HOUSE OF COMMONS

International Trade Committee

Oral evidence: Trade and the Commonwealth: developing countries, HC 667vii

Tuesday 4 September 2018

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mr Nigel Evans; Sir Mark Hendrick; Mr Ranil Jayawardena; Mr Chris Leslie; Emma Little Pengelly; Julia Lopez; Faisal Rashid; Catherine West; Matt Western.

Questions 354 - 453

Witnesses

I: George Hollingbery MP, Minister of State for Trade Policy, Department for International Trade; Rachel Turner, Director of Economic Development and Europe, Department for International Development; Paul Walters, Deputy Director, Development Trade Agreements, Department for International Trade

Examination of witnesses

George Hollingbery MP, Rachel Turner and Paul Walters

Q354 **Chair:** Welcome to the International Trade Committee meeting today, 4 September. We have a very august panel in front of us today: the Department for International Trade's finest three before us. I will ask them all—some need no introduction of course but just for the record—name, rank and serial number, starting maybe in the centre for once.

George Hollingbery: George Hollingbery. I am the Minister of State at the Department for International Trade responsible for trade policy.

Rachel Turner: I am Rachel Turner. I am from the Department for International Development. I am the Director of Economic Development in DfID. I am responsible for driving our strategy of economic development and supporting all our country offices in the network.

Paul Walters: Good afternoon, everybody. I am Paul Walters from DIT and I lead on trade agreements with developing countries.

Q355 **Chair:** Thank you very much. I think the question on everybody's mind, Minister, at the beginning was: were you dancing when you were in Kenya?

George Hollingbery: I was actually in an investment roundtable on both occasions.

Q356 **Mr Nigel Evans:** Is that a yes or a no?

George Hollingbery: I might have been slightly actually under the table but I was not at those particular events.

Q357 **Chair:** Thank you very much, Mr Evans. I nearly missed that potentially evasive answer there.

Minister, the UK currently imports around £34 billion of goods from developing countries, and, as we have mentioned, the Prime Minister was in Africa last week announcing plans to boost investment in the continent. How do you expect the UK's trade with developing countries to develop post-Brexit—indeed if Brexit happens—especially when compared to the level of trade with emerging economies such as China, which they have a lot of trade with?

George Hollingbery: I am new to this, as you know. I have prepared some opening remarks, which I was led to expect was to be accommodated by the Committee. I don't know if you do not wish to hear them, which is fine by me.

Q358 **Chair:** Minister, can you answer that question? We will come back to that.

George Hollingbery: In which case, as my mind was elsewhere, could you possibly repeat it?

Q359 **Chair:** Yes, indeed. We will let you do your opening remarks because I have a feeling that you have the better of us on this one.

George Hollingbery: Thank you very much. Of course, I am delighted to have been invited here to speak today to the Committee as part of your inquiry—it is a very important inquiry—about how the UK can support developing countries in the Commonwealth to trade with the United Kingdom.

Trade is an important tool in the fight against poverty. Over the last decades, as I suspect you will know very well in this Committee, around 8 billion people have been lifted out of poverty, largely thanks to international trade.

By helping developing countries trade more with the UK, and also of course with the rest of the world, we can support their economic development. That helps drive growth and jobs in a way that aid spending alone cannot. As the Prime Minister said in her speech during her time in South Africa last week, the embrace of free markets and free trade has acted as the greatest agent of collective human progress the world has ever seen.

The UK already has strong trade relationships with countries across the Commonwealth, including with our developing country partners. I think as you just said, Chairman, the UK's total trade with the Commonwealth and developing countries was over £46 billion in 2017, and it is not just the UK that believes in the power of trade and development. At the Commonwealth Heads of Government meeting—which I will refer to as CHOGM, as I am sure you are comfortable with the term—in April the Commonwealth community demonstrated its commitment to the rules-based multilateral trading system to boosting trade policy across the Commonwealth and promoting inclusive trade policy.

