestment in our manufacturing capacity?

Lord Bridges of Headley: I am sorry to disappoint you. Let me first of all say that I am entirely aware of the automotive sector and the kinds of investment decisions that it is taking, and, as you rightly say, it is not just in those sectors. I worked in business myself and know that you make decisions right across the board for two or three years ahead. So you are absolutely right.

We are really very focused on this, balancing the need, as I say, for us to create as much certainty and clarity in the process as possible with the national interests in our negotiating position and the realism of entering into a negotiation that may take two years or more. We need to try to get that clarity and certainty. I completely agree with you. I am very sorry to say that, as we sit here right now, I cannot go further but, believe me, we are very focused on it.

This is not related directly to your point, but the determination to provide this clarity and certainty is embodied in our approach to the repeal of the ECA and the transposition of EU law into UK law. I know that that is unrelated to the precise point you are making, but it also shows our intent on certainty.

Forgive me. I totally take your point, but I cannot go further on that.

Lord Price: I certainly cannot go further on ultimately what will happen with the EU, but I would like to give you some confidence about the British Government's investment of time into understanding the issues for the car manufacturers. We are very well aware that the North East exports more cars than Italy. I have spoken to all the leaders of our car businesses in the UK. I have seen the Japanese ambassador twice. I have seen Minister Suzuki and Minister Katase. I go to Japan next week, and we have heard very clearly what they would like to achieve. We are clear on what that is.

Another thing that I think is comforting is that these points are also understood across Europe. I was in Slovakia two weeks ago, and Jaguar Land Rover is going to open a £1 billion facility in the Czech Republic, in Slovenia, and in Germany. The automotive manufacturers and suppliers are very well aware of the interconnected trade in Europe. This is an issue for all of Europe and not just for the UK. We clearly understand the points that are being made by business, and we also understand the impacts and the ramifications across Europe.

Q46 **Lord Lansley:** Could I explore the mechanism for creating a transitional arrangement and how that might work in practice? I should declare an interest: I am co-chair of the UK-Japan 21st Century Group, although but I am not really talking about Japan as such in this question. Conversations that I have had in Brussels have suggested that the way the European institutions might look at it is like an accession in reverse, whereby you leave and under the Article 50 agreement there is a process by which one subsequently drops out of each of the chapters. It is a bit like the 35 chapters of an accession process.

The question is: do you anticipate that it will be possible, pending a treaty on the future relationship, for the Article 50 agreement—nobody has ever done it before; nobody knows precisely how it is supposed to work—to have legal force by way of an agreement from the point at which the United Kingdom leaves over a period of time while that transition, which is based on the principles of the Article 50 agreement, is being worked out in detail?

Lord Bridges of Headley: Forgive me. A number of options have been mooted. That is one, and I have seen others, such as one about a customs union or something like that. Various options have been mooted. I am very sorry, I know it is not what the Committee wants to hear, but I am not going to start speculating on what may or may not happen. These are all things that we are looking at in the round and in the wide parameters of options open to us.

On the point overall, I have to say that it is not only the automobile sector that tells us this; the financial services sector, and others, also tell us this. I would echo Lord Price's point that irrespective of where or when such an arrangement, were that to be needed, would come in, it would be, one would think, in our interests and in those of our partners in Europe to have a very smooth and orderly process. We are very much approaching this from that standpoint.

Lord Lansley: But would it be fair to say that that points to the need to be thinking not only in sector-by-sector terms—sectoral analysis—but, perhaps at least as importantly, about the structures of regulatory co-operation? Free movement of labour is one of those, but there are a dozen at least of those for everything from competition policy on the one hand to mutual recognition on the other.

Lord Bridges of Headley: Yes, you could certainly look at it like that. You are right that there are areas where such agreement would be in everyone's absolute best interests to ensure that on day one, things continue to function. Looking at points of activity or regulation is certainly one way one could look at it. I am sorry; I do not wish to be obtuse here. I am just not in a position to go into much greater detail than that. These are very good points you are making.

The Chairman: The next question is from my co-Chair, Baroness Verma.

Q47 **Baroness Verma:** Can I take you back to the WTO and have a little more clarity about schedules and tariffs, and your approach to splitting the tariff rate quotas that we currently share with the EU and agricultural subsidies? Would the UK be likely to increase or decrease tariff rate quotas following Brexit? In your own view, would that be subject to separate negotiations with the other WTO members?

Lord Price: You raise an excellent point. One of the things that we will have to clarify is how quotas are split out. The Commission knows that we need to do that and has been constructive in early conversations. The WTO also knows that we need to do that, so that is part of our dialogue going forward, but I think it would be fair to say that, as of today, we have not resolved how that should fall out.

Baroness Verma: Basically, I am trying to draw out the point that we keep being told that there are a lot of things that we cannot discuss openly at this moment because you have not decided on them, and Lord Bridges gave the five options that he is mooting on, but it leaves great difficulties for other Member States, first and foremost, to look at their own responses to our response. It would therefore be useful perhaps to prise out of you a little more about EU tariffs and whether they are temporary measures, whether they are going to be retained after Brexit, whether we are going to continue with them. How do we start shaping relationships with our EU partners if we are not quite clear even at this stage in our thinking what we are going to be doing? There are a lot of grey areas that we need to be prised out a bit.

Lord Price: On the WTO tariffs, the simplest thing would be to adopt the current tariffs that we have with the EU, but, as you rightly draw out, there are things like quotas, which have to be handled separately. We are aware of that; we are aware of the options. The EU wants to be supportive of our finding our own schedules, and we have approximately two and a half years from now, if Article 50 is triggered at the end of March, to work those things through. We think that is entirely doable, we think it is a technical issue, and the WTO and the Commission are both saying that this is a reasonably straightforward thing that they want to help us to do. If you want me to say today that we have agreed that it is X, Y and Z, I simply cannot do that, because we have not begun the formal process of those conversations.

