

International Trade Committee

Oral evidence: UK Trade Options beyond 2019, HC 817-viii

Tuesday 7 February 2017

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Members present: Mr Nigel Evans; Liam Byrne; James Cleverly; Marcus Fysh; Mr Ranil Jayawardena; Chris Leslie; Toby Perkins; Sir Desmond Swayne.

Questions 526-621

Witnesses

[I](#): Lord Digby Jones, former Trade Minister, Lesley Batchelor OBE, Director General, Institute of Export, and Marcus Dolman, Co-Chair, British Exporters Association.

[II](#): Dr Mohammed Razzaque, Head of International Trade Policy, Commonwealth Secretariat, Dr Peg Murray-Evans, Research Associate, Department of Politics, York University, Lord Marland, Chair, Commonwealth Enterprise and Investment Council, and Professor Nauro Campos, Professor of Economics and Finance, Brunel University London.

Examination of witnesses

Witnesses: Lord Digby Jones, Lesley Batchelor OBE, and Marcus Dolman.

In the absence of the Chair, Mr Evans was called to the Chair.

Q526 **Chair:** Good morning to everyone and welcome to this morning's evidence session. I will start by apologising on behalf of the Chair, who is stuck up north. Perhaps we could start this morning just with a brief introduction, starting with you, Mr Dolman, and then working to your right.

Marcus Dolman: Good morning, I am Marcus Dolman. I am the Co-Chairman of the British Exporters Association, better known as BExA. I have a particular responsibility as Co-Chair for the larger exporting members. We provide our members with access to Government Departments to provide services for our exporting members to grow export for the UK.

Lord Jones: Hi. I am Digby Jones, Cross-Bench non-aligned Peer, former Director General of the CBI and former Minister of State for UK Trade and Investment. I chair about five or six companies, most of which trade overseas in one way or another.

Lesley Batchelor: Lesley Batchelor. I am the Director General of the Institute of Export and International Trade and CEO of something called Open to Export, which is designed to help exporters.

Q527 **Chair:** Thank you very much. If I can start with you, Ms Batchelor, you have said that the process of establishing separate UK schedules at the WTO could be blocked and delayed by certain countries. What sort of problems are you foreseeing and are there any countries you want to pick on?

Lesley Batchelor: If I can just expand, this is from an interview that I did with *The Independent*. The questioning went along the lines of, "How does it work?" I explained how it worked, as far as lodging a schedule goes and how the schedule then has to be ratified by all the member countries. The journalist that was then looking at this Googled "WTO" looked at the members and the first country on the list was Argentina. He said, "What do you think the chances are of Argentina just rubber-stamping an agreement?" I said, "I really have no idea". He then went on and expounded what he thought was going on, but we have to be realistic about this. It is often a political thing as well as a practical thing, as far as world trade is concerned, and the WTO is a voice for each member. It is not a bloc.

Q528 **Chair:** You mentioned Argentina. Do you believe that certain countries may try to bring up things, like the Falklands or Gibraltar, in order to win concessions from the UK?



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Lesley Batchelor: I have no idea what is going to happen, but I can say that it is not unheard of for people to use things like this in terms of diplomacy or political gain. It is just not unheard of.

Q529 **Chair:** Mr Dolman, your association recommends that care is taken on the calculation of non-tariff quotas that are submitted to the WTO to ensure that they are adequate so that no UK exporters will be worse off than under the current EU arrangements. Can you explain a little bit about this and why it matters?

Marcus Dolman: Yes. There is probably a slight juxtaposition in definitions there. It is the "tariff rate quotas" we were referencing; the WTO tariff rate quotas between various countries. It has been mentioned to this Committee in previous evidence sessions, I believe, but mainly from an importer's perspective: for example, New Zealand importing lamb into the European Union. How would that be split between the EU and the UK? We would look at it from the point of view of the exporter.

One example is that the EU has around 87 tariff rate quotas on agricultural products, one of which—cheddar cheese—has been mentioned to the Committee before. The UK exports around 160,000 tonnes of cheddar cheese per year, of which 40% goes into the EU. If we come out of the EU, how will that 40% of our exports be dealt with? Will it end up under WTO rules or a free trade agreement or another arrangement? It is that sort of differentiation that we need to be sure of when we put our negotiating position together.

Chair: Of course. We import a lot of cheese as well.

Marcus Dolman: Yes. It is all in negotiation.

Q530 **Chair:** Lord Digby Jones, do you see politics entering this more than just plain economics?

Lord Jones: On negotiating trade deals?

Chair: Yes.

Lord Jones: Yes, I do. From my experience of getting involved in this a few years ago, at the end of the day, it is what is economically in the interests of the country. The people making that negotiation work are usually democratically elected people. That means that they have a constituency back at the ranch that has to be pleased every four or five years. The doctrine—is that the right word?—or the evidence of the fact that, yes, whatever it may be sectorally or geographically, "This is in your best interests or at least in your children's", does not work if you want to be elected a week on Friday.

Politics does get involved but overriding that is one word: jobs. Everybody understands that in every country. There has to be something in it for everybody, but we should never forget they do play to a political backdrop.



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Q531 **Chair:** Could you foresee some country doing economic damage to itself in order to promote politics in any negotiations, whether it is WTO or within trade deals?

Lord Jones: At the end of the day, down at the wire at midnight, no, with one exception. It is going to be quite interesting to see how the European Union, without us, deals with putting its 480 million people and getting jobs, especially into southern Europe, ahead of the ideology in Brussels. That will be an important issue. I sincerely hope that Michel Barnier and his colleagues will understand that it is Europe's interests that there is a good deal done but they have an overriding ideology that might hurt the chances of a kid in Athens getting a job. That would be a tragedy but that is the issue.

For contrast a good example would be America, where it is obviously in America's interest to keep going with what Britain and America currently do and I hope that there will be a lot more. The "Make America Great Again" and all of that, I do not believe the politics of that will get in the way of a quality free trade deal with America sooner rather than later, simply because it is in America's interest. That is totally different to the European issue, where there is a risk that the political ideology, the wish to punish and all of that stuff will flavour it. In the interests of the single mum in Madrid or whatever, I would hope that common sense and economic development wins at the end of the day.

Q532 **Toby Perkins:** First, could you lay out what the practical consequences would be if the UK schedules at the WTO have not been finalised by 2019, the time we anticipate leaving the EU?

Lesley Batchelor: It will be chaotic. It will be very difficult for exporters and importers alike. It will mean that we will fall back on a basic WTO trading tariff rate, which can be anything between 10% and 130% depending on what you are talking about.

The thing we have to bear in mind is that textiles, in particular, are always heavily protected by countries; agriculture is always heavily protected, just as defence and aerospace are. These are areas that countries care a lot about, not just politically but because it is their lifeblood and they want to make sure they are safe.

Lord Jones: Could I, Chairman—

Toby Perkins: Yes. We are not silencing you if you would like to say something on that.

Lord Jones: I was just going to add to that. One of the great imperatives down at the wire in 2019 will be that there will be various vested interests in Europe—this is the Europe side of it, not our side of it—saying, "Please do not mess us about. Do not let our exports into Britain suffer a 10%, 15%, 20% or 130% tariff." We are looking at this from one side of the telescope. Automotive is a good example. Audi, Volkswagen, Mercedes and BMW are not going to want their products in Britain, up



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against JLR, to be 15% more expensive that day. I can see where you might end up with WTO rules on some sectors and a deal done on others. I could see that happening.

Q533 Toby Perkins: We are getting into other questions, which will look into what the likely arguments are. We heard a similar argument from the Secretary of State last week, but this question is specifically about if we don't get a deal. The Prime Minister has said that no deal is better than a bad deal. We understand pretty much what "no deal" means, so I am interested particularly in the perspective of your members. Many exporters that I speak to assume that, ultimately, the politicians are going to sort this out and we will end up with some kind of free trade arrangement. What is important is that we hear the voice of your members on what will happen if we have no deal, if we end up without the negotiation. Ms Batchelor has described it as "chaotic". How serious are those implications for your members if what we end up with, Mr Dolman, is the schedule not having been finalised at the point that we leave?

Marcus Dolman: It is difficult to quantify the monetary value of the impact but anything that adds uncertainty or complexity—

Toby Perkins: It would not be uncertainty. It would be totally clear, would it not? We would move on to WTO basic terms.

Marcus Dolman: If you are talking about the inability to agree WTO schedules at the point of exit in 2019, there would be uncertainty about how those quotas that are in place at the moment would work going forward. There would be uncertainty about which tariffs would apply at that point in time.

Q534 Toby Perkins: Would there be uncertainty? Wouldn't it be clear that we would just move on to WTO terms?

Lesley Batchelor: Those terms can be very damaging. That is why we all make a point of negotiating specific most-favoured-nation terms. The WTO breaks down into many different sorts of agreements that you can have at different levels. What we would be doing is going back on to the fallback, and the fallback is a lot heavier than if you have negotiated something specific about it. It is not straightforward because we can talk one term for automotive, another term for textiles, another term for agriculture and another for British aerospace. It is not an umbrella. It is something that takes time to negotiate. Each sector and each product grouping needs to be considered separately.

Q535 Toby Perkins: Lord Jones, I believe you would say that the schedules not having been finalised is something we should aim not to end up with. I think they spoke on behalf of their members. Who does Change Britain represent and is that what you are saying?

Lord Jones: I am of the view that it will be in nobody's interests for it to fall back on WTO. With two and a bit more years to go, you are going to



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find a lot of alarmist talk of people saying, "In two years' time it is going to be Armageddon, it is going to be confused" and everything else. It will be down at the wire when that is done and I can see it being sectorally selective.

Remember this. There is another competitive element in two years' time. If you fall back on WTO because, as the Prime Minister has said, no deal is better than a bad deal, it does open us up to the ability to "WTO it" or, indeed, do bespoke deals with the rest of the world. That is an enormously competitive push to countries in Europe to get a deal done. About 42% or 43% of our exports go to Europe: Germany is a good example, as is France with agricultural produce and Italy with luxury goods. We are a seriously big market. If we suddenly say, "We have a cracking deal with India" or whoever, it doesn't matter who, then suddenly there is a competitive element where Europe are up against it with us as an importer. Down at the wire I would see you are going to have a lot of imperative brought into the negotiation process with Europe not to fall back on WTO, because we will have choice. It is no good us sitting here today saying, "That it is going to happen", or "It is going to cost X and the confusion will cost Y", because this will all happen—I was going to say, "in a smoke-filled room" but that does not happen anymore—in two years' time.

