HOUSE OF LORDS

Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence: Brexit: customs arrangements

Thursday 24 May 2018

11.05 am

Watch the meeting

Members present: Baroness Verma (Chairman); Baroness Armstrong of Hill Top; Baroness Brown of Cambridge; Lord Horam; Lord Risby; Lord Triesman.

Evidence Session No. 4	Heard in Public	Questions 49 - 64

Witness

I: Allie Renison, Head of Europe and Trade Policy, Institute of Directors.

Examination of witness

Allie Renison.

The Chairman: We formally welcome you here. Thank you very much for coming to give evidence to this session, which is being broadcast. A transcript will be sent to you afterwards, and if there are any corrections please make them and send them back to us. We are very happy to hear any opening remarks, or we can go straight into questions.

Allie Renison: Perhaps I will make a few opening remarks. I know that in theory I have been invited here on the premise of the report we issued a few months ago that looked at what kind of customs and trade arrangements might be suitable.

For the record, it is important to state that this is not a silver bullet for anything. When one talks about the options relating to customs, including but not limited to customs unions, there is a tendency to think that on its own that is a magical solution, whether it is for the Irish border or comprehensive UK-EU trade arrangements. The specific purpose of this was to home in on one aspect that we thought was of particular importance, which is to try to minimise the impact of Brexit for manufacturing, particularly in respect of rules of origin. It is important to put that caveat out there in terms of the focus of the report.

Q49 **The Chairman:** Thank you very much. It is good to be able to have that clarity right at the front. You will have had sight of the questions. I always say to people who come to give evidence that I cannot always guarantee that colleagues will stick to the questions, but you will have a flavour of where the questions may go.

In its future partnership paper on customs published last year the Government outlined two options. The first one is to decrease, as much as possible, the need to check goods at the border by implementing technological solutions. What is your assessment of this option's feasibility and the time it would take to implement it? Is this option a good and workable one, and how much of the border checks could be eliminated by these sorts of solutions?

Allie Renison: I presume you are referring to the maximum facilitation, highly streamlined arrangements. It is important to stress, first, that there is a slight sequencing issue in trying to understand to what degree that so-called "max fac" option would be able to ameliorate trade-related frictions for goods moving across borders, simply because the director-general of HMRC, as I think he stressed yesterday to the Treasury Committee, is responsible for customs duties enforcement and compliance.

Linking that to your question, it has been estimated by various freight transport bodies that about 20% of border checks are related to customs duties differentials, rules of origin, excise and so on, and 80% are regulatory related. Therefore, it is difficult to know with any certainty at this stage how much of the heavy lifting technology and, to a certain degree, technical administrative facilitative measures would be able to ameliorate friction for goods moving across borders, simply because we do not know what the regulatory piece of the relationship between the UK and the EU will be.

A very tangible example of that is that, if we have border inspection posts applied to UK-EU trade in respect of veterinary controls and controls relating to agri-food measures, there is not a huge amount that technology can do to mitigate that in the same way you can in respect of customs compliance.

So, purely from a fiscal perspective, which is what the director-general of HMRC stressed yesterday, it is certainly subject to political will, particularly on the island of Ireland, in respect of the putative additional measure of local small trade exemption. That is politically very sensitive, but you could look at it as potentially facilitating customs compliance if we moved to a system that had more use of self-assessment. Self-assessment is not really used in the way it is for, say, VAT for customs compliance under HMRC at the moment for third-country trade, but it will not solve the much wider piece of the goods-moving issue well beyond customs.

The Chairman: That is very helpful.

Q50 **Lord Horam:** As you know, the other alternative is the partnership idea. Magical or not, it is the second idea that the Government are looking at very carefully. That means that we replicate in the UK the tariff barriers and, presumably, the regulatory arrangements and standards of the European Union. Therefore, there are no physical customs barriers at all. How do you rate that as an alternative in comparison with the max fac version?

