



HOUSE OF LORDS

Select Committee on the European Union

International Agreements Sub-Committee

Oral evidence: UK-US trade negotiations

Thursday 23 July 2020

3 pm

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Members present: Lord Goldsmith (The Chair); Lord Foster of Bath; Lord Fraser of Corriegarth; Lord Gold; Lord Kerr of Kinlochard; Lord Lansley; Baroness Liddell of Coatdyke; Lord Morris of Aberavon; Lord Oates; Lord Robathan; The Earl of Sandwich; Lord Watts.

Evidence Session No. 5

Virtual Proceeding

Questions 54 - 72

Witnesses

I: Rt Hon Liz Truss MP, Secretary of State for International Trade and President of the Board of Trade; John Alty, Director-General of Trade Policy at the Department for International Trade.

Examination of witnesses

Rt Hon Liz Truss MP and John Alty.

Q54 The Chair: Welcome to this session of the International Agreements Committee in the House of Lords. This afternoon, the Rt Hon Liz Truss MP, Secretary of State for International Trade, and the Director-General of Trade Policy, Mr John Alty, are giving evidence to us, particularly about the trade negotiations that are taking place.

Secretary of State, welcome to our Committee meeting, and welcome, Mr Alty. We are very pleased to see you. We are looking forward to the evidence session this afternoon. I understand that you would like to make some opening remarks, which of course you are very welcome to do, but I warn you that the time taken will be added on at the end to make sure that we have enough time to question you. I am sure that is understood.

Liz Truss MP: Chair, thank you for inviting me to the Committee today. I look forward to talking to you about the important work my department is doing around the world.

Clearly, the major priority for the Government at the moment is a recovery from coronavirus and getting our economy moving again. More trade and investment is central to that ambition, and central to the delivery of things that people care about, whether that is better public services, better transport links, better broadband, more high-paying jobs in local areas or greater choice in our shops.

Our re-emergence as an independent trading nation is a major opportunity for us to deliver those things. We left the EU with the promise of striking free trade deals with the rest of the world and exporting the best of Britain abroad. My department is working flat out to deliver on that promise. We have hundreds of negotiators working around the clock across three continents to strike deals that benefit the whole of the UK.

I want to update you on the progress that we have made and our objectives. First and foremost, we want to re-establish Britain as a fierce campaigner for free trade in this era of increased protectionism. We are doing that through our work at the WTO and through bilateral trade agreements with Japan, the US, New Zealand and Australia, as well as accession to CPTPP.

Our trade policy ultimately aims to do three things: first, to deliver more trade and investment, unleashing the benefits of trade post Brexit, levelling up our country, and boosting our economic security; secondly, to diversify our trade so that we are less reliant on certain parts of the world, which will ultimately make Britain more resilient to future crises; and, thirdly, to work with like-minded countries to reshape the global trading system.

Strategically, our aim is to put Britain at the centre of a network of free trade deals with like-minded allies; to become a networked Britain, not a

fortress Britain; and a hub for international business and investors trading with the rest of the world. That is why we are pushing accession to CPTPP up the agenda, alongside continuing work on the US free trade negotiations.

The CPTPP—the trans-Pacific partnership—is a high-standards agreement of 11 like-minded members who play by the rules. We believe that UK membership can help to build momentum and influence the direction of global trade. It will put us in a position to lead and shape the creation of new rules and standards in areas such as digital trade and data. It will put pressure on the WTO to reform, led by our excellent candidate for WTO director-general, Dr Liam Fox.

It will also strengthen the global consensus for free trade and put us in a stronger position to challenge those who do not play by the rules and to force them to up their game. We have made good progress towards joining and we have had positive discussions with CPTPP members, including Japan, New Zealand and Australia.

We are commencing round three of talks with the US next week. We are making good progress, but we are very clear that we are not going to sacrifice a good deal for speed. We have expert negotiators who are tabling UK-specific text across the whole agreement to ensure that it reflects our interests. We are not just going to accept photocopies of the US/Mexico/Canada agreement.

We are also not going to budge on our red lines. The NHS remains off the table. Our food standards must not be undermined. British farming must benefit from a deal. We also want to make sure that every region and nation of the United Kingdom benefits from a deal.

We are certainly not going to accept the US hitting British industries such as gin with additional tariffs. The next time I see my counterpart, Bob Lighthizer, I will take him a bottle of British gin to remind him of how good our products are and what the Americans could be missing out on.

No one is more outraged than I am about these retaliatory tariffs. I have been speaking to affected businesses this week, and I share their concerns and frustrations. These tariffs are completely unnecessary, and they harm industry on both sides of the Atlantic. We want them removed, and we want them removed fast, preferably through a negotiated settlement. We are taking a tough line with the US. I have raised this on multiple occasions, and I will continue to fight the corner of British business.

At the same time, I will be making the positive case for trade. Too much of our public debate is framed around the negative. I do not come to work every day to lower standards and undermine key industries. What excites me is the idea of striking deals that benefit our workers, our families and our underserved regions, and that deliver for the whole country. Free trade remains the best way forward for the world and for Britain. It is time for us to be confident and to seize the opportunity in

front of us. I very much look forward to taking the Committee's questions.

Q55 The Chair: Thank you, Secretary of State. We will come to some of the issues that you have raised in that statement.

I remind everybody—I think everyone is fully aware—that this session is being broadcast. There will be a transcript. Secretary of State, you will have the opportunity to review it before it is finalised. Members may, as you well know, declare relevant interests shortly before they ask their questions.