The Government have already made good progress in meeting these commitments. First, as we leave the EU we will replicate the vital preferential market access that developing countries received under the unilateral preferences and economic partnership agreements at the EU. These arrangements cover over 100 developing countries, 44 of which are in the Commonwealth.

Legislation is well advanced, which will allow us to continue to offer unilateral trade preferences to 70 developing countries—of which 20 are in the Commonwealth—as we leave the EU. In fact, the Taxation (Cross-border Trade) Bill, which enables a great deal of what I am talking about, is being debated in the House of Lords, not at this very moment but certainly today.

We are also working with 30 partner Governments in Africa, the Caribbean and Pacific countries to transition all agreed EPAs. Only last week I signed a joint statement confirming that the EPA between the UK and the five Southern African customs union countries, and Mozambique, will be ready to enter force as soon as the EU deal no longer applies to the UK.

Now, reflecting on the evidence given to this inquiry, I am pleased to see the wide support for our approach to ensuring continuity and also note that in a previous report the Committee has done the same. People recognise the importance of minimising disruption to the trade agreements with developing countries, to the benefit of the businesses in those countries as well as those British companies that depend on the imports in their supply chains.

I recognise that some organisations, of course, have voiced concerns with respect to transition EPAs. However, EPAs aim to promote increased trade and investment by putting our trading relationship on a long-term, stable, mature and businesslike footing. Once we have left the EU, we will explore options to expand our trade relationships with our developing country partners.

Secondly, in her opening speech at the Commonwealth Heads of Government meeting, the Prime Minister announced three new programmes to promote a greater and more inclusive Commonwealth trade. These include programmes to support the implementation of the WTO's landmark Trade Facilitation Agreement and, working with HMRC colleagues, the world's customs organisation and UNCTAD to ease trade across borders, developing countries can access untapped new markets that have the potential to create thousands of jobs.

You will be relieved to hear, Mr Chairman, there is not too much more to go.

The Prime Minister also launched at CHOGM an all new Commonwealth standards network to help Commonwealth countries to identify the international standards that will do most to further their development objectives. International standards create a common language for trading partners across the globe, stimulating trade flows. They can enhance trust in supply chains and create more reliable business environments, helping countries to attract investment.

This complements wider action that the UK is taking to support trade facilitation, for example, TradeMark East Africa, which I learnt a great deal about on my tour as I sat with Mark Napier at an investment roundtable. This is the UK's flagship trade facilitation programme. It is working to increase trade growth and poverty reduction through greater regional integration and trade competitiveness.

Of course, this comes on top of the acknowledged 19% advantage that Commonwealth countries already have in dealing with each other directly because of course they speak the same language, have the same frame of law and so on. So far the programme has achieved a 16% reduction in transit times across the two corridors in Africa and reduced border crossing times overall by 62%.

We also want to make trade more inclusive and research has estimated that closing the global gap completely across the world could deliver up to $28 trillion of additional GDP, even some 12 trillion if countries adopt the best practices of their nearest neighbour with the best practices. That is why the Prime Minister has also launched the SheTrades Commonwealth programme, an ambitious venture to boost the role of women in international trade.

Alongside this, the Secretary of State for International Development announced that it will take a gender responsive approach to our future trade policies to ensure greater participation of women in international trade. I am delighted to announce today the SheTrades programme has been successfully launched in Nigeria, Kenya, Ghana and Bangladesh, with over 1,300 women registered for the programme.

So, finally, CHOGM helped capitalise work on trade and development and we secured ambitious commitments from Commonwealth members to work together on trade and champion the rules-based international system. DIT and DfID are working hand in hand to promote this agenda—as clearly demonstrated by the Prime Minister's visit to Africa last week—and I look forward to making further progress on this agenda with our partners, which will make an important contribution to global prosperity, and, Mr Chairman, thank you for your tolerance in the length of my statement.

Q360 **Chair:** Thank you. I am pleased to hear from the statement mention of an agenda to make sure that trade is happening with 100% of the potential target population and not just 50% of the target population, and that that is consciously being looked at.

