HOUSE OF COMMONS

Environment, Food and Rural Affairs Committee

Oral evidence: Post-Brexit Trade in Sugar, HC 824

Wednesday 6 June 2018

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Watch the meeting

Members present: Neil Parish (Chair); Alan Brown; Kerry McCarthy; David Simpson; Angela Smith; Julian Sturdy.

Questions 54 - 139

Witness

I: Rt Hon. Greg Hands MP, Minister of State for Trade Policy, Department for International Trade

Examination of witness

Witness: Rt Hon. Greg Hands MP.

Q54 **Chair:** Good morning, Minister. There you are in splendid isolation. You believe you are brave enough and big enough to come before us all on your own.

Greg Hands: It is my first appearance before you.

Q55 **Chair:** It is a pleasure to have you here, Minister. Would you like just to explain for the record your role in trade?

Greg Hands: I am the Minister of State for Trade Policy at the Department for International Trade. Did you want me to say something more?

Q56 **Chair:** Could you say a little bit about your remit and perhaps very briefly how that might connect to DEFRA?

Greg Hands: Exiting the EU presents opportunities for the sugar industry. It is a Government priority to enable an innovative and productive sector that is competitive at home and overseas. At the same time, we have a long-standing commitment to support developing countries to reduce poverty through trade and we must also take careful account of the public health implications of excess sugar consumption.

As you know, recent changes to EU sugar policy are transforming the market. The removal of EU sugar beet quotas in October 2017 is allowing British growers to move towards competing on a level playing field with other sugar producers around the world. We believe—in the Department for International Trade and the Department for Environment, Food and Rural Affairs—that our producers are well placed to take advantage, as the UK is one of the most competitive sugar beet producers in the world. The Government will support the industry to further develop its competitiveness.

At the same time, the reforms have not addressed the position of cane refineries. We know that this presents challenges for the UK's cane sugar refiner, Tate & Lyle Sugars and their suppliers, particularly in the Caribbean and the Pacific. The Government strongly believe that having at least two sources of sugar is good for competitiveness, and that cane and beet sugar should be able to compete on an equal basis.

Turning to the issue of developing country producers, we know that the loss of competitiveness of ACP sugar producers, relative both to other cane suppliers and to UK and EU sugar beet growers poses a particular challenge. We are actively looking at ways to support them while ensuring a profitable refining industry here in the UK to process their production.

Finally, I should note that although the UK strongly supports our sugar industry, domestic per-capita sugar consumption exceeds recommended levels, contributing to weight gain and obesity. The Government are taking forward measures to reduce sugar consumption, including the soft drinks industry levy, and we will continue to encourage industry to reduce the sugar content of products popular with children.

To conclude, Mr Chairman, the Government are committed to supporting sector productivity and ensuring fair competition, and are also mindful of their commitments to development and public health. I hope the Committee will allow me the opportunity to thank it for its valuable work in this area.

Q57 **Chair:** Thank you very much for that. That was a very formal statement, but it states the Government's position. Your Department is advocating open and inclusive trade and trade liberalisation. Does this mean that you are going to be arguing for fewer subsidies or less support to be paid to sugar farmers and other farmers? How are you dealing, from your side in trade, along with DEFRA, which might be considering the farming element more?

Greg Hands: Thank you, Mr Chairman. Can I start off by being absolutely clear that we work very closely with DEFRA on these matters, both at Secretary of State and Minister of State level? I meet and speak with Minister Eustice quite often on these matters. Our officials work closely together at all of the appropriate fora here, at UKRep, at the UK mission to the World Trade Organisation and at all the appropriate fora.

You are right that the Department for International Trade and the whole Government are strong believers in free trade and open and inclusive trade. That is a committed Government policy. If you study closely—and I am sure you do, Mr Chairman—the speeches of the Prime Minister, you will see that free trade features very heavily in all her foreign policy speeches, and actually all of her Brexit-related speeches as well. Free trade is a core component of that.

With regard to future subsidies for sugar farmers, that is a matter for DEFRA in terms of the domestic sugar industry, but clearly if there is a read-across to international trade, we will discuss those matters with our opposite numbers in DEFRA.

Q58 **Chair:** I dealt a lot with this in the European Parliament. The sugar regime is a horribly complicated thing and it has got slightly less complicated over the years. When you talk about free trade, that is fine, but if you actually free up the trade completely it will be Brazil that takes the sugar business, not your developing countries. It will be ploughing up Savannah and carrying on like they are in a massive way because they have huge amounts of sugar and bioethanol; they are the big players.

For all its faults, the sugar regime does actually try to give better access to those least developed countries. In the Department for International Trade, are you giving this consideration or are you going to throw it to the wolves? Where are you?

Greg Hands: That is a very good question, Mr Chairman. Can I just remind you of the Government's commitment to transition a scheme of trade preferences for developing countries? As we leave the European Union, that is one of the centrepieces of the Taxation (Cross-border Trade) Bill that you and I both voted for on Second Reading late last year, and that completed its Committee stage in the House of Commons back in February, to have a UK scheme of trade preferences replicating, at least initially, the European Union scheme, with a view to being able to improve on it in the future.

Q59 **Chair:** So the answer is that to some degree we may certainly follow a similar course with access to those least developed countries first on some of the sugar that Tate & Lyle in particular has, certainly in the first instance. Is that what you are saying?

Greg Hands: I am saying that, for example, the Everything But Arms regime would be transitioned over in full to a UK scheme, as will also the GSP and GSP-plus schemes—the general scheme of preferences—as they are currently operated by the European Union. You will know that GSP-plus is for countries that sign up to a set of international agreements and make international commitments; it gives them preferences in excess of what they would get as a GSP member. The UK is committed to transitioning that whole scheme of preferences and the three categories over wholesale into a UK scheme, and that is a key measure in the Taxation (Cross-border Trade) Bill going through the Commons at the moment.

Q60 **Chair:** I think the answer is yes, is it?

Greg Hands: The answer to your question about whether we are doing the right thing for the developing world on sugar is yes, but that does not obviate from the potential in future to do something even better for developing countries. There is a balance relating to the continuity—and I am obviously talking here well beyond sugar—of the EU preference scheme so there is no cliff-edge for any businesses who are taking advantage of that scheme, both here in the UK and abroad. The continuity is very important, but that does not obviate from a possibility of improving on those schemes in the future.

Q61 **David Simpson:** You are very welcome, Minister. What progress have the Government made in reaching an agreement over the division of existing EU tariff-rate quotas with sugar and other goods?

Greg Hands: Mr Simpson, you are referring to tariff-rate quotas. There are basically two general types of tariff-rate quotes: those embedded in EU free trade agreements, and those general tariff-rate quotas that are administered and organised at the World Trade Organisation. I am going to assume for a moment that you are referring to the latter, because those are the ones that have attracted a certain amount of attention and the former are actually generally pretty small, although those can be important in how those are apportioned, and actually agriculture can feature in quite a few of those EU tariff-rate quotas, the largest of which is the Moroccan tomato quota, at £23 million worth of tomatoes.

I am digressing a little. I am assuming here that we are talking about—

Chair: I am glad that you are talking about tomatoes. We can talk about all sorts now, Minister.

Greg Hands: It might be helpful to note, just as an illustration, that the EU TRQs embedded in the EU FTAs are important but in most cases are relatively small. We are in discussion with our partners and counterparts at the WTO. Those discussions have been ongoing for some time. During the course of the implementation period, of course, because we will continue to be in a customs union with the European Union, those tariff-rate quotas will remain common between the UK and the EU, up until the end of December 2020. Those discussions with counterparts are ongoing. There was an exchange of letters at the WTO last October and November between different parties of the WTO, and that is a discussion that is underway. To be honest, it was entirely expected that we would be having that discussion.

Q62 **David Simpson:** Are you optimistic that we will be able to come to an agreement that will not in any way have any detrimental impact, not only on the sugar but on agrifood in general?