We are adopting a slightly different questioning process today. Each Member will have five minutes to ask their main question and any supplementals. The time is being noted and recorded, and if somebody gets to the end of their time I will make sure that they know. Perhaps my colleagues could ask concise questions and, dare I say it to you, Secretary of State, concise answers would be very much appreciated.

I will start the questions by noting what you said, Secretary of State, about the importance of being positive about trade deals. We will come back to that question.

First, I want to ask you about the way in which Parliament operates in relation to this area. I know you will be aware that we have recently completed a report, *Treaty Scrutiny: Working Practices*. Several written submissions to our trade inquiries have highlighted the need for robust parliamentary scrutiny and, indeed, the greater involvement of Parliament in trade negotiations. Many of those stakeholders wrote to you collectively on 10 July on this self-same subject.

What further consideration are the Government giving to these issues, and in particular for negotiations that are already in flight such as those with the US and Japan? How will you facilitate parliamentary scrutiny of a UK-Japan trade treaty, for example, if the committee is not to be given time to scrutinise the initial agreement before it is laid under the Constitutional Reform and Governance Act—CRaG—on the grounds that it is a rollover rather than a new free trade agreement? There seems to be some confusion about its status. It has been described as a rollover, which would seem to imply that certain things do and do not happen, but at the same time the department says that it is a new trade agreement, which would suggest that the undertaking already given that it would be laid in time for us to be able to do our scrutiny properly applies.

Secretary of State, tell us, please, how you see parliamentary scrutiny happening in the robust fashion, which I hope we all think it should.

Liz Truss MP: We want to be as open and transparent as possible and engage Parliament as much as possible in our trade negotiations. That is why we set out our plans and have followed through in producing a scoping assessment and being clear about our negotiation objectives before we set off on negotiations. We have done that with the US, Japan, Australia and New Zealand.

We have also committed to publishing a Written Ministerial Statement at the end of each round. We are providing information on a private basis, where the nature of the confidential negotiations is provided to the International Trade Committee as well as this Committee.

I believe that we are being open and transparent. We compare favourably, in fact, to other parliamentary democracies such as Australia and New Zealand. I think we are comparable in our approach to Canada.

You mentioned the CRaG process, which enables Parliament to block the ratification of trade deals—an important point to note. Any domestic legislation relating to those trade deals would also require parliamentary approval. That is a very important role that Parliament plays.

We are seeking an enhanced agreement with Japan, so we have produced additional documentation such as the scoping study and the objectives that we have laid out. Time permitting, we would very much want to be able to give it to the Committee in advance of laying the trade deal through the CRaG process. The only constraint would be time, but it is absolutely our intention to do that.

The Chair: Thank you; that is very important. I know you appreciate that, although CRaG has important powers, the time in which both Houses would consider the trade deals is limited. It is important that we see them as early as we can. We had understood from others that there would be a commitment to make sure that we had the final text in good time to be able to perform our scrutiny. I understand you to be saying that you want that to happen, although you recognise that there may be circumstances where it cannot happen. Is that a fair summary?

Liz Truss MP: The only issue would be time. Time permitting, we would absolutely want to do that. As I have said, I am happy for either Greg Hands or me—or, indeed, our chief negotiator on the Japan deal, Graham Zebedee—to update the Committee in private to make sure that you have relevant information in preparation for that report.

The Chair: I get that, but I have a slight difficulty. You said you would do that, time permitting. In a sense, it is in your hands. If you give it to us in enough time, we will have the time to look at it. I am hoping that that really amounts to saying yes, you will make sure that you give it to us in time so that we can do our job properly.

Liz Truss MP: Absolutely.

The Chair: You mentioned the timing of the Japan deal, which we understand. Press reports suggest that the idea that the US deal will be done this year is now very much receding. What do you think the timing for the US deal is now, please?

Liz Truss MP: We have never publicly stated a timeline for the US deal. That is very deliberate. We do not want our interlocutors to use time pressure against us. It is very important—I made this point in my opening statement—that we do not sacrifice quality for speed, but of

course we want to realise the benefits of a positive deal with the United States as soon as we can.

There are certain time constraints. Clearly, there is the US presidential election and the expiration of the trade promotion authority next year.

Having said that, we are progressing as rapidly as we can, given that we are doing this by videoconference during the recovery period of a major pandemic. It has not been the most auspicious circumstances in which to conduct negotiations, but, given that, I think our negotiators have made very good progress.

The Chair: I was not criticising the progress. I was asking you for a prediction of when you think the deal will be done. Are you willing to hazard a guess?

Liz Truss MP: It is dangerous to make a prediction. As I say, I do not want our interlocutors to use time pressure against us. We want to conclude a deal as rapidly as we are able to, provided we achieve our negotiating objectives in the deal. That includes various issues from access to government procurement, to protecting our red lines and to achieving the tariff reductions we want to see.

The Chair: We do understand that you have a very big job, and I make it very clear that we wish you very well in it. Everyone wants to see the interests of this country advanced as well as they can be.

I now turn to Lord Lansley to pick up on one thing that you mentioned in your opening statement: the CPTPP.

Q56 **Lord Lansley:** I should draw attention to my interest as UK co-chair of the UK-Japan 21st Century Group.

Secretary of State, you mentioned pushing the CPTPP up the agenda. Will you tell us something about the relationship between the CPTPP as an agreement and the bilateral deals that are currently being discussed with Japan, Australia and New Zealand? To what extent is the CPTPP itself dictating the terms of the precedent bilateral agreements?

Liz Truss MP: We are pursuing the bilateral agreements with Japan, Australia and New Zealand as good things in themselves. The Japan deal should generate an extra £15 billion of trade, and Australia and New Zealand a further £1 billion. They are also very important strategic partners. They are key players in the CPTPP. Maintaining the agreement of those countries is important.