Minister, when you were in Africa last week, were there any concerns or puzzlement about Brexit raised at any of the meetings you were at?

George Hollingbery: There was an appetite for information, certainly, Mr Chairman. I think there is some disinformation, there is some puzzlement and there is a lot of attention paid to the British media. That leads to potential confusion, as you know only too well, and I think the team, myself and many others, were at pains to reassure, to explain, to set out where our thoughts were and what we thought that the future held for us, always emphasising that there was no great certainty, particularly, as far as transitioning free trade deals and EPAs, and indeed other schemes, were concerned.

It was very necessary that we upped the pace on this because plainly, if there is a no deal outcome—which none of us want but we recognise it is possible—then we will need those agreements in place by the time we leave the European Union in March 2019.

Q361 **Chair:** Thank you. You mentioned a rules-based system for trading, which is affirming to the WTO. We have already heard many concerns, probably in the press really, about sovereignty. Do you think there would be any concern about sovereignty with the WTO telling us what to do—to borrow a phrase from tabloids—in years to come?

George Hollingbery: The WTO telling us what to do? Well, we have replaced the WTO, anyway, but we have to submit our schedules on goods and our schedules on services. This is a rules-based system in and of itself. We understand what those rules are. We wish to be part of it, so it is not a matter of being told what to do by the WTO, as far as I can see. It is a matter of acceding to the rules-based order around which that is built. We do that willingly and we do it knowingly.

Q362 **Mr Nigel Evans:** You say that you want to use trade for closer ties to the Commonwealth. Why have we left it so late? We could have done it before, irrespective of Brexit, couldn't we?

George Hollingbery: You make a reasonable point. As you know only too well, I am new to this job. Going around the Commonwealth countries, what has surprised me is that we have not done as much as I think we could have done. We certainly have not concentrated on trade. The good news is that the entire network is changing. We have Her Majesty's Trade Commissioners who are coming in place to enact plans—which have cleared Assent—to completely transform our relationship with countries on a trade basis. We are also putting considerable extra resource into staffing, particularly across Africa and into a number of countries, and I will allow colleagues to develop that a little if you find that useful.

Is it true that we have done nothing? No, that absolutely isn't the case. There has been plenty of work going on but it is mostly being directed through FCO and through DfID. That has been extremely beneficial to those countries in many ways but has it focused on trade? Certainly not as much as it is and is going to. Paul, I don't know if you want to add anything to that.

Paul Walters: No.

Q363 **Mr Nigel Evans:** Well, we are playing catch-up.

George Hollingbery: Playing catch-up is not the case. I think we could certainly have been doing more, but what we discovered beyond any doubt is that there is a real appetite for British involvement. I had that comment made to me again and again and again, "We have a shared history", "We have worked together for many years", "We understand each other's legal systems. We understand how you work. We trust you to deliver in the long run not just the short run". These are all not verbatim quotes but they are all impressions gained from interactions with colleagues abroad.

Q364 **Mr Nigel Evans:** Can you paint for us then a little bit of the leverage that you are using to bring this about? That is the first one. Then perhaps secondly to you, Rachel: is this a case of tying aid to trade? I thought that was something that was not Government policy?

George Hollingbery: I would just give a starter for 10 on that. The Prime Minister made her position very clear. Not only did she commit to an ambition that we would become the biggest investor in Africa in the G7 by 2022 but she made it very, very clear what she thought about the use of our aid budget and I believe this is absolutely the right thing to do.

She said, "I am unashamed about the need to ensure that our aid programme works for the UK. So today I am committing that our development spending will not only combat extreme poverty but at the same time tackle global challenges and support our own national interest. This will ensure that our investment in aid benefits us all, and is fully aligned with our wider national security priorities".

That says to me that we genuinely think we can help both sides of the argument: we can do good for British companies, British consumers and the general prosperity of the country, at the same time as doing exactly the right thing for bilateral partners, particularly in Africa but across Asia and in the Caribbean.