Q48 **Baroness Verma:** On an issue that is totally unrelated to the previous question, we are already seeing an impact of Brexit with food prices and Unilever this morning trying to raise its price structures with the big multiples here. What is the thinking behind currency fluctuations, inflation and the impact on British consumers going forward? We need to have some fair idea of the understanding and the thought processes behind that, because these things will become more and more common as we go forward.

Lord Price: Lord Bridges may have something more specific to say, but I can only repeat what the Chancellor said very publicly, which is that the markets are reacting and the markets are the markets. Sterling will go up and sterling will go down, and businesses will respond to that. I have no crystal ball; I cannot tell you what will happen to sterling next week or the week after or the year after. We are where we are.

Lord Bridges of Headley: I would just like to add that it is a very fair question. The analysis that we are doing is—to use a word I do not much like—holistic in many respects. It is holistic in the sense that we are trying to ensure that we also look at building up a picture of the challenges and opportunities that the UK faces in the round—we will come on to talk about the sectoral analysis—and then, as the Chancellor has said already in public, how the Treasury, in things like the Autumn Statement and other fiscal events, can use the tools in its toolbox to help to strengthen or address those problems and challenges. We are doing all this work. I am sorry about your frustration that it is taking us time, obviously, but we want to do it well and with due deliberation but due speed. I am sorry that I cannot go further than that.

Q49 **Baroness Verma:** Apologies, but I have one final question. It is basically to ask whether the Government are going to consult industry on whether to change or charge tariff rates.

Lord Price: One of the things that we have tried to do from the outset is to make it clear that we want to engage with industry over the free trade agreements that we are going to sign. The truth is that what we will take on will be different for every country, for every FTA, for every trading bloc, simply because the countries that we decide to pursue FTAs with will already have different schedules in the WTO, a different regulatory regime and a different legal regime. A typical trade deal is made up of 30 chapters that are broken down between goods, services and legal. The decisions that we will have to make are which of those chapters we want to pursue, which are going to be straightforward, which have the best impact on British business.

It would be very misleading of me to try to give you a general answer to that question, because to a large extent the input of business will depend on the country and the sector, but we are committed to doing that. We have said very openly in the DIT that we will be drawing industry in to help us when we look at particular chapters and particular industries to make sure that what we agree is in the best interests of that industry, both in the UK and in the third party. The simple answer to your question is yes, but the far more complicated answer is that it will vary by country and by chapter.

Q50 **Lord Horam:** Can I come back to the important question of the transitional arrangements? Can I clarify what you are saying, or maybe not saying, on this subject? Is it clear that there will have to be a transitional agreement?

Lord Bridges of Headley: I am saying that we are looking at all the options on the potential outcomes. What is clear in my mind is that given the speed at which the ratification would work—Lord Liddle made this point—and it depends if one calls that a transitional arrangement, there would be a process by which that would have to be covered and at which point the treaty comes into play. So you could see signing of the negotiations ending and coming in at a certain point, what happens between X and Y.

Lord Horam: That could be at the end of two years?

Lord Bridges of Headley: It could be. That is where I am. There is a separate point that people are trying to tease out, which is—correct me if I am wrong, Lord Liddle—what if we have left but are still negotiating the new treaty.

Lord Horam: Exactly.

Lord Bridges of Headley: That is where we are looking at what the options might need to be.

Lord Horam: For a transitional arrangement?

Lord Bridges of Headley: For a transitional arrangement on that point.

Lord Horam: Which may last some time?

Lord Bridges of Headley: It may or may not. Does that clarify it? You are quite right to pick me up on it.

Lord Horam: There is also the question, which relates to what Baroness Armstrong was saying, about decisions being made by companies over the next two and a half years. They will need to know something about the transitional agreement, or how can they make decisions?

Lord Bridges of Headley: I totally agree, which is why we are focusing so much on this point. You are absolutely right. I agree with you 101% that there is this concern in a number of sectors. Yesterday, I was in the Thames Valley and people were asking me precisely this question.

Lord Horam: A hope was expressed in the *Financial Times* yesterday that there might be some embryonic transitional agreement understanding by next summer.

Lord Bridges of Headley: I am very sorry, but now we are into me speculating on what someone else might have said. I am not going to do that. All I will say is that we are really focused on this as an issue. Exactly as Baroness Armstrong said, there are decisions that companies need to take. As Lord Price said, it is in all our interests to make this smooth and orderly. When I say 'all our interests', I mean both here and in Europe. Forgive me if I cannot go further, but I hope that begins to clarify what we are talking about.

Lord Price: If I may build on Lord Bridges' point, it is a commonly held concern around the world that businesses want to have some reassurance that they can continue trading, and they are talking to their governments about how that is achieved. It is something that we are all aware of, and we want to achieve the right outcome.

It would be remiss of me not to say that, wherever I have travelled, the fundamentals about the strength of the UK economy and the UK as a place to invest and grow a business have not been forgotten. For a number of companies, these [trading] arrangements are not necessarily the most important thing in their mind when they are investing in the UK.

Instead, they talk about the fact that we have four of the top 10 universities in the world, we have a competitive corporation tax rate, the UK is sixth in the world for ease of doing business, geographically we are well-located, our time zone means you can trade east in the morning and west in the evening. There is a whole host of things that companies are looking at in their investments. What is encouraging for all of us is that since the vote on 23 June we have continued to see strong investment into the UK from Veolia, Hutchison Whampoa, Wanda Group, SoftBank buying ARM, et cetera—a whole host of companies. There are many factors in businesses choosing to headquarter and grow in the UK, besides the very obvious concerns and questions that are being raised about our future trading relationships.