Greg Hands: I am optimistic, because the WTO is an organisation that, by its very nature, believes in free trade. A lot of those same WTO members who have a direct interest in some of those TRQs are also the same countries that are welcoming the UK becoming a standalone member of the WTO. That gives me a reason to be confident that we will get to a good outcome, but of course it is a negotiation. It is a negotiation that is ongoing and, in common with all negotiations that are ongoing, it is difficult to provide a running commentary and it is difficult to provide absolute certainty, but I am confident that we will get to a good outcome and a good position, both for the UK and for those exporting.

Q63 **David Simpson:** From an industry point of view or even from the primary producer, the farmers, whether growing sugar, tomatoes or whatever, there is a lack of security, not knowing what direction we are going to end up going in, whether there are going to be tariffs and whether there is going to be an impact on them. Are their prices going to be reduced because the processors have to do that in order to deal with tariffs? If you take an example where someone has said recently that if we are to reduce tariffs then it would be replicated or we would reciprocate it with the EU or other countries, but when it comes to the leg of lamb, for example—and I know it is a different subject from yours—

Chair: Similar to tomatoes.

David Simpson: Chair, that would be a stretch of the imagination, but yes, very close to it.

In relation to the leg of lamb, that would not work for Northern Ireland, because we export 90% of our lamb, so it would not work with tariffs the other way.

The tariff issue is vitally important, not only to Northern Ireland but right across the whole United Kingdom. It is essential that we get some kind of package and deal that does not have any detrimental impact on the agrifood sector. It is a massive industry in Northern Ireland, with 100,000 people employed, and if you take the rest of the United Kingdom and all the regions together it is massive. I would urge you and your Department to do everything possible to get to a satisfactory outcome for the whole industry.

Greg Hands: Yes, I very much agree with you, Mr Simpson; we need to make sure that UK agriculture has a very good future and also has a very good exporting future. Our food and drink exports are one of the big success stories in an overall improving exports situation. Exports are up 12% last year, right across the board. Food and drink is a huge UK success and we need to make sure that we work closely with DEFRA to make sure that the UK will be on the front foot as an agricultural and food and drink exporter.

In terms of your question about the apportionment of TRQs, these are of course TRQs that are already in place. The whole of that TRQ could go to the UK. I stress "could." This is only a debate about how that tariff-rate quota should be apportioned between the UK and the EU27. Of course a tariff-rate quota will already typically have a tariff put on that produce. Taking the example of sugar, up to the level of the TRQ, whatever that level of tonnes—in this case tens of thousands of tonnes on a tariff-rate quota on sugar—that is €98 per tonne at the moment. Anything above the tariff-rate quota will be apportioned at around €419 per tonne for white sugar and €339 per tonne for raw sugar.

Some tariff-rate quotas come in entirely duty-free. For example, the Albanian sugar quota, which is part of an EU FTA, comes in entirely tariff-free, but Brazilian sugar, for example, will come in with a tariff at around €98 per tonne at the moment, below the quota—what is called the "in-quota tariff". The out-of-quota tariff will be massively higher and is designed to be at a punitive level to effectively prevent that product coming into the EU at above the quota amount.

I stress that these are quotas the UK is already party to because they are EU quotas. That entire quota could come into the UK presently. Typically it does not. In fact, the Brazilian quota is not used up at all across the EU, for example. I stress the fact that currently all of that quota could come to the EU.

Q64 **Chair:** That quota has quite a high tariff on it from Brazil, anyway. That is partly why it does not come in, I suspect, is it not?

Greg Hands: Yes. Depending on the price of sugar, the tariff on an ad valorem basis will vary substantially. As the EU sugar price has fallen, that tariff has effectively become a larger part of the price, which makes it harder for those products that have that tariff. The same tariff applies to Australian sugar, and there is also a WTO quota—a worldwide quota—which has a Latin term that, I must confess, Mr Chairman, I have temporarily forgotten. Perhaps the Secretary of State for Environment, Food and Rural Affairs, who is a keen scholar of these things, knows the Latin term.

Chair: You can mention anything you like because I would not be able to contradict you. I am not a Latin scholar myself, so you can just put out anything in French or whatever. We will accept your apologies on that.

Greg Hands: That global quota is €98 per tonne, I believe.

Q65 **Angela Smith:** Minister, you just made it clear that food and drink is a huge UK success, and stressed how important your Department feels it is in terms of our future export profile. On that basis, I am confident that you can now give us a guarantee that food and drink will not be sacrificed in order to secure free trade deals with countries such as the US.

Greg Hands: No, quite the opposite; the opportunity of doing trade agreements in the future will be an opportunity to improve food and drink exports outside of the UK. A lot of sectors are really looking forward to us having our trade agreements and the potential to be able to export more food and drink as we go forward.

Q66 **Chair:** The point that Angela is making is that if we are going to trade this food, we have to make sure that we are trading under the same standards of welfare and environmental conditions. That is the bit that worries us. There is an awful lot of cheap food out there that has been produced under much lower standards than our own, and we do not want this entering the country. We have had assurances from Michael Gove when he has been here, and we would like to see what sort of assurances we might get from your good self.

Greg Hands: The Government are absolutely clear that we will not be lowering any of our food, animal welfare or environmental standards as we leave the European Union. Those will remain.

There is a link to UK exports. One of the reasons why the food and drink sector in the UK is such an exporting success is precisely because people recognise the quality of our food and drink, so it would be perverse for us to do anything that would bring into question the liking of the people out there for the quality standard of UK food and drink, so there is a read-across to exports as well.

Q67 **Angela Smith:** The point I made in terms of sacrifice is not about us lowering our standards necessarily, but ensuring that we do not allow the importation in a trade deal of food produced to lower standards by countries such as the US—i.e. chlorinated chicken.

Greg Hands: We have been absolutely clear that all of our standards will be maintained.

Q68 **Angela Smith:** That is not the question. We will not sacrifice the status of our industry by allowing the importation of cheaper food, produced to lower standards by the US.

Chair: If you are not careful that destroys your own agriculture.

Greg Hands: If you maintain your food, animal welfare and environmental standards, which the Government are absolutely committed to do—the Secretaries of State for Environment, Food and Rural Affairs and for International Trade have said that—then that answers your question as to where we would be in future.

Angela Smith: No, it does not.

Greg Hands: In terms of any free trade agreement or negotiations, these are things that have not even started yet. We are not actually allowed to do a trade negotiation until March 2019. These are things that are hypothetical in the future, but the commitment is to maintain our food, animal welfare and environmental standards. The read-across to our export capability is really important to understand, because the reason the UK is such a successful food and drink exporter, particularly in recent years, is that people see the quality. You cannot have high quality unless you have high standards.

Q69 **Angela Smith:** In principle, you will not allow the importation of chlorinated chicken.

Greg Hands: No, I am saying that we will not lower our standards.

Angela Smith: It is very worrying.

Q70 **Chair:** It is not a case of us lowering our standards. It is whether we allow chicken coming in that is higher-density and lower welfare. It is not really about the wash of the chlorine; it is perfectly safe to eat, but it is produced under lower standards than our own chicken. That is a real issue if we are not careful.

Greg Hands: It is clear that we are taking current EU standards. The Secretary of State for Environment, Food and Rural Affairs has been absolutely clear that we want to have a race to the top on standards. That is the Government's position: to make sure that we have the highest standards, not lowering our standards when it comes to anything from food through to animal welfare, the environment and so on.

Q71 **Chair:** Would you maintain that stance on the product that is being imported as well as what is produced here?

Angela Smith: That is the question.

Greg Hands: Clearly any imported product would have to meet UK standards, of course, whether it be in agriculture or indeed anything else.

Chair: Can I go back to sugar now? Tate & Lyle is a bit worried at the moment because it has a great deal more capacity and is not really being able to access enough cane sugar because of the tightness of the European sugar regime as it stands. This is probably slightly different from the questions that you have had before, but is there any way that we can allow it to actually import a little more sugar without having these draconian tariffs put upon it? That is its issue. They are finding it quite difficult to access enough sugar. They have capacity for at least another million tonnes. There is quite a lot of sugar coming in from the EU at the moment, so they could actually dissipate that, so there is an economic argument. Have you looked at that at all? It is a slightly different angle from what we have been asking you up until now.

