



Environment, Food and Rural Affairs Committee

Oral evidence: [Brexit – Trade in Food](#), HC 348 Wednesday 20 December 2017

Ordered by the House of Commons to be published on Wednesday 20 December 2017.

Written evidence from witnesses:

– [DEFRA](#)

[Watch the meeting](#)

Members present: Neil Parish (Chair); Alan Brown; Paul Flynn; John Grogan; Dr Caroline Johnson; Sandy Martin; Kerry McCarthy; Mrs Sheryll Murray; David Simpson; Angela Smith; Julian Sturdy.

Questions 527-659

Witnesses: **Rt Hon. Michael Gove MP**, Secretary of State for Environment, Food and Rural Affairs, and **George Eustice MP**, Minister of State for Agriculture, Fisheries and Food gave evidence.

Q527 Chair: Good morning, Secretary of State and Minister. It is a great pleasure to have both of you here this morning. It is an added bonus to have the Secretary of State with us, because we were originally expecting only George. To have both of you is really good. I don't think you need to introduce yourselves; we know who you are. I am going to launch into the first question.

What assessment has DEFRA done of the impact of Brexit on farmers and consumers? Just a very short question and a very short answer. Who wants to start? Secretary of State, I imagine.

Michael Gove: Yes. As you will appreciate, Mr Chairman, Brexit in itself can mean a variety of different things. The Government's aim is to end up with a deep and comprehensive free trade agreement with the European Union and the opportunity to secure free trade agreements with other countries. As we acknowledge, we might not necessarily get a trade agreement that is perfect in every respect. Indeed, there is a chance—though we are doing everything we can to prevent it—that we might end up trading with the EU, at least for a period, on WTO terms.

Q528 Chair: So you are doing some assessments on what WTO rules would mean both to agriculture and to the consumer. The Department is doing that, is it?

Michael Gove: Yes. One of the things I would say is—

Q529 Chair: Is that part of the impact assessments that have already been done—or not been done?

Michael Gove: The first thing to say when it comes to WTO is that we take account not just of what the Department says but of what other organisations say. I might hand over to George on that point, because everyone from the AHDB to, most recently, the Resolution Foundation has been doing some work in this area, and there seems to be convergence around certain things.

In basic terms, if we went out on WTO terms and we maintained tariffs—because of course there is the option of going to unilaterally tariff-free or a lower tariff situation—there would be increased prices for consumers but there would also be increased opportunities for farmers with import substitution. I will hand over to George.

Q530 Chair: But, of course, the reverse of that coin is that, if there were tariffs and Government decided not to put tariffs on imported food, it could be the worst of all worlds—better for the consumer, but very bad for farmers.

Michael Gove: It would be better for consumers, yes, in that, if there were no tariffs at all, food prices would fall, but it would put considerable strain on farmers. The strain would be felt more in some sectors.

Of course, we have to stress that this is not the goal towards which we are aiming. It is not what we anticipate will happen but, quite rightly, you would expect us to look at every available scenario.

George Eustice: The NFU commissioned a Dutch university to do some analysis in advance of the referendum last year. Broadly speaking, they concluded that, if you came out of the EU under so-called WTO rules—that is at MFN—most sectors of agriculture would see a slight firming in their farm gate price, typically around 5%. That is because it is harder for Irish beef to be imported and for produce from Spain and France to be imported.

But there are notable exceptions. The lamb industry exports a lot to France, Belgium and some Mediterranean countries such as Greece. The cereals industry, as well, exports quite a lot of barley to breweries in Europe. So those are two areas that are more dependent on having that free trade agreement with the European Union; others are less so.

You mentioned the impact on consumers and prices. A number of people have looked at that, including the Resolution Foundation, which we think is probably closest to the mark, looking at the model that it used. Broadly speaking, what is interesting is that it shows that, whatever the trade scenario, the impact on retail prices is actually quite modest. It concluded that, on a unilateral liberalisation, retail food prices would go down by about 1.42%, and on WTO rules, retail prices might rise by 4.3%. People often do not realise that the reason that the impact on retail prices is lower than the actual—

Q531 Chair: Has DEFRA actually done an analysis of the effects?

George Eustice: We are doing similar analysis and we are looking at our model now.

Q532 Chair: You were saying that the NFU and others have looked at it, but what has DEFRA done?

George Eustice: We are looking at it. I mentioned the bits that are published and are public. As I said, the Resolution Foundation has done some work that actually shows the impact on retail prices to be modest. Those are what you might call extreme scenarios: one is unilateral liberalisation with no tariffs and the other is coming out without any kind of free trade agreement. Obviously, within that there are lots of different approaches that we would be free to take.

Michael Gove: It is also important to stress that, as the Committee will know, when we are thinking about food prices, tariffs are merely one part of that. Everything from energy prices to currency fluctuations and world commodity prices influences things as well.

Q533 **Chair:** And the retail trade, with the way that the big buyers are buying here. All that is part of it.

Michael Gove: Of course—the regional trade, the honesty and integrity of the supply chain and, beyond that, improved farming productivity. One thing about the next five or 10 years, whether we were to remain within the European Union or to leave, is that there will be both increasing pressure on farming to become more productive and increasing opportunities through technology to become more productive.

Q534 **Chair:** There are lots of detailed questions, but I want to keep this one relatively simple. You are saying now that probably we will not be part of the common agricultural policy after 2019, but I think you probably see a very similar policy going from 2019 to 2022.

If we get a scenario where there is huge pressure on beef and sheep farming in particular and across the livestock sector, and we see tariffs, then after 2022, you are going to cut farmers off without any sort of direct payment. How is that going to help farmers? How are they going to survive?

You talk a lot about the environment, Secretary of State, but the environment out there is largely there because farmers manage a lot of our environment. I don't hear very much about how you think farmers link into the environment, so how are you going to maintain any form of sheep farming or anything else if we get the worst-case scenario? Have you given that any consideration?

Michael Gove: Yes, a lot. One of the—

Q535 **Chair:** And what are your conclusions?

Michael Gove: You asked me to keep it simple; I will keep it as simple as I possibly can. Farmers in less favoured areas—upland hill farmers who are producing sheep meat as well as wool are some of the most prominent examples of those—are people who will need support for several years to come, and as we redesign the system of agricultural support, making sure—

Q536 **Chair:** Several years to come. Several years could mean up to '22. Do you see some support beyond '22?

Michael Gove: Yes.

Chair: You do?

Michael Gove: Yes.

Chair: That's a straight answer—yes.

Michael Gove: Yes.

Q537 **Chair:** Good. Generally speaking, you see, then, a system whereby naturally the environment will be very important, but do you actually see food—as in dairying, sheep, beef and cereals—as an important part of the countryside? Do you actually think it's important that happens in the future?

Michael Gove: Hugely, yes.

Q538 **Chair:** And you are prepared to put your money where your ideas are?

Michael Gove: With respect, it's not my money, it's the taxpayers'. The critical thing is that we always have to defend to taxpayers the wise deployment of cash, and at the moment, as this Committee has acknowledged in the past, the common agricultural policy is not the best way of allocating support to the countryside.

Q539 **Chair:** But green groups have come forward saying that out of the £3 billion, they want £2.5 billion, and then the farmers might have the rest if they felt like it—half a billion. Is that your line of thinking as well, or do you think there should be, perhaps, a little fairer sharing of these resources?

Michael Gove: All the money that currently goes to farmers, landowners and land managers will go to farmers, landowners and land managers, but we want that money to be spent more effectively and efficiently, to ensure that we get public goods such as environmental enhancement and public access, but also that we provide support for productivity improvements, that we help farmers to cope with the vicissitudes that agriculture almost uniquely is faced by and also, as you quite rightly pointed out, that we help support people in less favoured areas.

Q540 **Chair:** Naturally, both you and George, quite rightly, talk about the need for very high animal welfare standards—probably even higher in the future. Sometimes with trade deals under WTO rules, it is quite difficult to stipulate exactly what the animal welfare standards are for imported product, so if you do go down this route, it is going to be more important than ever to have support for food and food production. So you ever wake up in the morning and think, “What I'm worried about is food production and food security,” or does it not pass through your mind at all?

Michael Gove: It's a constant worry in the Gove household—waking up in the morning and wondering whether we've got enough food. But more broadly—

Chair: I think it probably isn't, Secretary of State, but carry on.