Q51 **Lord Liddle:** The Prime Minister was extremely clear in her conference speech that an eventual deal with the EU must involve some British sovereignty over free movement and no longer accepting the jurisdiction of the European Court of Justice. I hope I am right in interpreting her speech in that way. Are these to be treated as long-term objectives, or would they be essential requirements in any transitional arrangement?

Lord Bridges of Headley: I am very admiring of your ability to get me to answer the question in a slightly different way.

Lord Liddle: It is a very legitimate question.

Lord Bridges of Headley: It is a totally legitimate question; I am very impressed by how you are phrasing it to try to get me to comment. They are the aims that the Prime Minister has set out for the future relationship between us and the EU, and what we wish to achieve. I cannot go further in talking about a putative transitional arrangement. You raise some interesting points about immigration, for example: who can come here at what point. This goes to the point Baroness Armstrong made about businesses interested in what access they will have to skills. I talked to universities yesterday and they were interested in a similar point about academe. These are all important points. It is part of the same thing, but I cannot go further now.

Q52 **Baroness Noakes:** My question moves beyond transition, so we may be heading into slightly easier territory in focusing on future trade arrangements. On 27 September, the Secretary of State for International Trade spoke of "pursuing a more liberalised trade agenda … free to help shape an even more transparent, more open and more liberal trading environment". Dr Fox also stated that the decision to leave the EU is "not symptomatic of looking inwards but a people who want to take more control over our laws", which is all very uplifting. Could you put a little more flesh on the bones of what that means in the context of trade with the EU and, indeed, with non-EU countries?

Lord Bridges of Headley: Tempting though it is to unpick words and put a Kremlinologist interpretation on to them, I would rest on what the Prime Minister has said many times, which is that we are looking for the freest possible access to our European partners' markets. As we might come on to, we are looking at a whole range of options and scenarios from the perspectives of the sectors that we have picked out and what that would mean for our relationships at the moment and how they will need to change. Frustrating though it will be for you, I cannot go much further than that. Maybe Lord Price can talk about the non-EU side.

Lord Price: I think what the Secretary of State was encapsulating in that comment was the report from the OECD for the G20 meeting. The OECD said that in 2009 world leaders promoted free trade as a way to drive the global economy, but the fact was that the world had become more protectionist over the previous six years. While everybody realised the economic opportunities globally for free trade—what it does for consumer choice, for prices, the exchange of knowledge, building competition and greater skills—the reverse had been happening. I believe that in that speech he was talking about wanting to try to achieve what was set out by world leaders in 2009, and it has been repeated by the Prime Minister: that we want to be a beacon for open and free trade. That is what lies behind the comments.

Baroness Noakes: Looking forward, do we have a vision of a different form of trading arrangement with EU and non-EU countries? Are they the same principles that operate in all our trading arrangements?

Lord Price: George can speak for the EU.

Baroness Noakes: Why is there a difference once we have left the EU?

Lord Price: DExEU is responsible for policy with regard to the EU and I am responsible for policy outside the EU. I want to be clear about our briefs for today. Our position is that we do think that open and free trade, the reduction of tariffs and making sure that there is mutual recognition of standards all help business perform better. They reduce the costs of doing business. We believe that that is to the benefit of consumers and businesses. That is what we want to promote.

Q53 **The Chairman:** We have this vision of a hugely liberalised world. I speak as Minister for Agriculture at the early stages of the Doha round, which was supposed to be a great liberalisation. Agriculture was the first hurdle and we never jumped it. The issue of our quotas and tariffs for agricultural produce is not only an internal EU issue, because until we resolve it we cannot do deals with large numbers of nations around the world. You have a serious sequencing event, whatever the eventual Valhalla that we are aspiring to. You have to solve some of these nitty-gritty problems with the EU before anybody else can seriously negotiate with you.

Lord Price: We are well aware of that. Defra is very involved in these discussions. We understand clearly the views of the agricultural sector. You are right when you say this is a global issue, not a UK issue. If the primary responsibility of any Government is to defend their population, the second responsibility must be to feed its people, so you find that across the world a high level of subsidy tends to go into agriculture.

Those subsidies and the protectionist nature of governments in feeding their people lead to the kinds of barriers you are talking about, which were particularly prevalent in the last round of the WTO. You are right to draw it out as a something that we have to consider. We are very aware of that and have taken representation already.

Q54 **Lord German:** Could I take you to your opening comments? You have repeated throughout that the UK Government have ruled nothing out, and conversely, therefore, you have ruled nothing in. In answer to Lord Lansley you said that looking at regulation is one of the approaches that you might take. Would it be fair to assume that the British Government are deeply engaged in putting the research and understanding behind each one of these alternative approaches that might be adopted? Very specifically, what work has been done and is being done on EU standards that are relevant to trade? Do we need to maintain or change those standards? What work, if any, has gone into the potential costs of compliance with rules of origin, which are absolutely crucial for British trade, if we decide as one of your options, given that you have said that it is still on the table, that the UK will leave the customs union?

Lord Bridges of Headley: I completely agree on both points. Both are key and pivotal. We are doing a lot of work both on standards and rules of origin.

I will deal with standards first. We are looking through each of the sectors on standards and qualifications. Yesterday, for example, someone talked to me about recognition of medical qualifications. This is an issue that we absolutely have to address. There is mutual benefit for us and our EU partners in the current situation and how that might therefore pertain in the future, and to consumers both here and across the EU. You probably know that 75% of European standards have been developed voluntarily entirely by industry; the remaining 25% are still voluntary and provide business with a universally accepted means of meeting specific EU rules. We are absolutely aware of the importance of interoperability and the benefits that standards bring, and qualifications. We are looking at that for each of these sectors, and thinking generically about where we might wish to go on that point.