Allie Renison: It is certainly ideal in the broad sense that it retains a very high level of ambition for mitigating friction at the border in respect of customs. The idea is that it would obviate the need for any customs processes, so there is certainly an appeal in that.

There is a range of questions. It is hard for us as business groups at the moment to come down one way or the other on it. We know there has been some limited testing, which is now on the public record, of a new customs partnership. Some companies have signed non-disclosure agreements, so it has not been widely tested at the moment. It is difficult to know, unless you are one of those companies, what the degree of complexity would be. It certainly would require a much longer timescale, and that is the most important point to stress.

Lord Horam: Why would that be?

Allie Renison: That is certainly something HMRC has made very clear in terms of the new data it would have to gather and the upgrades to IT systems of businesses. At the moment they do not have to plug in data or collect it on where goods are moving to once they import them, so a sequencing process will need to be gone through if that is agreed.

Lord Horam: Would that take longer than the technological solution?

Allie Renison: We know that the director-general of HMRC has said several times that it would take a minimum of five to seven years. One of the things we were particularly interested in from his evidence to the Treasury Committee yesterday was that it would ostensibly be much more cost-neutral for companies, leaving aside the one-off cost of investing in the IT upgrade. The whole idea that you would get a rebate, so to speak, for the tariff differential is much cheaper than having to deal with customs processes. The basic question is: how do you quantify the cost of the complexity of compliance? That is hard to know without having widespread testing of the partnership model.

Q51 **Lord Horam:** Have you given any thought to the implications for the UK in having free trade agreements with other countries outside the European Union if it went for this partnership option?

Allie Renison: I can see why at a superficial level it might complicate procedures. I do not know that I would go as far as saying that it would necessarily make the UK an unattractive place to export to, or for the UK to import from those third countries. It has not been made explicit how it would fundamentally constrain the UK's ability to negotiate trade agreements, and how unattractive, attractive or neutral it is and what it might do in future trade negotiations is probably for the third countries to take up.

Lord Horam: Is it your understanding that the Government think that they could still negotiate free trade area agreements with other countries if they had this solution?

Allie Renison: Certainly they have identified that it complies with the three tests for frictionless, or as frictionless as possible, trade with the EU—an independent trade policy, no hard border and no new infrastructure on the island of Ireland—but there needs to be more granular engagement with a much wider range of companies for us to be able to make a comprehensive assessment of how feasible it would be, or how much it would constrain trading with third countries.

Q52 **Baroness Brown of Cambridge:** It has been suggested to us that, when it comes to trade agreements, a high tariff with a rebate is much less appealing than a low tariff, and they would be seen as two different things. You are not picking up that point. I just wonder whether you thought that was not very important.

Allie Renison: It has been mentioned in public discourse. At the moment, even with the paper put out in August, it still feels a bit like a nebulous concept; you are drawing conclusions in theory rather than understanding exactly how it would work in practice, so it is hard to say with any certainty.

Theoretically, you could make that argument, but it is difficult to say what kind of simplifying procedures the UK Government are willing to put in place when they are negotiating trade agreements to try to make it even more attractive, or less of a problem for those third-country exporters, until you know exactly what the outline of those would be.

Q53 **Lord Risby:** Somebody once said memorably that you have known unknowns and unknown unknowns.

Allie Renison: Donald Rumsfeld, I think.

Lord Risby: We know what area we are in, because we are dealing with something that has not yet been defined, but if we look at the two broad options that have been put forward by the Government and how business reacts particularly to supply chains, which this Committee has heard about over and over again, would you like to make any observation about which would be better, if you like, for businesses in that particular context?

Allie Renison: I think we have survey results coming out next week, because we asked this question. It is difficult in a survey to try to explain all the different trade-offs from those options, but from a lot of the anecdotal discussion that we have with our members, those that trade with third countries are familiar with existing facilitations, but they want to keep a very high level of ambition basically for frictionless trade.