It seems to me that what we bring is structure. There is a structure there that is already quite like ours, the same language and so on. Customs arrangements need to be improved. We need to improve any and all aspects of how those countries move from straightforward full blown aid into standing on their own two feet for the longer term. That seems to me to be sustainable aid.

If we are putting in all these structures, if we are providing decent customs systems, we have programmes going on to allow these countries to attract overseas direct investment and package opportunities, if we have teams on the ground who can help the countries in question to put all these things together and, indeed, invest in those systems across wider regions as well, we make it right for everybody. We can benefit and the bilateral partners can certainly benefit, and they will stand in the long-term on their own two feet without relying on the UK straightforward for aid. That is a much, much better alternative to the aid for trade proposal that we think has been not outlawed but—

Q365 **Mr Nigel Evans:** All the advances that have been mentioned, where is that money coming from?

George Hollingbery: That I believe—as my colleagues will confirm—is the UK I think.

Rachel Turner: No.

George Hollingbery: Well, there is some from the UK anyway.

Rachel Turner: I can answer that.

George Hollingbery: Let's just move on to Rachel. You will get more precise answers.

Rachel Turner: Maybe I will go back as well to just reinforce what the Minister said about tying our aid. We are absolutely clear that we are not tying our aid. What the Prime Minister made clear in her speech last week is that she does want to put the development budget and UK expertise at the centre of a new partnership for investment and growth with Africa, and she also said in her speech that she sees "a driving focus of our development programme will be to ensure that Governments in Africa have the environment, knowledge, institutions and support to attract sustainable, long-term investments in the future of Africa and Africans".

Just to echo what the Minister said, this is about us using the aid programme to provide expertise, to provide advice, to support Governments with their economic transformation strategies, with their industrial strategies to help them develop their economies and to provide very specific technical advice.

We have spoken about this before in the IDC, on issues around planning cities better, around attracting manufacturing investment, about organising the power sector to drive economic growth, about linking small holders into commercial agricultural value chains. All of these we hope will create opportunities that UK companies can contribute to. We see a huge opportunity for UK Plc to bring the best of their investment, the best of their expertise, to contribute behind industrial strategies. It does not require us to tie our aid. It does not require us to put subsidy directly only into UK business, so that is very much our position.

Shall I say a little bit about the £4 billion? Is that helpful? The £4 billion announcement that the Prime Minister made in Africa was specifically for Africa. It was composed of three parts: the Prime Minister announced £3.5 billion, which was CDC's ambition for CDC's investment in Africa. That was the first time CDC had been clear about its ambition for new African investment over four years. I know we have spoken before about CDC but that was its specific ambition for Africa investment and new investment in Africa.

Then there were £300 million, which was a new commitment to be spent on infrastructure through the Private Infrastructure Development Group. I can answer more questions on that if that is helpful, but that was specifically to attract investment into the infrastructure sector in Africa.

During her visit the Prime Minister also made a number of additional investments, specifically to help drive reforms in economies and also to invest behind them. For example, she announced support for the African Agricultural Development Company, which is focused on helping small holders link into commercial agricultural value chains. She also announced support for fintech, financial technology. I know the Minister is interested in that and he might want to say some more about fintech.

George Hollingbery: Perhaps it would be worthwhile if I could say on the PIDG—

Q366 **Chair:** if I can make a plea for brief answers.

George Hollingbery: It is very brief. One thing that I discovered—particularly in Kenya but the same applies elsewhere—it is very difficult to raise sovereign debts on these countries but particularly for Kenya, and PIDG came in to our investment roundtables and clearly offered alternatives that involved private finance, which had fallen at the hurdle before and it was clear that the intervention of CDC, of UK EF, of PIDG in a suite really makes a difference. We can be imaginative about finding those solutions. Thank you for your indulgence, Chairman.

Q367 **Chair:** That is good. Following on, Minister, you said you heard that they were keen on British involvement, but isn't the reality that we are going to have to piggyback on EU agreements, at least not fall out of EU agreements although there will be less involvement?