Michael Gove: More broadly, sometimes people conflate self-sufficiency and food security. It is important that we have a thriving and productive agricultural sector, but it is also important to recognise another point, as I think this Committee does. Take, for example, the whole area of pig production. At the moment, as we know, some of the domestic demand for cuts of pigmeat is satisfied by imports from Denmark, the Netherlands and elsewhere. We could satisfy that home demand more effectively if we also exported part of the carcass for

which there is less demand here and more demand internationally. And it would be a win-win-win. It would be a win for UK plc to be able to export more; it would be a win for British farmers, because their high-quality product would be sold in more homes; and it would be a win in terms of self-sufficiency or food security, because we would be satisfying more of the domestic demand.

So I don't see it as a zero-sum game, but I do think that when we are thinking about farming, we should think of it like any other productive industry. We want to do everything possible, consistent with the other steps we are taking in the industrial strategy, to make food and drink an even more successful part of the economy. But as you quite rightly pointed out, farmers are food producers first, but they are also friends of the earth, stewards of the countryside and a vital part of the health of rural society.

Q541 Chair: The problem with animal welfare and a piece of meat is that you have to analyse how that poultry, that pig or that cow or sheep was reared. When you see the meat there to buy, you won't be able to tell whether it is organic, free-range or what it is—you won't be able to test for it. That is the issue. As we do those deals, you want to be sure that products that come in have met those standards, or else that they are very clearly labelled that they have not. That is something we will be keen on; otherwise, farming will not compete in the new world.

Michael Gove: We have been talking to farmers about how we can build on the existing method of certification. The Red Tractor scheme signifies a high level of animal welfare, but there is more that we can do in order to allow British consumers to make better-informed judgments about where food comes from.

You are also right that there is more that we can do to ensure that people are aware of the circumstances under which food is sometimes produced in other countries. Of course, we do say that there are some countries whose animal welfare standards are so compromised that we will not import particular types of food from them.

Q542 Julian Sturdy: I have two quick questions. George, you talked about the analysis done by the NFU, and you said that DEFRA is doing that sector by sector analysis as well. Could you give us a timescale for when that will conclude?

George Eustice: Obviously a lot of this work is being done and will be taking place in the next year. We have got some early work, but we are constantly refining the model and checking the models. But with the negotiation taking place now and then during the course of the year and, more importantly, with an agriculture Bill likely to come through during the course of this year as well, that analysis will be done by then.

What I would say is that our early work looking at this suggests that the NFU analysis was not a million miles away from the reality, which is that broadly, there will be impacts on some sectors. It is swings and roundabouts—some would lose out a little bit, some would gain a little bit—but the impacts are less stark than some others have predicted. On consumer prices, again, the impact is much more marginal than some say.

Q543 Julian Sturdy: But DEFRA are specifically going to do their own sector by sector analysis and that will come out before the agriculture Bill—is that what you are saying?

George Eustice: I'm not sure whether it will come out before the agriculture Bill, but, look, we are probably going to have months and months of debate on this issue, and all these issues will come out in the course of that debate.

Q544 **Chair:** Minister, we do need this information before we put the Bill together. The Government is promising all sorts of information, but it does not seem to come out very quickly, does it? We have been going on nearly two years now since the referendum. Surely it is nearly time for that information to be available.

Michael Gove: One thing I would say is that there are some things that are Government information that only the Government can produce, of which Government is not the sole arbiter but the most effective arbiter of what is reliable information. There are official statistics. But when it comes to making a prediction about the impact on prices of a range of political events, Government can make an estimate, but it would be wrong for Government to say, "This estimate is more reliable than that of"—

Q545 **Chair:** Secretary of State, I thought you were doing exactly that all through the referendum campaign.

Michael Gove: No, I was doing quite the opposite.

Q546 **Chair:** It is time we had some real statistics from Government. Your argument might be right, it might be wrong, but for goodness' sake let's have something from DEFRA that we can get our teeth into. At the moment, we are not getting very much other than, "Oh, well, we are doing something." We went to see the permanent secretary the other day, and it sounds all very good, but we would like to see something in black and white, dare I say it?

Michael Gove: It is the case that DExEU produced sectoral papers—I have copies here. And Members of this Committee can—

Chair: We can go into the Library and see them.

Michael Gove: Absolutely. That is in black and white.

Q547 **Paul Flynn:** We did see a message in red and white—it is indelibly printed on our brains—which has been repeated twice in the last month. The source of objective statistics, the Office for National Statistics, based in my constituency, has objected strongly to the repetition of the slogan on the bus you posed prettily in front of with your friend Boris during the election campaign, saying "£350 million a week for the health service." You have also guaranteed 40% of the bill is coming back to the farmers; so you have already spent 190% of any money that is coming back.

Why do you think we should rely on you and your fellow members of the Cabinet, when you misrepresent statistics? The arbiter of statistics, Sir David Norgrove, has said you are misrepresenting the statistics, and he has made a public statement about it. It is your Government that has been the source of misleading statistics throughout, and that is the reason we need to follow the advisory referendum with a confirmation or not referendum when the public realise that they have been deceived by you and your colleagues. Isn't that a fair question? Haven't you talked about the Government's responsibility for statistics—

Chair: You can see Paul always takes quite a broad view on life.

Michael Gove: I have to say, Paul, you put the rhetoric into rhetorical questions—

Q548 Paul Flynn: The last time you were here you said you were going to do something about the fact that in England, most—four out of five—of the pounds that are given to farmers are given to farmers who are not billionaires and millionaires, but one in every five is given to millionaires and billionaires. Is that stopping when we go into Brexit? Have you got some scheme for this? Are you going to have a different system in England from what we have got in Wales?

Michael Gove: Yes.

Q549 Paul Flynn: Well, what is it? How would you do it: millionaires and billionaires who own land but don't actually use it for food production will get nothing in subsidies?

Michael Gove: Under the current scheme you are absolutely right; 80% of agricultural support goes on the basis of the size of the land, by hectare, that is in productive agricultural use. We have said that simply paying people on the basis of the size of their landholding is wrong, that we intend to cap the amount that goes to people and that we intend to redistribute some of that sum so that it is spent on public goods, including improving productivity and also environmental enhancement. That is one of the first changes that we will make. There will be further changes that we will make in order to make sure that support for agriculture is a priority.

Q550 Chair: And will that be next year, or this coming year? You can do capping now, if you want to.

Michael Gove: The means by which we make these changes will be in the Command Paper, which is published in January.

Q551 Chair: But this will be in the agriculture Bill, but that won't take effect—

Michael Gove: No, because we are still in the common agricultural policy.

Q552 Chair: It won't be the payment that is being claimed in May this year.

Michael Gove: We have had a question from Paul that I still have not had a chance to reply to—I am perfectly relaxed about that—about the NHS and also about the viability of national statistics and the wisdom of Sir David Norgrove. You have quite rightly and understandably moved on—

Chair: Answer Paul by all means, and then you can come back to me.

Michael Gove: Okay. The original challenge from the Chairman was whether we can publish statistics about future prices. By definition that is economic forecasting. Economic forecasting is an exercise in making informed guesses—not producing official statistics.

Q553 Paul Flynn: Yes, but you were using the Donald Trump version of forecasting in your figures that you put out.

Michael Gove: No, we were quoting actually from—

Paul Flynn: When you conned the country into voting for it.

Chair: Paul, please let the Secretary of State finish speaking.

Michael Gove: No, I am more than happy for Paul to make his points. When it comes to official statistics, it is actually the case that we spend—or rather hand over to the European Union—more than £350 million per week.

Q554 **Paul Flynn:** It is a gross figure. This has been done to death by every other Committee. The figure was a gross one, and to use it was an entirely dishonest move by you. I mean for goodness' sake confess. The Public Administration Committee, chaired by Bernard Jenkin—

Chair: Paul, please: I think you have made your point. Can we get the answer please? What happened to the £350 million?

Michael Gove: The amount that we give to the European Union is something that is recorded in official statistics, and that is a fact. Future prices are a projection, and good people can disagree about what the factors might be that lead to that change.

On your point about the system of changing agricultural support, we will be saying more, and we will be outlining how we will do that in the Command Paper that we publish next year.

Q555 **Paul Flynn:** You can't admit now that the £350 million figure was a lie, a deception, a confidence trick? It was untrue.

Chair: I think you are going to have to agree to—

Michael Gove: I think, technically speaking, that is unparliamentary language, but one of the things I would say is: absolutely not.

Paul Flynn: I use unparliamentary language to challenge unparliamentary conduct, which is lying to the country.

Chair: Paul, please, you have made your point.

Michael Gove: Paul, if you're going to say to your constituents that the reason they voted as they did in the European Union referendum is that they were too stupid to understand the arguments, good luck at the next election.

Q556 **Chair:** Let's leave it there.