I see increasingly more discussion about how you can simplify and streamline the customs partnership. You start to see people moving a little more in that direction once it is explained to them, but to map that out you would have to have HMRC talking to every single company to explain how it works.

One of the big fundamental questions—we will probably come on to this—is whether in the Government's estimation, for the purposes of UK-EU goods trade, the customs partnership negates the need for rules of origin and related checks. In particular, in order to claim tariff preference for continued free trade with the EU, would one have to have a certificate of origin? The new customs partnership option in a paper last summer talked about mimicking the EU's rules of origin but did not necessarily make it clear whether the need for them would be totally obviated. That is the big question in our minds at the moment.

Q54 **Lord Risby:** When we started on this route we were told we would have a bespoke agreement—that was the objective—and a whole number of possible models have been produced. I read with great interest your paper on perhaps a hybrid model of some sort. You talked about the Turkish experience and everything else. For the benefit of the Committee, could you summarise in essence how you see some sort of hybrid arrangement working?

Allie Renison: Keeping in mind that we are probably asking for something unprecedented, the relevance of the Turkish experience is that you can be outside the formal customs union and the EU and still have more limited scope, in the sense that it refers to some processed agricultural products, but when you look at it, they are the industrial process components of agriculture. For all intents and purposes, agriculture is basically excluded from the coverage of the customs union agreement from 1995, but in no way is that to say that agriculture itself is excluded from the trade agreements that Turkey has with the EU. It has been extended in various iterations of trade agreements and tariff preferences.

One of the ideas in looking at how to bring it all together in reforming the existing customs union agreement is to make it more formalised. You could deepen the customs union or do a customs union plus an FTA. I think that is what we are looking at in this respect, the idea being that technically you still have the capacity to negotiate your own trade agreements, but there is probably a parallel track on which you do that with the EU to a certain extent.

Q55 **Lord Risby:** Based upon your experience of observing this process and trying to analyse it, do you have any sense of what the European Commission might think of this? The starting point generally for these points is the word no, and then we move on. I was interested to know whether you have had any sense of how they may react. We have the experience of Turkey, which I think is regarded in a very mixed way by the European Commission.

Allie Renison: On the one hand, it is certainly not something that I hear being proactively encouraged necessarily, but technically I do not hear the Commission saying that the UK can stay in the EU customs union if it wants to. So it is waiting for the UK Government to ask for something before passing judgment.

Having said that, it is always interesting to look at the sliding scale of options—I do not know whether you call them options—or the chart Michel Barnier always carries around to show the different arrangements. Turkey is on that. For all intents and purposes, it is a precedent of sorts to show that you can have a hybrid approach to preferential trade arrangements.

The big question is whether it would be willing, even if it is part of a wider set of preferential agreements, to have it limited to industrial goods. Looking at this, one of the interesting things that you would have to ask first is whether, if it is not necessarily exactly mirroring what Turkey has, you could have an agreement that replicates the effects of the customs union in particular sectors. It does not mean that you are not covering substantially all trade; it just means that, when we are negotiating the scope, you agree to keep tariffs the same within the confines of that trade agreement.

That is a little bit more of a novel idea, but ostensibly you could envisage a situation where that negates the rules of origin for those kinds of areas; or you have extremely relaxed rules of origin, which I think is unlikely, because that is just not how rules of origin work. You do not have a zero per cent threshold for local content. That defeats the purposes of rules of origin. Until the UK Government ask for it, it will be very difficult to get a sense of what the Commission is willing to consider.

Q56 **Baroness Brown of Cambridge:** Thank you for expanding on your customs union and FTA model. You suggest that it would not need to cover all goods—for example, the area of agricultural products. You have also mentioned to us that 80% of checks at borders are standards related. Does the customs union plus FTA in your view imply that we would be maintaining EU standards in some of those critical areas, such as phytosanitary and sanitary standards?

Allie Renison: From the perspective of our membership, we know that regulatory alignment for single market rules, particularly in goods, is a key priority. The ostensible assumption is that there is a high degree of regulatory alignment particularly in more sensitive areas that really create the need for those checks.