Rules of origin, again, are very important to the decisions that we may or may not take as regards our future relationship and the customs union, et cetera. I have been in conversations with those involved in shipping and customs and business itself about exactly how those rules of origin operate. We are looking at this sectorally, but as a generic point, as I said earlier, I am very struck by the means by which we now have digital technology and data to help in the customs process. We are very focused on that and are bearing it in mind, but likewise, as you may be alluding to—this comes back to the automotive point—these supply chains are very sophisticated now and are fast and just-in-time. You see goods coming in, being assembled, going out, being assembled a bit more, and coming back for the final goods to be made up in some cases. We are looking at this sectorally and generically and, in the case of rules of origin, from the bottom up.

I am very keen to get out and about—I was out yesterday and last week, and I am going on tours next week—to talk to people who are at the cutting edge and coalface of these issues. There is a real danger that we will be stuck behind our desks and look at these facts, which may be facts, figures and percentages. When it comes to things such as rules of origin, customs processes and everything else, I want to be sure that we are absolutely aware of the administrative and implementation processes involved and what the various options might therefore entail.

Lord German: Can I return to the costs of compliance? If you take the motor vehicle industry, where all parts of the UK have very specific contributions to make to the motor industry throughout the whole of Europe, should we leave the customs union, which is one of the options—you have not ruled it out or in—how on earth do you manage to identify and overcome that identification issue, when who knows what the eventual answer might be to the question of where the point of origin is for the finished article or the process by which you export it into another country where the customs barriers are against you? Have you made some effort to understand the costs of that?

Lord Price: Specifically in answer to your question, I had a meeting with the Swiss Trade Minister, who has talked precisely about this point and about the complexities of being outside the customs union in Switzerland, the procedures that they have to go through in importing and complexity in the costs. Yes, we do understand the complexities for the car industry. All those things are being fed into the deliberations at the moment.

Lord German: Forgive me, but the word was costs. Do we understand yet how much it would cost to be able to comply in each of these sectors if we left the customs union? These are the options that you have given us.

Lord Bridges of Headley: That is absolutely right, and those are exactly the kinds of things we are looking at and working on as we speak. I am sorry, but I am sounding obtuse again. Your concern is my concern, and we are working on them.

Lord German: I presume, therefore, that it will be completed by the time we trigger Article 50?

Lord Bridges of Headley: We are working with due and deliberate but precise speed on these issues.

Lord Green of Hurstpierpoint: Lord Price mentioned that you have had conversations with your opposite number in Switzerland. Have you had conversations with your opposite number in Turkey, the relevance being that it is inside the customs union but not part of the Single Market?

Lord Price: I have meetings in the very near future with representatives from Turkey. In fact, we should have a Joint Economic and Trade Committee (JETCO) quite shortly. We are very aware of it. Thank you very much for your letter to the Prime Minister setting out your thoughts, which was very helpful, Lord Green.

Lord Green of Hurstpierpoint: I am pleased to be of service.

Q55 **The Chairman:** On the same theme but relating to another option that we have not mentioned, have you also had discussions with your opposite numbers in association agreement countries such as the Ukraine?

Lord Price: No, I have not met with the Ukraine yet. We could go round over 200 countries. I want to be careful about who we have and have not spoken to. More broadly, we want to understand all the options to inform the best decision for the UK, and that means talking to countries that have a relationship with us. I am particularly keen to talk to as many countries as I can over the next five or six months to inform decision by DExEU and others regarding what we have to do.

The Chairman: Given the degree of constraint on the Ministers, we have covered the issue of the various options. I congratulate both Ministers on not mentioning the terms 'hard exit' or 'soft exit' as part of their presentations. Can we move on to the processes and resources?

Q56 **Lord Mawson:** I welcome the considered way in which you are conducting this process and working through the detail, and I understand that it is very early days. I am reassured that you are resisting the temptation to put everything out there, which is totally sensible—this process must not be run by 'Peston on Sunday'— but there are checks and balances. The EU has significantly strengthened its policy on transparency in trade negotiations, including public consultations, civil society dialogue, a sustainability impact assessment and the European Parliament. What initiatives will the UK Government undertake to match and surpass the EU's transparency and democratic involvement when negotiating their new agreement with the EU?

Lord Bridges of Headley: First, as a rider, I should say that I am a strong believer in transparency. The purpose of transparency is obviously to improve accountability, and I am a big fan of that. In this case, as we have been saying and as the Lords Select Committee has said in its report, we have to balance the need on the one hand for accountability and transparency, which is totally justified—and this Committee is one aspect of delivering that accountability—with the need on the other for us to ensure that we can negotiate in the national interest and are not displaying our hand or giving things away that might put us at a disadvantage in the negotiations. Your question shows the struggle that we are having doing this. That is not an excuse but a simple statement of fact that we need to put on the record.

On practical steps, David Davis, my Secretary of State, said in November, and reiterated yesterday in the Commons, that this Parliament would at least have the information available to the European Parliament. I know that sounds like, 'He would say that, wouldn't he?', but it is important that we make this clear. As regards what information that is, it is still early days. My investigations into this have revealed that we were one of the countries pressing the European Parliament for the transparency and accountability that now exists. That shows our level of intent. You will have seen what happened with the Transatlantic Trade and Investment Partnership (TTIP) negotiations and the levels of accountability and transparency. I am not going into specifics as to whether they are going to be copied now, but that is an interesting point to bear in mind.