Finally, when you talk about the capping, Secretary of State, do you see this happening in this coming year—farmers making a claim in May for next year's payment, to be paid next December—or are you thinking about it for the years afterwards?

Michael Gove: Afterwards.

Chair: Right. That is quite clear. Julian, could you be quick, please? We cannot go on with 25 minutes a question.

Q557 Julian Sturdy: I just want to come back to what you said earlier, Secretary of State. First, with the sector by sector analysis, a set timescale is really important, so can we get those timescales, maybe through the Committee Chair, as soon as possible—or when you are looking to publish them?

Chair: That is a really good idea, and we would like that in writing please—not only the information in writing, but when we will get the information in writing. Is that possible?

Michael Gove: Yes. Can I clarify, I hope helpfully, what it is that Julian and the Committee would like: an analysis of the impact of a variety of scenarios on different sectors?

Chair: Yes.

Michael Gove: So, for example, beef, sheep meat, dairy and so on.

Chair: That is exactly what we are doing with our inquiry, so it will be nice to see whether DEFRA have come up with something similar. We will have to see.

Q558 Julian Sturdy: Secretary of State, you said that trading on WTO terms for a time might be a possible outcome.

Michael Gove: Though an unwelcome one.

Q559 Julian Sturdy: Yes. You then went on to say that either that might be through tariffs—tariffs would be in place—or it would be tariff-free. If that unwelcome outcome did come about and you were sat at the Cabinet table, which would you argue for on the Department's behalf? Would it be tariffs or tariff-free?

Michael Gove: Tariffs, at the moment.

Q560 Kerry McCarthy: You know these documents that are in this bunker that we can go and see if we sign an oath of secrecy? I was thinking of going in and looking at the food sector documents in particular. Would that be a good use of my time?

Michael Gove: Yes.

Q561 Kerry McCarthy: There is interesting, useful information that is not in the public domain and that I will feel enlightened by?

Michael Gove: It is interesting and useful; how much of it is in the public domain, I cannot know. There will be analysis in there that will well reward reading.

Q562 Kerry McCarthy: Okay. Moving on, I want to ask about trade agreements. Could you explain the process that is used? Where do you fit in? You have Liam Fox travelling the world talking to people about potential trade deals, and David Davis involved in EU negotiations. Where do you come in in terms of telling them what DEFRA's priorities are? How does that work?

Michael Gove: There are many Sub-Committees of the Cabinet, but there are three principally that deal with the EU negotiations. There is the EU ExT strategy and negotiations committee, on which I sit alongside David Davis, Liam and others. There is also a committee called DPLD, which deals with implementation, and again Liam, David and I, along with a number of others, sit on that. Then there is an EU ExT trade committee, which specifically

deals with trade issues. Again, obviously, like Cabinet the proceedings of Cabinet Sub-Committees have to remain confidential, but I do not think that it is breaking any protocols to say that the EU ExT trade committee met earlier this week specifically to discuss refining strategy for those trade negotiations, and again—

Q563 Kerry McCarthy: Do you sit on that as well?

Michael Gove: Yes I do, and I put the case from the point of view of DEFRA for bearing our interests and the interests of the agri-food sector—farmers, fishermen and others—particularly in mind. One small thing in the greater scheme of things, but important in its own way, that I would say is that the industrial strategy that was recently published contained a commitment to bring together a food and drinks sector council and then to work towards a food and drink sector deal. It is the first time that we will have had a sector deal for Britain’s biggest manufacturing area, and it is a reflection of the fact that across Cabinet there is a commitment to make the most of leaving the European Union, particularly for the food and drink sector.

Q564 Kerry McCarthy: But there has obviously been concern. There have been some mixed messages, particularly with what Liam Fox has said about the trade deal with the US. It seems that your red lines are different from his red lines. How will that be resolved?

Michael Gove: I understand how this perception has come about, but it is important to stress two things. First, the Cabinet has agreed that there should be no compromise on high animal welfare and environmental standards. When it comes to the question of chicken from the United States, for example, some people have said, “Chicken that has been washed in chlorine or other acid washes, which deal with pathogens, is perfectly safe to eat.” And so it is. It is not a food safety issue but an animal welfare issue. In America, they cannot guarantee the same high standards for how chickens are reared that we insist on there.

Q565 Chair: They are also more intensively reared.

Michael Gove: Precisely. You can pack more birds into a smaller area, which is both cheaper and—I hesitate to use the word crueller—certainly less respectful of the birds’ welfare. That is why, unless there is a change on the American side, we would say that those animal welfare rules are things on which we will not compromise.

Q566 Chair: So you would hold a whole trade deal up, would you—the City of London and everything—to make sure that we do not get chicken that is chlorine-washed?

Michael Gove: The whole point about trade deals is that you have to be assertive in defence of your own interests. High animal welfare and environmental standards are important not just to British consumers, but to British producers in maintaining our reputation for quality worldwide.

Q567 Chair: I think this is what worries us. I am not saying you are not genuine in your views, but our worry is to what degree you feel, in the end, that a trade deal over chicken will hold up the whole process of a free trade agreement.

Michael Gove: Let me take another example. I mentioned the fact that we were able to get a better deal for food and drink than for other sectors in the industrial strategy. It is also the case that there are really only two areas—notwithstanding the points Paul has made—where

funding has been ring-fenced until the end of 2022: agriculture and universities. The money that is currently spent through our membership of the EU on agriculture has been ring-fenced until 2022. The point I am making is that the particular concerns of my Department—

Q568 Chair: George talked about whether you would give farmers some form of compensation to produce chicken under higher welfare standards, and allow American chicken in. Is that what you are saying?

Michael Gove: No.

Q569 Chair: Either you are going to keep this chicken out, or you are not going to keep this chicken out.

Michael Gove: Your question is whether DEFRA has sufficient muscle to be able to shape a trade deal in the interests of British farmers. My argument is that DEFRA punches above its weight and has that extra muscle in Whitehall. What is the proof? We have already done it with the industrial strategy—

Q570 Chair: So you would veto a deal, would you?

Michael Gove—and we have already done it with financial support. Therefore we will get a deal in our interests.

Chair: Yes? You would veto a deal?

Michael Gove: I would make sure that that deal worked in our interests. The straight answer—

Q571 Chair: Sorry, Secretary of State, can I bring George in?

George Eustice: I wanted to come back to this, because the original question was about where we fit in. The Secretary of State has explained the various committees that he sits on. At a machinery of government level, we are broadly speaking following the same kind of model when it comes to responsibility on trade as they have in the US. The USDA leads on the trade elements that are pertinent to agriculture, and that is broadly what we have. Our experts on agricultural trade are all in DEFRA, and they obviously work closely with officials in the DIT, but when it comes to issues such as market access, those officials sit within DEFRA.

Your wider point comes back to something Neil Parish raised earlier: how can we ensure that countries have these standards? We do that in other areas. If we look at organics, we have equivalency agreements and accreditation schemes, which we verify and then recognise and respect. There are plenty of ways to ensure that the products you are importing meet the standards you have set out in a trade talk.

Q572 Kerry McCarthy: But during the TTIP negotiations, that issue certainly did not have the level of public awareness that chlorinated chicken has now had in terms of the post-Brexit deals. There was talk then that we would resolve it by declaring the US standards were equivalent to EU standards, which clearly they are not, as the Secretary of State has just said. Can you assure us that there will not be an acceptance of equivalence?

Michael Gove: Yes, and there is one other thing: any trade deal would have to go through Parliament.

Kerry McCarthy: There is a separate issue about to what extent we would be allowed to scrutinise trade deals—

Q573 Chair: Will we be able to veto a trade deal? I suspect not, but we will see.

Michael Gove: I think that if Parliament wanted to, it could stop the Government signing a trade deal.

Q574 Kerry McCarthy: I want to seek assurances. Everyone talks about chlorine-washed chicken—it has become a bit of a cliché—but there is also hormone-treated beef, chicken litter as animal feed, and a whole host of things that are banned in the European Union at the moment but allowed in the US. Are all those on your watch list?

Michael Gove: Yes.

Chair: We look forward with great interest, Secretary of State.

Q575 David Simpson: Secretary of State, you will be aware of the certain amount of controversy that there has been over the border issue in Northern Ireland with the Republic—just a slight discussion on the whole issue over the past number of weeks.

Michael Gove: It has come up on our radar screen.

David Simpson: Yes. But the recent EU-UK statement on progress includes a fall-back position of full alignment for Northern Ireland with EU customs and single market rules. What are the implications of that for agriculture and trade on the whole of the island of Ireland?