It is not really clear to what extent origin checks actually happen. They are probably less likely to happen than veterinary controls, but the Government and Prime Minister have at times hinted at that likelihood. We need to have greater expansion on that kind of free basket approach to understand the areas where we want to maintain not only equivalence of outcome but full-scale continued harmonisation, particularly in chemicals, agri-food, sanitary and phytosanitary standards. Are we going to have a situation similar to Switzerland where, even if you are outside the single market, for all intents and purposes through bilateral accords you are in a single market for goods? The presumption is that you would have a relatively high degree of regulatory alignment in those key areas in the context of the FTA dimension.

Q57 **Baroness Brown of Cambridge:** In an area where there are high external tariffs for produce and so on, does it not rather constrain us with regard to FTAs if we have to maintain an identical EU regulatory framework?

Allie Renison: It depends to a certain extent on what is being covered, but, generally speaking, industrial good tariffs are not really used as pieces of leverage in negotiations perhaps in the way agricultural goods are. There are some exceptions to that, such as cars. The EU has a 10% tariff on cars, which we would probably have to maintain, although through its own trade agreements it would cut those anyway with third countries. We would be doing them in parallel.

The other exception may be textiles, depending on the area, but, generally speaking, industrial goods are not the big levers in trade negotiations, and never have been in the past 10 years since they have been brought down to about 2% to 3% on average.

The real meat—pardon the pun—is in bringing down tariffs on agricultural goods, not just sensitive ones. In lots of trade agreements, if it is not a big producer, or it is not a competitive item for a country, it is used as a piece of bartering leverage. They are quite happy to bring down the tariff on olive oil if they do not produce any of their own. There would still be a substantial amount of leverage in a lot of the tariffs that remain. Keeping in mind that we are not necessarily seeking to replicate in every area the coverage of the Turkish customs union arrangement, other products are also exempted from the customs union agreement—for example, coal and steel products, which are also quite important for the purpose of trade defence control.

Q58 **Lord Horam:** You mentioned that tariffs on agricultural goods and some textile goods are particularly high in comparison with motor cars and other goods. A lot has been made of this by hard-line Brexiteers, who tend to say that we could have a wonderful deal and reduce the cost of food and clothing items, which would be a great benefit to the British population. Do you take that seriously? Has the Institute of Directors considered that at all?

Allie Renison: When it comes to the relevance of tariffs generally, or in specific areas?

Lord Horam: If we did decide to reduce our tariffs on food and clothing items, do you think that is a persuasive argument for having freedom to do so?

Allie Renison: It depends on the area. Sometimes misunderstandings are put about in respect of what we could do with developing countries on agricultural tariffs. Particularly for an autonomous regime, whether or not it is the generalised system of preferences, most of those are very low anyway. There is potentially more room for changing that particularly in relation to rules of origin for GSP[1], GSP+ and LDC—least developed countries—programmes. When some of these arguments are being made, whether it is about a full, partial or any kind of customs union, there is not enough discussion of the trade-offs.

When anyone makes those arguments, the massive difference they always need to remember is that we are not having a discussion about going into a customs union anew; it would be a very different discussion. The relevant factor I would point to in some of the studies that have been done on upgrading the Turkish customs union and various arrangements is that some people have suggested that, maybe because of this putative asymmetry in trade policy, we should just go back to a wide FTA, but when you look at the numbers for what would be applied in a rules of origin shock, that is enough to keep people saying that they do not want to move back to an FTA.

The fact that we are looking at this from the perspective of moving away from something makes a very different discussion from whether or not we should liberalise our tariffs. It cannot be treated in isolation; it has to be set against those costs. When various different people make these arguments, the tendency is to look only at one side of the equation. We are moving back from something; we are not discussing whether or not

[1] GSP refers to the EU's Scheme of General System of Preferences for developing countries. It grants the least developed countries duty-and quota-free access for almost all their exports.

we should go into a customs union. There is a very clear cost to moving away from it.