Greg Hands: You ask a very good question. Going back to my original point about the importance the UK attaches to diversity of sugar supply, we are keenly aware that the European Union has of course done very significant reforms in the domestic sugar beet industry. There have not been the same reforms as it affects refiners and particularly imported cane sugar. We are keenly aware of that.

However, I cannot do anything on tariffs while we are still members of the European Union, and during the implementation period we of course will be subject to EU tariff policy as well. There is no conceivable way, if the implementation period is followed through, as we are expecting, to 2020, that I can do anything on tariffs until then. That is a matter for the European Union.

Q72 **Chair:** You made an interesting point just now. You said that you could enter into negotiation on potential trade deals in March 2019, but I suspect that you cannot sign anything until after the interim deal in January 2021. Is that right?

Greg Hands: No, that is not right, Mr Chairman. We can negotiate, sign and ratify new trade deals. This is all in the text of the implementation period. We cannot bring them into effect until the end of the implementation period at 31 December 2020.

Q73 **Chair:** We still have the flexibility to be able to do that in that period between March 2019 and December 2020.

Greg Hands: We have the ability to sign and ratify but not to bring into effect. We can bring them into effect from, I believe, 1 January 2021.

Q74 **Julian Sturdy:** This has been touched on slightly already. You have touched on the discussions at the WTO over the UK and EU splitting of the existing tariff-rate quotas. What impact do you feel these discussions or maybe disputes will have on potential future trade deals within the UK and EU first?

Greg Hands: That is a very good question. The read-across is really about two things. First of all, a number of those parties have those TRQS. I am not telling you anything that is not already out there in the public domain; the authors of the letter at the WTO last October included countries such as New Zealand and Uruguay, big agricultural exporters who have TRQs. My belief is that most of those countries also happen to be strong believers in free trade, in a general sense—not all of them but most of them.

You have to understand that at the moment the world trading system is under pressure due to a number of things that have been going on really since well before the change in the US Administration in November 2016. There are a number of voices out there that are seeking stronger voices for free trade in a global environment. I believe that many of those countries with those TRQs are the same countries that are seeking other, like-minded countries with a strong voice for free trade.

I believe a lot of them are our natural friends in the areas of trade. That is not the same, of course, as agreeing what they wish to ask for on TRQs. That is why I stress that I am confident that the negotiation is proceeding in a friendly and constructive way, because a lot of those countries are our natural friends.

In terms of where it goes on future FTAs, you can of course get an idea of the priorities of the Department for International Trade when you look at the countries that we have set up trade working groups with. We have set up 14 trade working groups covering 21 countries. Not all of these countries, by the way, will necessarily lead to a free trade agreement. There will not be 14 free trade agreements resulting from these trade working groups, but a lot of these trade working groups happen to coincide with countries that have these WTO TRQs, Australia, New Zealand and the United States being perhaps the most prominent ones among them. You can also see the read-across to where a future trade agreement may be going.

Q75 **Chair:** Are you talking to Brazil and Argentina as well?

Greg Hands: We have to talk to any country that has—

Q76 **Chair:** Is this one of those groups or not?

Greg Hands: There is not a trade working group with Mercosur, but we are closely watching the prospects for an EU-Mercosur agreement, which is being talked about very actively at the moment. As you would expect, Mr Chairman, from your time in Brussels, I go regularly to the EU trade FAC meetings, and the potential for the EU-Mercosur agreement features very prominently in those discussions. We are keeping a very close eye on what an EU-Mercosur agreement might look like, but there is not currently a trade working group.

We do have a lot of trade discussions, obviously, with Brazil, Argentina, Paraguay and Uruguay, in terms of removing and reducing current trade barriers, but that is entirely separate from discussing a future free trade agreement.

Q77 **Julian Sturdy:** Specifically bringing it back to sugar, if I may, Minister, within these discussions—the Chairman touched on it briefly—the sugar market within the UK is made up of 50% coming from UK producers, 25% imported directly from the EU and 25% coming in through cane. Do you have any feel for how these future trade deals and the negotiations over the tariff trade quotas might impact on that 25% coming in from the EU? The majority of that 25% is refined sugar from sugar beet, coming in from France, basically.

Greg Hands: I believe that the latest data I have from DEFRA is that, in terms of UK consumption, 897,000 tonnes is from UK beet, 402,000 is from EU beet and 601,000 is from imported cane. On imported cane, the direction of travel is downwards. The direction of travel for both the UK and EU beet is a little upwards, but that is in the context of UK sugar consumption declining about 1% year on year, most years. Generally, the position is that; you are right.

Q78 **Julian Sturdy:** I am talking about production. You have to remember that world sugar consumption is still growing and is predicted to grow for another 10 years before it plateaus and starts to fall. When we are talking about production and export opportunities within the sugar industry, it is still a very vibrant industry, although you are right that UK production, for obvious reasons, as you set out at the beginning, is starting to fall.

Greg Hands: Global consumption is going up at about 2% per annum at the moment, particularly in countries with expanding populations or change in consumer tastes, India, Pakistan and China being countries that are showing increases in sugar consumption. That will ultimately be an opportunity for UK sugar beet exporters, given the fact that we have one of the most efficient sugar beet production capabilities in the world; yields on sugar beet, I am told by DEFRA, have improved about 25% over the past 10 years in the UK. That is a very significant improvement.

Q79 **Julian Sturdy:** It is that 25% coming in from Europe that I am interested in, and whether the negotiations that you have might change that—i.e. does that give an opportunity to actually produce more sugar within the UK, or does it give opportunities for Tate & Lyle and the ACP countries to bring more cane in within these deals?

Greg Hands: That will depend very much on the negotiations between the UK and the European Union, which you and I know are both ongoing. Obviously the Government's position is to seek a comprehensive free trade agreement and to have trade as frictionless as possible between the UK and the EU. That is why, so long as that is the agreement that we achieve, I am not expecting there to be an overnight change in that, at least solely due to Brexit-related reasons. I remember from my time in the Treasury never to predict market moves, and it certainly would not be for me to predict market moves in the world sugar price, but obviously a lot of these matters will be heavily influenced by the world sugar price, for reasons I outlined earlier. As the sugar price declines, the tariff becomes a larger part of an imported sugar price if it is subject to tariffs. A lot of these matters are also related to the world and EU sugar price.

I am not expecting Brexit in itself, so long as we have this comprehensive free trade agreement with the European Union, to lead to a fundamental change in how the UK sources its sugar.

Q80 **Alan Brown:** How can you guarantee that any free trade deal with the EU will be reciprocal with regard to the treatment of sugar?

Greg Hands: If I may, Mr Chairman, that is straying heavily into DExEU territory.

Chair: You can stray.

Greg Hands: Our confidence, of course, is that we will get a very good free trade agreement with the European Union, the likes of which has not been seen before in terms of free trade agreement. That is our position, that is what we will be seeking and that is what we are actively negotiating.

Q81 **Alan Brown:** If it is fully reciprocal, does that not then tie your hands in terms of how you can negotiate with third countries or change the arrangement going forward?

Greg Hands: A sugar quota from the European Union into the UK would not be compatible with having trade as frictionless as possible, so it is not our objective for there to be a sugar quota from the EU into the UK.

Q82 **Alan Brown:** What I am getting it is that if it is fully reciprocal with the EU, the EU clearly also wants to protect its trading arrangements with the rest of the world, so will the EU not, in terms of being fully reciprocal with the UK, make sure that the UK does not get preferential deals elsewhere, therefore tying up your hands and your capabilities?

Greg Hands: I understand your question. Do not forget that the EU rules of origin still apply to sugar. Currently cane sugar, for example, that comes into this country from Brazil, Australia, Guyana, Belize or Fiji has rules of origin attached to it. That will be a question for how the EU rules of origin work. At the moment that origin would not be UK nor would I expect it to become UK simply because it is, say, refined in the UK. Sugar that is coming into Silvertown in London from, say, Brazil will have a Brazilian rule of origin on it, not a UK rule of origin, in terms of its origin, as it leaves Silvertown. There is no change there compared to if it went direct from Brazil to the EU. I do not know if that answers your question, Mr Brown.