I am sure you have all read the European Commission's factsheet on trade negotiations, which I will quote. This is about trade negotiations: "The negotiations and their texts are not themselves public. This is entirely normal for trade negotiations, not just those involving the EU. There are several reasons for this. First, a certain level of confidentiality is necessary to protect EU interests and to keep the chances of a satisfactory outcome high. When entering into a game, no one starts by revealing his entire strategy to his counterpart from the outset: this is also the case for the EU. Second, negotiators have to trust each other to come to a deal that satisfies both sides. For the EU, this means the result must meet the objectives set out in the instructions from the Council. If there is no climate of confidence, then negotiators on both sides cannot work together to come to the best possible deal". That is the EU's position, and there is a lot of sense in that.

We need to bear in mind that that is with regards to a trade negotiation. This negotiation is more expansive than that. I am not making these points to create excuses in advance, but this is very much our overriding approach.

We will come on to talk about consultation in more depth, but the entire government machine is consulting different parts of industry and civil society. It is very important that we do not look only at business. I have met charities, the Church of England, universities and NGOs. It is very, very important it is not only the four Ministers in DExEU, otherwise we would not sleep—we do not sleep very much at any rate—but we need to make sure that we are involving the whole of government in that and that the process is done with deliberate speed to obtain the views of everyone on board. Sorry, that is rather a long answer.

Baroness Armstrong of Hill Top: The public view was expressed in the referendum, but my experience of talking with them is that they have very different ideas of what it means. What are the Government going to do—otherwise, a lot of people will be angry—

Lord Bridges of Headley: About?

Baroness Armstrong of Hill Top: —about understanding where the public are in different areas of the country, and what they are looking for?

Lord Bridges of Headley: We are undertaking a wide-ranging consultation with groups that represent different bodies of the public. That is a good, proportionate way to approach this. In the debates that are being had in this House or the other House, the representatives of the public are also making their voices heard.

Q57 **Lord Green of Hurstpierpoint:** Can I turn to the question of how you are organising this very considerable effort? You referred earlier to the division of labour between the two departments, one focusing on trade negotiations with other countries and the other focusing as part of a wider mandate on the Brexit arrangements, of which trade is a part. Could you update us on how you are progressing with making sure you have the right level and quality of resources and how far the division of labour works in practice on a day-to-day basis as any given issue comes up? I might have a supplementary or two depending on how you respond.

Lord Price: Clearly DExEU is involved in far more than a trade negotiation; it is much wider than that. The trade policy team in the Department for International Trade is supporting DExEU with specialist knowledge to fulfil their responsibilities. Outside of that we are looking at the WTO schedules in the first instance, and we are also looking at the FTAs to come. We had a team of 40 people in trade policy on 23 June. We now have about 110 people in that team, and there will probably be about 150[1] by the end of this year as we build resource and competence. We have had a lot of people apply to come and be part of the trade policy team. Over 800 have voluntarily written to us, which is fantastic.

The other thing to say, as you will be aware Lord Green, is that our work will not be just on the FTAs. There is a whole host of other ways in which we look to improve the trading environment between countries. Next week I am off to Vietnam for a JETCO, where we are looking at some key issues such as mutual recognition of standards. In addition, in the not-too-distant future we have an EFD—an Economic and Financial Dialogue—with China. We are doing lots of things that are not FTAs that are about building and improving the business relationship between countries.

I think we are making really good progress. We have now visited a number of countries around the world. We have been to Switzerland, Australia, New Zealand, the USA, Canada and South Korea to understand how those countries, which are very good at this and have been doing it for a long time, have structured themselves so that we clearly understand where we need to be optimal in our negotiating arrangements over the next few years.

Lord Bridges of Headley: May I add that this is key if you are interested in the machinery of government, because it is important that we make sure that all of government is joined up? As regards the first locus of decision-making, obviously there is a Cabinet Committee on EU Exit and Trade, and that is a core decision-making body of Ministers. To ensure that our departments are working together on a day-to-day basis, at official level, that Cabinet Committee is supported by a Trade Policy Steering Board of officials, chaired by Lord Price's department and jointly

[1] Figure corrected by witness

run with my department. This meets fortnightly to pool thinking on specific issues such as the ones we have discussed, and to track the way ahead. So far we have found that to be working well. We are confident about where we are, but we are absolutely not complacent. Lord Green, you know what it is like working in government and outside government in large organisations. You should never be complacent when you think you have an organisational structure that works. It can always be improved. In a relatively short time we have come, what I see as, quite a long distance.

Lord Green of Hurstpierpoint: I have two quick supplementaries, one general and one more specific. The general one is that you mentioned, Lord Price, that you expected 130 trade policy officials to be in place by the end of the year and that you have had 800 applications from people who are keen to join. Do you have a view as to how many officials you would want in place when you get to full complement?

Lord Price: That is an almost impossible question to answer, because it depends how negotiations go over the next few years. If you look at other countries you can see that the EU has around 500 people who work in trade policy. Canada had 100 people working on the Canada-EU FTA. Thus we have been able to size what other people have to do the trade deals that they have been doing in terms of quantity and quality. That will allow us over the next two years to build a team based on how we progress with the FTAs we decide to pursue.

Lord Green of Hurstpierpoint: If Canada needed 100 people just for the negotiation with the EU—and I am very well aware of how complex that was—that suggests that 130 is nowhere near enough, given the number of agreements that we are going to be progressing over the next few years. It suggests that 130 is the early foothills of where we need to get to.

Lord Price: That is right. We had 40 just four months ago.

Lord Green of Hurstpierpoint: Sure, I recognise the increase.

Lord Price: As we escalate our activities, so those numbers will build. We are pretty flexible in the way we are building numbers at the moment.

Lord Green of Hurstpierpoint: My more particular question is that I have just come back from South Korea, where of course they were talking about the EU FTA with South Korea and the British question in relation to that. One of the comments made there is that the South Korean implementation of the EU FTA has shown a fair degree of foot-dragging in certain sectors, particularly in key services sectors and the legal sector, as I understand it. The implication is that we will need not only experts in negotiation but enough resources to handle the constant process of lobbying when you have a deal signed to ensure that the other party delivers on its commitments. South Korea would not be the only trade deal in the world where there is a need to press for full-blooded implementation in the years after it has been signed.