Michael Gove: I hope that we will continue to have a successful operation of the Northern Ireland economy, and also that we will have something that is even more important for both Northern Ireland and the Republic, which is maximum possible access to the GB market and the rest of the UK. Obviously, as the Prime Minister has stressed, we are aiming to secure a trade deal overall that will work in the interests of the Republic and the whole of the United Kingdom. It is also the case that full alignment—as the Prime Minister stressed—means that we seek to achieve the same goals, but we reserve the right to achieve them through different means.

Q576 David Simpson: In relation to what we have agreed thus far, and we have moved to the next stage on trade agreements in Europe, can Brussels still veto any agreement with the Republic of Ireland? Even though we have a sort of agreement at the moment, can they stymie that at this stage by saying, “Look, we don’t agree to this”?

Michael Gove: I think that theoretically you could have a situation where any one of a number of countries in the EU27 felt that an agreement was in their interests, and that others could say no. A withdrawal agreement would be agreed by qualified majority voting, but a future trade agreement would probably require unanimity—indeed, possibly ratification—by the subsidiary Parliaments in Belgium. It is theoretically possible that you could have a future trade agreement between Britain and the EU that Ireland was a strong advocate for—I hope that it would be—but that other countries might object to. However, the evidence so far has been that if good will is being generated, as it was in the run-up to the December Council,

countries will accept that the perfect is sometimes the enemy of the good, and accept the need to make progress.

Q577 David Simpson: Are you confident that two diverse regimes can operate on the island of Ireland?

Michael Gove: Yes; at the moment there are two different currencies on the island of Ireland, and two different legal structures. You have different duties on a variety of products, yet you have a soft border. As you, David, will be more aware than anyone, people sometimes look at the Belfast agreement and see in it what they want to see, not what is there in black and white. Actually, the Belfast agreement is a framework between two sovereign states to ensure that we have institutions on the island of Ireland, within Northern Ireland, and between the Republic and the UK, that help facilitate peace and commerce. What they do not do is tie the hands of either sovereign country in the way that some have sometimes interpreted.

Q578 David Simpson: That is right. There was some concern over the past weeks from the political regime both here and in Europe about the attitude that the Republic of Ireland has taken on this. We will not go into the whole issue of what they have said in their statements and all the rest—I think it is time that some of the UK Ministers slapped them down for that, but that is another story. In relation to their trade, if this whole thing went pear-shaped, the biggest losers in all this would be the Republic of Ireland.

Michael Gove: It is the case that the biggest single trading partner that we have within the European Union, particularly in agri-food, is the Irish Republic. Our economies and our societies are successfully integrated. Like you, I have an absolute commitment to ensuring that we get a deal that respects the territorial integrity of the UK and that works for Ireland economically. The economic and other ties that we have with the Republic of Ireland are so strong that I am sure that it will be in all our interests to ensure that we get a good trading arrangement and that Ireland's economic progress continues.

Q579 David Simpson: I will finish this, Chairman. In relation to the business community in Northern Ireland, there is a lot more confidence now we have had the agreement with the Government that what happens in England, Scotland and Wales also happens in Northern Ireland, so that we are not separate in any shape or form from the rest of the United Kingdom. That has given the business community a massive boost of confidence.

Michael Gove: Yes. Since taking this job, I have had the opportunity to visit Northern Ireland three times. On every occasion, I have been reassured by how committed the business community in Northern Ireland is to the strong ties. They also feel confident that in their parliamentary representation here in Westminster and in the Northern Ireland Office they have people who are effective advocates for economic cohesion within the UK and for future success.

Q580 Chair: Secretary of State, to bring it down to basics, Northern Ireland will not have a different deal to the rest of the United Kingdom. I would back Northern Ireland to the hilt on that. If we are going to be in the single market and the customs union, that is fine. If we are going to be outside the customs union and the single market, that is also fine. But if you are actually going to trade lorries with pigs, milk and lambs backwards and forwards across that border, you will have to have a system in this



HOUSE OF COMMONS

bespoke deal so that you can electronically check those lorries in and out. Are we getting down to the level of that type of work? Otherwise, this frictionless border will not work. I am not against whichever deal you do—I really am not—it is just whether you are actually doing the work. If you are out of the customs union, how will you get those lorries with fresh food that will go off in and out? We will talk about fish in a minute; you know, there is nothing more fresh than fish and not for very long. Seriously, what work are we doing to ensure that this bespoke deal will have some sort of electronic customs system that will work? If we can do it in Northern Ireland, we can then do it in Dover and Scotland. We can do whatever we want to really.

Michael Gove: There is a specific border taskforce that exists within Government that brings together people from DEFRA, HMRC and the Department for Transport to do work in precisely that area. We met under the auspices of David Davis yesterday to discuss precisely those issues.

Q581 **Chair:** Did you say that is going on in Dublin? That is interesting.

Michael Gove: No, here in London.

Chair: Sorry, I thought you said that it was going on in Dublin.

Q582 **David Simpson:** Secretary of State, you mentioned the border taskforce. Unfortunately, they have not been too successful on fuel laundering and cigarette smuggling—I think they have tightened their belts a wee bit on that. I understand that there is a meeting or a presentation being made to the Home Office on the 21st of this month on a system that could possibly work with the border in relation to the electronic registration and tagging of vehicles. They are based in Northern Ireland, but I think the Home Office is very interested to look at that research.

Michael Gove: I will follow up, thank you.

Q583 **Chair:** And you are aware of that?

Michael Gove: I was not aware of that, but I was aware of discussions. I did not know that there was a presentation to the Home Office, but I know that there have been presentations to different—

Q584 **Chair:** But you see, it is so important for agriculture and food that you are aware of this and that you are making your inputs. In the end, you can make all the fancy statements you want, but unless you can get those lorries physically across that border, it won't amount to a hill of beans, as the Americans say.

Michael Gove: Indeed that is what the Americans would say. Just because—

Chair: I am not worried about the Americans. Answer the question please, Secretary of State.

Michael Gove: There are all sorts of organisations, commercial and otherwise, that are putting cases to the Government about how to resolve this problem. We absolutely know that this is a significant challenge. Indeed I have weekly meetings within DEFRA in which we discuss how we will prepare for a range of scenarios. We also have meetings across

Government. I was not aware that the Home Office was going to receive a presentation from people from Northern Ireland. I suspect that after that presentation has taken place, the details of that will be shared with DEFRA.

Paul Flynn: I am supposed to be coming in on this one.

Chair: Very quickly please, Paul.

Q585 Paul Flynn: Can Wales have regulatory alignment?

Michael Gove: Wales is in regulatory alignment with the rest of the UK.

Q586 Paul Flynn: But on the same basis as Northern Ireland will have post-Brexit.

Michael Gove: I think that Wales is not covered explicitly and separately in the Belfast agreement.

Q587 Paul Flynn: Okay, so you will move the border, which was a border of friction between Northern Ireland and the south, to a border that will be throbbing with friction between Wales and Ireland and other parts of Britain. The border is being moved.

Michael Gove: No.

Q588 Paul Flynn: Well, what have you done? How is it going to work? What will be the differences?

Michael Gove: Ever since the signing of the Belfast agreement under Tony Blair, Northern Ireland has had institutions that govern its operation that are separate from other parts of the United Kingdom.

Q589 Paul Flynn: In your visits to Northern Ireland, have you discussed it with the community there that is silent in their representation in this Parliament?

Michael Gove: I have talked to the SDLP, the Alliance party, the Ulster Unionists and also Sinn Féin.

Q590 Paul Flynn: One of the Welsh MPs—they represent Holyhead—has pointed out that the great danger of the stitched-up agreement to solve the problem of the Irish border will be that traffic will miss out on Holyhead and the other Welsh ports and take their products straight to mainland Europe, to Belgium and so on. Is that a worry that you see? We will be in a very difficult position.

Michael Gove: No, I think it will be a good thing if we have free trade continuing from Ireland through Wales to the EU.

Q591 Paul Flynn: Some 90% of Welsh red meat exports go to European countries other than us. In the event—

Michael Gove: Is that 90% of all produce or of exports?

Q592 Paul Flynn: It is 90% of red meat exports. I mean lambs, mainly. It is a very fragile industry. One of the explanations offered to us as a solution if that trade collapses is that there should be more meat exported on the hoof, rather than on the hook—



HOUSE OF COMMONS

especially to the middle east and China, I gather. If this is the only way of making Welsh meat competitive post-Brexit, how does that match up with your views on animal welfare?

Chair: Can you answer that one, Secretary of State? Then we must leave it there, Paul, because of time.

Michael Gove: I think that is a fantastical supposition that rests on an improbable series of suggestions.