Q83 **Alan Brown:** Yes, but I would have thought that if there was more sugar coming in from Brazil, that is where the EU would want to control that and therefore that would have an impact in a reciprocal arrangement.

Greg Hands: There are two separate parts to that question. Part is the future of UK beet exports to the EU, which will be a matter for the UK-EU free trade agreement and whether there will be frictionless trade on things like sugar, which is obviously our expectation and our hope. The second part is the regime as it would apply to sugar imports into the UK, particularly cane, being then sent on to the EU. I would stress that for cane sugar the rule of origin is still where it is grown and not where it is refined, so that should be no change to that point.

Q84 **Alan Brown:** You said that the idea for the UK is to get as free and frictionless a trade deal as possible, but you said that was within the realms of the Department for Exiting the EU. You previously said that subsidies for sugar beet production in the UK would be a matter for DEFRA, but surely if you are looking at as good a deal as you can, looking at reciprocation and future trading arrangements, surely you and the DEFRA Secretary have to have an input into these conversations, or else you are left with a reciprocal arrangement that perhaps does not suit.

Greg Hands: Mr Brown, I entirely agree and that is why the negotiation with the European Union is ultimately a whole-of-Government effort with all the things you would expect to see.

Q85 **Alan Brown:** It was you that said that it was straying into DExEU territory, so I just want to be clear.

Greg Hands: Perhaps I should be a little bit clearer. DExEU leads on the negotiations with the European Union for the future free trade agreement, but DIT, DEFRA and all Government Departments will feed into that negotiation and into the one-HMG view of where we should be going in that negotiation. As it is, virtually everything you will find in Government has one Department leading on a matter, but that does not preclude other Departments having an interest and chipping in.

Particularly, in our case, on expertise, when it comes to negotiating trade agreements, there is a huge amount of expertise within the Department for International Trade, from Crawford Falconer, our trade agreement negotiation adviser, all the way down through the Department. Clearly we are feeding into that process, using that expertise, but it is ultimately a DExEU lead. I hope I am being reasonably helpful, as far as I can be, on how that works across Government.

Q86 **Chair:** It gives us an idea, because we are really interested in how DEFRA, in particular, feeds into all the other Departments, especially when it comes to trade, because that is going to be more and more necessary. We have not really been doing it before, have we? This is a new world.

Greg Hands: I agree. I can tell you that the Department for International Trade is a very exciting place to be. I have been a Member of Parliament now for 13 years, elected at the same time as Ms McCarthy and Ms Smith, and I cannot remember the UK Government doing something—they may have a policy change—that they simply have not done for the last years. In this case, it is because it has been a European Union competence.

We are rising to the occasion. Since I joined the Department at its inception and since Liam Fox was Secretary of State at the inception, we have grown the Department in a way that is sensible. We kicked off with just 50 people in trade policy. Overnight, on 23 June 2016, across Government around 50 people joined us from trade policy, scattered all across the different Government Departments. We have taken those 50 and increased that to more than 500 working specifically in the trade policy group under me. Actually, we have a Department that is battle-ready for those negotiations, from March 2019, to get those best possible trade deals for the UK.

It is not just about trade deals, of course. We can do a lot in reducing trade barriers outside of free trade agreements, but to do that we have to have buy-in from across Government, and we have. Without straying too far from DEFRA and sugar, in terms of digital trade we have a very good relationship with DCMS. In terms of trade on financial services, that is a Treasury lead. We speak to the Treasury all the time on trade and financial services. In terms of the future EU FTA, that is a DExEU lead. We talk to them.

There are a lot of Government Departments that have a strong interest in trade, Defra being one of the most significant ones within that, which is why we do a lot of work with Defra on this.

Chair: You have great confidence, Minister. I hope you can deliver on this.

Q87 **Kerry McCarthy:** Can I just return to the point you made about rules of origin? You quite rightly say that for cane from Brazil, whether it is processed in the UK or not does not affect the rules of origin as it applies to that, but the thing that will change is the 25% that we import from other EU countries. Have you had discussions with DEFRA about how that will affect our food processing, our confectionery industry and anything that is made using that 25%? As I understand it, if they are using sugar from the EU the regime is going to change, is it not?

Greg Hands: There are a number of questions within that. First, of course, note that so long as we are in the implementation period we will be subject to current EU rules of origin. This is not something that will change until the end of December 2020. In terms of what the rules of origin in any UK-EU deal might look like, that is a matter for the current negotiations between the UK and the EU. In terms of what rules of origin for a future FTA between the UK and another counterpart—in other words, if the other counterpart were to look at sugar imported from the UK, is it sugar coming from the UK or coming from, say, France?—that again would be a matter for whatever the rules of origin would be in that future trade agreement. There are a number of questions within that, but none of these negotiations, with the exception of the EU one, have started yet.

Q88 **Kerry McCarthy:** Have we not decided what we would like to achieve, or are we not having discussions as to what would best serve food production in this country, or sugar beet producers in this country, as opposed to people who import from elsewhere in the EU? Are you not at the stage where you are trying to work out what would be best?

Greg Hands: We would want to have what is best. It is stating the obvious: what works best for the UK overall—

Q89 **Kerry McCarthy:** What does work best?

Greg Hands: What would work best would depend on whatever the producer and consumer interests would be. We would obviously want to work, as we are having our independent trade policy, to get the best possible trade policy for the UK, and we would want to have that trade policy. There is a significant export potential from UK sugar beet, given the efficiency of our industry, and we would want to make sure that the rules of origin also reflect the ability to maximise or have a significant increase in UK exports of sugar beet.

Q90 **Kerry McCarthy:** Are you saying that at the moment you want what is best for the UK but you cannot give clarity on what would be best?

Greg Hands: Generally in a rule of origin you want to have something that works best for your country in that sector. That would be your starting point in a negotiation. In terms of a rule of origin, where a rule of origin would be in a third-party trade agreement, our interest there might vary across different sectors.

Kerry McCarthy: In terms of sugar?

Greg Hands: I could not say at this particular point what a rule of origin on sugar would look like, but you would want to have a rule of origin that works best for the UK interests overall.

Q91 **Angela Smith:** My question has been asked, but there is a slight supplementary. Just before I do that, I would like to go back to the Minister's comments, if you do not mind, Chair, in relation to how the Department has grown recently. I can feel the excitement radiating from the Minister, I have to say. Minister, you said that we have the opportunity, for the first time in 40 years, to effectively build our trading position, because it has previously been an EU competence. In previous inquiries we have heard grumblings, to say the least, about the performance of the UK Government—I am not making a party political point—over the years to support producers when it comes to winning a better trading profile for our primary producers. In other words we do not provide the support in terms of diplomacy when it comes to building our import profile. Will your Department now be addressing this shortcoming?

Greg Hands: I am not sure that I agree with the premise of the question, but it would not necessarily be helpful to have that debate.

Angela Smith: It is not me; it is what various witnesses have said to us.

Various witnesses have made the point that they do not feel supported diplomatically by the UK Government, and that has been the case for a number of years now.

Chair: In terms of getting trade into China and getting trade everywhere, lots of European countries actually support a lot of their primary producers and processors much more than we have in the past. I am not saying that we are not stepping up to the plate, but we need to increase that. They also like to have political representation. The Chinese particularly like longevity of people actually going to see them. They do not understand the way we change Ministers every five minutes because they say they are for life. I am not suggesting necessarily that even you as a good Minister should stay there for life, by the way. This is the situation. A lot of organisations feel they want more support. I would like to be reassured by you that that is coming, basically.

Angela Smith: AHDB does a good job, but it is not just up to AHDB to do that job.

Greg Hands: Let me tell you a few things that are happening. First of all, our food and drink exports to China are increasing and improving. China entered our top 10 markets for the first time in 2016—

Q92 **Angela Smith:** The question, Minister, is about what you are doing to address the shortcoming, not what the statistics are on our exports to China.