George Hollingbery: I am not quite sure I follow the question. We are clearly trying to transition all the EPAs that we currently have into—

Q368 **Chair:** Therefore, we must maintain the agreements that the EU has with these countries?

George Hollingbery: Plainly, that is absolutely our ambition, yes. We have stated this many times before. The whole objective here is transition. It is stability, certainty for consumers and certainty for businesses. Yes, in trade with the UK that transition will be essential. Now there are several EPAs that are not in force yet—

Q369 **Chair:** If the situation arose where we did not get that transition by whatever means is going on and the bamboozlement of the month is ahead, what would that mean for all that you hoped for when you were in Africa?

George Hollingbery: We still continue to negotiate on those EPAs. As you know I signed—it wasn't the agreement itself—

Q370 **Chair:** It would delay what you are hoping to do?

George Hollingbery: I am saying we have signed with SACU the Southern African EPA, and we know that is going to be in place in time. We are making very good progress with other EPA partners. There are issues with some of them, plainly, and it is nothing that the UK can really control. There are parliamentary issues on one side of that, time available, there are certain complications with the structure of some of them and how many people have signed them and haven't and whether they are ratified or not, so it is not an absolute given that we can get them all transitioned. I can tell you that we are in very earnest, real and proper conversations and negotiations with all partners with EPAs to try to make that happen, and it is absolutely our intention to deliver upon that.

Q371 **Emma Little Pengelly:** There does seem to be a growing appetite for the UK to focus on the Commonwealth countries initially in relation to the development of trade policy and support in relation to developing countries. However, some witnesses to this inquiry have raised concerns that putting in place special arrangements for Commonwealth developing countries may breach WTO rules if those are not applied to the wider group. Has the Department made any assessment of that, and do you believe that to be the case or can you put in place a set of arrangements?

George Hollingbery: I will give a little introduction and then we will ask Paul to do the detail on that.

As far as I know—and I am happy to be contradicted by officials—there is no special arrangement being created for Commonwealth countries. There is no organisation that we are trying to create that represents just Commonwealth countries.

The fact that Commonwealth countries have joined together into groups—and not exclusively in some cases—means that we are tackling quite a few Commonwealth countries because of the groupings they are in, with whom EPAs are either under discussion or have been completed with the EU. Externally it may seem there is a concentration upon the Commonwealth at a formal level but actually that is not the case.

However, it is the case—and I think I said this in my introductory remarks—that for Commonwealth countries doing business with other Commonwealth countries is just straightforward good sense. They share enough in the way of language, of structures, of law, of rules, of regulation that doing business with other Commonwealth countries is a very good idea. It costs a great deal less to do it. But there is no formal organisation, but I think Paul ought to fill in some of the details.

Paul Walters: Thank you, Minister. Yes, as the Minister mentioned in his opening statement, there are 100 developing countries that get critical preferential access to the UK. Our overwhelming top priority is to ensure continuity in those arrangements. It is what our partners want. It is what businesses and consumer groups have been calling for.

By doing that, by successfully transitioning those arrangements for 100 countries, it touches on the interests of many numbers of Commonwealth countries: 44 Commonwealth countries benefit from those arrangements, so we are able to satisfy their needs through that. There are no plans to do anything bespoke. In terms of trade policy arrangements, there are no current plans to do that.

In the future we will look at all arrangements to improve our offer for Commonwealth countries and developing countries side by side, but that is for the future.

Q372 **Emma Little Pengelly:** To clarify on that, although you have clearly indicated that there are no plans to put together a bespoke organisation or group of these countries, if it was an established principle of UK trade policy to target and support Commonwealth developing countries with perhaps special provisions above and beyond what has been rolled over and continuing with the European Union arrangements, is the Department of the view that that would breach WTO rules or could the Department do that, regardless of whether or not you are doing it at the moment? If that was a policy would it breach WTO rules?