Paul Flynn: Just to put it on the record, in the referendum my advice to my constituents was that they had a choice between Operation Lies and Operation Fear. I forecast the chaos that things are in now. I hope they will have the sense to demand—as most of the country are—a second vote, because a second vote is always better than a first vote.

Chair: Thank you, Paul. I will let Caroline in here because her question links straight back.

Alan Brown: May I add a small supplementary?

Chair: Go on then, but it had better be small.

Q593 **Alan Brown:** I appreciate that the work on the border taskforce is ongoing, but the Republic of Ireland border is not a new issue. When I go to the reading room to look at impact assessments, will I be able to read the detailed up-front analysis and scenarios that have been done on borders?

Michael Gove: You will be able to read a huge amount of material that looks at the potential impacts of Britain leaving the European Union in a variety of areas. If, having read that, there are specific further questions that you have, either relating to DEFRA or other border matters, we would like to try to answer them.

Q594 **Dr Johnson:** We were very pleased last week when there was a joint statement saying that we would now move into the next phase of negotiations for Brexit. The statement says that there is a commitment “to avoid a hard border between Northern Ireland and Ireland”, but it also says that if agreed solutions are not found, we will maintain “full alignment”. What does “full alignment” mean? Does it mean we will have to follow the rules of the EU from outside, and that, because we want to avoid a border between Northern Ireland and the rest of the UK, the whole of the UK will in fact be following the rules of the EU from the outside in order to avoid a hard border between the north and south of Ireland?

Michael Gove: We won’t need to, because full alignment does not mean harmonisation. It simply means an agreement to achieve the same goals, albeit by different means.

Q595 **Dr Johnson:** Can you explain that a little bit further?

Michael Gove: Yes. We could agree to have mutual recognition of each other’s standards in order to ensure that we can have successful access to each other’s markets without having to have full harmonisation. It is in the nature of all sorts of trading arrangements that we agree

to accept the food standard or other rules that operate within a particular jurisdiction as equivalent to our own. The means by which those standards are reached are for that jurisdiction to decide, but we say that they are, from our point of view, equally rigorous.

Q596 Alan Brown: On the previous question, you said you would write to me if I had further questions. Just a wee reminder: I sent you a letter following the last session about CAP payments and convergence. I am still awaiting a response. That was in October. Hopefully, in future, correspondence will be dealt with more timeously.

Michael Gove: Outside the remit of this Committee, I have had discussions with the Cabinet Secretary in the Scottish Government, Fergus Ewing, about how we look at this. I suggested to him a particular individual who might carry on this work. If Fergus agrees and there is agreement across Government, I will say more about that. But you are quite right to bring it up. The reason for the delay is identifying a suitable individual to undertake that review and then make sure that that individual is someone with whom the Scottish Government feel comfortable.

Q597 Alan Brown: So we will get a response.

Michael Gove: Yes.

Q598 Alan Brown: Thank you. In terms of deals in general going forward, at the weekend it was widely reported that Michel Barnier had said there would be no bespoke trade agreement between the EU and the UK. What is your response to that assertion?

Michael Gove: I think Michel Barnier is a brilliant negotiator. He has done a great job so far on behalf of the EU27. He has shown great flexibility in achieving those goals. It is also important to state that what Michel Barnier said at the beginning of stage 1 was not the position that the EU signed up to at the end of stage 1. So that is a strong opening position from a skilled negotiator. But by definition, every trade agreement between the EU and another country is a bespoke agreement. The agreement between South Korea and the EU, between Japan and the EU, between Canada and the EU, and indeed between Norway and/or Switzerland and the EU are all bespoke in that they are all different.

Q599 Alan Brown: I would agree that Michel Barnier seems to be an expert negotiator because, from what he said at stage 1, he has now got the UK to sign up to a divorce deal, he has held off trade talks until he is satisfied enough progress has been made, and there has also been discussion about a transitional deal, so he seems to have the upper hand at the moment. If we go forward, what would be the advantages of a Canada plus plus plus trade model in terms of the UK's agricultural sector, as opposed to a WTO model or a Norway model or staying in the single market?

Michael Gove: I think the particular advantage of a Canada plus plus plus would be if we have a deal that covers goods, but a deal that also includes agri-food goods, as is the case with the Japan deal, for example. It would be marvellous to have straightforward, frictionless access for our food products into the EU and vice versa. As everyone here knows, we buy more from them than they buy from us, but it is mutually beneficial for our consumers and producers and their consumers and producers.

Another thing that would be a feature of a Canada plus plus plus deal is free trade in services. That matters slightly less to the agri-food sector, but it would be a good thing if we had, for

example, mutual recognition of professional qualifications across the UK and the EU. That would help in all industries.

Q600 Alan Brown: And how do all the red lines from all the different Departments get fed into a Canada plus plus plus? Obviously, for the public and the people not in the sub-committees, it is really hard to understand what that plus plus plus means.

Chair: That's why it's put like that, Secretary of State!

Michael Gove: You are right that almost any trade agreement is never going to be a simple document, whether it is the trade agreement the EU has with Japan or South Korea, or the one with Canada or anyone else. The point that the DExEU Secretary of State I think made very effectively is that the EU holds up as a model free trade deal Canada's successful free trade deal with the EU, but we start in a different position from Canada; we can do better. And there are other free trade deals—again, as the Secretary of State pointed out in his interview—including those with South Korea and Japan, from which we can draw in shaping our own arrangement that works in both sides' interests.

Q601 Alan Brown: On South Korea, we touched on most favoured nation status earlier. I believe part of the deal with South Korea that the EU has at the moment involves most favoured nation status. In terms of some of the existing EU free trade agreements, where most favoured nation status is incorporated, how does that affect the UK's ability to negotiate deals going forward?

Michael Gove: If we are within the customs union, we could not do so, but if we are outside the customs union, we can negotiate a trade deal with the EU and a trade deal with other countries. Other countries that are WTO members but with which we do not have a trade deal we would trade with on MFN terms. I can't think, at random, of a particular country that fits into that role, but there will be some countries—some developing nations, for example—that are not covered by these arrangements. But obviously we would want to have trade deals with as many countries that are equipped to have them as possible.

George Eustice: We are doing a piece of work jointly with the EU. We have obviously submitted to the WTO how we intend to split the TRQ schedules. Tariff rate quotas are largely unique to agriculture. They allow certain amounts of different products in tariff free. The approach that we are going to take is basically to treat this as a technical rectification: take a reference period, look at who is using the quotas over that period and then split the TRQs between the EU and the UK. We are in agreement with the European Union about how to approach that. In addition, there are a number of—

Q602 Chair: But the WTO are not in agreement, are they? You might be in agreement, we might be in agreement and the EU might be, but the WTO are challenging it, aren't they? New Zealand—

George Eustice: If you look, though, at every accession that you have had with the European Union, often these sit there as an uncertified, provisional, interim agreement. The WTO does not always agree things in a speedy fashion, but the crucial thing is that we have got agreement—

Q603 Chair: So you could make an agreement with Europe, and the WTO could challenge that afterwards. Is that what you are saying?

George Eustice: It is open to members to challenge, but broadly speaking, what happens with these things is that even if they are not adopted, they sit there. We have not had countries say that they definitely oppose them. We have just had some not willing to state at this stage whether they do or don't. But we have a clear approach to how you would split those TRQs. In addition, there are a number of other agreements on equivalency that support some of those trade agreements, and largely it is for us to work with the countries concerned, just to roll those agreements over. I don't think there is any reason why they wouldn't, because actually with a lot of these TRQs, the UK is where the lion's share of the produce goes. If you look at chicken from Thailand or lamb from New Zealand, the majority of it comes to the UK, so they have an interest in rolling over any of those equivalency agreements, including on things like organics.

Chair: Are you done, Alan? I am conscious of time.

Q604 **Alan Brown:** I'll be quick. In terms of all the third countries that the UK is going to have to agree deals with in the future once we leave the EU, you are saying that the most favoured nation point will not affect the UK's ability to strike any beneficial trade deals with these third countries.

George Eustice: If you come out under most favoured nation status, no, it doesn't. That gives you the total freedom, if you like, to do whatever trade deals that you want to. But as we have made clear consistently and as the Secretary of State has said several times today, we are looking for that ambitious, comprehensive free trade agreement and customs agreement with the European Union.

Q605 **Paul Flynn:** But aren't we the least favoured nation for the 27? Aren't you guilty of manic optimism?

George Eustice: I would simply point out that we have a big trade deficit with these countries. If you look at countries like Denmark, Ireland, the Netherlands and France, they need access to the UK market. We are one of their biggest export markets for the produce they make.