We are also talking to the other members of the CPTPP at the same time. I see these agreements as both good in themselves and as a stepping stone to the CPTPP. Many of the issues that we will address in the bilaterals will also be addressed in CPTPP accession.

I had a very good meeting a couple of weeks back with ambassadors and high commissioners from the CPTPP countries. They are all in support of the UK acceding. Clearly, it is a complex process. We would have to

negotiate market access schedules with all 11 members, so these three bilateral agreements are important stepping stones for that process.

Q57 Lord Lansley: I want to turn to the Japan negotiations in particular. There is a particular timing constraint: if a deal is not in place before the end of the year, we fall out of the EU-Japan agreement at the end of the transition period.

To what extent do you currently anticipate that a comprehensive FTA will be agreed with Japan in time for it to be in place before the end of the year, or are you contemplating a more limited deal in that timeframe—referred to as a mini deal? What would those compromises look like?

Liz Truss MP: Again, I will not allow time pressure to be used against us by our interlocutors. That is a very important principle. I am not going to set a deadline and say that we must meet that deadline. That would be problematic.

Having said that, we are making good progress in our negotiations with Japan. We want to achieve a deal that is EPA-plus in many areas. For example, the data and digital chapter which the EU was not able to sign up to is a very exciting prospect for our world-leading digital industry. Among the number of billion-dollar tech companies, we are third in the world after the US and China.

There is a real chance to get a very positive deal with Japan, but again I will not be pushed or bounced into agreeing a deal that is not in Britain's interests just because of time constraints.

Lord Lansley: Is that EPA-plus in tariffs as well—further tariff liberalisation and further market access beyond the EU-Japan agreement?

Liz Truss MP: We certainly do not want to see any rollback in existing provisions, particularly on agriculture. That is very important. Clearly, if we can make further progress in liberalisation, we will look at that.

Q58 Lord Gold: Several of our witnesses have raised concern about the sequencing of the UK's negotiations with the EU, the US and other potential FTA partners. What benefits do you see arising out of pursuing these talks in parallel, and are you sufficiently confident that any conflicting demands from potential partners can be resolved by the negotiating teams during talks?

Liz Truss MP: It is to the UK's advantage that we are pursuing negotiations with multiple partners in parallel. The UK is a very sought-after market. It is an attractive market that other countries want access to. That gives us leverage in our negotiations. I think there is a real fear of missing out on the part of countries that fear that they will not get that market access to the UK market. We are using that to our advantage in the negotiations that we are currently conducting.

We have been very clear about our position with the EU—that we will have our own independent regulatory regime—so the areas for potential

conflict between the various negotiations that we are conducting are relatively limited. However, we do have a very clear process internally to make sure that we are consistent in our negotiating objectives. We are also working very closely with David Frost's team in Taskforce Europe to make sure there is a read-across as well in the EU negotiations.

Lord Gold: Thank you very much. The news today coming out of those negotiations is that Monsieur Barnier is rather negative about whether we will achieve a deal. How significant is it to our ability to negotiate acceptable deals with other countries that we first have to agree matters with the EU? Some of our witnesses have indicated that achieving the EU deal is essential for us to move forward with them.

Liz Truss MP: That is not the view that our negotiating partners take. We are negotiating this in parallel. We have been clear that we will have an independent regulatory regime from the EU. We have been clear in our EU negotiations that we want a Canada-style deal with the EU.

Canada is a very good example. It has a good trade deal with the EU—CETA—and is part of the USMCA, with the US and Mexico. It is also part of the CPTPP. That shows to me that it is perfectly possible to negotiate a good deal with the EU and with those other trading partners. That is where the UK wants to be: at the centre of a network of free trade deals with like-minded partners.

Lord Gold: If you pull off a Canada-style deal or something similar with the EU, my issue goes away. The question is: what if we do not manage that?

Liz Truss MP: That is what we want. You will have heard David Frost's comments on the media earlier—in effect, "Why wouldn't the EU want that?"—and that continues to be our objective. We work very closely with David Frost and his team at Taskforce Europe to make sure that those objectives are aligned with what we are seeking to achieve in our trade negotiations, too. You will have to have David Frost in front of your Committee if you want more details on the EU negotiations.

Lord Gold: I suspect we will. I wish you very good luck with all these negotiations.

Q59 **Baroness Liddell of Coatdyke:** I am interested in the expert trade advisory groups and how the Government go about balancing the submissions they receive to their consultations with the advice they receive from the advisory groups, where different stakeholders might take opposite views on the same issue. We already hear from the NFU that it believes that these groups "do not provide sufficient opportunity for industry to scrutinise and feed into negotiations".

I have to admit that I was rather startled this morning to discover that your department is insisting on seven-year non-disclosure agreements from members of these advisory groups. It seems rather unusual, particularly as I understand that you will also be able arbitrarily to extend that seven-year period. That is pretty spectacular in itself.

What possible purpose could that serve, and what is your reasoning for doing it?

Liz Truss MP: Thank you, Baroness Liddell. It is important to note that we have very clear objectives in our trade negotiations overall. Of course, one of them is economic. We are not going to seek economic gain at the expense of UK sovereignty or any of our red lines, whether those are on food standards or the National Health Service. Of course, we always have to make sure that, in any proposition that we put in any negotiations, we protect those core UK interests.

Yes, we look at the economic impact, but we are also looking at other factors such as whether the UK continues to have a right to regulate. Are we protecting treasured institutions such as the NHS? Are we making sure that our farmers remain competitive?