Paul Walters: Clearly, as we think about any changes that we will make in the future, we will need to be very mindful of our position in the WTO. As the Minister said, we take our roles and responsibilities in the WTO very seriously and we would need to consider all options and make assessment of that nature in the future.

Q373 **Emma Little Pengelly:** But you have not made that assessment at this stage?

Paul Walters: We have not made that assessment at this stage, largely because we feel that we can satisfy the needs of Commonwealth developing countries through our overall policies to support developing countries.

Q374 **Sir Mark Hendrick:** Minister, is it not the case that within the European Union anyway, Africa, Caribbean and Pacific countries have had to some degree preferential treatment because of the historical relationships between those countries. Many of the former colonial powers are within the EU, like France, Belgium, as well as the UK, and therefore this idea of continuity is just carrying on that after we have left the EU? If that could not have been challenged previously by the WTO, why should it be challenged now just because we have left the EU?

Paul Walters: The system of preferences and the economic partnerships are designed to satisfy WTO rules. The economic partnership agreements, in particular, have their origins in the EU seeking to set the strongest possible example of fulfilling the WTO's commitment that you treat members in a like way, and that you offer preferential treatment in an objective way rather than just selecting countries to be in certain groups. The current EU arrangements satisfy WTO rules, and so we would be transitioning those and we would also satisfy those same provisions as well; the same undertakings.

Q375 **Sir Mark Hendrick:** That is my point, so why should this be an issue if it wasn't before?

Paul Walters: Well, it will not be an issue if it—

George Hollingbery: I think I detect a slight disagreement within the Committee here. That is what I suspect.

Q376 **Chair:** There are many disagreements on the Committee.

George Hollingbery: Of course there are. There are a number of politicians around the table.

I will ask officials to jump in and correct me if I am wrong, but I suspect that if one wished to put together an EPA based entirely around Commonwealth members it could probably be made WTO compliant. That is probably the actual political reality. I do not think there is an appetite in the Commonwealth to do this. As far as I understand matters, from what I have read in recent times, the Commonwealth itself does not have the appetite to create a free trade agreement that would be the Commonwealth.

Q377 **Sir Mark Hendrick:** No, I am not suggesting that. I am suggesting that because of the relationships that exist between existing EU member states and former colonial countries, some in the UK Commonwealth, some that had relationships with other former colonial powers, those arrangements have been set up already and they have not been challenged by the WTO. If we set up similar arrangements, why should they be challenged just because we have left the EU?

George Hollingbery: I don't see any reason why they should be. If they were WTO compliant when struck with the EU I would agree that they will be WTO compliant, as long as we are members of the WTO and we have all the rules set and we have joined it and so on.

Sir Mark Hendrick: Exactly.

Q378 **Julia Lopez:** The Prime Minister made clear that she seeks to be the largest investor in Africa in the G7, but carefully did not include China among that and China is obviously a very substantial influence in Africa already and certainly going forward. Given how substantial that Chinese investment is, particularly when it comes to trade facilitation, their investment in ports in particular, I wonder what influence does China's own trade and investment policy in Africa have on how we want to do things. What opportunities do you see in how they approach things and what threats do you see?

For instance, I was in Kenya over the summer and there seemed to be increasing scepticism about the Chinese approach and I wonder if there is an opportunity for the UK there to drive people towards a more rules-based, certain investment structure for some of the things that African countries want to do.

George Hollingbery: I completely and wholeheartedly agree with you. The Chinese have their own policy. Indeed, all of the heads of state with whom we met were about to head off to China on that Friday and we see the results of that now. Mr Chairman, I forget, I think it was $60 billion—or was it translated into sterling, I can't remember—of investments announced. I do not think it is any great secret that the UK Government do not have the capacity to match that sort of offer, on which basis we have to make a different offer.

You are right. In the countries that we visited, there was a clear understanding that there was money available, that China was there to do certain sorts of business but also—"distrust" would be the wrong word—there was a degree of cynicism, I think is possibly best, and perhaps a slight 'bitter by experience' feeling. For example, there have been issues on the Mombasa to Nairobi railway and we know perfectly well what has happened on the south coast of Sri Lanka. There are other examples we could probably all quote.