Angela Smith: I have a starred supplementary for—

Chair: Very quickly, Angela, please—

Angela Smith: It's the first comment I've made, Chair.

Chair: I know, but you have your question to come still—you could have linked the two.

Q606 **Angela Smith:** In terms of negotiating this wonderful array of free trade deals we are going to get with the European Union and globally, Secretary of State, would equal status be given in those negotiations to all sectors within the agricultural industry, or would you prioritise some aspects of the agricultural sector when it comes to finalising those trade deals?

Michael Gove: I hadn't thought of prioritising any particular sector in any trade deal because we would want to have the best possible deal in the interests of all sectors, but if you want to pitch a particular challenge to me, for me to go away and reflect on, I am happy for you to do so.

Q607 **Angela Smith:** At the end of the day, you are not going to sell out horticulture or any

other aspects of the agricultural sector in order to protect something like lamb or beef?

Michael Gove: That would absolutely not be my intention, no.

Q608 **Angela Smith:** But can you guarantee that?

George Eustice: It would depend on the market as well. There are markets where there are big opportunities for lamb such as the Gulf states and the middle east, and there are other markets such as the US where lamb is not a big player at the moment—

Q609 **Angela Smith:** But I'm talking overall, George—in the end, with all these free trade deals we are going to do, the overall impact on our agricultural sector and the different aspects of it.

George Eustice: We are looking for things that work for the whole sector, but it will differ. Something like horticulture does not export very much and—

Angela Smith: It should.

George Eustice: It should, it could, but—

Angela Smith: That's the whole premise of Brexit.

George Eustice: But this is where it does depend. With the US, there would be opportunities for our dairy industry, because we have premium cheeses; cheeses in the US are a more basic commodity standard. So there is a big appetite in the US for—

Q610 **Chair:** And sheep, I think—the sheep market could be.

George Eustice: There could be potential for the sheep market, but it's a very underdeveloped market in the US at the moment. So it will depend on the market. Then you have got other countries—we export a lot of chicken to South Africa at the moment, for instance. It depends on the market.

Q611 **Angela Smith:** All I am asking for, George—and from Michael—is a commitment that every aspect of the agricultural sector will be given equal weight, not in terms of individual deals but in terms of the overall impact on the agricultural sector of this range of trade deals. You're committed to that?

Michael Gove: George and I are parents who love all our children equally.

Chair: Very, very slick.

Q612 **Sandy Martin:** Secretary of State, you said that the agreement with the EU will be a complicated document—I think we can all accept that—but obviously we want to know the sort of model that the Cabinet is aiming for. With Canada plus plus plus, the pluses sort of disguise what they are—you haven't identified exactly what the pluses are, but can we be sure that members of the Cabinet are agreed about what the pluses should be? There is a suspicion that the reason we have the three pluses after Canada is that various different members of the Cabinet want to get different things, and calling it just plus plus plus disguises the fact that you have not actually agreed what you are looking for in the first place.

Michael Gove: No, there is full agreement across Cabinet that we want a deep and comprehensive free trade deal with the European Union that covers goods and services.

Q613 **Sandy Martin:** Right. That's an aspiration rather than an actual planned ask though, isn't it?

Michael Gove: We can go into further detail, but I wanted to give a short answer—we are in absolutely full alignment.

Chair: Sandy, may we leave it there for now, because I am very conscious of time?

Q614 **Angela Smith:** A no deal scenario means trading under WTO commitments as far as the EU is concerned, but the UK could choose to apply maximum or minimum tariffs, or no tariffs at all. What criteria will you use to decide whether to apply high tariffs or to remove them altogether?

Michael Gove: We'll be looking, first, at the overall balance in our economy, in the interests of both producers and consumers. I have made the point repeatedly that we are not aiming for and we do not anticipate that we will end up operating on WTO terms.

Q615 **Angela Smith:** Yes, but this question is about when we have nothing but a no deal scenario on the table. What will you do to determine how you approach the tariff regime?

Michael Gove: Julian referred to this briefly earlier. My assumption and my preference would be that we maintain tariffs in order to ensure that we do not have change occurring in agriculture, horticulture or any of the productive sectors that would lead to an unhelpful level of disruption for reasons of continuity of supply and health in the industry.

Q616 **Angela Smith:** That is really interesting, because it indicates that you have given some thought to the impact that lower or zero tariffs would have on UK farming trading. Maybe you would like to share those thoughts with us. What is the reasoning behind that position?

Michael Gove: As George mentioned, it is the view of not just the team in DEFRA but most observers that in basic terms, reduce tariffs and you of course reduce prices, but you create particular challenges for the livestock sector and the red meat sector. Again, the livestock sector and the red meat sector, whether in Wales or Scotland, are often a critical part of maintaining the health of rural societies and rural areas. These are all factors that one has to bear in mind.

Q617 **Angela Smith:** Absolutely. Under WTO rules, Cheddar cheese—it is my favourite, and a lot of people's favourite—will have a 40% tariff. We import lots of Cheddar from Ireland. How much will Cheddar prices go up by?

Michael Gove: One of the things about that question—it is a very good question.

Angela Smith: It's a simple question. Let's have an answer.

Michael Gove: It's a simple question, but it does not admit of a simple answer. It is a bit like asking—

Chair: Logically, it goes up 40%.

Michael Gove: No, it's a bit like asking, "What is God's design for this world?" That is a simple question, but it does not admit of a simple answer. By definition, if foreign products cost more, there are new opportunities for domestic producers through import substitution to satisfy that demand.

Q618 **Angela Smith:** And how long will that take, Secretary of State? In the years following Brexit, the price of Cheddar would go up by 40% for a significant proportion of the cheese on supermarket shelves. How much would it go up by, and how long will it take to increase domestic production?

Michael Gove: If it is the case that we end up on WTO terms, I am sure that British farmers and British food producers will find that the opportunity, as George said and as others have observed, to meet demand in this and many other areas would increase.

Angela Smith: And how long will that take?

Michael Gove: I think one of the striking things about British farmers and British food producers is that they are capable of responding with rapidity and skill to fluctuations in the market.

Angela Smith: And how long will it take? One day? Six months? A year?

Chair: Five years?

Michael Gove: By definition, you are asking me to say how quickly any individual farmer or group of farmers can respond to what happens in the market. Again, it is a mistake to think—this goes to the heart of the tension in the Chairman's initial question, which is, "Government, can you tell us what will happen in five months', six months' or 12 years' time?" We can't. The world is a complex place. What we can do is take the steps that are most likely to ensure that farming is productive and that consumers are protected.

Angela Smith: Yes, because you are taking a risk with our future.

Michael Gove: What you are positing is a particular scenario that is, by definition, one of the least likely. If there were a tsunami hitting the south-west of England, that would be bad for the dairy sector.

Q619 **Angela Smith:** Are you listening to Dairy UK on this matter? Are you talking to Dairy UK to work out how quickly they will be able to increase their production?

Michael Gove: Yes, absolutely.

Chair: George is desperate to get in here.

George Eustice: The point is that you have to look at what we export. This is hypothetical, because obviously we are aiming for a free trade agreement, but if you ended up on MFN tariffs, there are swings and roundabouts. If we look at dairy, we export currently—

Angela Smith: I'm talking about imports, George.

George Eustice: We export currently to the Irish Republic £362 million-worth. We import £589 million. What would probably happen if everybody put up such a tariff wall is that we would consume more of the cheese that we produce, rather than sending it to Ireland, and Ireland would be selling us less cheese. That is not the scenario we want, but that is what happens in these situations.

Q620 **Angela Smith:** So we are all going to be forced to eat Wensleydale rather than Cheddar, are we? I don't mind if that's the reality.

George Eustice: We are the best manufacturer of Cheddar in the world.

Michael Gove: I am deeply concerned about your unpatriotic attitude towards Cheddar. Whether it is Montgomery or Lincolnshire Poacher, there are many—

Chair: Secretary of State, as much as I would love to have a discussion on every type of cheese in the country—they are all very good—we do not have time.

Michael Gove: I hope you appreciate that at EFRA we are very pro-UK Cheddar, whether it is Orkney or West Country Cheddar—

Q621 **Chair:** Yes, and Somerset brie and Cornish and Yorkshire cheese. I have one final question on tariffs on food coming in. Do you ever see a scenario where the Government would not charge any tariffs for imported food, even if we were facing import tariffs on exporting our food, in order to keep that food price down for consumers? Can you give me a yes or no answer?

Paul Flynn: No, he can't.

Michael Gove: I can, yes.

Q622 **Chair:** What is the answer? Is it that the Government will definitely put on tariffs, tit for tat? They won't decide that consumers want it cheaper—

Michael Gove: There are some non-temperate foodstuffs that cannot be produced in the UK but can be produced in the EU.