On your point about the trade advisory groups, we have frequent meetings with the NFU and other interested parties. As we go into the next phase of negotiations, those parties will be briefed on the detail of what we are offering and what the counterparties are offering.

It is obviously very important that that information remains confidential. It is important not just for the negotiation that we are conducting but that any future trade partners do not know the UK's strategy, game plan, offer and internal economics. We want to make sure that every sector of our economy—farming, ceramics or steel—is fully brought into the process and that we are able to talk about the detail of the negotiations. That information is necessarily extremely sensitive. It could be very damaging to UK interests should it be divulged. It is necessary to have non-disclosure agreements so that we can fully share the information to be able to reassure you.

In the earlier part of your question you said that the National Farmers' Union had concerns that it was not getting sufficient information. We want to bring organisations such as the NFU more closely into the negotiations, but that requires a level of confidentiality; otherwise, the UK's overall trade position and trade policy could be jeopardised. That is the balance that we are trying to strike.

We have established the Trade and Agriculture Commission, because this is such a critical issue for our negotiations and because we are doing these trade negotiations for the first time in 40 years. It will look specifically at the issue for agriculture.

Those are the principles of what we seek to achieve in free trade agreements, but also the positions that we take with respect to the World Trade Organization to push UK interests in areas such as animal welfare and food safety. We are doing a lot of work to make sure that the farming industry is very closely involved with our negotiations, but it does require confidentiality. That is very important.

Baroness Liddell of Coatdyke: The TUC this morning made the point that, when an issue emerges relating to a specific industry, it cannot

consult its members in that industry because of the non-disclosure agreements. How do you propose that that should be dealt with?

Liz Truss MP: There is information and information. We accept that there will be general discussions about the terms, but we cannot have specific details of, for example, tariff offers or our internal economic analysis on specific products emerging into the public domain and therefore giving our interlocutors information.

Baroness Liddell of Coatdyke: Given the shortage of time it is not possible to do this at the moment, but could you provide for the Committee some indication of the criteria you use to analyse different recommendations and positions? Is it primarily economic or are there other considerations?

Liz Truss MP: As I said, it is not just economic. We will look at issues of sovereignty. We will look at protecting valued institutions, whether it is public service broadcasting or the National Health Service. We will also look at making sure that a vital industry such as farming is sustainable—and not just that farming overall is sustainable but that the different elements of it are. We will look at detailed economic analysis, scenario planning and price levels between the UK and other countries. These are all things that we will look at in making that judgment.

Ultimately, we are pursuing these trade deals because we want to benefit British business. This is why we want businesses telling us what would benefit them and what would give them more access to the market. It is why we ultimately want to get those points in the final agreements we achieve; otherwise, there is no justification for doing these trade deals. That is the point of them.

The Chair: Baroness Liddell, I will move on. We will have injury time when we have finished the allotted time, and Members can bid for that. We may come back to this slightly difficult issue of non-disclosure agreements. Non-disclosure agreements are always difficult.

Q60 **Lord Kerr of Kinlochard:** Secretary of State, I would like to take you back to the America agreement. I will start with one very specific question and then put two general questions.

The specific question arises because you talked about gin. I am a Scotsman. The Prime Minister is in Scotland today. For Scots, the real, serious export to the United States is, of course, whisky, which earns the country over £1 billion a year, or did until last October when President Trump, because of the Boeing complaint against Airbus, imposed his 25% tariff on malt whisky.

What are your negotiators doing about that? Are they making the exemption of the UK from these tariffs a precondition of any deal between us and them?

Liz Truss MP: We see this issue of gin and indeed whisky as extremely serious. As you have pointed out, it is having a very detrimental effect on the industry. This is part of an overall dispute between the EU and the

US, of which the UK is a party as we are an Airbus country. I would point out that Airbus has fulfilled all its requirements in the original subsidy issue that arose.

I have been very clear with the US that the threats of additional tariffs on gin would be hugely detrimental to our negotiations. I think the British public would lose their support for negotiations continuing were additional tariffs to be levied. Although it is not a part of the negotiations per se, it is a separate track of conversation that I am having with my counterpart Bob Lighthizer to get these tariffs removed as quickly as possible.

Of course, from 1 January next year the UK will have its own independent tariff policy, so we will be able to relate to that argument more directly. I am pushing extremely hard. It is very frustrating for an industry that has absolutely nothing to do with the original dispute.

Lord Kerr of Kinlochard: I understand, Secretary of State, and I hear what you say about gin. But there, of course, we are talking about a potential threat to a British export. In the case of whisky, it is actual—it is happening.

My general points arise from the fact that a number of our witnesses have drawn attention to the rather limited economic gains that we can expect from a deal with the United States. Your own analysis pointed to a possible increase in GDP of between 0.07% and 0.16%.

How do you plan to improve that? If we take goods first—I will come back to services in a second—doing something on public procurement might help quite a lot. When I worked in America, I was struck by how much transatlantic trade was actually intra-company trade. For example, UK companies felt that they needed a manufacturing base in the United States if they were to have any chance of selling to the US public sector. Are you seeking a UK exemption from the Buy American Act?

Liz Truss MP: First, even on the current economic analysis, I do not think a £15 billion increase in trade and a £1.8 billion increase in wages is to be sniffed at. There are significant economic benefits. We have recently asked Professor Tony Venables of Oxford University to review the economics of our trade deals. At the moment, we do not feel that they fully reflect the benefits.

I would highlight three particular areas. First, the base numbers are from 2011. We need revised analysis based on the post-Covid economy.

Secondly, we do not feel that the current analysis fully captures the benefits of services, particularly data and digital, which is a key part of our negotiating objectives.