That is not to say that China does not have the best intentions. I do not wish to besmirch China's reputation and they are looking to invest huge amounts of money in that part of the world that needs it. But you are right. The reflection from the partners over there was that there are other ways of doing business than just 80% of anybody else's cost base.

In answer to your question about how can we counter that, how can we deal with it, I come back to something I briefly touched on a moment or two ago, which is: there is a deep trust that was eroded somewhat in Kenya a number of years ago, but it has definitely rebuilt. There is a long history. We share an awful lot of structures and ways of doing business. When you go there you can meet with politicians and you can kind of understand what job they are doing and how their Parliament is working, and so on.

That all spills over into a trust of the British to deliver what they say when they say they are going to do it, not to walk away at the end of the contract without leaving any plans behind about how it was built in the first place, consulting widely locally in the first place to make sure it is acceptable to local people, built in a sustainable way. That if it runs into maintenance issues there will be somebody to call and they will be at the end of the phone, and with an intention to carry on in theatre for as long as it takes and to be a presence there for the long haul. I don't think that is a massive counterpoint to what is being offered by others with large pockets, but it is definitely a competitive advantage we have. That trust exists and is there.

Q379 **Julia Lopez:** Do you have anything to add on those points?

Rachel Turner: I would only add that, from the development point of view, of course, one of the objectives is—and I think it is right that it is—to support Governments, including African Governments, to develop their own rules and systems, to give them the business rules, the frameworks, the capability to engage with investors and to make sure that they secure the maximum benefit from all investment. We are doing that. We are doing that in Ethiopia, for example. We are supporting the Ethiopian Government in how the Ethiopian Government interacts with investors of all nationalities.

Q380 **Julia Lopez:** DIT is a relatively new Department and it now has an in-country presence itself. I wonder how well that operation is integrating with the existing FCO and DfID presence in particular countries in the Commonwealth.

George Hollingbery: I will give you the outsider’s view and then we will have the insiders’ view, because these guys will know more about it than me.

It is working very well, there is no question. We need to beef up. We need more people, boots on the ground getting out, meeting the people, seeing the businesses, putting the packages together, promoting those to British businesses and hosting more delegations. We just need more people out there and that is coming. There is a restructuring. We have the HMRCs on the floor who have really made a difference. They have started strategic planning for areas. That has been locked into by Post who is activating working with that plan.

As to integration with DfID and FCO, in all cases where I was travelling or working with combinations of those groups they seemed to me externally to get on very well, to understand each other’s agendas and not be sensitive to each other’s agendas and knowing where the boundaries were. But in the middle of all of this was what is at the heart of those words from the Prime Minister: there is a change of mood about what aid is and should be and how it should be made sustainable, and I think that has been bought into by a great many on the ground. Colleagues?

Rachel Turner: I support that. With Paul you have living proof of the joint approach. Paul heads up one of the two joint DfID/DIT teams physically inside the Department for International Trade, reporting through the Department for International Trade but funded by DfID in order to ensure that policy and development issues remain at the heart of trade policy.

Q381 **Chair:** Just to expand on that, how many diplomatic missions are there in sub-Saharan Africa? How many trade and business advisers are there in sub-Saharan Africa? How much are they going to increase? What is based in London? I notice that Turkey in the last 14 years has increased its investment in Africa from 100 million to 6.5 billion, and the number of Turkish embassies in Africa have gone from 12 to 41. There are countries clearly taking this very seriously and the numbers here on the—

George Hollingbery: There are two new embassies in Africa, Mali and Niger.

Rachel Turner: Niger and Chad.

George Hollingbery: Niger and Chad, I do apologise. I only read that this morning.

Q382 **Chair:** Niger and Chad, two new embassies, and are the diplomatic missions going up, people working?