Lord Price: That is right. You put the point beautifully that it is not just about signing a deal but about making sure that there is compliance with it. I was in South Korea two weeks ago for a meeting with Ministers, and one of the points they made to us is just that: that you should think not only about completing the deal but about how you make sure the deal is enforced as you go forward. I agree with you.

Lord Green of Hurstpierpoint: Again, I think the resource implications are self-evident.

Q58 **Baroness Suttie:** Going back to the recruitment of trade negotiators, have we made an estimate of the total costs of how much we expect this to cost in the bill to the taxpayer? Are we recruiting from abroad?

Lord Price: We need to put forward our budget for the Autumn Statement so that we understand how much the department will cost. Everybody talks about trade negotiators, but you actually do not need that many. I will set that out a little more. Typically you would have up to 30 chapters in a trade agreement, split between goods and services and legal, and you would have a lead in each chapter and an individual who sits above those 30 chapters. One individual could cover a number of FTAs.

It depends what people mean by a trade negotiation. The reality is that the work is more about having the right number of economists, analysts and people working on the legal frameworks. When you do a round, typically you bring that back and discuss it around Whitehall with different departments on what needs to be done. I think it would be wrong to think about it as just what is in the DIT. As Lord Bridges said earlier, it is more whole of government. We will need to talk to Defra and other departments about the impact of any particular negotiating round. I think we are very clear at the moment on what structure we need. We feel very confident that we can recruit that over the next two or three years. We have not said explicitly that you have to be a UK national to do the deal. I suspect that when we get to advertising it may well be one of the things that we think about, but for now we are not at that stage.

Q59 **Baroness Donaghy:** Lord Price, you talked about the whole of government, but the number of civil servants has been reduced considerably throughout the Civil Service. What reassurance can you give us, bearing in mind that you are going to be putting the budget in in the normal way, that there will be sufficient resources to do this job?

Lord Price: I have been given every encouragement that whatever we require will be provided. Clearly there will be a good level of scrutiny, but the requests that have gone in so far have been met with understanding. I feel confident that we will get the resource that we need to negotiate trade deals for the UK in the future.

Q60 **Lord Risby:** It is really excellent to hear that 800 people have come forward, and undoubtedly many of them have done trade negotiations for countries or corporations, which is very gratifying. I just wanted to understand the mechanism for getting information into you. Some of us are involved in export promotion, et cetera. Baroness Symons has an exceptional set of contacts in the Middle East, for example. What is the best mechanism to feed in information? I know the embassies are there to assist. It sounds as if you are travelling like Marco Polo, which is fantastic, but for those of us who want to feed in pragmatically, is there a unit exactly, and how do we get to know about it? Parliamentarians have a great range of contacts. Is there some way in which we could be informed collectively? After all, there is a great desire for Parliament to be involved in this, we keep noting, in a way that takes the burden off you but goes directly to where there is a practical suggestion. I think it would be very helpful to us all to know that.

Lord Price: Thank you very much for your question. I will handle outside the EU and Lord Bridges will pick up inside the EU. In my visits I have been meeting with investors into the UK and UK businesses that are based in that country, and I have to say that the ambassadors everywhere have been absolutely first rate. We have asked that the ambassador be a conduit for that information to flow back into DIT. John Alty, who is heading up the operation, is also setting out the routes that we will take as we start to negotiate—which of course we have not started yet—regarding the feedback that we need from business in the UK and elsewhere. The ambassadors are keen to be involved, and we will set up a process for businesses to be involved, as we do for negotiations outside the EU.

Lord Bridges of Headley: It is a very good point. Just taking a step back, when we collect and collate evidence, ideas and thoughts, if you take a specific example of, say, agriculture, Defra will talk to the NFU and other organisations, and I am sure the Agriculture Ministers have open arms and doors in wanting to take ideas and views. Those views are fed into the Business Intelligence Unit in the Department for Business, Energy & Industrial Strategy (BEIS). That unit is bringing in all these views from different departments, and my officials are working absolutely hand in glove with that unit to assess what is coming in, and to make sure that it is assessed properly. At certain points my officials, and wherever possible my colleagues, in my department sit in round tables and other meetings with sectors to hear what specific groups and organisations are saying. In the case of Defra, for example, we have co-hosted a round table. I could give you other examples. It is done by each department because otherwise our department and the four Ministers would be completely deluged with lots and lots of ideas and would not have the time to see everyone and do everything possible—and, more to the point, we need to draw on the expertise in departments. I hope that addresses your question.

Lord Risby: It seems to me that people are really anxious to assist you in a very positive way. There is no question about that. I think it might be an idea to have a letter sent to all parliamentarians saying, "If you have something to feed in in one way or another along the lines that we have been talking about, this is the email address to do it", or whatever. I think it would be good for parliamentarians to feel that they were helping you in this huge national endeavour.

Lord Price: I think that is a good thought. If I were more fleet of foot I would have said that Lord Puttnam is coming with me to Vietnam next week. He is the trade envoy to Vietnam. Also when the Secretary of State held a meeting for parliamentarians he was very clear that he welcomes input from all quarters regarding what we need to achieve. Given your prompt, I will go back and look at the formal mechanism to do that to make sure that views can be collected.

Q61 **The Chairman:** In respect of Lord Risby's initial question, I was reminded that Marco Polo took a long time to get to China and then spent two decades working for the Chinese government. I wonder whether the latest reports that we are not prepared to recruit advisers who are not British nationals is inhibiting it. There was an early suggestion that the New Zealand government had offered some of their personnel to help the British Government out here. How absolute is that prohibition?