The second part of your question was about Change Britain: where is the membership and what is it? It is not in any way a party political thing. I have never done party political politics in my life. It is very much people who are saying, "Let us get what the people have decided and let us make it work for Britain". It is not about hard or soft Brexit, to use the clichés. It is not about the political dynamic. It is more about: how do you get this to work?

Q536 **Toby Perkins:** Is it a membership organisation?

Lord Jones: Yes, it is a membership organisation.

Q537 **Sir Desmond Swayne:** With your permission, Mr Chairman, Lord Jones has already addressed the politics versus the trade issue. Can I come specifically to what Change Britain has said about the significant advantages for British commerce in reducing the regulatory burden, as much as £4 million. Do you not see a tension between a desire to maintain regulatory equivalence in order to gain access to markets and a deregulatory urge? Where does that balance lie?

Lord Jones: There is—and there always will be—an ongoing conflict between those two things. It is not just about addressing market failure, where you do need a form of intervention through regulation. A very important part of our business is that business has to be seen as taking society with it while it creates its wealth, so social inclusion and wealth creation go together. I can give you some fabulous examples where that has worked and I am sure we can all think of the ones where it hasn't. Regulation is an excellent way of putting some thrust into that. Does it



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inhibit wildfire capitalism at its rawest? Of course it does. Is that a good thing for society? Definitely.

A very good example would be that after Brexit, I would sincerely hope there is not going to be one workplace regulation that will be repealed. There will be loads of smaller businesses that will say, "Oh, come on, we have all this EU regulation about working regulations". Does it impede the planned growth of a business? Yes, it does, but it is a constant symbiosis between what is good for society and how you get the business imperative linking into that. The umpire is regulation that comes out of—I would sincerely hope—a democratically elected Parliament in Westminster, as opposed to unelected people in Brussels.

The concept has to be the balance between regulation that does cost money but is there for a better society and regulation that costs money but can be repealed. Frankly, 80% of the businesses in Britain do not export to Europe, yet they are being asked at the moment to do lots and lots of things to comply with EU regulation. Of course, the other thing—which I saw so often at the CBI—is you have a regulation coming out of Brussels, the sales prevention team in Westminster make sure that it happens and Italy or France don't actually apply it, and so you are in a competition. There is one regulation. One doesn't get applied and one does get applied. Businesses in Britain would say, "It is inherently unfair that the French and the Italians get away with this and we are not allowed to". Once you are out I would hope that sort of regulation will be repealed.

Not one person watching or listening to this should think that business wants to harm the people in the workplace with any repeal of any workplace regulation because, frankly, you have to take society with you. You cannot just go away saying, "I am going to create my wealth, pay my tax and be a good corporate citizen" if you are not conscious of the social inclusion imperative. You need a level of regulation to make sure you do that.

Lesley Batchelor: I want to try to keep a focus on the export element of all this. Although deregulation may be great in many ways—as Lord Digby has just explained to us—I am very concerned that we are not taking into account the fact that we have started a whole new Department of State for International Trade, which may have cost us quite a lot of money, and is still recruiting madly at the moment, which is all costing us money. As we go through deregulation, we have to have regulations. With all of the WTO agreements that we are going to have, these wonderful free trade agreements, we will need to have people policing things like rules of origin and how these things are moving.

From an exporter's point of view, from a business point of view, we are going to be handling a lot more paperwork as far as importing and exporting is concerned. In one way deregulation may be better, as



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described by Lord Digby, but I have to say I am not convinced as far as the exporters and the businesspeople are concerned.

Lord Jones: Those are two distinct things. I agree with the statements but that is a different application. If you look at the 100 most burdensome EU regulations for a business in Britain—these are regulations that came out of Brussels, were implemented by the British Parliament and its Civil Service—it impedes commercial activity in Britain. Of those 100 we reckon that there will be 59, just over half, that will stay, for all the reasons I have just discussed.

Cutting back on the others—and this is nothing to do with export—we reckon will increase the value of commercial activity in Britain by about £1.2 billion a year, every year. It is sitting there at the moment tied up in a welter of red tape and, I repeat, that is nothing to do with workplace regulation or climate change regulation, both of which would continue.

On the export bit, your point is absolutely well made. While we concentrate, do we not—you do in this room and the media do all the time—on the tariff issue of a deal, the customs regulation part of the deal will be expensive. People who are passionate about Brexit say, “That is irrelevant”. It is very relevant. What you will get is, instead of it going straight through a border with no problem, a component supplier trading into Britain will suddenly be able to get it from, say, Slovakia all the way across until they get to the Channel Tunnel and then it will have customs forms, red tape and regulation to get into Britain. That will happen.

It would be rather good if in your report—and indeed when the Government are into negotiation—the regulation relating to customs was on the agenda. This is nothing to do with the Customs Union. This is everything to do with the stamp on the stuff going through. To get a working model both ways that reduces that at the Channel ports would make a major contribution to it. It is different to the red tape of commercial activity. It is very important.

Q538 **Sir Desmond Swayne:** You made an interesting point earlier, my Lord, with respect of going “to the wire,” as you described it. Normally, trading agreements are not negotiated to any timetable.

Lord Jones: That has been one of the problems with it actually.

Q539 **Sir Desmond Swayne:** Do you expect the fact that there is a timetable to be of assistance in getting an agreement?

Lord Jones: Definitely. I remember the Doha Round in the WTO negotiations—there was Cancún, there was Hong Kong and it started at Doha—by and large, if it all ended without an agreement, so what? You would do it in six months’ time somewhere else. Therefore, the smaller countries, who are very important, could flex their muscles. In WTO, as you know, the biggest economies have one vote and so do the smaller economies. It is all very equal in that respect. It comes down to no wire because there is no deadline and it happens at the next one.



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One of the best things for getting a deal done is Monsieur Barnier will know that, at midnight on a certain date, if he does not have a deal done, it is off to the WTO. It will not be in the remaining EU's interests for that to happen.

Chair: Thank you very much. James, a small supplementary?

Q540 **James Cleverly:** Yes. Marcus, one of the things that I have heard anecdotally is that because everything has to be spec'd for EU compliance—particularly with manufactured goods—it makes it very hard for potential UK exporters to compete on price with lower-spec product going into developing nations. We are coming on in our other bit to talk more about developing nations. Is that something that you have been aware of in terms of the exporters that you work with?

Marcus Dolman: It is not something that has been raised as a BExA issue. Obviously we have global competitors around the world in different regulatory environments where, yes, it may impact on their ability to offer a product at a certain price, depending on those projects and where they are. If they require financing of that project, that then could require those customers to require international standards that are based on EU environmental, social and health standards. There is an equalisation to a degree for larger projects that require financing.

James Cleverly: Thank you.

Q541 **Mr Jayawardena:** Lord Jones, you have mentioned in the past—I think it was in your book, "Fixing Britain"—that "our own Government, whether elected politicians or their enforcers, the Civil Service, must not suffocate our lifeline into the twenty-first century, the businesses of Britain". To the point that you have just made about the way that European Union regulations are introduced in Britain, as opposed to other parts of the EU, is it not also possible that many of the issues you faced were as a result of the EU having that exclusive competence over trade, which stopped the agility of British business and, therefore, the ability of the British Government to act on their behalf?

Lord Jones: Spot on; absolutely right. They appear to be marching valiantly toward 1970. This is Asia's century. This is Asia's time. Whether you are Mercosur, or the US, or NAFTA, at the moment, whether you are Britain in or out of the EU, wherever you are, you have to be globally competitive in a value-added economy in Asia's time.

In a way, if Britain's exit can put that wakeup call in to Brussels to bring about reform—if only it had reformed, Britain would probably have voted to stay in—then that will be a good thing. I come back to the point that this is about an unemployed kid in Athens having no chance of a job because the whole ideology is not globalised. It is looking inwards.

One thing Britain has always done—with any political party in power, it does not matter—is that always have a global aspect. It has always had an open market and it has always wanted to trade with the world. The



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one thing that being a member of the EU has not allowed us to do is do the best deal for a kid in Manchester because we have had to do what Brussels has said.

With Brussels, of course, it is not just doing what they say but it is actually them having the competence. They are the guys who go and do the deal. All of the countries have input into that, of course we do, but it is not our competence. Whereas, if you set us free to do a deal with India, to do a deal with America—it does not matter—then you will create more jobs and more wealth for the nation. You will generate more tax, which will build more schools and hospitals, simply because we will not be fettered by an inward-looking organisation.

By the way, there is nothing wrong with Europe wanting to trade among themselves all the time and not set out into the open sea. Of course there is nothing wrong with it but there is a price to be paid, which is: you are in that boat together and if you have a rich northern Europe and a poor southern Europe, all trying to deal at the same time, the casualty will be the kid in Athens.

Q542 Mr Jayawardena: You also said, “Our most effective enemy is ourselves. We tie our hands behind our backs and then enter the fight”. You went on to say that you found deep respect for Britain in the countries with which we need to partner. As we leave the European Union, and as we regain our ability to negotiate trade arrangements, do you also see there being the possibility of us preparing regulations more clearly for trade with the US, Hong Kong and the Commonwealth more generally?

Lord Jones: I do. There will be a lot of EU-compliant manufacturing that will then be sold into other markets. It would be foolish to say to a manufacturing exporter, “Do one set of stuff for that market and another one for that market”. The cost would be enormous. I can see a lot of EU-compliant stuff that would then be sold around the world, but the concept, if you have one market, of seeking regulatory compliance and implementation that is for that market alone, yes, I can see that. The ability for business to be seen as a force for good in a wider market is enormous if we can do this ourselves.

For instance, with developing countries, why does Europe hand out these enormous overseas aid cheques every year? This is not a *Daily Mail* overseas aid issue. I am not talking about that. I am talking about genuine good-quality overseas aid. Why do we hand it all out from Brussels—a big cheque every year—and yet tariff their ability to sell stuff into our market out of existence? Instead of which, what we should be doing is saying, “We will let you come into our market so you can create skilled jobs and the ability to make your own money”. The overseas aid cheque gets less. Their self-respect and self-esteem increases and I would hope we make them richer, so we then build value-added stuff that we can sell to them because they can afford it. We are not allowed to do that at the moment because Brussels tariffs it out of existence and then take great pride in handing over the overseas cheque every year. To me,



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one of the great chances that we have—if only we have the confidence as a country to go forward and do this and believe in ourselves—is to enable business to be a force for good in developing countries.

Q543 Mr Jayawardena: Ms Batchelor, do you have a comment on our prospects to trade and export to other markets?