The final point is about protectionism. We are living in a world where trade barriers are going up. Free trade agreements are not just about the upside benefit; they are also about protecting against the downside benefit, or the downside loss of increased tariffs or increased barriers to

trade. The work that Professor Venables is carrying out is looking to review the economics on that broader basis.

You are right that procurement is a significant opportunity. The US Government procurement market is currently worth £1.4 trillion. At the moment, the UK has access to only a third of that market. Yes, we want to see positive movement on government procurement. We also want to see that at a state level. States are able to opt in to that government procurement chapter, which would be an important part of what we are looking for in the negotiations.

Q61 Lord Watts: Secretary of State, we understand that the US Treasury Secretary has said that any further trade deals will require a non-market country clause. Does that mean that we will have to choose between China and the US for our close relationship and trade deals? If not, what do you mean?

Liz Truss MP: I am not going to accept any clauses in any trade agreements that limit the UK's sovereignty or our room for manoeuvre with trading partners. We make those decisions as the UK. In the same way as we have left the EU because we want to make those decisions, we do not want to outsource them to anybody else. That is a very important principle.

On the specific subject of China, I do share some of the US's analysis about the issues with China and the World Trade Organization, particularly in areas such as transparency, state-owned enterprises, subsidies and intellectual property. There is important work to do in encouraging all parties at the World Trade Organization to play by the rules, but that should not limit the UK's ability to make our own decisions about our trade policy.

Lord Watts: To be clear, that would mean that our red line is that we would not enter into a trade agreement with America if it insisted on that non-market clause.

Liz Truss MP: I am not going to comment on specific text because, in the same way as I do not want to comment on our tariff offer, I think it is very difficult when all our interlocutors around the world are no doubt watching this Committee. I will not sign up to anything that limits the UK's sovereignty or ability to trade with whom we want to trade with.

The Chair: Let me follow up on that. Secretary of State, you do not give away your sovereignty by agreeing something, so I am not quite sure why that answer prevents you from giving a rather more direct answer to Lord Watts. Would you be prepared to have a trade agreement that included a clause such as the China clause in the USMCA, 32.10? Do you have a position on that?

Liz Truss MP: My position is that we should not be limiting our room for manoeuvre. I am not advocating, by the way, that the UK does this, but there are certainly ways in trade agreements whereby you can give up sovereignty and the right to regulate. I am not going to agree to those. I

am not going to get into a live negotiation of the precise terms of our deals with other countries in public.

The Chair: That is not what we are trying to do, but let us move on to Lord Foster.

Q62 **Lord Foster of Bath:** Secretary of State, you have already referred to our important creative industries. I want to touch very briefly on IP, online harms and data transfer issues.

You will be aware that Article 19.17 of the USMCA severely constrains the ability to determine liability for harmful information on digital platforms. If similar safe harbour provisions are included in our trade deal with the US, there is a very real concern that tackling IP infringement and introducing our own online harms legislation will be very difficult.

Do you share those concerns? Since you have already said that you are not prepared to accept photocopies of the USMCA, can we assume that you will ensure that safe harbour provisions are not foisted upon us?

Liz Truss MP: Thank you. I was going to repeat my photocopying line, but I will not now. The important point is that we have our own online harms regulations. We are not going to allow those regulations to be affected by our trade deals. We want the ability to protect people online. We want the ability to protect people's privacy online. That is our negotiating objective and we are very clear about that.

I might invite John Alty, the director-general, to say a bit more on that subject.

John Alty: To follow up on what the Secretary of State was saying, our published objectives made it clear that we were going to ensure that the Government maintained our flexibility to protect users from online harms and, in the IP area, that we would make sure that we got copyright provisions that supported the UK's creative industries.

I reinforce what the Secretary of State was saying. In both those areas the UK has strong and effective regimes, and we do not intend them to be undermined by the trade negotiations.

Lord Foster of Bath: With respect, we are in the very process of seeking to develop new online harms legislation, so it is not just existing legislation but its future. Given that time is short, I will move on to one other issue in relation to personal dataflows.

We know that vast quantities of personal data currently collected from EU citizens and stored on US servers by tech giants such as Facebook and Google are meant to be protected from improper use by the so-called US-EU privacy shield. You will be well aware, Secretary of State, that following concerns that US companies were not adequately protecting this personal data, the EU Court of Justice has just struck down that privacy shield.

I would be very interested in what you think are the implications of this

decision for our deal with the US.

Liz Truss MP: We are determined to protect data privacy through our deal with the US and we will ensure that we have the right to regulate on online harms. We are working very closely with DCMS as it develops its work on online harms to make sure that anything that we negotiate in our trade agreement is compatible with its work. That is an exercise that we conduct across government with a variety of departments. It is making sure that anything we agree in our trade agreements is entirely consistent with our domestic position.

Lord Foster of Bath: Finally, you say that we have very good protections, but the truth is that the EU 27 are expressing real concern about our own ability to protect data, and there is a real question mark about whether we will get an adequacy agreement with the EU in that deal. Are you confident that we can achieve that adequacy agreement?

Liz Truss MP: I would point out, Lord Foster, that Canada has an adequacy agreement with the EU and that it also has a data and digital chapter with the United States, so I do not see those two things as incompatible.

Q63 Lord Morris of Aberavon: I noted three very important points that you made in your opening statement and later. You said, first, that British farmers must not lose out on the deal; secondly, that our food standards must be safeguarded; and, thirdly, that the farming industry is closely involved in your negotiations. As a farmers' union official when I was very young, I welcome that very much, but we have received a large number of submissions relating to farming and food production expressing concern about British agriculture and how our producers would be undercut. How do you assess the relative risks and benefits to UK farmers of what the US is asking for, and how will the Government ensure that our agriculture is not sacrificed in a deal?