Chair: Yes, all right, I'll buy that.

Michael Gove: It would be wrong for us to put tariffs on oranges.

Q623 **Chair:** What about milk and cheese? What about lamb? What about the food that we can produce very successfully here and that we can export? Will you put tit-for-tat tariffs on it if they are imposed on us?

Michael Gove: By definition, you don't play poker by revealing all your cards to the other side.

Paul Flynn: Oh, come on! Answer one question.

Q624 **Chair:** Come on. You ought to be able to give me a straight answer to that one, Secretary of State.

Michael Gove: If you want to play poker with me, and reveal your hand before I decide how to bet, I am very happy to play poker with you at any time.

Q625 **Chair:** Secretary of State, I do not want to put words in your mouth, but the fact that you don't answer the question leads me largely to the reflection that we would not necessarily charge tariffs on exports if we were facing them on imports. That worries farmers a great deal and you ought to be able to give them that reassurance, because fair is fair, surely.

Michael Gove: Absolutely. Julian and Angela asked whether we would go to a no-tariff situation and I said no, I would expect that we would not.

Q626 **Chair:** If we go into a WTO scenario and there are tit-for-tat tariffs—because we might get to that—will the Government decide not to charge on imports and we would face tariffs for exporting beef, lamb, dairy products, cereal and all those things? Do you see that happening?

Michael Gove: You can't have tit-for-tat tariffs under a WTO scenario. The whole point about a WTO scenario is that you have to extend the same tariffs to all countries or to none.

Q627 **Chair:** And would you extend all those tariffs to those countries that import food into this country?

Michael Gove: Your premise is that you have—

Chair: A situation where Europe was going to charge us 40% tariffs wherever, but we decide not to put tariffs on that imported product coming in from Europe because that would destroy our industry.

Michael Gove: Again, I answered that question with respect to Julian and Angela's point. We would not have a zero-tariff approach in that situation.

Chair: Right. That's as close as I will get. Sheryll—on to fish, please.

Q628 **Mrs Murray:** It is nice to see you, Secretary of State, and the Minister, too. I have a couple of questions on protecting the catching sector and the very important processing sector. Obviously, business people need to have security. We have heard a lot of talk about a transitional period. On fishing in particular, we leave at the end of March 2019 and we have had a lot of talk about not sitting around the table when we are in a transitional period, yet the Agriculture and Fisheries Council meets in December.

Can you foresee the UK having a different period of time for fisheries—i.e. nine months up to the end of December? From January 2020 we will start to manage our own, so our processes and our fishermen will have security, rather than the two-year transitional deal that people are talking about. It would be completely wrong even to consider 27 other fisheries Ministers sitting around a table in Brussels and deciding what happens to the fish in the British 200-mile median to line limit.

Michael Gove: I completely agree, and your case has been made by the Scottish Fishermen's Federation, among others, and it seems to me the most sensible way to go forward. George was at our most recent fisheries council, so I will hand you over to him. He might say a little

more about how that fisheries council worked, and therefore the precedent for the future arrangement of quota allocation and access.

George Eustice: We know what Norway, Iceland and the Faroe Islands do, and you raise a pertinent point. The difference with fisheries is that it is fundamentally a dimension of international negotiations. Those negotiations take place annually, so when we talk about an implementation period, we need to work out exactly where fishing fits within that in the final analysis. Obviously these are very important negotiations for us, particularly for the Scottish fleet when it comes to EU-Norway annually, and at the moment that is agreed outside of the December council. Then you have the meetings of the coastal states, which are very important to our pelagic sector and sectors such as mackerel.

Q629 Mrs Murray: Looking at the food side, what can you foresee for our processors who now import fish? A lot of fish is already imported from outside the EU; we recently spoke to a merchant in Grimsby who said that about 80% of their fish came from outside the EU. Do you see an opportunity for our domestic market as quotas increase, because our domestic fishermen have been almost capped on what they were able to produce? Do you see an opportunity for our processors to source more of what they need domestically after we leave the EU?

Michael Gove: Yes, absolutely. Again, George was involved in these negotiations so he has a much more granular understanding of how the quota system has led to particular stocks being allocated. If they were allocated in a fair way but under our control, that would lead to more fish being landed by British boats and being processed here, and provide an opportunity for growth in particular sectors. I will hand you over to George because he might mention one or two particular areas—channel cod, for example—where the current allocation does not work fairly in our interests.

George Eustice: Yes, you will know that in the west country there are some stocks where France and Ireland get a much larger share—the French get around four or five times more cod or haddock than the English fleet, and twice as much plaice. Our view is that we need to revisit the idea of relative stability, and sort of set shares in concrete. We are doing a piece of work at the moment to look at zonal attachment, which I think most people now accept is the fairest way to allocate fishing opportunities in this day and age. Our fisheries experts at CEFAS and the MMO are doing quite comprehensive work, looking at zonal attachment for each stock and ascertaining what a fairer system would look like going forward.

A wider point is that ever since the cod wars, we as a country have always exported a lot of the fish that we catch. We export a lot of mackerel to countries such as Nigeria, and globally, and we export shellfish to Europe and the far east, but we have always had to import a lot of the fish that we consume—we import a lot of cod.

There are a number of different systems. As you said, these are mainly countries that are not in the EU such as Norway and Iceland—EEA countries—but of course the EEA agreement does not cover fisheries. In the case of those two countries we effectively have a preferential free-trade agreement on the fish that they supply. We also bring in quite a lot of cod in particular under a different system called ATQs—autonomous quota allocations—and that is where we get a lot of Russian cod from the Barents sea. There are a number of systems, all of which are fairly easy to stand up and roll forward once we come out of the European Union, because most of that trade is with countries already outside the EU.

Mrs Murray: Thank you very much.

Chair: Alan, just a quick supplementary question, and then I will bring Angela in.

Q630 Alan Brown: Going back to the transitional arrangements and access to UK fishing waters, I believe, Secretary of State, that you said at one time that you could envisage leaving the CFP before we get to Brexit day in March 2019. There have been arguments that we will leave the CFP the day after Brexit. Earlier on you said that the nine-month transitional arrangement seemed sensible. On Monday, in her European Council statement, the Prime Minister said, “The arrangements that pertain to fisheries during that implementation period will, of course, be part of the negotiations for that implementation period.” Is there a clear strategy or policy on what the transitional period will look like, and how do we get there?

Michael Gove: Yes, there is, and it was summed up perfectly by Sheryll.

Alan Brown: So it is not up for negotiation the way the Prime Minister suggested on Monday? That is what she said—that it would be part of the ongoing negotiations.

Michael Gove: Yes. Between now and March we will be negotiating on what the shape and nature of the transition agreement will be. We think the best approach to take is, as exactly outlined by Sheryll, to say that in international law Britain will become an independent coastal state.

Q631 Chair: When will that be?

Michael Gove: In international law, when we leave the EU.

Chair: Yes, but when will we become an independent coastal state?

Mrs Murray: 29 March 2019.

Chair: That will be the actual date?

Michael Gove: At one minute past 11, yes.

Alan Brown: So that is a red line that we have established.

Q632 Angela Smith: I would like to explore a little the deal we heard and read about this morning, in which the UK will no longer have to sign up to the EU for agreed quotas. I would like to understand the legal status of that. Effectively, it means that our fishing industry is outside the transition deal. That is my first assumption. If that is correct, is there a risk that the EU could impose tariffs on our processed seafood as we export it to the European Union?

Michael Gove: The Prime Minister has made the point that you can have transition and implementation periods of varying lengths. What we are proposing to do is to negotiate with the—

Q633 Angela Smith: I am just talking about fishing, which has been exempted. Will that mean tariffs on our processed seafood as a consequence?

Michael Gove: I think the question is premised on a misunderstanding. It is not that fishing is outside the transition period, but that there is a specific transition period of nine or 10 months for fishing. The second thing is that we agree that as part of the negotiation on what transition would look like. It was interesting to note in *The Times* newspaper this morning that European Commission negotiators are reported to have accepted that there needs to be a different regime for fishing, as distinct from other areas, during that transition period, for the reasons that this Committee has outlined.

Q634 **Angela Smith:** If it is nine or 10 months, then beyond that we will still be in transition as a country for a large part of the rest of the economy.

Michael Gove: For other areas, yes.

Q635 **Angela Smith:** For other areas. After the nine or 10 months, is there a risk that we will have tariffs imposed on processed seafood?

Michael Gove: No, because the aim is to secure a negotiated agreement whereby fishing is governed by a different set of provisions, and a different timescale, from other parts of the economy.