Lesley Batchelor: Yes. I would like to say that, obviously, we work with a lot of exporters but we also work to try to encourage businesses to get out into new markets. We haven't found that the reason that they are not going to a new market is that the EU is stopping them. As Lord Jones says, we are stopping ourselves. A lot of that is because we are not seizing opportunities and we are not treating international trade as a skill set. I am quite tired of hearing the Government say, "Have a stab at it", or they just go, "It's easy. Just do it", because—you know what—they just do it, it goes wrong, and then the businesses don't do it again.

What we need to do is empower them to understand that they have always had these opportunities. We are about to go into a new brave world. I am very apprehensive about this whole relationship, as far as trade agreements are concerned, and our attitude towards being able to "just start one somewhere". If we are going to choose to be part of WTO, we will be legally bound by WTO, so there are rules that we have agreed to adhere to. It is not going to be quite as straightforward as that. It is a brave new world and we are going to be able to get out there but nothing was really stopping us before. We have always been quite good at exporting. We just did not seem to pass it down to the new generations that came through.

Q544 Mr Jayawardena: Mr Dolman, what about your members?

Marcus Dolman: Just to echo what Lesley said, there seems to be reluctance on the part of UK businesses to export, which is what we are talking about at the moment.

Q545 Mr Jayawardena: Is that because of the Government framework? Is that because of the fact that we have had one hand tied behind our backs?

Marcus Dolman: It is many factors. One of the issues for potential exporters is a fear of the unknown. They don't know these markets. They don't know where to go for advice on these markets. They don't know how to finance their projects in these markets. That is where we see the new Department for International Trade coming in to help those businesses, to provide that advice, and for UK Export Finance to help those businesses provide financing support for those projects.

Lord Jones: The biggest area of the economy for the UK, of course, is services. One of the great lies is that there is a single market in services in Europe. There isn't. There might be a document that says there is but it is not the same. There is a fabulous single market for manufactured goods. It does not mirror through into services. You will find that the



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service sector exports very well around the world. They seem to have more confidence. You would expect financial services to do that but there is an awful lot of that. Education is a classic example. It exports really well.

My colleagues here are absolutely right. The country's businesses need more confidence. They don't need beating up by Mr Fox, being told that they are on a golf course every day, because they are not. What they need is more confidence. Big manufacturing exporters do it really well. Automotive is a classic example. Aerospace is another. Smaller business can sell into the big business that exports, so in a way they are exporting but not themselves. Therefore, they don't have the impetus or the confidence to do it.

Q546 Liam Byrne: Mr Dolman, I want to drill into some of the hopes and fears of your members. I want to bottom out their view of a WTO regime. Do they regard falling back on WTO rules as something of a Doomsday scenario?

Marcus Dolman: I am not sure it is a Doomsday scenario. It depends on the industrial sectors exporters are involved with. The average WTO tariff is somewhere around 3% or 4%, so in a lot of cases it is not going to make a huge amount of difference to businesses. One area where it may affect it is obviously agriculture—as we have talked about before—where there are particularly high barriers to entry on the tariffs. In answer to the question: it depends on which sector those exporters are involved with.

Q547 Liam Byrne: Which are the sectors that are most worried about a WTO regime?

Marcus Dolman: As I said, agriculture.

Lesley Batchelor: Textiles.

Q548 Liam Byrne: How do manufacturers feel about it?

Marcus Dolman: The concern from manufacturers would be more around the ease of movement of their goods across borders, customs tariffs and customs checks. As large exporters, we all have global supply chains and the ease of movement of those parts around the EU is particularly important to those exporters to be able to manufacture their goods in a timely fashion. If we are having goods held up in border checks for two or three days, obviously that adds cost and time to the process. Companies will be holding inventory and working capital costs for longer than they need to.

Q549 Liam Byrne: Have any of your members calculated what kind of additional cost may be entailed with such new customs arrangements?

Marcus Dolman: Not that I am aware of. I can double-check that and come back to you.



Q550 **Liam Byrne:** Thank you. That would be very helpful. Ms Batchelor?

Lesley Batchelor: There is something quite important to mention here. When we start talking about supply chains, we start talking about quite complex issues. I mentioned rules of origin earlier. At the moment, EU countries may be buying goods from us that they are then putting into their own product. That will remain a "Made in EU" product.

As soon as we come out of the EU, they are going to have to make decisions about whether they are going to be completing the additional paperwork and dealing with additional problems of working out which origin the goods are. They will no longer be able to be purely of EU origin. There will be confusion and it may be something that we could probably do without. This complex issue around the supply chain and how we all create a product that is of a certain origin bears a lot more investigation.

Q551 **Liam Byrne:** What do you think the costs are likely to be?

Lesley Batchelor: I am so sorry; I cannot help you on the costs. I do know that a lot of people are worrying about issues around the additional paperwork and the fact that they are going to have to be treating everything from the UK as an export or an import, whereas before it was free movement.

Q552 **Liam Byrne:** What is the risk, therefore, that some of your members may decide that it is easier to assemble things on the Continent in low cost East Europe?

Lesley Batchelor: It is already happening. More importantly, what is also happening is that a lot of the large organisations that we work with are not even bothering to use trade agreements. The paperwork is so extensive that they are just not—

Q553 **Liam Byrne:** Can you just elaborate on, "It is already happening"? What do you mean?

Lesley Batchelor: Our members are telling us that people are stopping buying from them, so they are moving across to having a depot or a warehouse on the mainland of Europe.

Q554 **Liam Byrne:** We are already beginning to lose business?

Lesley Batchelor: We are still doing the business. The businesses are just moving their operations physically somewhere else.

Q555 **Liam Byrne:** You seem anxious to come in, Lord Jones.

Lord Jones: Yes. There are two aspects to this, aren't there? Will there be diminishing trade with Europe because of exactly what Ms Batchelor has said? I would say that the complexity of customs across the board will occasion what you have just said, but it will be sectoral.

A good example—and a business that I don't know intimately, so this is just what I can think about—is Airbus. They put them together in



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Toulouse, but the wings and the undercarriages and a lot of the avionics come out of the United Kingdom. In fact, roughly half of a big A380 by value is made in Britain. They don't make it in Britain at the moment, politically. We don't have a stake in it any more. They are Government-owned by Germany and France. Why do they do it, because we are the best at it? They are Rolls-Royce engines, the leading edge of—

Liam Byrne: Sorry, my point is slightly different.

Lord Jones: What I am trying to say is—

Liam Byrne: Yes, I understand your point.

Lord Jones: I do not see that as being harmed at all by this because it will be in the interests of—

Liam Byrne: I completely understand that.

Lord Jones: Where you are right is with the small widget that is made in Slovakia, that is put into a car that—

Q556 **Liam Byrne:** My question is a bit different, though. My question is that there has been a lot of focus in the debate about relying on WTO that zeroed in on the tariffs. What I think we have heard in this Committee is that the potential transaction costs of new border arrangements are far more serious.

Lord Jones: I totally agree with you. Sectorally, part of the negotiation, before we resort to the WTO, would be to make that as easy as possible. Although the tariff is the one that gets the headlines, it is not the issue. It is: how do you make sure in automotive, for instance, that the component comes in without obstruction?

There is another point, of course, which is in a Customs Union you would not have that issue. You would not be in a single market but you could have a Customs Union. It is an 8 trillion market in Europe. It is a 17 trillion market for Britain and the rest of the world, so just because there is a bit of a problem with some forms being filled in at the border and the Channel Tunnel does not mean that you cannot go off and do it around the world.

Q557 **Liam Byrne:** True, but if you are importing 60% of your parts through a very expensive border—

Lord Jones: For sure. I take your point.

Liam Byrne: That is going to damage your price competitiveness in the \$17 trillion market.

Lord Jones: I am not too sure it damages competitiveness. What it damages is you tie up your working capital for as long as it takes. The problem you have is that the border is with France, isn't it? It is not going to be exactly easy. It is not as if it is with Holland or Ireland or whatever.



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You are tying up your working capital for 48 or 72 hours that you do not need to do—

Q558 **Liam Byrne:** But my point is that it is going to put upward price pressure on what you can sell for if your costs are going up because you now have a cumbersome border—

Lord Jones: Unless you get the Government to deal with it.

Q559 **Liam Byrne:** Yes. In that case then, if you end up with no deal, potentially one of the worst costs, Mr Dolman, is these new border arrangements?

Marcus Dolman: Yes.

Q560 **Liam Byrne:** Is that more serious than the tariff issue, do you think?

Marcus Dolman: Yes. I agree with what Lord Jones has said. The added complexity of new border arrangements will increase the cost of goods and be of more consequence than the tariffs.

Q561 **Liam Byrne:** Yes. Is that a consensus across the panel?

Lesley Batchelor: I think there is a little bit of confusion, if I may. The World Trade Organisation looks after the fallback position, but we also have to lodge anything we do in the way of trade agreements and those trade agreements would be covered by WTO. When you talk about fall back on the WTO that is the default of the general tariff, but what we are now talking about is special arrangements that we might have as well. The special arrangements would always have or demand additional paperwork and additional clearance issues.

Q562 **Liam Byrne:** Yes. What do your members think about the default position of WTO?

Lesley Batchelor: They are very worried about the default. They see it as a huge expense and an unnecessary disruption to business, which they want to just get on with.

Q563 **Chris Leslie:** Lord Jones, I am just looking at this Change Britain research from December, which said, "With clean Brexit, GDP could be up by £19 billion, 380,000 jobs". There has been some criticism of it. Do you still stand by that particular research?

Lord Jones: Yes. Where is the criticism?

Q564 **Chris Leslie:** The Adam Smith Institute. It is not exactly a left-wing organisation. Sam Bowman I think—

Lord Jones: It is an interesting remark that. What has this to do with left, right-wing or anything else?

Q565 **Chris Leslie:** Because I am a Labour Member of Parliament. I am not quoting—



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Lord Jones: So?

Chris Leslie: You used to be a Labour Minister?

Lord Jones: No, no, I was a non-party member of a Labour Government. That is a different thing.

Chris Leslie: I digress. You took the Labour whip?

Lord Jones: I did not, actually.

Q566 **Chris Leslie:** I just want to ask you: Sam Bowman from the Adam Smith Institute, when he looked at the research, he said, "The numbers are basically junk. What's noteworthy is just how weak they are though". Jonathan Portes, from the National Institute of Economic and Social Research, talked about how, "increased export figures and reduced Government expenditure is literally meaningless". The result was as he said, also, "junk". Can you just explain why it made the assumptions that Britain would be able to get exactly the same terms of trade deals with blocs like India, China and Mercosur, as the UK would be able to do on its own? Was that not just a bit rose-tinted, assuming that you would be able to get the same amount of benefits as a whole EU bloc in those deals?