Liz Truss MP: It is important to note that what the US is asking for is not necessarily what we will agree to—quite the contrary. We will only do a deal that assists British farmers in exporting more of their products and makes sure that we protect our standards in the United Kingdom.

How are we doing that? The answer is to involve closely in our negotiations organisations such as the NFU and a lot of other groups that export a lot of food products through the trade advisory groups, and through the Trade and Agriculture Commission look at the issues more broadly.

The reality is that this is the first time that we have negotiated these deals for 40 years and there is a lot of work to do in the level of discussion about some of the specific issues, but we look on a case-by-case basis at every aspect of the farming industry to make sure that it can be competitive where a trade deal is agreed. I pointed out earlier that the US is the second-largest importer of lamb in the world, so there is a really strong opportunity for our lamb farmers. Lamb has been

banned from the US market for many years. We want to get that opened up and tariffs reduced on products such as beef and cheese, where we think there is a really strong opportunity in the US.

We need to make sure that our farmers are not undercut and that we protect our standards. EU standards are all transferred into UK law under the EU withdrawal Act, so the import standards are already in our law.

We also need to look at the positive opportunities for UK farming. Certainly, the economic analysis we did as part of the US trade deal shows that farming will benefit overall from a deal.

Lord Morris of Aberavon: If I may turn to another aspect, agriculture is a devolved matter for the four nations of the United Kingdom. There is a concern that, whatever standards are applicable in each one, they are maintained. How are you involving the devolved Administrations in the negotiations so you ensure that their views are taken fully into account and, indeed, are part of the situation in the United Kingdom where agriculture is devolved?

Liz Truss MP: We have a group of Ministers across the United Kingdom run by Minister Hands to make sure that those Ministers are fully involved as we progress trade negotiations with partners. Our officials also work very closely with the devolved governments.

The internal market was the subject of a paper released very recently by my colleague the Business Secretary. It is very important that products produced in Scotland, England, Wales or Northern Ireland can be sold across the whole UK. You are right that agriculture is devolved in terms of Administrations' policies, but it is important that we have a consistent market for the United Kingdom. That is why we are working closely together on the framework for that.

Q64 **Lord Oates:** Perhaps I may turn to the issue of climate change. The UK objectives for the UK-Japan agreement include securing provisions that ensure both sides meet their climate objectives. Is the absence of this language from the objectives for the UK-US FTA a reflection of the US's unwillingness to engage in climate objectives? I note, for example, that there is not a single reference to climate in its summary of negotiating objectives. What can you tell us in general about how climate and environmental issues have been covered so far in the discussions with the US?

Liz Truss MP: In our US objectives, we talk about securing provisions that support and help to further the Government's ambitions on climate change and achieving net zero carbon emissions by 2050, so we explicitly refer to climate change in our US negotiating objectives.

We are also looking at other environmental issues—for example, what we can do to reduce marine plastics and low-carbon goods. With all the partners we are negotiating with we are discussing environmental issues as part of the agreements. There will be some—I point out New Zealand in particular—that are likely to be extremely forward leaning in that area

and, I hope, to set a global standard for what we can do for the environment in our trade agreements.

We have a twin-track approach. Alok Sharma as Business Secretary is pursuing the COP 26 objectives. That is the primary track by which we seek to achieve our climate objectives. I am absolutely determined that all our trade deals should help us to achieve our environmental objectives and certainly not jeopardise our net zero 2050 target.

Lord Oates: The point is not really to suggest that our negotiating objectives do not include climate; it is just notable that they do not refer to mutual objectives on climate as they do in the Japan trade agreement.

Do you agree with the conclusion of a report commissioned by the International Chamber of Commerce on climate change and trade agreements? It argues that if we are to restrict global warming to the Paris Agreement target, trade will have to play a central role. If you do agree, do we not need a shift in international trade architecture to align it better with international climate objectives?

Liz Truss MP: I do think that trade rules need to be modernised for the age we live in. The fact is that the WTO rules were written in 1995 and do not have enough on the environment and on digital and data, and we need to lead the world in those areas. The Prime Minister is very committed to that. We are running Liam Fox as our candidate for the role of WTO director-general, and I am sure he will be looking at that.

Q65 **The Earl of Sandwich:** My question is about process as well as content. It relates back to the first question in this session and what Lord Goldsmith was talking about—Parliament. We have discussed non-disclosure agreements. I should declare that I have been on the staff and board of Christian Aid for many years. I know that you are already well aware, if not too well aware, of the concern among NGOs about social, environmental and welfare standards in all our trade agreements, which is quite right. The new TAC that you mentioned may help there, and you covered climate change just now.

Do you think the strength of feeling on these issues justifies greater transparency and trust than in previous negotiations, and more regular reporting back to Parliament, stakeholders and civil society, as proposed by this Committee?

Liz Truss MP: I am looking constantly at how we can make sure that we are keeping everybody with an interest in trade policy fully engaged and informed as we progress our trade agreements. This is a new thing for the UK after many years of it being an EU responsibility. I feel that it is the duty of the Department for International Trade to overcommunicate and make sure that everybody is involved in the discussions.

That is what we are doing through the Trade and Agriculture Commission, and we are certainly committed to doing it with the department. We already hold a lot of meetings and engagement sessions with NGOs, business and Parliament, but if there are specific proposals about groups

that we have not met but should meet, I am extremely willing to hear about them.