Greg Hands: Let me answer that. Right at the very top you talked about diplomatic support. We have announced the creation of nine Her Majesty's trade commissioners, one of whom is Her Majesty's trade commissioner to China, whom I met only two days ago to discuss export opportunities into China and the success of UK produce, particularly UK food and drink, going into China. In terms of what added value Ministers can bring, I can tell you that in talks that we have we—the Secretary of State, Baroness Fairhead, Graham Stuart and I—are engaged on a regular basis to try to bring down market access barriers.

I think you mentioned Taiwan. Taiwan is an island that we have an annual JETCO talk with, where we actually look at and break down these trade barriers. We have very regular discussions with the Taiwanese authorities, improving, for example, the market for Scotch whisky.

Q93 **Angela Smith:** Pork, actually, is the big issue in Taiwan. The demand for pork in Taiwan is huge.

Greg Hands: I raised pork specifically with the Taiwanese authorities at the JETCO talks in December in London. There will be further talks this year, and I have raised it. We have made some progress. I am pressing the Taiwanese authorities for more progress.

Q94 **Chair:** Do we actually have people on the ground? That is the issue, because a lot of countries have them on the ground and we, in the past, have certainly lacked people on the ground following these things up.

Angela Smith: Exactly.

Greg Hands: You are right to ask this, but we have a very strong network. Over the last eight years, Government policy has been specifically to make the Foreign Office network more commercially minded. There has been a big success there. We have further to go. That is one of the reasons why we have Her Majesty's trade commissioners, the nine regional trade commissioners, focusing at the highest level on trade.

Q95 **Chair:** Are they supported? It is good to have the commissioners, but they have to be supported with bodies on the ground. You talk about all these extra people you have in the Departments; that is great, but they also have to be in China or in Taiwan. The Danes, the Dutch—a lot of European countries are all there. I am not saying that we are not there, but we are not there in the same numbers.

Greg Hands: I can tell you, Mr Chairman, that we have trade people in 108 countries around the world.

Q96 **Angela Smith:** No, this is about diplomacy and the diplomatic and political support system. We need a support system to help our trade people build our export profile.

Greg Hands: They work very closely together. All of the trade Ministers travel a lot and see our trade people working very closely with Foreign Office and Department for International Development colleagues on the ground in these countries.

By the way, I should add that of course there is a difference between diplomacy and trade people. Trade people you want to have in the markets that count, which is not necessarily capital cities, so we have trade people. I have a big presence, for example; I am opening offices across the United States to promote trade. In the last two years I have opened offices in Minneapolis, Seattle, San Diego and Denver, not going just to where diplomacy is done but making sure to go to the places where commerce is done. That is a key change in how we are approaching this.

Q97 **Angela Smith:** The Minister is missing the point, Chair, so perhaps we could have some written evidence outlining the efforts that the Government have made to improve the support given to those who want to build our trading profile.

Greg Hands: I can give you better than written evidence, Mr Chairman; the Department is publishing its export strategy in the coming months. That will be quite a weighty tome of written evidence that I can make sure wings its way through to the Committee.

Angela Smith: If it addresses the question that we have raised and that has been raised by numerous witnesses in previous inquiries. That is why I raised it. It was entirely related to what witnesses in previous inquiries have said.

Chair: That is right. These are people who have come before us who are trying to do business into China and in the developing countries.

Greg Hands: That is why we are putting in place these HM trade commissioners, Mr Chairman. There are nine of these HM trade commissioners. That is specifically their job: to improve UK exports into the market, UK investment into that market, and investment coming from that market into the UK. That is their job. Nobody has done regional trade commissioners before. That is a key innovation.

The export strategy is coming. The network is becoming more commercially minded. FCO, DFID and DIT colleagues are working closely together, making sure that we boost our exports and investment. That work is ongoing and will of course be improved further with the export strategy.

Q98 **David Simpson:** Just to follow on from that, Minister, I do not need to tell you that within trade agreements and negotiations it is all about networking. When I speak to industry, whether agrifood or other industries, what I get back is—and Angela has hit on it—that there is not the networking. For example, Germany could have 25 to 30 people on the ground in China all the time. In comparison, Britain might have six. I am not saying that those are the exact figures, but that is the impression that is given.

You are talking about commissioners. That is good news, but those commissioners need to be on the ground. You are talking about nine of them. I would suggest that we need a lot more than nine people, but we need to have people on the ground networking, especially with China. It is a complicated country to do business in. It is something that you do not build up overnight. It might take years.

We have to have more people on the ground networking with companies. There is the Chamber of Commerce and all of those networking organisations. It is about numbers on the ground and that is the only way we achieve it, not by having one commissioner put in place in China or somewhere else. Even within the United States, that is a massive, massive country and therefore it is all about that relationship that you build up with companies, Government and organisations. It is about numbers on the ground. That is really what we need to see.

Greg Hands: I wholly agree. We have good numbers on the ground. I do not have the figure in front of me, but I have more than 1,000 people around the world specifically working for the Department for International Trade. I am sorry if I might have given the impression that these nine HM trade commissioners are the only people. No, they are an addition to the existing trade resources.

We have a lot of people on the ground in China. I can write to the Committee with the figure. The number of trade people working specifically on trade in China is substantial. We have offices. I have visited our office in Shenzhen last year. I have a lot of people working on trade in all of the key markets that you would want and expect us to be in, and they do a very good job for us and are very hardworking, dedicated people who are selling the UK both as an export origin and as a place to invest. They do a great job for us.

The HM trade commissioners are in addition to that existing resource, to make sure there is more of a co-ordination and that trade has a bigger footprint in terms of our overseas network. That is what we are working towards: improving the situation, to make sure that trade has a bigger footprint. The whole of Government is working much more towards trade than might have been the case in the past.

Chair: We do not want to take it down to too basic a level, but Northern Ireland has had a problem with exporting pork, in particular, to China and there have been all sorts of little bits of regulation that we have through the veterinary sector and signing off the certificates. That is what has to work. It has to work from the negotiators through to what is happening in China and other countries, back to how our processes here, through the veterinary and signing off licences, work. It is about making sure that all of that joins up. I am sure that you are doing a good job and trying to do a good job, but it is about making sure that everything joins up together. Otherwise, a processor and exporter in this country or Northern Ireland feels very frustrated when the system does not work. We have had lots of examples.

David Simpson: The Chairman has hit the nail on the head with regard to the Northern Ireland issue with pork exports or whatever. We had one company in Northern Ireland that had business it could do in Australia, but because of the licensing process, when it was set up it said "GB", not "UK". For two years they have fought through the Departments to try to get those two letters changed between the British Government and the Australian Government, not to say "Great Britain", but "United Kingdom", which means that Northern Ireland can get into Australia with pork products. That has been for two years because of bureaucracy. We need to get away from the bureaucracy and try to get it simpler. That is the whole idea of coming away from Europe. We have heard for so many years that it is bureaucracy, paperwork and it takes a long time. Businesses need to think on their feet. They have to move quickly. This is just one small subject or issue; for two years it has been going on. It is crazy and that is something that we do not want to see moving into the future, especially when we come out of the EU.

Greg Hands: I am very happy to look at that. If it is a veterinary licence issue, that of course is an issue for DEFRA.

Chair: It becomes a trade issue, you see.

Greg Hands: Let me answer the trade aspect of this. You spoke, Mr Chairman, about "hoping" and "trying". We are having success on these areas. I could tell you that last year, in 2017, we opened or improved terms for 162 different live-animal and animal-product markets around the world. We made significant progress in extending access for pork products in China. I have already mentioned the efforts we are making in Taiwan. We opened the market in the Philippines for British beef.

If I may add, what we are not doing is saying that we are going to wait until we have the ability to negotiate future trade agreements. These are things that we are doing today, every day. Later this month I have a JETCO, our Joint Economic and Trade Committee. Later this month I am chairing the Vietnam JETCO. I have not yet seen the agenda for that, but if you have specific views that the Committee might have, for example on agricultural produce that we want to sell into Vietnam, please let my Department and DEFRA know. That is coming up. I expect the Taiwan JETCO to be later this year.