George Eustice: One of the things we have been clear on all along is that that transition period, primarily, will cover trade more than anything else. We want there to be no disruption to trade—

Q636 **Angela Smith:** Sorry, George, I did not mean to cut across you there. Effectively, though, we are dependent on a successful negotiation to ensure that those potential tariffs are not implemented?

Michael Gove: Ultimately—

Angela Smith: You have got to do that deal fairly quickly.

Michael Gove: There are at least three aspects of negotiation: the transition agreement, the withdrawal agreement and the future relationship based on trade. Of course we want all those to be successful.

Q637 **Angela Smith:** But at the end of the day, it sounds to me that the fishing deal may have to be done rather more quickly.

Michael Gove: It would be part of a transition agreement. All being well, by March we will have secured a transition agreement between Britain and the EU, which will say that, for example, we will continue to pay in X, we will not have Members of the European Parliament and we will be governed by European law in particular areas. It is our intention, as reflected in the report in *The Times* today, that we will have a situation where we become an independent coastal state in law and agree to abide by the decisions that are made at the December council next year, and thereafter we will be in a position, it was suggested—George referenced it—similar to Norway.

Q638 **Angela Smith:** So that transition agreement next March will have within it an agreement that tariffs will not be imposed on our processed seafood industry. I keep wanting an answer to the question.

Michael Gove: I cannot guarantee what is in an agreement that, by definition, is going to be negotiated.

Q639 **Angela Smith:** So you can't guarantee that.

Michael Gove: No, I can't guarantee anything, because it is a negotiation. But the critical point is that the aim of the transition arrangement is to ensure that there are no trade barriers during the two-year period that it would exist for.

Q640 **Angela Smith:** I appreciate that. Finally, if we leave the single market, is there not a risk that those countries that currently import stocks into our country—I am from Grimsby, so I understand the processing industry—to be exported to other countries within the European Union will go directly to those other countries, thereby damaging our processing industry?

Michael Gove: It is always possible that supply chains could change, but it is unlikely that people will want to go to other countries when we will have control and will be able to allocate access and quota to what will be the most productive of all the fishing grounds, other than Norway and Iceland.

Q641 **Angela Smith:** We are talking about Iceland and Norway, effectively. Some 75% of the stocks that come into Grimsby are from Iceland.

Michael Gove: Yes.

Q642 **Angela Smith:** That has always been the case. It is why we lost our fishing industry, partly. Will Iceland be tempted to go to other countries within the European Union for that processing work?

Michael Gove: No.

Q643 **Angela Smith:** Why?

George Eustice: Because the UK is their biggest market by a long way.

Q644 **Angela Smith:** But I am talking about products that are then exported to the European Union.

George Eustice: Yes, but these tend to be big players that serve the UK market and then do export some to Europe as well. All I would say is that the EEA countries you have mentioned are outside the single market for the purpose of fisheries. People sometimes get confused and think, "They're an EEA country so it's covered," but on fisheries and agriculture—they are outside the EEA for that purpose. They are coming in under separate preferential trade—

Chair: We've got to leave it there. Sheryll wants to come in very quickly, and then John, who hasn't made a point at all.

Q645 **Mrs Murray:** Can I just very quickly ask for clarification? A lot of people tend to become confused when we talk about access to quotas and access to resources. Can we be clear that access to resources and access to a market for the processing industry are actually two separate things?

Michael Gove: Yes.

Q646 **Mrs Murray:** They were very confused and used as a bargaining chip in 1971 and 1972. This is what has caused a lot of the confusion and caused a lot of fishermen to feel very badly let down. Can you say to me that you will not in any way confuse those two things and that our access to resources will not be used as a way of buying access to a market in the future?

Michael Gove: That is our intention.

Q647 **Chair:** And basically that we get the fish back that we lost in '72. Are you going to be absolutely certain of that?

Michael Gove: They'd probably be pretty smelly by now.

Q648 **Chair:** Not the particular fish—the quantity of fish. Is there a yes or no to that one?

Mrs Murray: As we have already seen in this Committee, people tend to confuse them, but we will be looking at whether those things are treated very separately. Access to resources will not be used to buy access to a market.

Michael Gove: Yes and yes.

Q649 **John Grogan:** Happy Christmas, gentlemen. Given the time, I will just ask a couple of questions on labelling. We have had some evidence about the idea of mandatory country of origin labelling. Could you offer us an opinion on that?

George Eustice: The UK has always championed at an EU level more mandatory country of origin labelling. It has been there on beef since around 2003, I think, and we pressed and successfully got it introduced on all other fresh meat—sheep, pork and everything else. We have also always said that, where possible, with lightly processed foods such as bacon, sausages and cheese, that should be extended. Obviously, the EU has resisted that to date, but it would be open to us to introduce that nationally once we leave.

Q650 **John Grogan:** You mentioned processed food. We have heard a lot about chlorinated chicken, but it would be remiss of me not to mention that we have also heard about chicken at 2 Sisters Food Group that is thrown around the floor. Overnight, there have been new revelations about labelling—Tesco found that labelling at the 2 Sisters Coupar Angus factory had been completely and blatantly ignored. Given that we are coming up to Christmas and people are eating chicken, are Ministers concerned about our report on the 2 Sisters Food Group and the overnight revelations from Tesco?

Michael Gove: Yes, and I thought the Committee did excellent work. It raised a number of concerning issues. We have been talking to the Department of Health about ensuring that we can provide consumers with the best possible guarantees in food safety and food quality.

Q651 **Chair:** Also, Secretary of State, the Food Standards Agency is not really being informed, when inspections by Sainsbury's, Tesco and others such as the assurance scheme take place, of what is happening in those factories. If you could put pressure to ensure that happens, that would be good.

John Grogan: Do you think that they should be informed, Secretary of State?

Michael Gove: Yes.

Q652 John Grogan: I have one final question. Some people have suggested that to increase consumer confidence as we go to Brexit, perhaps CCTV in cutting plants should be considered, as in abattoirs?

Chair: These are cutting plants, not slaughterhouses.

John Grogan: Exactly, yes.

Michael Gove: That is a very persuasive argument that we will go away and think about it.

Chair: Julian, you wanted to ask a very quick question, but then we must go because it is Prime Minister's questions.

Q653 Julian Sturdy: I will try to be quick. Back to non-EU trade, there will obviously be a difficulty in balancing consumers' desire for low-price food and the concerns over lower food standards coming out of the EU. Just to pick two of my specific hobby horses, how would you deal with them if there was a trade deal with the US? First, 80% of antibiotics currently used in the US are used in the livestock sector. Would you see that as a barrier to trade agreement? Secondly, we have spoken about neonicotinoids. Neonics are still regularly used in US agriculture. Again, would that be a barrier to trade deals?

Michael Gove: They are both issues of concern, absolutely, yes.

Q654 Chair: But how would you know that any crop had been treated with neonicotinoids? When it comes in as a finished product, you would have no idea.

George Eustice: Well you would. We do residue testing, so we look at—

Q655 Chair: Would there be residue in the cereal? I very much doubt it.

George Eustice: Yes, we can pick up all sorts.

Chair: You think you can pick it up?

George Eustice: Yes.

Chair: I look forward to you finding it, Minister.

George Eustice: We have a team of people and we have a residue experts committee that reviews the evidence every year and gives us a very helpful report on where there are concerns.

Chair: I am intrigued.

Q656 Julian Sturdy: DDT is still used in parts of Africa and we are not seeing that in residue tests coming out of there.

Chair: Minister, you are being very optimistic. It is all down in evidence that will be quoted to you again, do not worry.

George Eustice: I am happy to show the Committee the report that is done by the expert committee that we have on residues, which highlights all sorts of issues where they think there are potential concerns.

Q657 **Chair:** So you will put a lot of resource into testing it when it comes in? Is there nothing being done at the moment?

George Eustice: We do that now.

Chair: Do you?

George Eustice: We have to because we are a port of entry for the EU. Every other EU country does the same. We all have pesticide residue surveillance schemes.

Q658 **Chair:** Could you give us in writing all that you are doing at the moment—the number of times you test and the percentage of what you test? That would be really interesting.

George Eustice: We actually lay a report in Parliament annually. I am surprised that it has escaped your attention.

Q659 **Chair:** Can you ensure that we get that please, as a matter of urgency? That would be very interesting.

George Eustice: We will.

Chair: You have been very generous with your time. We have got some good answers out of you. It is all being written down and will be used in evidence. Thank you very much, Secretary of State and Minister. I wish you both a happy Christmas, along with everybody here.

Michael Gove: And to you.

Chair: Thank you.