Q59 **The Chairman:** To come back to the implications of rules of origin in your report, I am interested to know how you gauge the mood of your members on the cost of implementing the extra paperwork that they will have to administer. Do you feel that your members are ready and have the capabilities to do so?

Allie Renison: Not at this stage. It is still a very early exploration and exercise for a lot of companies, obviously in particular for those that trade with the EU that will not have done any of these things. A lot of companies do not even use existing trading agreements and tariff preferences. About 15% of our membership have made use of trade agreements. That is not the same as saying that 15% of those that are trading with countries with which the EU has trade agreements have used that, so it is an overall picture. You have to strip that back a little and focus more on countries with which the EU already has trade agreements to see what use they are making of the tariff preferences.

We know that the complexity of rules of origin is a deterrent, so one of the biggest concerns for us is that most companies will look at this. In a way, it is quite hard to plan for. At the moment you could look at the way the EU does rules of origin in its trade agreements. There are two different ways of doing rules of origin in preferential trade agreements. You can do more general rule-of-thumb ones, as I would call them, and then there are product-specific, sector-specific and line-by-line rules of origin. That is how the EU does its trade agreements.

A company in the automotive industry could look at the rule of origin for a specific tariff line for its product, but it cannot say with any certainty that that is going to be the threshold in the requirements for local content, or what the cumulation rule is, to try to mitigate the impact of rules of origin. You cannot really predict what is going to be the rule in the case of UK-EU trade agreements.

The challenge for a lot of these companies at the moment is mapping out their supply chains to know exactly where the components that are going into their goods being exported to the EU are coming from, but potentially even further back into the supply chain. That is a pretty difficult exercise to grapple with. The concern is that you can render a tariff-free deal meaningless for a lot of companies that have a certain threshold of third-country components going into what they sell to the EU. You can have a tariff-free deal, but, as one of our members said to me, a free trade agreement when you look at it is not necessarily so free.

The Chairman: Given that, we are fast-approaching the date when companies will need to be ready to move on. I am nervous to ask you, but have you estimated the costs individual companies are looking at just to bring in the basic framework? Some of those companies will be part of several supply chains.

Allie Renison: You add an extra level of complexity when you look at what you can do to mitigate it. If you look at any EU trade agreement for that particular tariff line, you can say, "This is the threshold for UK or EU content with a third country. If there is cumulation, I can get round that"; but once you start to guess what the cumulation or agreements would be with third countries you are adding a significant extra layer of complexity in how you map out this kind of stuff.

At the moment I could not give you an overall figure, but we know that companies are still at very early stages in getting their heads around what a lot of this means and trying to figure out whether it is going to be worth going through the rigmarole of using the rule of origin to try to continue having zero-tariff free trade, if we have that, and, if they need to, adjusting their supply chain from where the components are coming from, or are they going to say, "I'm just going to pay the tariff"?

It is important to stress that a lot of barriers that may come out of the future economic partnership are questionable, particularly in financial services where you could make the argument that some of what the EU might propose is dressed-up protectionism, but when you look at rules of origin it is a very clear and automatic consequence of a policy choice being made by the UK Government; it is not up for discussion. There is still a big educational lesson to be learned in the UK, whether among politicians or businesses, in the public discourse about the Brexit implications for trade to understand some of these automatic consequences of decisions that we are taking. Some things will be needless, some things are the result of decisions that we are making.

Q60 **Lord Horam:** One of the advantages of your proposed hybrid model is that the UK would be better able to conclude free trade agreements with non-European Union countries, as indeed Turkey can. How would that work? Is this something about which you can be fairly confident?

Allie Renison: The only precedent we have to go on is the Turkish experience. As to the upgrade exercise between Turkey and the EU, the Commission is now waiting for a mandate from the European Council to begin the modernisation process, but one of the reasons it is being looked at is that there is what is on paper, such as under Decision 1/95, which created the customs union agreement, and there is what happens in practice.