We also do these JETCOs with India, China, Brazil and others. These are not dependent on future free trade agreements. These are talks that we have on a regular basis at the moment. I can tell you that the way these talks work is that you get fairly down and dirty in terms of trade and different issues. You push hard on these issues and you get some success. You do not get success in every case. There may be a protectionist reason why your counterpart wants to keep protecting that industry. Ultimately, in most cases they are sovereign states that you are negotiating with and they can make a sovereign decision.

Our whole ministerial team works really hard. I could tell you a lot about how Scotch whisky lot codes work in the Taiwan market. I can tell you a lot about how metal testing works on Scotch whisky in the Peruvian market. I can tell you about the particular restrictions on pork and chicken in different markets. We engage hugely on these issues as the Department for International Trade, not just Ministers but of course our officials around the world, and also the FCO and DFID network as well.

Q99 **Chair:** Minister, it is really good stuff you are doing, and that is great, but we want to be absolutely certain that DEFRA, AHDB and everybody can actually work with you in order that when you negotiate these trade deals, when we have actually done that we can physically get that exported product into that country. Sometimes it might be them causing the problem. Other times it is us, because we are not moving fast enough to get the right paperwork in place. Could you perhaps take that on board from today, please?

Greg Hands: We are the first standalone trade Department since 1983, and one of the great advantages of that is that we have a voice at the Cabinet table for trade. The Department for International Trade leads on trade matters and trade negotiations. We have also, by the way, combined things. One thing we have not mentioned is UK export finance. The finance is very important for a lot of these exporters. That is a key part of it. Putting it all under one roof, in this case in the Department for International Trade, is a big innovation and a very helpful innovation in this space, to make sure that trade is made much more prominent within the Government.

Angela Smith: I think we will be holding the Minister to account on these claims.

Chair: We will. We like your words; we want to make sure that they are delivered. I am sure that they will be, but we will follow this with great interest.

Q100 **Angela Smith:** My question was about progress made in pursuing trade deals with larger sugar producers such as Australia and the Mercosur countries, but that question has already been asked.

My supplementary is that you made it clear, Minister, that we can negotiate, sign and ratify deals, but they cannot be implemented until January 2021, which is fair enough. You made it clear that these trade working groups are ongoing, particularly in relation to Australia. When do you anticipate any deal with Australia will actually be signed? Is it in the offing? What progress are we making with Australia?

Greg Hands: I am not going to name a date, because this is ultimately a negotiation that has not started yet. We cannot negotiate until March of next year.

Q101 **Angela Smith:** No, but you have got these trade working groups.

Greg Hands: In relation to the Australia trade working group, I will check but I believe it has met three times. The US trade working group has also met three times. The US one, for example, was launched by Liam Fox last summer. The Australia trade working group met recently. What they are looking at, at the moment, is scoping out what a future trade relationship might look like. What are the barriers presently that each side believes that there are? That will, if you like, form the basis. It is partly a get-to-know-you session. Who is our opposite number in these different markets that we will need or want to be seeking to negotiate with from next March?

They do meet pretty regularly in a constructive spirit. For the UK and Australia, the joint press conference done by the two Prime Ministers earlier this year stated very clearly the desire from both sides to get a good trade agreement between Australia and the UK. There is a strong desire to do it.

Q102 **Angela Smith:** There is scoping work ongoing, which is good to hear, but is it safe for the Committee to assume that the position of food and drink—and, in the context of this inquiry, sugar particularly—is prominent in that scoping exercise?

Greg Hands: Agriculture and food and drink have certainly been part of working group discussions, along with a whole series of other sectors.

Q103 **Angela Smith:** So it is prominent. It is a really important part.

Greg Hands: It is part of that discussion, as it is in the other trade working groups, and you would expect it to be so, because food and drink and agriculture are big parts both for the UK and for those counterparts.

Angela Smith: It is the biggest manufacturing sector in the country.

Chair: It is 13% of our economy.

Q104 **Angela Smith:** One should, I think, be assuming that it will be a big part of a free trade deal.

Greg Hands: Again, this is not a negotiation that has started, so I would not like to make that assumption. What I can say is that of course we are looking to maximise opportunities for UK producers to access markets around the world. Of course, it is entirely natural that we will want to talk to counterparts to get better access for UK food and drink exports.

Q105 **Chair:** Can I just bring you back a little bit closer to home with a follow-up question on that? 60%, I believe, of our food and drink exports at present go to the EU, so it is a really important part of our trading arrangement for food and drink. Naturally the deal with Europe will be essential. I am sure that has not passed you by. That is something we need to be reassured of at all times: that the food and drink industry will be able to trade.

I do not want to get into too many technical details this morning, but it is about how we are able to physically trade perishable goods across borders, no more so than in Northern Ireland and going into the Republic of Ireland, where a lot of processing is mixed, now, between the two countries. That is really important. I suspect that I am telling you something you very much know, but can we be reassured that that really is in your sights?

Greg Hands: Yes, absolutely. In terms of the negotiation with the European Union, the position of UK food and drink exporters is very much at the heart of DExEU's negotiation, with strong feed-in particularly from DEFRA, and also from DIT.

Q106 **David Simpson:** Minister, the Government have promised to introduce new geographical protection schemes following Brexit. Are you confident that the UK's trading partners will agree to recognise such schemes?

Greg Hands: In relation to geographic indicators, there are different parts to the question, in terms of recognising schemes of geographic indicators. In the current EU scheme, which the UK is party to and would expect to remain party to throughout the implementation period, there are currently 3,355 EU geographic indicators.

Q107 **Chair:** That is across the whole EU, though.

Greg Hands: That is across the whole EU, and 85 of those are UK GIs. The Secretary of State for Environment, Food and Rural Affairs has been clear that we will bring in our own scheme of UK GIs. The UK scheme of

GIs is not ready yet. That is a question you could put to DEFRA Ministers when they next come.

Q108 **Chair:** They are very keen to bring in even more, you see. George Eustice is, in particular.

Greg Hands: The second question is about the future of how EU GIs are recognised within the UK. That is a key ask of the European Union in that negotiation. Obviously there is a certain amount of leverage there for the UK, when you think about 3,355 EU GIs that they would like recognised in the UK market after the end of the implementation period. That is quite an interesting position for a negotiation. To whoever says the UK does not have any negotiating strength or capital, I just leave that slightly open there, as to what the future is of the UK recognition of the 3,355 EU GIs.

There is also a really important question in terms of future third party trade agreements, in terms of the recognition of those EU GIs in those trade agreements. For example, if you enter into a trade agreement with the US, in relation to some of those GIs, the US has quite a long-standing position of being relatively sceptical about GIs. That is an interesting question for the UK third-party negotiations, as to the importance of the EU GIs. That is one of the reasons why how our recognition of any EU GIs would work in the trade agreement with the EU has key read-across to our ability to do trade agreements beyond the EU as well, which is something we have a very keen interest in.

Q109 **David Simpson:** So you are confident, because the EU wants the 3,355 recognised, that we have a stronger hand.

Greg Hands: I am saying that would be part of that negotiation with the EU in the withdrawal agreement, as to how EU GIs may or may not operate within the UK. That is an interesting part, I would expect, of the DExEU-led negotiation with the European Union on GIs.

Q110 **Chair:** After we leave, then, if we recognise their GIs, we could expect them to recognise ours. This is in January 2021.

Greg Hands: That would be a matter for the negotiation.

Q111 **Chair:** We can be confident that is what you will be trying to seek.

Greg Hands: What we will obviously be trying to seek is the best deal for the UK overall.

Q112 **Chair:** Does that include geographical indicators?

Greg Hands: I just stressed that the number of EU GIs is very substantial, relative to the number of UK GIs. Let me just leave that out there with you, to just think about where that leads the negotiation on GIs.

Q113 **Julian Sturdy:** You have answered most of the questions in great detail, Minister, but I just wanted to follow up on one point, really. You might not answer this, but I think it is definitely worth asking.