Lord Jones: First, they are wrong. They have every right in the world to say it is junk. I think they are wrong. Secondly, the country is being approached at the moment on a regular basis by countries saying, "As soon as you can, we would like to do a deal with you" I would say to you, the least that we will get out of that will be a mirror of what we have at the moment through Europe and there is a good chance we will get more. The reason we will get more is because we don't have the hang up about importing stuff that the EU does.

Q567 **Chris Leslie:** Just to be clear, you are saying that the UK, in seeking a trade deal, can get better terms than the EU as a bloc with those other countries?

Lord Jones: I am saying to you the chances of that are high. I am not going to guarantee it. If I may just say, you are just negotiating as one country. Whereas, if you cannot even get a free trade deal with Canada because Wallonia says you cannot, well, God help you, which is why it is not junk, by the way.

Q568 **Chris Leslie:** No, I understand that sometimes it is difficult getting to the deal, but the size of the bloc of the market, I think, most people would say that that was a prize that would probably give you a better advantage than trying to do it as a smaller country?

Lord Jones: I don't agree with that.

Q569 **Chris Leslie:** No, that is fine. Steve Peers pointed out about the Change Britain research that, "some of the 'gains' are calculated on getting a free trade deal with South Korea—but the EU already has a trade deal with



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them in force, so even if we got exactly the same terms we would just be avoiding a loss, not making any gains". Did you spot the South Korea point in the research?

Lord Jones: Yes.

Q570 **Chris Leslie:** What is your comment on that?

Lord Jones: I agree with that. You cannot say that as regards every single trade deal that the EU currently has by us negotiating with it directly—and South Korea is a good example, in June 2016, when this was analysed. If we can get a deal that is as good as the European Union one that will be great, but I am not sitting here saying every single deal with every single country is going to be better than the one that currently exists. Why the negativity?

Chris Leslie: No, because I want realism, because I think if we are credulous about this—

Lord Jones: Oh, come on. You are just aching for this to fail, aren't you?

Q571 **Chris Leslie:** No, if you are going to be in a fantasy land about these things you will make bad decisions, Lord Jones, and I am just worried that the rose-tinted spectacle view is not grounded in reality. If you are double-counting that, essentially, South Korea is going to give you these great advantages but forgetting that we are already getting those by virtue of the EU, I think that would be alternative facts.

Lord Jones: I am not double-counting South Korea. Would we get a mirror-image of the trade deal that the EU currently enjoys with South Korea? I would be very hopeful that the answer is yes. If the trade deal with South Korea happened to be less but, by the way, the trade deal with America happened to be better—and I would suggest we will get a much better deal for Britain out of America than the EU will—then, on balance, that is okay, isn't it?

Chris Leslie: Absolutely.

Lord Jones: But if you come at this saying, the propagandists are saying, "Everything is going to fail. We will have Armageddon in the morning". I remember on 22 June, my friend, it was all about how we were going to have death of the first born by Friday.

Q572 **Chris Leslie:** No, but, conversely, if everything is going to be skipping through the fields and marshmallows and sweets then—

Lord Jones: Your eating habits are not for this meeting.

Chris Leslie: That would be equally naive, wouldn't it? Let me ask you about the claim about the regulatory benefits that we get from this. I think the figure was put at £1.2 billion. What were those deregulatory changes?



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Lord Jones: I repeat, because this is so important because I don't want to give you party political ammunition in any way—

Chris Leslie: But you are not party political.

Lord Jones: Well, you are. I am not. This will not harm Government policy or, indeed, the nation's wish on climate change, nor will it in any way harm workers' rights. I can understand—and I feel very strongly about this personally—that not one person going to work today should feel that, by leaving the European Union, suddenly there is going to be a bonfire of regulation in the employment workplace because that is not going to happen.

Q573 **Chris Leslie:** Yes. But I asked you what would be the deregulatory benefits?

Lord Jones: A classic example would be, and the trouble is that this is going to grind it very small, but it is a classic example, if you have the installation of machinery and how it is installed, when it comes to all of the regulation that goes in installing it—and it is not health and safety, it is before that—the amount of time, especially a small business, has to wrap up in what is British regulation implemented by the British Government but which emanates from Brussels is enormous. That is one small thing and that is happening in one of my businesses at the moment.

Chris Leslie: Installation of machinery?

Lord Jones: Installation, but that is a small part of it.

Chris Leslie: I am just trying to get it: the benefits of leaving the single market in that way would be to get deregulatory benefits of installation of machinery?

Lord Jones: Is deregulating certain areas. The trouble is, by saying this to you, you are now going to say, "Well, if it is only for that what is the point?"

Q574 **Chris Leslie:** Lord Jones, you gave a figure of £1.2 billion, I want to find out what that is. As far as I can see from the small print in the report, £1 billion of that £1.2 billion comes from a single regulatory change, which is scrapping the Data Protection Act. We would be leaving the single market, and all of those benefits, in order to get the advantages of scrapping the Data Protection Act?

Lord Jones: No, that is a non sequitur, isn't it? You are leaving the single market for a host of advantages and some disadvantages. I believe the advantages outweigh the disadvantage and you clearly don't, but welcome to a free world. One of the advantages of leaving is that the small business sitting in Blackburn, Lancashire, no longer has to comply with the Data Protection Act if the UK's sovereign Parliament chooses to repeal it. It might not but, if it did, there would be a saving that will contribute towards £1.2 billion a year. That is not a reason to leave the



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single market on its own, but it is a contributor to the benefit that comes from leaving the single market. You could rightly put up very good reasons why the UK sovereign Parliament would not repeal the Data Protection Act for all of the reasons we know and, therefore, that figure would be subject to parliamentary approval. Of course it would, but the opportunity of £1.2 billion is there if you chose to repeal it.

Q575 Chris Leslie: Yes, but £1.2 billion is not a phenomenal saving from deregulation, is it?

Lord Jones: I know a lot of businesses that would love £1.2 billion.

Q576 Chris Leslie: No, £1.2 billion for a country and if most of that is from the Data Protection Act you are not exactly asserting that there are these great deregulatory gains from leaving. In reality, Lord Jones, there isn't this wonderful rose-tinted world out there of these deregulatory gains that can be obtained by leaving the single market?

Lord Jones: You are talking about the difference between opportunity and the reality of what Parliament—

Chris Leslie: Realism is what I am looking for.

Lord Jones: The realism of what Parliament decides. What I am saying to you is that there is a chance of £4.5 billion but that would include climate change regulation, it would include employment workplace regulation, neither of which should be repealed. You are talking about £1.2 billion of other stuff. The opportunity of saving British business £1.2 billion is there; if you, as sovereign Parliament, choose not to take that opportunity that is for you. That is why you are a sovereign Parliament. All we can say to the British people is, "There is a chance of £1.2 billion. It is up to your MPs as to whether they do it".

Q577 Chris Leslie: Yes, I think that has established very helpfully that there are not phenomenal gains from deregulation that are realistic.

Lord Jones: The word "phenomenal" is a question of degree, isn't it?

Chris Leslie: That was the point of the report but I have asked my questions. Thank you, Mr Chairman.

Q578 Marcus Fysh: Can I come back please, panel, to the question we were asking earlier about the changes in the customs arrangements and what impact that may or may not have on business? Can I confirm that none of you can put any figure on what that might cost or what that might look like for business, other than that it may cost some goods exporters or importers the cost of capital of 48 hours of hold-up at the border? Am I correct in thinking that?

Lord Jones: That is the risk. That is your exposure. One of the companies I chair imports components from Japan. No Customs Union. That is a very good example because it has nothing to do with the European Union. Things come through in 24 hours. It is not an issue. We



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export stuff from another company to Brazil. Things go through; no problem. But the exposure to delay risk, the exposure to tying up your working capital for 48 hours or more because you cannot get the stamp on the form in Calais is there, which currently it is not—does that mean there will be extra risk of expense and increase in cost because of it? Definitely, yes. The work needed on that would be sectoral. It would be location. It would be a phenomenal piece of work and I don't think you would get an answer to it.

Lesley Batchelor: I do believe the Government are working at that on the moment. I don't know whether I can talk to anybody on the trade policy side to see where they are with those figures. I would be quite happy to do that for you.

Q579 **Marcus Fysh:** That would be great. My understanding is that a director of HMRC today has confirmed to the Treasury Select Committee that it may only affect, say, 4% of goods trade because a modern system will effectively only target particular types of trade and, if we have an agreement with our partners in the EU on how to go about that targeting system, it should not be much of a cost. What do you say to that?

Lesley Batchelor: What we keep dealing with here is the fact that it will probably not be much of a cost for the Government, but what we are doing is spreading this out and we are giving it to each one of the companies, just as we are giving the issue around their goods being more expensive to each one of the companies. When we are trying to encourage our small to medium-sized businesses to get out into new markets, they have to understand how this is going to work. They also have to carry the cost. It is not really about that. Things go smoothly through any border as long as all the paperwork is right. I am sorry to keep bringing it back to basics but, as long as all the paperwork is right, it is not a question of waiting for stamps and things like that. If it is right, it is right. It goes through. The flight comes from Japan. Everything works. Everything is fine. What we are doing is we are putting the burden of administration onto the smaller businesses that then have to produce all the documents. They have to then become record keepers overnight.

As soon as we leave the EU, every company in the UK that sells to the EU will suddenly become an exporter where they have not been an exporter before. It is that type of regulation. It is the type of paperwork they have to fill in because they have to comply with the trade agreements. It is that sort of paperwork that is going to cost them money. It is more difficult to quantify than being able to say, "And this is what it is going to cost us to have people manning the borders and looking after the borders".

Q580 **Marcus Fysh:** Yes, but it is an area in which the Government can potentially help in terms of systems, so that the paperwork is in fact minimised and it is basically an electronic system. I have a manufacturer in my constituency, for example—Leonardo—which said it was worried about these issues prior to the referendum. It is now saying it is not an



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issue for them at all. It is of no consequence to them. They already track what their products are made of. This is not necessarily such an issue as your members are making out.

Lesley Batchelor: Everybody wants to try to put every manufacturer and every sector into one big box, because I know that would be much more convenient for you all, but it does not work like that. We have a food and drink industry that has a very specific way of doing things. They have a lot of legislation to comply to. We have automotive—I dare not say that word, sorry—and the British aerospace. We have all sorts of things going on. These are all very specific areas. You learn how to trade internationally and you learn an umbrella of how to trade internationally. Then each product is treated separately and the products you bring in—the raw materials you bring in—become another product and they become another type. It is not as straight forward as this. I am so sorry, I wish I could give it to you in that way.