The distinction between broader updates and discussions about trade policy with the details of the negotiation is very important. I am keen to make sure that we receive the best possible advice and information from business and NGOs as we go into the negotiations, but I cannot have that information going into the public domain and essentially damaging the UK's negotiating position. That is the issue that has been identified in relation to NDAs. There is a balance to be struck between what we say in public and the information that is available only to those who have signed NDAs, but the NDAs are important for those whom we are bringing into the specifics of the negotiation.

The Earl of Sandwich: I would go a little further than that, in the sense that some of these NGOs have gained enormous experience of trade over 20 or 30 years. The knock-on effects on developing countries are their key concern, but for many of us the Fairtrade Foundation and Traidcraft are now pretty good at what they do, and I am anxious that you reach a state of partnership, just as they have a partnership with DfID in their programmes. I am just asking for that today.

Liz Truss MP: I am very happy to make sure we meet them and fully discuss those issues.

The Chair: Secretary of State, I now turn to Lord Robathan. You will be a little surprised because he is wearing a seatbelt. He is coming back from an important family engagement. He had hoped to get home but could not. I do not think it is because he is expecting a very bumpy ride from your answers, but I hope the road noise will not be too bad. Are you happy to take his question, notwithstanding that?

Liz Truss MP: I certainly am.

Q66 **Lord Robathan:** My question is about politics. I have been very encouraged by what you have been saying about government policy. Politics in the US is evolving rapidly, with a presidential election in November. First, do you think that a change of President would make life more difficult for you, or do you think it would have any repercussions? Joe Biden is currently looking more likely to win than Trump, but who knows?

Secondly, the trade promotion authority will run out next year. A representative of the US Chamber of Commerce whom we heard from last week did not think it would make any difference if we had a new TPA, but do you think it would?

Liz Truss MP: We are working with Republicans and Democrats in the United States to make sure that there is bipartisan support for a US-UK trade deal. So far, conversations have been very positive. Both parties—certainly, the people I have spoken to—are supportive, and it is important that we move things forward on that basis.

I am not going to comment or speculate on the likely results of the US election. The important point is that it is in the interests of the United States and the United Kingdom to strike an advanced, high-standards, comprehensive trade deal to improve the trading relationship between both countries, which is already very strong.

On the trade promotion authority, frankly we have enough work in the UK with our own Trade Bill, which has just passed the House of Commons. My focus is on making sure that we get our legislation through, and I will let the Americans worry about their legislation.

Lord Robathan: That was a very good answer. I do not have a supplementary.

The Chair: All I can say is: have a safe journey home.

Lord Robathan: By the way, I can recommend the restaurant.

Q67 **The Chair:** I will not ask whether it is British food or not.

May I ask a question? We have talked a bit about the UK and Japan. Preserving business continuity in trade between the UK and Japan is crucial for the UK automotive industry, whose model is based, as you well know, on highly integrated supply chains across the UK and EU. Stakeholders have stated that a UK-Japan free trade agreement should include a clause providing extended cumulation of EU content, and that the UK and Japan should agree to maintain the rule of origin for key automotive parts and components that was agreed in the EU-Japan EPA.

I want you to comment on the specifics of that. What are the Government doing to ensure that there is no disruption in the UK automotive trade? You have given some very helpful reassurance in your earlier answers about other aspects. It would be very helpful to know what you can say about this.

Liz Truss MP: Of course, automotive is an absolutely vital export for the UK, and it is a key negotiating objective with Japan to get at least what we have in the EPA on automotive rules of origin, but we also would like to see more. As far as we are concerned, the status quo is a baseline, but EU content being counted is absolutely critical.

Q68 **Lord Kerr of Kinlochard:** I would like to ask you about two of your concerns about what happens at the border on 1 January. First, there is your concern that the temporary arrangements from January to July might cause complaints from WTO partners. If they did, how would you handle them?

Secondly, what is your thought on whether the WTO itself might object to our definition of the UK customs territory if the tariffs that are collected on all imports into Northern Ireland—that is, the rest of the world—and imports from Great Britain are in fact the EU's tariffs, if we are in that default position? How would you handle that objection?

Liz Truss MP: I assume you are referring to a document that was leaked. I am sure it will not surprise you to hear that I am not going to

comment on the contents of a leaked document. What I will say is that we have very robust plans in place for the border.

Lord Kerr of Kinlochard: Supposing the WTO raises an objection to the definition of our customs territory that is in the Northern Ireland protocol, what would you plan to do?

Liz Truss MP: I am not going to respond to issues that arise from a leaked document.

Lord Kerr of Kinlochard: Certainly, I was alerted to it by a leaked document, but it is a free-standing issue and I would hope that you could give some sort of answer.

Liz Truss MP: I am very confident that we have robust plans in place at the border.

Q69 **Lord Lansley:** The British Government's stated objectives in relation to the US deal refer to state dispute settlement but not investor-state dispute settlement. Where investments are concerned, it refers to non-discriminatory provisions. Does that mean it is your expectation that an investor-state dispute resolution mechanism will not be included in the deal?

Liz Truss MP: This is a negotiation, so those matters are under discussion, as are all matters. I would point out that we already have over 90 investment treaties with investor-state dispute mechanisms, and the UK has never lost a case on its right to regulate or ability to implement UK law.

Lord Lansley: Of course, it is in this area that some of the witnesses have expressed their concerns—for example, that pharmaceutical and medical device pricing and availability, or access to medicines, is the route by which a US-UK trade deal might impact on UK healthcare. Are you quite clear that such a mechanism, even if there were investor protection mechanisms between us and America, would not extend to the regulatory system for drug pricing?