Lord Price: I do not think it has been discussed. We are not even close to thinking about advertising and going out. That is a long way off. I would rather think of Sir Francis Drake or Sir Walter Raleigh from the Elizabethan era, who were given the task of circumnavigating the globe and North America.

The Chairman: They were, of course, pirates.

Lord Price: One person's pirate is another person's hero.

The Chairman: It is the buccaneering spirit. Lord Mawson.

Lord Mawson: In my experience, sometimes Government 'over-loves' policy-makers, economists, academics and lawyers. What proportion of your team is going to be business people with real, practical experience on the ground of trade? What proportion of those people are going to understand the modern IT-based economy of which we are just in the foothills, and all that that is going to mean over the next couple of decades? How do we ensure that this practical knowledge is placed in the middle of all this, rather than just theoretical knowledge?

Lord Price: The best way to answer that is to say that we recognise that we need that expertise within the team as we develop it. As I was saying, for every FTA there is likely to be an individual that leads every chapter. Each chapter is going to be different. The automotive chapter is going to be different from the agriculture chapter, which is going to be different from the financial services chapter. We need the expertise, and the Secretary of State has been very clear that he wants somebody with real expertise in that particular sector to lead that particular chapter. Those people have to be supported with economists and analysts, and they may need to be supported with lawyers. We want to make sure that we have that practical experience. It is one of the reasons why we want to take the next period to really understand where we think we can get the greatest advantage for the UK regarding the various FTAs that we might want to do. We are very aware of your point, and the Secretary of State already in speeches has talked about wanting to bring that expertise in to lead all of the chapters.

Lord Green of Hurstpierpoint: I may have misunderstood about trade negotiators. You said that you had not yet advertised and that was a long way off. I am surprised to hear that, given the urgency of building up the resource base. Secondly, I had missed the point that people had to be UK citizens in this new era. That was certainly not true earlier. When I was in your role I remember having at least two French citizens employed in the department involved in trade matters.

Lord Price: You will have to forgive me, but I have lost the point about UK citizens. I am certainly not aware as the Minister responsible for bringing people in that we have specified that we will only have UK citizens. Regarding my timeframe, as you know, I was formerly a grocer and for me a week is a very long time, so in talking about our plans I am really referring to the next three or four months. It is not our plan to bring in specific negotiators on FTA agreements with any particular country. When we come to that, clearly we will consider who the best candidate for the job is.

The Chairman: The point about non-British nationals was in the press, so it would be useful to clarify that if you could.

Lord Bridges of Headley: May I jump in? If you are referring to the LSE academics, we will write to you. I think this was based on a lot of misunderstanding.

The Chairman: If that could be clarified, that would be helpful.

Lord Bridges of Headley: We will certainly make sure that is clarified.

Q62 **Lord Wei:** We have touched on this already, but I want to bring a focus to the impact on industry. The Rt Hon David Davis MP told the EU Select Committee that industries will be asked to identify the risks and opportunities of Brexit and quantify the impacts of different trading arrangements on their business, and that the Government will do some analysis on this. Officials at the Department for Exiting the EU have provided a list of 51 market access sectors relating to this. What were the criteria for selecting those sectors? Do you have the resources to work with industry to get all this done before triggering Article 50?

Just to add a little to this, obviously today in the news we have seen within a particular industry—and it is an industry that has a globalised supply chain—there may be some activity even as this is all happening. Are you speaking to the regulators and whoever is watching and working with these industries to make sure that Brexit and currency fluctuations are not being used as an excuse to make sure that Marmite is more expensive than it should perhaps be?

Lord Bridges of Headley: I am not going to comment on Marmite, if you will forgive me. We are talking to all regulatory bodies and agencies as part of this process. As regards how we arrived at the 51 sectors, I can write to the Committee if you are interested in this. We have used the method used by the Office for National Statistics to record economic activity, which is to use standard industry classification codes, and these have segmented the UK economy into roughly 100 production sectors. We have looked at those to understand the size and contribution that each of these sectors makes to the economy and used that to support our analysis of the impact on them of Brexit. The codes are used by the Bank of England, BEIS and others across government. That is the right starting point as regards the codes.

As regards how we have done some of the sifting, we have looked at the way those sectors are treated in EU law and how future negotiations might bear down on them. Just to be absolutely crystal clear, when I talk about the 51 sectors, it is all the sectors. It is not the 51 that are the most important or the biggest. It is an attempt to try to get this into a manageable format so that we can analyse what Brexit might mean for those particular sectors. There was a second question, which I might have missed.

Lord Wei: It was about resources.

Lord Bridges of Headley: It comes back to what Lord Price said. I am confident we have the resources but I am not complacent. That is how I would answer that. Going back to the earlier point I made about how we are approaching this, we have a very strong core team in my department and we should not forget the excellent officials in UKRep. They are analysing a lot of this material in conjunction with the experts in the various departments. We cannot and should not try to create an enormous department that sucks the life blood out of Whitehall. We need to keep expertise in those departments and draw on it as much as we can using experts of our own in the centre. I hope that answers your question.

Q63 **Lord Wei:** This may be more suitable for a written answer, but I would be very keen to know about your discussions with the various industry regulators. As more news comes out, for example about businesses not being able to contact counterparts in Europe and beyond, and as this whole picture emerges, are the regulators and bodies that have that responsibility in discussion with government about how to manage that aspect, because obviously that is one which is creating a lot of anxiety?

Lord Bridges of Headley: That is a very good question. Sitting here now, I cannot answer for the day-to-day activity of the regulators, but I am happy to come back to you. I will have to make some inquiries.

The Chairman: We have two more specific questions and we are coming up towards the time limit. Lord Horam.