Q581 **Marcus Fysh:** Just for the record, for the Committee, you are not able to put any quantum whatsoever on any of this? Correct?

Lesley Batchelor: It is not our role normally to do that. It is the role of HMRC and Government to do that but if you want me to try to do that, as I said earlier, I will talk to the Government and find out where they are with those figures.

Lord Jones: I would just add that 60% of what we export at the moment has nothing whatsoever to do with this conversation.

Q582 **Marcus Fysh:** Because it is services?

Lord Jones: No, because 60% of the exports of the United Kingdom don't go anywhere near the European Union.

Marcus Fysh: True.

Lord Jones: So we are having a conversation about a minority of our wealth creation.

Q583 **Marcus Fysh:** Part of it is also services, a very large part of it unfortunately, which has nothing to do with this either?

Lord Jones: Absolutely right. Mr Leslie's point is well made about the fact let's get some realism into it, but we are actually talking about a minority of what the country does.

Marcus Fysh: Exactly. That is essentially my point.

Q584 **Toby Perkins:** I was struck by what Ms Batchelor was saying previously about nothing stopping us trading with the rest of the world. I had a rugby clothing business for several years before I came into here. Virtually all of the kit we sold was made in Pakistan, in India and South Africa. But there is established research that shows that when you double the distance between you and the markets you want to sell to, you half the amount of trade that you do. A business in Chesterfield, which



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exports industrial equipment around the world but into Europe particularly, described our approach, and the sense that we should take these steps in Europe in order to open up the rest of the world, as being like a man chopping up his boat in order to use the wood to build a better boat while it is still on the water. Of course we have to be positive, but I wonder whether with all this talk about the opportunity there is far too little talk about the extent to which that European trade underpins much of that ability to trade in the world. Should we not be a little less gung-ho about what we stand to lose?

Lesley Batchelor: I agree whole heartedly. We are very sorry that we were not spoken to enough when the Government were making some of these things. We could have put some more rational ideas forward about exactly what it is we were about to embark on. I don't dispute all this chat about data protection—that is not my area at all—but if you are talking about trade, we need to trade as a country. We import a lot. We export not enough. We need to learn how to do this properly and there is not enough commitment behind learning how to do it properly.

Lord Jones: There will be two advantages from this, because, on your point about how our trade with the EU has been underpinned for probably the last 20 years of the 40 years' membership—in certain businesses that is absolutely right—the need to enhance productivity in the workplace to cope with the additional costs that will come from getting the forms stamped and getting the paperwork right, if we don't have that as part of the negotiated settlement, will be a good thing, that is, the ability to drive enhanced productivity into the business to cope with that.

The second thing, of course, is that we are talking about the one area in the world that is going backwards. As we speak, there are businesses exporting into a post-growth society called the European Union. Whereas, exporting into the growing societies, Asia—and America is on its way back—and Mercosur, these are areas that have nothing to do with this conversation and yet that is where tomorrow is. That is where our children need to derive their wealth from and the European Union is not a group of countries that is actually going forward.

If we were staying in, if everything had never happened—if 23 June had never happened—we would be part of an organisation that if it did not reform would go backwards. So I want to see businesses having no tariffs in their trade with the EU and as much efficiency in their customs declarations forms administration as possible. Your point is excellently well made, because we are going to make the small businesses be the foremost ones. But the bigger thrust should be: how do those businesses go and export into the growing economies not into the backward economies?

Q585 **Chair:** The final question. Can I ask you, Digby, given everything you know about the Department for International Trade, do you think it is fit for purpose to do the job that it needs to do, to do the trade deals that we need to do post-Brexit?



Lord Jones: It is fit for purpose in its inclination. It is fit for purpose in how it is tooling up. If we want to get the deals done quickly—and we do—it is going to need a lot more people, skilled people. I would beg the Government to use business people—not to boss it, that is what democracy is for, not to be permanently there, that is what the Civil Service is for—in sectors and in parts of the world to bring their specific knowledge as advisers on to a specific deal. That is essential. I don't see that at the moment, although their defence might be: it is too early to do that yet. I can see that. Do I think they are going in the right direction? Yes. Do I think that they have the right inclination and see where the end game is? Yes. I just worry whether they have enough capacity currently.

Chair: Thank you very much for the evidence that you have given us this morning. Thank you.

Examination of witnesses

Witnesses: Dr Mohammed Razzaque, Dr Peg Murray-Evans, Lord Marland, and Professor Nauro Campos.

Q586 **Chair:** Good morning everybody. Welcome to the session this morning, just barely this morning. Perhaps you could quickly introduce yourselves before we ask the first question?

Dr Razzaque: I am Dr Razzaque. I am with the Commonwealth Secretariat, currently as the Head of International Trade Policy. Thank you.

Dr Murray-Evans: Peg Murray-Evans. I am a Research Associate at the University of York. My research focuses on the EU's trade relations with African, Caribbean and Pacific countries, which include a number of Commonwealth countries.

Lord Marland: Jonathan Marland, Chairman of the Commonwealth Enterprise and Investment Council, former Prime Minister's Trade Envoy under the coalition Government.

Professor Campos: Nauro Campos. I am Professor of Economics and Finance at Brunel University, London.

Q587 **Chair:** Thank you very much. Can I ask the first question—and can we please be brief because we know that there is a statement going to be made later on—how important do you believe the Commonwealth has recently been to UK trade and how important do you think it is today?

Dr Razzaque: Of course, the Commonwealth is an important trading partner for the UK, despite the fact of the recent trade slowdown that we have seen in the global economy. But we think that trade linkages with the UK and across the Commonwealth are quite significant and, going



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forward, the trends that we are observing—in terms of the growth that countries will be going through in the next 10 to 15 years—there will be a lot more trading opportunities. Vast trading and industrial opportunities within the Commonwealth already exist.

Dr Murray-Evans: There are a small handful of Commonwealth countries that provide important export markets for the UK, so around 10 Commonwealth countries account for about 8% of UK exports. I would also suggest that talking about the Commonwealth is important in the sense that it draws our attention to the UK's very close trading relationships with a number of developing countries. There are eight developing Commonwealth countries for which the UK is an export market for over 10% of their exports, so the UK is a crucial market for many developing countries. Talking about the Commonwealth can help draw attention to some of those really important trading relationships for developing countries.

Lord Marland: A neglected jewel for the UK Government, one that the Government are now going to have to turn their focus towards because it is an easy win, and it is an easy win in two ways. First, it has great historic ties and the Queen and the Royal Family has kept it together. Secondly, the UK will be chair of the Commonwealth in 2018 for two years, which gives it a real opportunity of rebuilding its ties with Commonwealth countries.

Professor Campos: As another speaker has mentioned already, if you look at the share of trade with the Commonwealth it has declined very rapidly post-World War II. It was about 40% before 1950 and today, as was mentioned, it is around 10%. This has now stabilised. For the last 20 or 30 years the share is more or less the same. What is important when thinking about the Commonwealth is the incredible degree of heterogeneity, and we have 50-plus countries that are very, very different, with very different industrial structures—even the strength of the historical links with the UK are quite different too. I think the keyword to think about Commonwealth trade in the past and in the future is heterogeneity.

Q588 **Chair:** Lord Marland, you just said it is a “neglected jewel”. Can you amplify a little bit on that? Have we missed a trick over decades by being part of the EU or have we just been lazy about it?

Lord Marland: I think both. The UK Government has not allocated the correct resources to the Commonwealth. There are currently seven people on the Commonwealth desk in the FCO. There are well over 100 on the European desk. All focus has been upon Europe, how they develop trade through Europe and with Europe rather than with the Commonwealth countries. When we went into the European Union, we obviously cancelled a good many trade deals—we almost bankrupted New Zealand by exiting—so it has been an ignored place. Yet, as other people have said, it is one third of the world's population. It is a growing population with emerging markets, not all of them good but some of



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them are. They all speak English. They have a fundamental rule of law that was implemented by us. There is still a drawing power of the Commonwealth but the UK has felt rather uncomfortable in its position with it over the last few decades.

Q589 Mr Jayawardena: Lord Marland, may I pick up on what you have just said. You have referenced the disproportionate focus on Europe against the Commonwealth. You also referenced the way in which trade deals with Commonwealth countries were abandoned when Britain joined the predecessor to the European Union. Given that the European Union is a group of countries with differing incomes, differing sectors, differing interests in the world, and the Commonwealth is in many ways the same on those bases, what opportunity is there in your view, if any, for the creation of a Commonwealth free trade area?

Lord Marland: It is going to be very difficult, in the same way as it is for the European Union to do a deal with America or even Canada, for the very reasons that you have said. I would imagine—by your name—that you are a child of the Commonwealth, happily. I think it is possible in part.

I am hosting the first ever Commonwealth Trade Ministers' meeting on 9 and 10 March here in the UK. I would like to think that we can float the idea of some form of Commonwealth trade agreement. Whether we call it a prosperity zone or whether we call it a free trade agreement is to be decided. It strikes me as being a great opportunity for the UK Government to start building an alliance or rebuilding an alliance, shall we say, with Australia, New Zealand and Singapore as a starter and establishing that as a workup to CHOGM, where we can perhaps try to make it a reality.

That does two things. First, it establishes a group who are prepared to trade freely with each other and who understand the principles of free trade. The second thing that it does, of course, is it shows other countries within the Commonwealth that, providing they adhere to the standards that are set by those three, four or five, they can enter a free trade zone and benefit from it. It becomes a sort of Christmas tree, as we would say.

Q590 Mr Jayawardena: Yes. If it is not possible, for the reasons you have set out, to have a comprehensive deal but to have something less, even if it is beneficial beyond what we currently have, would it be worthwhile the United Kingdom looking at regional agreements with groups of countries within the Commonwealth; for example, the Caribbean?

Lord Marland: Yes, it is certainly worth looking at, but I do not think it is going to be as easy to achieve as all that. The Caribbean, as you almost certainly know, has a big crisis at the moment. It does not have correspondent banking. If you cannot have correspondent banking, you are not going to get a trade deal done. There could be some quick wins if those three or four Governments want to achieve it. If they don't, it is not going to be possible to start the ball rolling. That is why the Trade



Ministers' meeting will be an interesting place to start exploring it, won't it?

Q591 **Mr Jayawardena:** Indeed. Dr Murray-Evans?