Liz Truss MP: It is a key objective and it is a red line that we will not allow the NHS to be damaged, and we will not allow the price of drugs to rise as a result of any trade deal that we strike, so anything that we negotiate within that trade deal will not lead to drug prices rising. That is a very important red line.

As I have said, the fact is that the UK has never lost a case under any investor-state dispute mechanisms. We will maintain our right to regulate our domestic services as we see fit.

Lord Lansley: What our witnesses would say, including those who are speaking from the American standpoint, not just the UK's, is that the issue is not necessarily about what the pricing mechanism is but about there not being interference in access to medicines. Their presentation is that they are looking not necessarily to impact on price but to avoid

restrictions on access to medicines. From your point of view, is that also excluded? If the UK chooses for regulatory purposes not to make medicines available, that is a UK decision and it is not then open to dispute by US companies.

Liz Truss MP: Absolutely. I laid out the principle earlier in this hearing that we will maintain our sovereignty and right to regulate. We will protect the National Health Service. That is a key principle by which we are abiding in all the agreements we are negotiating.

It is very important to distinguish between other parties' negotiating objectives and what we are discussing. Their wish list is not what is going to happen; what happens will be determined by what we are willing to agree to, and I am not willing to agree to anything that increases drug prices, reduces the availability of drugs or puts the NHS on the table. I will not agree to any of those things.

The Chair: I want to make clear and declare—members of the Committee already know—that as a partner in an international law firm I advise from time to time on investor-state relations and dispute mechanisms.

Q70 **Lord Watts:** May I take you back to the gagging clause? Will your strategies and tactics not become clear in the process of the negotiations with America? Even if you stick to your original view, is not seven years overdoing any idea that such a long period is required?

Liz Truss MP: There is a trade-off between what we are able to tell people in detail and the amount of confidentiality that we require. Detailed information about areas such as rules of origin and technical barriers to trade tariffs is extremely valuable to our interlocutors. We are currently negotiating with the United States, Japan, Australia and New Zealand, but that is the first phase of our negotiation.

I expect us to negotiate with other partners in the future. We do not want those other partners in a few years' time to be able to see this, whether it is the detailed analysis that we have conducted, the specific tariff offers we have given, or quantitative offers. That is highly sensitive information.

I do not want to have a fake consultation process where we do not really tell people anything. That is why it is confidential. We are telling people serious things that are very pertinent to the negotiation, but we will also give industry, farmers and other actors reassurance that we are acting on their behalf.

Lord Watts: I understand the need for confidentiality, but the point I am trying to make is that seven years with an extension potentially means that it is indefinite. Is that requirement not excessive?

Liz Truss MP: I would make the contrary argument by asking why someone would want to release detailed information about the UK's negotiating position within seven years.

Lord Watts: I am at a loss to know what details of the negotiations will be valuable in seven years' time, plus the extension that you have also required.

Liz Truss MP: Let me give you an example. In our negotiations with the United States we are looking at prior agreements that they have signed with Korea and Australia. I am looking at every precedent so I can push them and say, "You agreed to this with X. You agreed to that with Y. We want that, plus more". That is what every trade negotiator does. If we had even more details of exactly what the Australians were prepared to offer 10 years ago, or whenever they signed their agreement with the US, that would be very valuable information for us.

I do not want future trade partners of the United Kingdom to have access to that level of information. This is a practice which other countries use when they bring in industry and trusted advisers, and I think confidentiality is the right way to approach this. This is on really specific commercial aspects of the negotiation.

More broadly, we have given updates to both Houses on the overview of what has been achieved in given chapters and what we have been discussing; we have given private briefings not under NDAs to parliamentarians. What we are talking about here is the really sharp end of the negotiations, and that is not information that we ever want to enter the public domain.

Q71 **The Chair:** Lord Watts, I think we should perhaps move on from this topic, save for this. You talked about telling the ETAGs, if I may call them that, your detailed negotiating objectives. Would you be willing to share that with us, too? I am not asking you to share it on a basis other than one that you are happy with in terms of non-disclosure, but it would help us if we, too, were able to see the same detailed negotiating objectives.

Liz Truss MP: I am very happy to share with you a greater level of detail in a private session, but the negotiating objectives overall have been published for all our trade agreements.

The Chair: You are obviously talking about something more than that which has been published; otherwise, you would not have a problem with requiring confidentiality promises in relation to them. Thank you for what you have just said. We will follow that up.

On the same point, you talked about the work that Professor Venables was doing for you. Will that be made public at some point?

Liz Truss MP: It has already been made public. We are shortly about to announce the panel that will assist Professor Venables, but the announcement was made a couple of weeks ago.

The Chair: I meant the results of what Professor Venables does.

Liz Truss MP: They will be.

Q72 **Lord Oates:** May I turn to the implementation of the rollover agreements that we have already agreed to? I recognise that you may need to write to the Committee on the detail of it.

In particular, I refer to the EPA signed with the Southern African Customs Union and Mozambique. I understand that so far only one of the member states has signed and ratified it. Do you have a view about whether that will come into force in time for the end of the transition?

The UK agreed to provide contributions to support implementation of the agreement, but my understanding is that they have not been forthcoming and that there are big problems with technical implementation. Will you comment on that now or perhaps come back to the Committee?

Liz Truss MP: I think it would be best if I wrote to you on that subject.

The Chair: Secretary of State, thank you very much indeed. You have answered a lot of questions, for which we are very grateful. There are still some questions that I will write to you about on behalf of the Committee, but that will be later.

You have given some helpful reassurance. I particularly noted what you said about only doing a deal that helps British farmers export more and the commitment to maintaining standards that we have been talking about. Thank you for that. We all wish you well in the negotiations.