Chair: Go on, Julian. Go for it.

Julian Sturdy: David mentioned in his question that there is the opportunity, and certainly DEFRA Ministers have expressed their willingness, to increase the number of UK GIs beyond what we have already. Within those negotiations, and given the fact that the EU has a large amount of GIs, do you believe there is scope within those negotiations to increase our own GIs, so keeping what we have but increasing it?

Greg Hands: Having done intra-governmental negotiation myself in a different ministerial job, ultimately the job is to get the best possible deal. That is the goal of your negotiating.

Q114 **Julian Sturdy:** In your position as Minister, do you see that as an important part of the negotiations?

Greg Hands: I think the GIs and how we recognise each other's GIs is going to be an important part of the UK-EU trade negotiation, yes.

Q115 **Chair:** The point that Julian is making is that they have 3,280 and we have 85, or whatever it is, and that there is a big scope for us to increase our numbers.

Greg Hands: I would say there is scope for that to be an important part of the negotiation, but do not forget that you are not just in that negotiation. It is not a GI agreement; you are talking about a comprehensive free trade deal between the UK and the EU.

Q116 **Chair:** You are not going to trade away our GIs then, are you?

Greg Hands: That is a matter to put to the negotiators who are leading.

Chair: We are seeking reassurance, are we not, Julian?

Q117 **Julian Sturdy:** Without putting words in your mouth, Minister, are you saying that at the very least it is about protecting what we have, but also it might be an opportunity to use that big difference between the amount of EU GIs and the current UK GIs as a negotiating tool to get other benefits within the marketplace?

Greg Hands: A negotiation is always a set of opportunities, but importantly GIs cannot be seen in isolation from a wider negotiation covering a whole host of different issues where the UK will have key asks and the EU will have key asks, and that is what a negotiation is all about. I do not think you can isolate what GIs would be from the wider negotiation.

Q118 **Chair:** If you are a great believer in free trade, why would you be a believer in a GI? A GI, technically, is not free trade. That is what the Americans will argue. The Americans will argue to get us down to the lowest common standard they can in order just to facilitate their trades.

That is why we need this reassurance, because it is not only the GIs; it is fundamental to keeping our standards up. If you are not careful with a free-knit trade negotiation, especially with some countries, and especially America, they will be looking to push all those standards down. They will not want to recognise our GIs at all. Are you going to be able to stand up to that? That, bluntly, is the question.

Greg Hands: Again, that is not a negotiation that has even started. GIs are a form of IP, and the UK is a strong believer in IP. That is the first thing to say. Secondly, we have made a strong commitment—Michael Gove has made a strong commitment and the whole Government has made a strong commitment—to having a UK domestic GI system. That is really important to re-stress. That commitment is there, and that commitment to high-quality, good-named UK food and drink produce is very strongly there.

Q119 **Chair:** This is a real issue for us as a Select Committee, because naturally we have the Secretary of State here and Ministers here from DEFRA who give us these reassurances. What we are not certain of is whether, when it comes to the final negotiation on the final day, they will have any say in what is to follow in that particular trade deal? Will they still be there at that time?

Greg Hands: I do not believe I am saying anything different from what DEFRA Ministers have said or would say.

Q120 **Chair:** It is just about making sure that it is all joined up and that we have a real seat at that table, and that real notice will be taken of standards, and not only GIs but across welfare and everything.

Greg Hands: It is a negotiation between two parties. I have very strong confidence in our negotiating capability in doing that agreement, and that those doing the negotiation understand these issues because they have had feed-in from DEFRA and from ourselves, to make sure that they understand those issues in that negotiation. I have that confidence.

Q121 **Kerry McCarthy:** We have already strayed into the territory of standards and how we protect UK standards in any future trade deals. I am trying to get a clearer picture of where you fit into the negotiations, and where DEFRA fits in. At the moment we have had very mixed messages. Michael Gove has been absolutely adamant that he does not want to see any lowering of standards, whether that be food safety, things like antibiotics use, which is five times higher in US farming than in the UK, and obviously things like animal welfare too. He has been adamant that it is not just that we are not prepared to lower our standards, but that we would not accept produce from other countries.

I was in Washington last summer when Liam Fox happened to turn up, much to my surprise, on the very same day. He indicated that he was very relaxed about allowing things like chlorinated chicken into the UK. Can I ask as a first question whether you have met with Ted McKinney? Do you know who Ted McKinney is?

Greg Hands: No.

Q122 **Kerry McCarthy:** No, right. So he is the Under-Secretary of Agriculture for Trade and Foreign Agricultural Affairs, and he spoke at the Oxford Faming Conference earlier this year.

Greg Hands: Is he from the US?

Q123 **Kerry McCarthy:** Yes. I think he is a pretty crucial person when it comes to negotiating a trade deal with the US. He spoke at the Oxford Farming Conference this year. He was somebody who got very cross when people started trying to ask about chlorinated chicken, and made very clear that we ought to be relaxing our stance on such issues.

The US Commerce Secretary, Wilbur Ross, has also said that a trade deal would hinge on the UK ditching its rules. That was at the end of last year. Australia has said that lifting a ban on hormone-pumped beef would be a key issue for their side, and that Liam Fox apparently is understood to be sympathetic. Those are just a few examples, but certainly the Americans and Australians, and New Zealand as well, have said that this is not something that we can brush to one side. They want us to change the way we trade with them.

We have had a very firm commitment from DEFRA. You seemed to be saying earlier that you would not accept any lowering of standards, but I have not heard that from Liam Fox, and I have also not heard that from Theresa May. At what point do you get in the room with the likes of Ted McKinney, who I think is your equivalent, and lay down the law as to what we would and would not accept?

Greg Hands: Let me be absolutely clear: the Government are absolutely clear that we are not lowering standard on food safety, animal welfare or environmental standards, and that is a whole-of-Government approach.

Q124 **Kerry McCarthy:** Is that including what we import?

Greg Hands: I disagree with you when you say that Liam Fox was relaxed about chlorinated chicken. I think that is a misinterpretation of interviews last summer when he was in the United States.

Kerry McCarthy: Certainly the headlines suggested, and, as I said, I was there.

Q125 **Chair:** Let us make no bones about it. Further to Kerry's question, we had Sonny Perdue, who is the US Secretary of Agriculture, here a little while ago. The main subject of this conversation was about chlorinated chicken, with him asking why we oppose it and saying that it is perfectly safe to eat. That was his whole line. They are not actually washed. I think they put gas on them or something. I do not know quite what they do, but he was trying to assure us that it was nowhere near as dreadful as we were trying to make out it was.

For them it is a really big issue, and that is why we seek assurances. I suppose it is difficult for Liam Fox. Sometimes, when you are in America or another country, looking for a trade deal, you may have to appear a little bit more sympathetic towards their side, but we have to be absolutely certain that when a deal is done we are strong on our side.

Greg Hands: As I say, Mr Chairman, the Government's position is absolutely clear: we will not be lowering standards. I may not have met Ted McKinney—

Kerry McCarthy: It is not about lowering standards here; it is about allowing imports of things that are currently banned.

Greg Hands: Can I just answer the last question, and then I will come back to you? I may not have met Ted McKinney, but Liam Fox, I believe, has met Sonny Perdue. He has definitely met Wilbur Ross on a number of occasions. We have had a lot of interaction with US and Australian counterparts.

In terms of hormone-produced beef, do not forget that Australia exports a lot of what is called natural beef. It would be wrong to assume that these counterparts only produce products that do not currently meet UK standards. You can actually do a lot—

Kerry McCarthy: They are very clearly arguing—

Greg Hands: Can I just finish the previous question? You could do a lot in trade without having to lower your standards.

Q126 **Kerry McCarthy:** The Australian Minister said recently that it is very clear that they are talking about the hormone-pumped beef; they are not just talking about their higher welfare, organic, or whatever. They are talking about produce across the board. You have made it very clear that we would not be forced to lower our own standards, but for anything that is currently banned under EU rules, which includes chlorinated chicken, hormone-pumped beef and ractopamine in pork—there is a whole list of products—if it is currently subject to an EU ban we signed up to, is it still going to be banned from being imported into the UK?