Dr Murray-Evans: Just on whether the UK could pursue regional trade agreements with Commonwealth countries, I think that is certainly a possibility in a context like the Caribbean where there is a functioning, existing set of regional organisations. That might be problematic in other regions. The EU has been pursuing economic partnership agreements with regions of Africa, the Caribbean and the Pacific countries, and one of the problems that those agreements has run into has been the fact that the EU has been trying to pursue them on a regional basis, in some cases where those regions were not really ready to negotiate in regional terms with the EU. That has been one of the big problems for the economic partnership agreement. That is something that the UK might need to be sensitive to if it were to try to pursue regional agreements with Commonwealth countries.

Dr Razzaque: With regards to forming a formal trading arrangement, the problem is that Malta and Cyprus are going to be part of the European Union. Technically speaking, you cannot have a Commonwealth-wide preferential or free trade agreement because Malta's and Cyprus's trade sovereignty is with the European Union. That is one issue.

The second issue is even if you consider region wise—you gave the example of Caribbean countries—there we have a good arrangement with the European Union, relatively speaking, compared to other arrangements that we see. We have the Cariforum economic partnership agreements with the European Union. There is the EU Cariforum agreement. Compared to other economic partnership agreements, that is far more comprehensive because it covers both goods and services as well. If you look at the history, this particular agreement came into force in 2008 and since then it has been implemented. If you think about what Caribbean countries have gained from this or what the UK's trade gains have been out of this FTA, then you won't get any kind of a positive or encouraging picture.

The point is the UK will have to be innovative in a different way. I can see there could be a two-pronged strategy. One is to go for FTA kind of arrangements with, say, developed countries—like Canada, Australia and New Zealand, if that is possible. The other could be to form trading arrangements with relatively advanced developing countries, mainly in Asian countries but also countries like South Africa—of course, they are part of SACU—and Nigeria. That is the quickest route for the UK to generate trade gains. Then we can have other kinds of arrangements with the overall Commonwealth countries in terms of achieving preferences.

Q592 **Mr Jayawardena:** Do you think that is possible? Do you think those are



achievable aims?

Dr Razzaque: I think that is possible. Although the UK is going to have trade policy sovereignty, it does not have to just replicate the other type of arrangements. For certain countries, there can be unilateral trade preference from the UK. I think something is possible.

Q593 **Mr Jayawardena:** Thank you. Professor Campos, do you have anything to add to this?

Professor Campos: About the possible, I think the timeframe is the crucial element here. Of course, these deals will be possible if you are thinking 15 or 20 years, but I do not think that is the timeframe in mind. That is the main qualification on the possible, otherwise I entirely agree. As I made clear in my initial point, I think heterogeneity is the name of the game for the Commonwealth. There are a number of countries in which bilaterals will pay off because of, again, stronger links, stronger history, more similar industrial structures.

Q594 **Mr Jayawardena:** If that is the case—similar links, similar history—why do you say 15 to 20 years? The average trade deal is seven years, so on that basis similar links, similar history, similar legal system, similar values, surely it would be much quicker.

Professor Campos: Yes, I was saying 15 to 20 years for a free trade area among all the 50-plus countries, yes, for individual countries I mean.

Q595 **Mr Jayawardena:** Lord Marland, you have also criticised the focus on free trade agreements as a media obsession. I think those are your words. To what extent do you think the Department should focus its resources on simply increasing exports?

Lord Marland: I think it is an obsession. I do not think it is just a media obsession. It is a peg that everyone is trying to hang their hat on. The fact is businesses do trade. They trade very actively with a lot of these countries without any trade agreements. As I have quite frequently commented, we do not have a trade agreement with America, who is our biggest trading partner, obviously, in terms of a country, yet we do an enormous amount of business there.

The barriers to trade for businesses are if there is no rule of law to support their activity within a country, if there is not an obvious route to market and they cannot trust partnership into that market, and the companies themselves—their desire or their ability to take risk to export. Those are the barriers to trade. They are enhanced by activity taken by certain countries as to tariffs, particularly in the agricultural field, but by and large it is very easy to trade. I have started two businesses where we have traded globally and we have traded very quickly and it has happily been the success of those businesses.

Mr Jayawardena: So which goods—



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Lord Marland: Sorry, I was just going to make one other point, if you do not mind me interrupting. Therefore, it begs the question of: what do the Government do to help trade? That is that it needs to support the route to market. It needs to be able to enforce and support the company when the rule of law is abused in that country. As a first stage that is where DIT should be upping its skills with the FCO in terms of supporting British industry.

Q596 **Mr Jayawardena:** You have referenced that you have set up two businesses. Which goods and services do you think the UK could export most easily to the Commonwealth going forward?

Lord Marland: Virtually anything.

Mr Jayawardena: Specifically, though?

Lord Marland: Financial services, tech, luxury goods, motor cars.

Q597 **Mr Jayawardena:** On that basis, are you suggesting that the UK can prosper, within the WTO tariffs if that is the starting point, as we begin to negotiate those deals, agree those deals, and improve on them as time goes by?

Lord Marland: As I said earlier, it is first up to the businesses to be encouraged to export. The frightening statistic was, and I do not think it has changed much, that 60% of all SMEs do not export and of the remaining 40% that do, 60% of those only export when someone comes and knocks on their door and says, "I want to buy something". As a nation from when I first started in business, we have changed completely from being a nation that would hop on a plane or a boat or whatever and go and sell goods to—

Q598 **Mr Jayawardena:** So there would be no cliff edge?

Lord Marland: I don't know what you mean by cliff edge.

Mr Jayawardena: There are many that say that the minute that we leave the European Union the world is going to implode, that suddenly we are not going to be able to trade with the world. But from what you are saying, not only do many businesses not already export and have no intention to do so because that is not their business, but I think your words were it is possible for us to export anything and it is very easy to do that. On that basis, there is no cliff edge?

Lord Marland: It is easy providing the companies themselves have the mindset that they want to do it.

Q599 **Mr Jayawardena:** It is nothing to do with governmental relationships, then?

Lord Marland: I do not think it has anything to do with the EU, if that is your point.

Q600 **Liam Byrne:** Very quickly, Lord Marland, which are the most significant



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markets within the Commonwealth that you think trade deals should be prioritised with?

Lord Marland: There is a first question of which are the most significant markets—

Liam Byrne: That is my question.

Lord Marland: And the second question is where we prioritise a trade deal. Obviously, the significant markets are India, but achieving a trade deal there might be quite difficult. Nigeria is going to have a bigger population in 2030 than the United States of America, so you have to say that is a significant market. It will probably be easier to do a trade deal with Nigeria. I will have a better idea when I come back from it next week. It is a huge market, massive cross-communication with the UK as we have with India. Obviously, Canada and Australia are very big markets. Those are four that I would be focusing on to start.

Q601 **Liam Byrne:** Which of those Governments do you think will be prepared to do a trade deal without some kind of immigration agreement?

Lord Marland: This is only a personal view. I have no knowledge of that. I am involved with the Commonwealth.

Q602 **Liam Byrne:** India won't?

Lord Marland: Well, apparently, as I read in the press.

Liam Byrne: After two years as the Immigration Minister, I can tell you India absolutely won't.

Lord Marland: Exactly, I was just going to say you would know better than I would.

Q603 **Liam Byrne:** Nigeria?

Lord Marland: I would have thought Nigeria was a country that has to completely overhaul its enterprise and outward marketing, and I would think that it needs us very badly to help them with that. There is a good place for negotiation for the UK but, as I said, Nigeria is as important to me as the UK is because I am wearing a Commonwealth hat. Certainly, Australia, Canada and Malaysia should be pretty fertile ground for us, I would have thought, without having to muddy the water too much with immigration. That is why I said to your original question that there are two parts to that question, who are the important trading countries and who you would do a trade deal with, because, as you said, doing one with India would be very complex.

Q604 **Sir Desmond Swayne:** Can I go back to economic partnership agreements? To what extent will the need to renegotiate these reopen issues that are contentious and will take years or is there an opportunity to improve them that should not be missed?



Dr Murray-Evans: It is hard to overstate how controversial and complex the economic partnership agreement negotiations were. They started in 2001. They were supposed to finish in 2007. Most of them were signed in 2014. Some of them have not been ratified yet. This was an incredibly difficult and controversial set of negotiations between the EU and groups of African, Caribbean and Pacific countries. Yes, there is definitely a danger that if the UK were to reopen those negotiations, perhaps with the aim of doing more comprehensive deals with developing countries, that could reopen some of those controversial issues around reciprocity, the development aid that came with the agreements, and regional integration. There are all sorts of issues that are more complex and controversial.

There is an opportunity to offer a different kind of arrangement for developing countries, a unilateral arrangement that would improve on the EU's existing unilateral deals for developing countries. Currently, the EU offers duty and quota-free access to all least developed countries. There have been some suggestions that that could be expanded to include some of the other African, Caribbean and Pacific countries to maybe avoid the problem of having to reopen those economic partnership agreements. The UK could also improve on those deals by offering simplified rules of origin, which would make it easier for developing countries to access UK markets.

Yes, I think that the economic partnership agreements were controversial. They have not been ratified in some regions. Even the Caribbean agreement, which has been ratified and implemented, is still controversial in the Caribbean, so, yes, potentially difficult.

Q605 Sir Desmond Swayne: Would we be more attractive as a less daunting market with less competition across sectors than the EU or would the fact that our market would be smaller make us less attractive as an option in respect of those agreements?

Dr Razzaque: Fundamentally, when the UK is going to leave the European Union, we all know that the obligations that the UK has under the EPAs would cease to exist. If the UK is then trying to renegotiate, definitely it is going to open up all the controversial issues. The point is the UK compared with the European Union is going to have a smaller market size and that is why those negotiations can be, technically speaking, tougher. On the other hand, there is also the issue of the WTO provisions. The European Union has its substantial all-trade provision of the WTO, article 24. If that is not being followed through properly, that might be legally challenged in the WTO, so in all the sectoral coverage we will have to keep in mind that all the interpretations that go around article 24 are also being maintained.

Having said that, the other problem that the UK might have in negotiating independent trading arrangements with them—something like EPAs—is the experience. Countries now have learnt a lot, so African and Caribbean countries will reflect on the experience of those negotiations.



What has happened? What has been the impact on trade? In that regard, there is not much of a positive or encouraging trend by which we can say these countries have suddenly benefited out of this. Taking that route can be quite problematic. On the other hand, there are ways of doing things in a slightly different way that can be more meaningful and will have a lot of support from all those countries.

Q606 Sir Desmond Swayne: Dr Murray-Evans, notwithstanding the interesting point that Lord Marland has made about Nigeria, to what extent, given the priorities that we will have in terms of our negotiating ability, should we de-prioritise African markets that are less developed and less promising?