In theory, when you look at what has technically been agreed, Turkey has to align itself with elements of the common commercial policy for the areas covered by the customs union. You are not supposed to have in a customs union the kind of anti-dumping provisions that go on in practice, but because that was so long ago things have arisen that would not necessarily have been predicted if you just look at the text. It is hard to say with any certainty what would happen, because the experience of Turkey, without wishing to speak on its behalf, is not necessarily analogous to what you can predict for what happens with the UK.

Having said that, you can look at some of the trade agreements Turkey has struck, not necessarily independently but certainly before the EU reached that point. Malaysia is one example. You can look at that on paper and say that theoretically we could do exactly the same thing, but you cannot say with any certainty now that the Commission would not put provisions in to make sure that there are more constraints than are currently applied in practice in respect of Turkey's trade policy, particularly in relation to trade defence measures and keeping more strict alignment.

Q61 **Lord Horam:** I suppose the European Union would be concerned if in the case of Turkey some goods could come in from Malaysia under its agreement and then come through to the European Union, even though they did not meet its standards.

Allie Renison: Specifically for the purpose of customs, it is important to stress that, when people talk about the asymmetry of it, at the time the EU did an agreement with South Korea that country was not granted automatic direct preference in those areas covered by the customs union to the Turkish market, but it had indirect access to it through the free circulation that exists between Turkey and the EU. The goods would have to go to the EU first, but once they are in the EU they can move around Turkey very quickly.

You can see that question mark coming in. You would probably have to ask the Commission how it felt about the Malaysia agreement, but keep in mind that even the parallel agreements as between what Turkey is doing and what the EU does with third countries are not like for like, particularly in relation to agriculture. There are huge concessions Turkey can make that the EU might not be willing to. Even when doing parallel agreements, there is still plenty of flexibility in what you can offer a third country.

Q62 **Baroness Brown of Cambridge:** Thank you for explaining that hybrid model and going into the detail. How long do you think it would take to negotiate these agreements, and how much time would be needed to implement them in the context of your comments about how ready your IoD members are and what level of information is needed before they can start properly preparing?

Allie Renison: If you are looking at a limited or partial customs union as part of a wider framework, in theory you are certainly cutting down on some of the time because you do not have to go through all the rules of origin line by line. For certain products, you are saying that you are going to keep the rules of origin the same in how you apply them to third-country imports. I would not say it is necessarily significantly shorter than any free trade agreement, simply because we are still trying to maintain a lot of the scope of what we currently have under EU membership services, public procurement and all the things that are not really covered under Turkey's own hybrid arrangement.

I still think there is a fair degree of complexity in anything that is not just the UK staying in the single market and the customs union, although it is difficult to see how you can straightforwardly stay in the customs union without changing the treaties, not least for the purpose of understanding the implications for how the UK is treated in the EU's trade agreements, because technically the Commission does not negotiate on behalf of third countries. If there is a way for the UK somehow to stay in the customs union and single market, that is obviously the easiest; it will take the least amount of time.

Moving on to preparation, it is always important to stress—it is not through laziness or lack of interest—that the majority of our members will make adjustments when they know how the arrangements have changed. Even though there is always more they could be doing to prepare, it is important to stress that there will need to be a period of adjustment no matter when the arrangements are concluded to have a proper implementation period.

A lot of companies will be waiting to know not only what the technical detailed agreements are, what tariffs are and are not changing, and what the rules of origin look like—forget the outline—but what extra data they have to submit to HMRC, for example. While some of that work can probably begin in parallel with the trade agreement, in my estimation some of it cannot really be prepared for until you have reached an agreement.

I come back to the border inspection posts. Unless the political declaration for the future framework as part of the withdrawal agreement goes into a level of detail that says, "We will not have border inspection posts", it is hard to plan for how goods will get across the border until you know what the policy outcome on alignment is or is not in that respect. You need to have that adjustment period after all the changes are known and the domestic infrastructure settings have transposed those changes. That is where most companies are.