Greg Hands: I will do a deal with you. A lot of these provisions are in the European Union (Withdrawal) Bill, as to the current EU provisions on standards on different things. If you were to vote for the Bill—

Chair: You are on dangerous ground, Minister.

Greg Hands: —then you would not have these uncertainties as to whether these EU provisions would be brought into UK law.

Angela Smith: We could stay in the single market.

Q127 **Kerry McCarthy:** Actually, I put forward amendments that were calling for the protection of these standards, which the Government voted against, so you are on pretty shaky ground.

Greg Hands: The principle of bringing those existing EU standards into UK law is enshrined in the European Union (Withdrawal) Bill.

Kerry McCarthy: That is not the same. It is not the same in terms of what we trade away in a trade deal.

Q128 **Chair:** No, that will be our relationship with the deal that we do with the EU, not necessarily in relation to the deal we do with Australia and America in the future.

Greg Hands: Again, I would just stress that there will be no lowering of UK standards in terms of food safety, animal welfare or the environment.

Q129 **Chair:** The point that Kerry makes on antibiotics is an interesting one, because the chicken production in America is much like ours was many years ago, where they actually have denser populations of poultry and they put in antibiotics in the water in order to stop them getting disease before they have even got it. These are all things that we have phased out here.

Kerry McCarthy: It is about human health.

Chair: It is all good stuff, but it all potentially adds costs to production. I am sorry to keep on about it, but if you go down the particular free trade route of the Americans, it will always be about the cheapest production and the freest trade. That is how they see it.

Greg Hands: I will just contest that. Free trade does not mean trade without rules and standards. There is nothing in a free trade agreement that prevents the domestic right to regulate. The UK would preserve its domestic right to regulate, and the commitment is there that there will be no lowering of standards for animal welfare, food safety or the environment.

Kerry McCarthy: Yes, but it is about whether—

Greg Hands: I do not think I can give you a stronger assurance than that.

Q130 **Kerry McCarthy:** You are talking about UK standards, and I am asking, "Will we allow imported produce?"

Greg Hands: If you enter the UK market, you need to meet UK standards.

Kerry McCarthy: So you would not. Okay. Fair enough.

Chair: I think you have been quite clear, Minister, and naturally this is all on record. Fine; we have it.

Q131 **Angela Smith:** On the antibiotics question, it is an interesting one. It is even more interesting because, to be fair to your Government, Minister, significant progress has been made over the past eight years on reducing antibiotic use. I think it was David Aaronovitch—not a natural supporter of the Government—who said in *The Times* that he had to acknowledge that this has been a big success story.

Given that we are making significant progress on such issues—and Kerry is right that there are impacts on human health from having products treated with antibiotics in the food chain—if we continue to make progress, will there be room in any trade deal to actually enforce higher standards in future? In other words, we do not want a trade deal to set in aspic the standards we have now, but surely we need to be flexible enough in any trade deal to allow for improvements in the future.

Greg Hands: Ms Smith makes a very good point, Mr Chairman. Our aspiration is a race to the top in standards, not a race to the bottom. Making sure that standards can improve, I think, is very much in the UK's interests.

Angela Smith: Would that be built into trade deals? That is my question.

Q132 **Chair:** It is a health issue as well as a trade and a welfare issue, because naturally we are worried. If we can reduce the amount of antibiotics through our poultry and our meat, then we hopefully can also reduce resistance to antibiotics across the human population as well. This is really important stuff.

Greg Hands: Our aspiration is for the highest standards, and for there to be a race to the top on standards. Let me just take you back to one thing, because I think Ms McCarthy said the Prime Minister had not been clear on this. I am just going to quote to you, Mr Chairman, from the Prime Minister's Florence speech on 22 September 2017. We are "committed not only to protecting high standards, but strengthening them", and, "We will always be a country whose pitch to the world is high standards at home." That is absolutely clear, from the Prime Minister, from the Secretary of State for DEFRA, from the Secretary of State for DIT, in terms of that commitment to high UK standards.

Q133 **Kerry McCarthy:** You are all singing from the same hymn sheet; is that what you are saying? Basically, there is no difference in Cabinet in terms of different views.

Greg Hands: Absolutely. We are committed to high standards. I refer back to the point that it is in our national interests to have high standards. Going back to the issue about food and drink exports, we want people to have confidence in UK food and drink exports. You cannot have that confidence unless you think the UK has high standards.

Q134 **Angela Smith:** I go back to my question. We are all saying the same. That is fine, but will any trade deals we sign, if we Brexit, be flexible enough to allow the enforcement of those higher standards in terms of imports from those countries that we have trade deals with?

Greg Hands: Anything imported for consumption in the UK would have to meet UK domestic standards.

Q135 **Angela Smith:** If we signed a deal with the US, and then in 10 years' time we actually take legislative action to improve our standards relating to, say, antibiotic use, will we be able to impose that new standard on US imports in 10 years' time?

Greg Hands: That is a good question, and that will be a matter for future trading relationships. Of course, you can change trade agreements. The EU is currently renegotiating, for example, the Mexico trade agreement and the Chile trade agreement. Trade agreements, while they are sovereign agreements, can be modified in the future to reflect changing trade priorities.

Q136 **Angela Smith:** The Government will ensure that that opportunity to change trade agreements will be an important part of the negotiation we are having now.

Greg Hands: If I may, I think we are getting a little bit ahead of ourselves. We cannot do the first trade negotiation yet until March. You are asking me to make a commitment to a future improvement on a trade negotiation that we have not yet started.

Q137 **Angela Smith:** No, I am asking whether the Government, in principle, will want to ensure that their free trade deals allow for opportunities for change further down the track. I think that is a reasonable question.

Greg Hands: The reasonable answer is that we remain committed to having the highest possible standards and a race to the top in standards.

Q138 **Chair:** I have one final question, which we have actually covered but I want to give it to you straight between the eyes. Michael Gove has recently said that imports of chlorinated washed chicken or hormone-produced beef will take place over his dead body. Is this agreed Government policy? He also sat in this Committee and I said, "Right, Secretary of State, we are doing a trade deal with America and the last thing to settle is chlorinated chicken, and you are going to stop that deal?", and he said, "Yes." Is this agreed Government policy?

Greg Hands: What is agreed Government policy is that we will not be lowering our standards and that we wish to have a race to the top in standards. Again, I just come back to the point, which is really important, that high standards suit UK producers, suit UK consumers and will suit UK exporters as well. The Government are absolutely clear on all of that.

Q139 **Chair:** You are absolutely bang to rights on that last statement, because we can produce some of the best, if not the best, food in the world, but we will not produce the cheapest food, because of pressures on man, pressures on the environment and pressures on everything. Therefore it is absolutely paramount, if we are going to have a future food and agricultural policy, that we do maintain those high standards, and that, as I said, we do not get undermined by imports. I know we have made that very clear this morning, and perhaps we have emphasised it plenty enough, but you can understand why, because this is something that is fundamental to this Committee.

Greg Hands: Mr Chairman, you know farming and agriculture far better than I do. Obviously, as the Member of Parliament for Chelsea and Fulham, I have to confess that as a constituency—

Chair: Not many farms.

Greg Hands: There might be. There are a few farm owners, I suspect.

Chair: Quite wealthy ones, yes.

Greg Hands: I do not believe that cheaper food necessarily means lower standards. That is more a debate purely in the DEFRA space, but I do not believe necessarily that is the case: that cheaper food is necessarily of a lower standard. I leave that thought.

Chair: I very much appreciate the fact that you have given of your time very freely. I know you were a little bit wary of going beyond sugar, but you have gone well beyond sugar, and I appreciate your clear answers. We have had a very good discussion this morning. We very much appreciate you coming, and, as I said, you have been quite infectious with your confidence of what the trade deals and the deal that we can do with Europe can bring. I just hope that you are right, because it will be in all of our interests, including the country's interests, if this can be achieved. Thank you very much.