Dr Murray-Evans: It is fairly clear that most African markets are not going to be a strategic priority in terms of UK exports. Those countries make up a tiny proportion of the UK's exports at the moment. There are good reasons to pay attention to these countries, even if it is not in the form of pursuing some kind of comprehensive free trade agreement with them.

The first is that the UK has signed up to the sustainable development goal of significantly increasing the exports of developing countries. If we take no action following Brexit, these countries will lose their current preferential access to the UK market, which will potentially have significant impacts on the exports of those countries, particularly the ones for whom the UK is a significant market. It is also a good way to foster good diplomatic relations or not to damage those diplomatic relations with African Commonwealth and other African, Caribbean and Pacific countries to offer them a generous trade and development arrangement. Having good diplomatic relations with those countries might be important, for example, in a forum like the WTO where the role of developing countries is important. There are reasons why we should pay attention to these African, Caribbean and Pacific countries beyond the UK's strategic interests in particular export markets.

Q607 James Cleverly: Among our written submissions, there were a number of comments that centred around the idea of the Commonwealth not being seen as a single bloc but Commonwealth nations being seen as nodes around the globe, which can help the UK exporters plug into the regional blocs that those countries occupy. Lord Marland, if I could start with you—but I am keen to get other views on this—is that a credible way of seeing the Commonwealth?

Lord Marland: Well, you have done a pretty good paper on it—

James Cleverly: Thank you.

Lord Marland: So why don't you answer the question and give me an easier one?

James Cleverly: No, I wrote my paper. I know what I think, so I am asking you.



Lord Marland: I know what you think because I have read it as well.

Q608 **James Cleverly:** What I am asking is: were Tim and I right in our paper or were we talking rubbish? That is the question.

Lord Marland: Rubbish. No, I think your paper throws up some very valuable analysis and probably is optimistic. Anyway, with trade you have to be optimistic. I think it is marginally too optimistic, but perhaps I am more cautious than you are on this subject. We have already discussed India, which, as your paper shows, is the biggest trading partner for the UK within the Commonwealth, and how complex and difficult that is.

To answer your question for the benefit of others who perhaps do not understand as well as you do, it is very complex, the Commonwealth. You could not invent it. You could not begin to say why all these nations are clubbed together other than that we used to be imperial on them and latterly because almost singlehandedly the Royal Family have kept this alive. It has not been with the help of the UK Government, that is for sure, and it actually has not been with the help of most of other people. The Queen and the Royal Family have kept this thing alive, remarkably. Within that response, you can understand that this is a complex group where there is not a "fit all" thing. They all operate on different trading values, on different values in terms of, shall we say, business practices.

Coming back to my original thing about a prosperity zone or a start of a Christmas tree zone, there will have to be an enormous amount of catch-up from a lot of Commonwealth countries to subscribe to the same rules and regulations of Singapore, UK, Canada, and so on. However, New Zealand has carried it out successfully with the Pacific Islands, with the exception of Papua New Guinea, so it is possible. New Zealand is an exemplar in trade agreements. We virtually bankrupted the country when we joined the European Union. It has gone about systematically creating trade deals with virtually everyone and it is an incredibly prosperous country. It is a country that has no agricultural subsidies, for example, yet is thriving agriculturally. We can learn a lot from the New Zealand model. Sorry, that is a longwinded response to your very good question.

Professor Campos: The hub idea has value, less on trade grounds and more on cultural grounds and diplomatic grounds, I presume. On trade grounds, if the objective is to maximise household income, to maximise per capita income, we use a wonderful word to describe those markets, the doubting markets. As an academic economist, that is exactly what you go for, countries in which your trade relations are 21st century, very modern, not bilateral headlines but mostly intra-industry trade in which you can produce a lot of competition and a lot of sustainable gains in technology and innovation, which is as far as we know what drives wealth and what drives economic growth.

Again, the hub idea is incredibly valuable from a diplomatic, historical—this is very, very important—cultural and political point of view. It is



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incredibly important but, from an economic point of view, I think picking the right doubling markets would be a very wise thing to do.

Dr Razzaque: The suggestion that I think you also indicated or hinted at in your paper was a great one. On this section, I would also like to mention the point Lord Marland made earlier that having trade FTAs should not be considered as a precondition. To be honest, I very much also think in that way.

Here is one opportunity that I would like to highlight. If we can somehow link UK investment going into some of the export priority sectors within certain Commonwealth regions, then a lot is possible. Let me give you two examples. Think about textiles and clothing exports. If you think about a 10-year horizon, then maybe over that time period the South Asian countries are going to be the leading global exporters of textile products. They already are; their share is around 10%. Over the next 10 to 15 years it is possible that that share will increase to 25%. Now, if the UK investment is going into the sector, those countries will be more competitive. That will generate more export revenues for those countries and at the same time UK investors. That is one.

Then there are other sectors like leather in the context of Sub-Saharan Africa, and East and South Africa can be considered as a hub for promoting that leather industry. Then we know about electronics and electrical goods of the East Asian circle, like Malaysia and Singapore, but also increasingly India. Ideally, the right approach should be to think about linking with investment. All these countries offer a lot of incentives to their foreign investors, and I believe that is the most practical way of getting into or plugging into these growth channels and thereby generating gains for Commonwealth countries but also for the UK.

Q609 **James Cleverly:** That is very interesting because I am conscious that we, perhaps collectively, have fallen into the trap of thinking about our international trade relations just in terms of buying and selling products and services. You are suggesting that us as a provider of foreign direct investment into these markets is also something that we should be considering as part of that trade mix, and vice versa.

Dr Razzaque: Yes. You have rightly identified that is the issue because sometimes we think about the UK and we think it is only services in exporting countries, which is true. Predominantly, it is services in exporting countries. If you think about the way even the manufacturing trade takes place, a lot of the components within the manufacturing trade are directly relative to services. Think about insurance. Think about handling of containers in different ports, or banking services even for exporting manufactured goods. These are the areas where the UK is a leading supplier of services. Many of the developing countries do not recognise services as their exports, apart from tourism and to some extent ICT-related services, but they all identify the goods that are being exported or traded. If you can identify one particular good where there is a strategic export interest to some countries, then you can always find



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ways of getting into the service sphere as well. All Commonwealth countries—or most Commonwealth countries if not all—are not looking into ICT-related growth. They can also have that trade within the domestic economy and this is an area in which if they can develop that the UK can invest into the sector.

Going back to the previous point, I would also like to mention that over the next 10 to 15 years the Commonwealth GDP is likely to be double, from \$10 trillion to \$20 trillion. Imagine with that kind of growth the amount of additional trade that will take place. It is up to the UK to think about whether they can be part of that rising trade.

- Q610 **Toby Perkins:** I am interested—you laid it out very interestingly, Lord Marland—in the extent to which the Commonwealth still exists in their minds. Obviously, it is significant to us emotionally and historically, but I look and see that, culturally in the Caribbean, young men are much more likely to play basketball than to play cricket now, influenced much more, apparently, by the States than by Europe. The Indians still play cricket but they have reinvented it and taken it over. Obviously, moving into the EU was significant in terms of creating that distance, but also the further we get away from the days of the Empire then that distance culturally is created. You have talked about New Zealand. Are we going to pick up the phone and say, “Sorry about the bankrupting thing but we are back now”? Are they going to emotionally say, “Wonderful, you have noticed us again. Let’s trade.”? We understand that where it is in their economic interest to develop a new market they will do that, but do you get the sense there is an emotional attachment, a cultural attachment, that they now feel an opportunity and a need to satisfy or is it just a pragmatic economic question that we are going to be approaching here?

Lord Marland: You have made a number of very good points, one of which, of course, is that the Commonwealth is a generational thing. I am sorry to hear that you fit into the older generation by your references to the old thing, because you look so young. The truth is I think that, if you talk to my children and their mates, they don’t know what the Commonwealth is, and that is a terrible thing. Happily, among us, we still do. We are probably the last generation that could make this work if we want to.

- Q611 **Toby Perkins:** You are not saying that you and I are the same generation here, are you?

Lord Marland: I am beginning to think so. I feel like I could be. No, obviously I am not. You started that.

We are probably the last generation that can make this thing work if we want to. Of course, we are looking at this almost from the wrong direction. The UK is probably the best country in the world to do business with. We have a very open economy. We have the rule of law, which we apply vigorously, more vigorously almost than any other country in the world. We have a phenomenal skills base. They all want to come here



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and educate their children here. We have four of the top 10 universities in the world. Even though we berate our education system most of the time, it is fantastic. A lot of people still want to train in our National Health Service. One could go on. Our skills development is phenomenal. That is for an emerging country the most attractive thing, with the exception of rule of law because in a lot of these emerging countries they don't apply the same rule of law that we do. They want to access the UK as a trading partner.

Specifically in terms of New Zealand, New Zealand has been unbelievably tolerant of our past activities. Again, the Queen is incredibly relevant to the country, and all the other things we share underneath the political thing, like rugby, cricket, sports and so many others. I think 600,000 Brits go there each year as tourists. I think that is the right figure. It is an incredibly strong thing and, despite the politicians, I think the people will want to be seen and carrying out doing business with the UK. New Zealand is an incredibly giving country towards us in that regard and I know would be the first off the blocks to help us in any trade negotiations, giving us guidance and so on.

This is a rambling answer to some of the points that you have raised. For the UK, it is a great opportunity. We have to manage that opportunity by recognising that we have failed a lot of these countries but also recognising that the countries themselves want us to succeed because we can offer them so much in terms of what we have as a nation. That gives us an enormously important calling card with a lot of these countries. We can help them with the change. We have to be much more proactive with the change than we have, otherwise we are going to be overrun by China—as we have seen in Africa where we are not able to compete with the Chinese on a lot of the infrastructure projects, yet we are giving lots of aid to those countries. We are giving lots of support in lots of other areas, but there is seemingly no dividend for the prosperity of the nation. I think that balance is working, which the UK can do subtly and they can do it with the use of our enabling organisation, our Commonwealth Enterprise and Investment Council, as we would do for any nation.

Toby Perkins: It was possibly a rambling answer because it was a fairly rambling question.

Lord Marland: It was a very good question.

Q612 **Toby Perkins:** I will try to narrow it for Professor Campos and all the other panellists. Could you touch upon this point? To what extent culturally and emotionally is there a desire to have a relationship with the UK as a result of our historic Commonwealth links that will supersede the simple economic question of whether it is in their best interests or not?