Baroness Brown of Cambridge: Is that adjustment period six months or 18 months?

Allie Renison: It depends on the business. It is hard to do that on a cross-sectoral basis, but probably the 12-month mark is the ideal.

Baroness Brown of Cambridge: Beyond detailed understanding of the agreement, there is another 12 months of implementation.

Allie Renison: Ideally, the companies would have that implementation period.

Q63 **Lord Risby:** You represent or work for a very important business organisation in this country, which has significant members. I am curious to know to what extent you as an organisation interface with government, most specifically over your report, because, after all, a whole complex of ideas is being aired at the moment without much definition. You have come up with something that fits the adjective "bespoke", I suppose, so I wonder to what extent this has been reflected in any conversation or discussion with the Government.

Allie Renison: On your first general question about our engagement or interface with government, we are one of the five main cross-sectoral business groups that meets regularly with all parts of government. They are often in a joint setting, but obviously in individual settings as well in respect of Brexit preparations.

I think the report was taken on board and noted, and there were some discussions on what the trade policy implications would be, but at this stage the words "customs union" tend to frighten a lot of people, so the focus is really on those two options. If for no other end than that the report forces a much more public discussion and engagement with businesses about what the rules of origin look like and whether we can avoid them under other options, I would gauge that as a success, quite frankly, because one of its aims was to try to highlight what the impact of rules of origin would be.

At a superficial level you can probably understand it, but when you get down to cumulation arrangements and all the rest of it, it is very difficult for people to plug into it, and we felt it was not getting the attention it deserved. If the result of the report is to force that discussion more openly, we are very happy with that.

It would be helpful to significantly understand from the Government's own estimations whether they would absolutely understand the customs partnership to negate the need for rules of origin. I think that would reassure a lot of people.

Q64 **Lord Horam:** In your research for the institute, have you done anything on the relationship between trade agreements and trade? We do not have a trade agreement with America, for example, but we do a lot of trade with that country. We do not have a trade agreement with India. Nor does Germany, but it does far more trade with India and China than we do. Have you thought about this at all in the institute?

Allie Renison: When TTIP, for example, was going on before the referendum, we were heavily involved in it. We saw a very positive reinforcing link with the ability of trade agreements to break down barriers. The difficulty is always trying to improve business take-up, and a general question for people looking at trade policies is how they can ensure that trade agreements make a practical difference, outside of just tariffs, which are still important to businesses, in a way that makes them easier to make use of. That is probably a pretty important piece of work that the Department for International Trade is doing.

Lord Horam: The department is doing some work on this, is it?

Allie Renison: In terms of the UK's future trade policy, is it focusing on just trade agreements? Are there ways in which you could facilitate trade without relying on just trade agreements in a more immediate and short-term way?

Lord Horam: Yes.

Allie Renison: We do not see this as a mutually exclusive approach.

Lord Horam: It is doing both.

Allie Renison: We would hope that it is doing both. It may be some time before we get the first stand-alone trade agreement, but we certainly feel that the department is very cognisant of the fact that there are many other things that it should be looking at in addition to future trade agreements to make the impact on facilitating trade more short term.

Lord Horam: To clarify, from your experience it is not neglecting its trade promotion side, which is still very important.

Allie Renison: Not at all. The export strategy, if it has not already been launched, is being launched very soon. We are very pleased to see the Secretary of State placing great focus in his remit on inward investment, which is a very important part of commercial links worldwide and commercial diplomacy. It is also worth pointing out that even if the take-up is not necessarily where we want it to be, in the survey work we have carried out, trade agreements are still very high on the list of what our members feel government can do to facilitate trade.

The Chairman: Ms Renison, thank you very much for coming in this morning. We can safely say it has been a really informative session. As I said earlier, if there is anything in the transcript that you feel is not reported correctly, please let us know and we will correct it. Thank you very much for coming in. It has been an extremely useful session.