Q64 **Lord Horam:** I think my question has pretty well been covered, Chairman, so I will not ask the question written here. What you have described to us today is quite encouragingly a fairly technical process, looking at the real issues of industry and trade and so forth. That is happening at your level, but we are also aware that there are political noises going off. President Hollande has said, "They must be made to pay", et cetera. How far are you confident that you are being allowed to do the important technical job that you really have to do without too much interference from the big politics aspect of it?

Lord Bridges of Headley: If you will forgive me, I am not going to comment on specific comments made by our European partners or others. All I would say is that we are absolutely resolute and determined to do this work, with due consideration to the timeframes, the need for certainty and clarity and the need for thoroughness at the same time. This is a hard-headed, cool, calm look at what the impact of various options might be. I was a journalist myself so I know how things get written up and the need for stories. I can assure you that work is continuing and the departments of Whitehall and that other agencies are really putting their shoulders into this, so it is going ahead.

Q65 **Baroness Symons of Vernham Dean:** Earlier on, Minister, you quoted either from the EU or somewhere else—I do not know which—that in relation to TTIP the outcome, i.e. what people were looking for in the negotiation, was an outcome that satisfies both sides. Those are the words that you used.

Lord Bridges of Headley: Are you talking about TTIP?

Baroness Symons of Vernham Dean: It was a quote from the document you read to us earlier. You said it was an EU document. I do not know whether it was referring to TTIP or what, but that was the rubric you gave us, because I wrote it down. It sounded quite remarkable. In the end this may be a technical question for you, following on from what Lord Horam said—and I am glad you are approaching it like that—but it is an existential issue for some of our European partners, because they think that if we are satisfied it threatens others following suit. Forgive me, but it just sounded like a touch of the Polyannas to say that in the end it was going to be able to satisfy all sides, because if it satisfies us it means that others may want to follow suit, and that is an existential issue for the European Union hierarchy.

Lord Bridges of Headley: First, the quote I referred to was in regard to the transparency question that I was being asked about on what processes we will follow.

Baroness Symons of Vernham Dean: No, it was not the process; it was the outcome that you referred to.

Lord Bridges of Headley: The outcome we are after is the best possible deal for the United Kingdom, and that is where we are intending to get to. As Lord Horam said, there are lots of noises on and off about how others across Europe might respond to this. Of course we are mindful of those kinds of points, but we have to do this analysis to start off with to ensure that we are working on the best possible strategy for the negotiations.

Q66 **Lord Green of Hurstpierpoint:** Building on Lord Horam's question in a slightly different way, you have reassured us, I think it would be fair to say, about the focused technical and detailed nature of the work being done in the UK. Do you have a sense that there is an equal and opposite amount of very detailed and specific technical thought going on in the key Member States and in Brussels or not?

Lord Bridges of Headley: I would be misleading you if I gave you a precise yes or no answer on that. Clearly we know that a team is being assembled in the Commission, and quite a considerable team. I could not comment, to be absolutely honest Lord Green, on what is going on in each Member State. Certain Member States are focusing on this a lot more than others, but when I say that I would not be able to give you a clarification now as to exactly how many people are working on this in each Member State. I think that some are very focused on this, as you would expect.

The Chairman: The politics of it require us to have a pretty clear idea where our soon-to-be former partners in Europe are actually standing. That effort is rather vital. Can we go on to the final formal question from Baroness Donaghy?

Q67 **Baroness Donaghy:** As you know, the Prime Minister at the Conservative Party conference mentioned possible new free trade agreements between the UK and third countries outside the EU. She ticked off a number of countries in her speech. In addition, the Rt Hon Liam Fox spoke of a "post-geography trading world", the meaning of which I do not understand, I must admit. What is the Government's assessment of the impact of losing access to existing EU free trade agreements? Will the Government be seeking to access them as a third party? Secondly, are the Government seeking to replace trade currently undertaken with the EU through new FTAs with non-EU countries? In this case, would the priority countries be the same as named by the Prime Minister?

Lord Price: At the moment, around 11%[2] of UK exports go to countries with which the EU has an FTA. There are a number of FTAs currently being negotiated by the EU; you will be aware of those with Canada, the USA and Japan. If those FTAs nearest completion or awaiting ratification were signed before we were to leave the EU, that would be another 25%[3] of UK exports. We are aware of the quantum and scale of exports that happen through those FTAs. As the Prime Minister has said, we want to make sure that we have the best possible transition from where we are today to the new world, and part of our responsibility in DIT is to look at what we might do with those countries that currently have an FTA with the EU, to see how we might have some kind of transition to make

[2] Figure corrected by witness
[3] Figure corrected by witness

operations smooth for business. On my and the Secretary of State's trips around the world, we are talking to businesses and Governments about how we might mitigate the impact of that going forward. It is part of our thinking.

The Chairman: Thank you very much indeed. Your earlier responses indicated the constraints you were under and the limits to which you could say certain things. Could I give you an opportunity in reverse to say anything you feel you wanted to register with us which questions have not really allowed you to?

Lord Bridges of Headley: No. All I would like to say is it is a welcome opportunity to come here. I have registered the concerns that people have raised on various points and I hope that you do not read into my answers, if they struck you as evasive, that we are not very much focused on the issues. I wanted to say that once again for the record. Thank you very much.

The Chairman: We have been told that we are not getting a ball-by-ball commentary, but you have played a fairly straight bat to some of these questions and you have also been very informative on others. We owe you a debt of thanks in that regard. We will be calling you back and, as I say, in this whole lengthy and as yet undefined process, without a ball-by-ball commentary we sometimes need to know the score at lunchtime. We would hope that at the key stages there will be some sort of report back both to us and to our equivalents in the Commons. I hope that is the Government's intention and we will certainly be pressing you if it is not. On that note, thank you very much and thank you to your officials for backing you up. We will see you again.