Professor Campos: As I mentioned before, there are very, very strong links. One factor here that may be important to highlight is—and the point has been made before—that it has lost a jewel and the shares of Commonwealth trade have declined significantly all the way to the run-up



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and through EU accession. That was not so much diverted to the EU. If you look at the increase in the share of EU trade—I am addressing your question, I am afraid, in a rambling technical manner by pointing out the economic side of it—are they feeling bad because we chose the EU in 1973? In the composition of international trade of the UK the increasing share is very small. Not only is it very small, but it is quite stationary. This is what economists call a level effect, not a growth effect. Imports plus imports over GDP, with the entrance of the UK into the European Community back then in 1973, it goes up about 10 percentage points and remains flat from 1973 all the way to pretty much today. This loss in export markets from the Commonwealth is basically explained by Japan and China and non-Commonwealth, non-EU countries. If you have to make—apologies for the rambling—a technical justification for picking up the phone again that would be a strong argument.

Q613 Toby Perkins: Dr Murray-Evans, to what extent will these countries be keen on striking deals with the EU rather than with the UK? In terms of the countries you specialise in, is that emotional link worth anything economically?

Dr Murray-Evans: Most of the countries that I specialise in already have deals with the EU, so that is already done and dusted. In terms of the emotional relationship with the UK, I am not sure how much of a factor that is. In trade terms, a lot of these countries associate more strongly with the African, Caribbean and Pacific group, which is a broader group of European former colonies. It includes former French colonies and so on. That is the group that they have been part of in their negotiations with the EU, so they have those diplomatic links. They have an institution in Brussels through which they deal with the EU, so possibly they feel stronger links to that group in trade terms than they do with the Commonwealth. It might be quite important to make sure that those ACP countries that are not members of the Commonwealth do not get ignored in any future trade and development relationship that the UK comes up with.

In terms of how much those emotional linkages are important, I am not too sure. It probably varies between different countries, I would imagine, and it can probably also be a bit of a double-edged sword as well if the UK is perceived to be pushing developing countries to pursue comprehensive free trade agreements. There have been criticisms of the EU, for example, for acting in a kind of neo-colonial manner from African countries, so it can be a double-edged sword.

Chair: Sorry, Toby, can we have the last three quick questions? You have one of them, and then James to finish. So, Marcus?

Q614 Marcus Fysh: Lord Marland, you made a very interesting point earlier about the way that New Zealand has provided a model way of interacting with the Pacific Island nations. I was wondering if you could give some comment on what the prospects are for us to have a free trading agreement or some sort of comprehensive agreement with the likes of



New Zealand or Australia that could be held up as a model for the way that a prosperity zone, which you discussed before, might be able to spread out.

Lord Marland: As I said from the outset, we can test the water with that on 9 and 10 March when we have all the Commonwealth Trade Ministers, or at least we will probably have about 30 attending. I am trying to prepare the ground with the secretariat of how we can try to frame that and see whether there is an appetite. There are two ways of sating the appetite. One is for the Governments to agree and the second is for those Governments to put their hands in their pockets and say, "Yes, we will pay for this research and see whether we can take it forward." I am an optimist, so I am rather hoping that we can certainly persuade the UK Government and we can persuade the New Zealand, Singapore and Australian Governments to do that. I think that is right.

The secretariat—which we are discussing it with at the moment—quite rightly want to find some form of trade facility for the smaller Commonwealth countries to help them out. Everyone is in this trade issue; it is not just the UK that is suffering these appalling trade things. There are one or two exceptions, but most of the western world and most economies are suffering from this inability to be able to get out of this trade mire that they are in.

As I said earlier, just very briefly, Governments can help pump prime it, but it is the businesses themselves that really have to want it. It is like a football team. If the players do not want to play for the manager and the manager has not set out the way it is going to play, it does not do very well.

Q615 **Marcus Fysh:** In terms of Australia specifically within that, clearly Australia has quite an advanced notion of unilateral trade being what it has tried to achieve around the world. What do you think the opportunities for British businesses are to benefit from an Australian trade deal specifically and vice versa at this point? Is it all about services?

Lord Marland: No, I think it is about lots of things. Australia has to develop like any economy, but British businesses have to want to travel there. It is a long way and it is a funny old thing. If you are successfully making exhaust systems in Salisbury, where I have a shareholding in a business, they are not going to go to Australia to sell those exhaust systems, and in Yeovil you have loads of businesses that are the same. There has to be a motivation for those businesses to get out there and it is the big problem for Government of how to try to achieve it.

Q616 **Mr Jayawardena:** I wonder, Chairman, if I may ask a very quick question about Canada, which we have not covered in great detail yet in this session. Given that the EU and Canada have agreed an FTA, how straightforward will it be for the UK to transpose its provisions into its own FTA with Canada? Perhaps Dr Murray-Evans would like to comment.



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Dr Murray-Evans: I am afraid I don't know very much about the Canada FTA. I don't know if one of my colleagues might.

Lord Marland: I can perhaps hog the question again.

Mr Jayawardena: I was trying to share the love.

Lord Marland: Sorry. I am quite up to speed on Canada. Canada is not quite helped by the fact they have a new Trade Minister, so he is getting his feet under the table. Liam Fox was out there the week before last and I know has opened discussions with them. He has encouraged Canada, who were probably not going to come to this Commonwealth Trade Ministers' meeting, to come to it, which is a very good sign. It is a sign that Canada is coming to the party.

Again, there is an enormous strength of relationship between the UK and Canada, again through the Royals who they work closely with. I think Prime Minister Trudeau's father was the first person to develop the Commonwealth retreat, so there is an interest in the Commonwealth there. I think they are watching from the side lines. They are not as committed as other Commonwealth countries, but I think they will engage going forward and that will obviously include the UK, who is the sort of partner they would want to have. It is quite an easy thing to do.

Q617 **Mr Jayawardena:** Professor Campos, Dr Razzaque, from a technical perspective do you have anything to add?

Dr Razzaque: Yes, quickly on this issue, this agreement that has now been negotiated covers about 98% to 99% in goods. Services are an element and, since it was negotiated while the UK was part of the European Union, it can work out in a way so that a Canada and UK FTA is a possibility. Going beyond what we have on paper now, maybe some of the elements and services can be extended further going forward. For the UK initially, the way I see it is it can be a low-hanging fruit just to start having that conversation right now and to find out how quickly they can secure a similar trade deal with Canada and later on keep their engagement on to extend some of the services element.

Q618 **Toby Perkins:** The same question in terms of India: to what extent does the opportunity present itself and what are the main barriers that we are likely to face in terms of expanding our export goods and services into India? I think we readily understand what they might want to sell us or be capable of selling us. What are the real opportunities that exist for us in that market?

Dr Murray-Evans: India is not my bag.

Toby Perkins: Okay. Is it anyone's bag? Can we get a new panel, please?

Dr Razzaque: From the Commonwealth Secretariat we did some work on a possible India/UK FTA and we did some number crunching there. We found that it can be mutually a win/win situation. Currently, the trade, if



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you think of it in absolute terms, is not that great—I am now talking about it in terms of goods. The UK is exporting about \$1 billion—that is the figure for 2015—and \$6 billion is coming from India in goods only¹. Services data is not clear, but if you add services and goods it is small but is a promising development that can be taken forward.

Having said that, if you think about the investment connections that the UK and India have had over time that will also indicate it is possible to promote that trade. If you look especially at the highly desegregated level and at where the tariffs are normally defined, like at the eight-digit level of the Combined Nomenclature of the European Union, then we see there are a lot of individual products that are currently being exported either from India to the UK or from the UK to India. Currently, they are not generating significant export revenues, but over time with the right kind of investment that rate can be increased quite significantly.

Q619 Toby Perkins: Finally, on that, Lord Marland, in terms of those potential markets, to what extent do cultural opportunities exist, exporting Manchester United, our cricketers, our films, the BBC television programmes? It easy to think of trade in the context of nuts and bolts and cars and planes, but how much of an opportunity exists in terms of our cultural exports?

Lord Marland: It is huge. "Downton Abbey"—I think I am right in saying—is the most watched drama series of all time.

Toby Perkins: It was not even any good.

Lord Marland: I personally disagree. I think it is magnificent, and 250 million people would probably disagree with you as well. It is a great export and, as I said earlier, we have this phenomenal skillset in this country and a great outreach. We have product that people want to see, watch and participate in. The Premier League is just massive.

India, coming back to your initial question, is a very difficult place to do business. I have experience from my business experience. The rule of law issue is a difficult one, as we know. The courts are very bureaucratic. We have had streams of businesses that have found it very difficult. Under the current leadership things are starting to move a bit. It is a very difficult process forum. It has been very difficult to find opportunities for British business. There are obviously some wonderful exceptions like JCB, but India has to reform its rules of business before it fulfils the potential it should have for both Commonwealth countries and the UK.

Q620 Chair: Lord Marland, can I finally ask you this, on the back of the points about India, Australia, New Zealand and Canada, plus Malaysia and Singapore? A number of countries have been mentioned today. How important is it for British business to go to these countries and visit them

¹ Correction by witness

The UK's merchandise exports to India in 2015 was about \$6 billion while India's exports of goods to the UK in the same year was close to \$9 billion.



and to speak directly with the people who are operating the markets? Is there one clear message you would send to these businesspeople now as we are approaching when article 50 is going to be triggered?

Lord Marland: Chairman, the world is a great opportunity if you are a businessman. As I said previously, for a business, they have to be confident there is some form of rule of law and there is some form of support mechanism if things go badly wrong for them. It is wrong that this all should fall on a Government's lap because in the end it is a business decision by those businesses whether they just keep piling up the money within the company and distribute it to themselves or to their shareholders or whether they take a risk and think, "We have a value out there in the future. We can make this even bigger".

As I have said, it has to come from within, but the Government have to have strategically placed people who can help it. Who is the right lawyer? Is the partner who is offering me this the right person? In some of those countries, Malaysia, for example, we had until recently an exemplary guy from UKTI. I don't know who the replacement is going to be, but he was absolutely excellent in that you could go to him, you would get a route to market and it would be fantastic. Inevitably, you have some very good ones and some not so good ones, but it is the investment by the Government in that, in country, that is where we can help most or where you can help most British businesses.

Q621 **Chair:** Are they doing enough at the moment?

Lord Marland: No, but that is because the whole thing is up in the air. You have a Civil Service that has been focused on the sun, which is Europe. It is now has to focus on something else and it is taking quite a long time, understandably, for it to readjust to redeploying the resources. Clearly, they were not prepared for what has happened, so there is a lot of catch-up being made. The world itself is changing quite dramatically, as we are seeing, I gather, from America on an almost minute by minute basis. There has to be a huge amount more energy and resources put into this if the UK is going to deliver an increased outward trade agenda.

Chair: Thank you very much for coming this morning, and afternoon, and for giving your evidence and answering our questions. This closes this session.