George Hollingbery: We have 3,800 people in DIT, of whom 1,200 are in post.

Q383 **Chair:** In Africa?

Paul Walters: Not in Africa.

George Hollingbery: No, not in Africa. Sorry, that is across the board. I forget the actual headcount in Africa off the top of my head.

Q384 **Chair:** Could you write back to the Committee with the headcount—

George Hollingbery: Surely, of course we can. I actually have it in my head somewhere.

Chair: —and the projected increase in headcount that is coming at this point but—

George Hollingbery: It is planned.

Q385 **Mr Ranil Jayawardena:** May I welcome you to your position, Minister, given how long we have known each other?

George Hollingbery: Thank you.

Q386 **Mr Ranil Jayawardena:** Could I clarify the Government's position that ultimately the Government want freer trade with everyone? Particularly given that the Commonwealth does not want to become a block—like the EU is—the UK Government want to do free trade whether that is with the EU, with the Commonwealth or other third parties?

George Hollingbery: Of course that is true and, just to emphasise the point Rachel was making on the aid for trade, what we are doing is setting up these countries such that they can trade with everybody, that the structures are there to ensure certainty for everybody. That everybody that wants to come to trade with that country can do so in an anticipatable way with certainty about how it works, with a rules-based system in place, with customs that work.

If we can shape it somewhat to look like ours and feel like ours and make it easier for our companies, I don't think there is anything wrong with that as long as it works for everybody else at the same time and it certainly is not a bad thing for the bilateral partner. So, yes, is the answer to your question.

Q387 **Mr Ranil Jayawardena:** To take that a step further, given that the Commonwealth has economies of all different shapes and sizes, I note that the President of the Board of Trade set out our ambition potentially to join the TPP 11, which includes Australia, New Zealand, Canada, Singapore, Malaysia and Brunei, all Commonwealth countries. By joining organisations and groupings like that, we are tying ourselves to a block but we are actually opening relationships with Commonwealth countries and others.

George Hollingbery: Indeed.

Q388 **Mr Ranil Jayawardena:** Could you update us on the Government's consultation in that respect?

George Hollingbery: On the FTA?

Mr Ranil Jayawardena: With TPP.

George Hollingbery: Are we talking about the conversations we have been having with the CPTPP?

Mr Ranil Jayawardena: Yes.

George Hollingbery: The answer is, no, I cannot if I am absolutely honest. I know that initial contacts have been made. The Secretary of State was in Japan recently and I think the Japanese Government showed real enthusiasm for that being taken forward. I think South Korea has indicated as well that they have some enthusiasm. The one I know about for a fact is that Japan has said it would welcome entertaining the proposition. Let's put it that way. I do not think we are much further than that at this stage.

Q389 **Mr Ranil Jayawardena:** I should refer members to my register of interests. Following the Japanese premier's suggestion welcoming that Britain should be interested in joining the TPP, the British Government's position is what? That we should?

George Hollingbery: If what we are talking about is the proposition for new FTAs—I am very sorry, I have been slightly slow in catching up with where we are going—yes, we have announced four potential FTAs, not just the CPTPP but of course New Zealand and Australia and the United States. The Secretary of State has been very clear that there should be a wide and deep consultation. It is actually going to run for 14 weeks, longer than was standard in the European Union.

We want to make sure we are doing this properly. We are doing it in two different formats, so there will be some roundtables with specific partners who we directly want to deal with. We have sectoral interests and so on, and also in other venues much wider, larger participation, 60 to 80 folk in a room. We will have officials there. I will be there for at least some of them.

In parallel with that, there is a lot of deep dive work and other work going on with the devolved authorities, because plainly they have regions to represent and it is very important that we find out their views. I will be in Scotland tomorrow and I will be hearing from one of their Ministers about that in a bilateral. I am attending for something slightly different about the trade Bill, but I am doing that. In the afternoon I am hosting the first of the 12 consultations that are up in Scotland, and after that has finished I am taking a bilateral with Trade Justice Scotland.

Q390 **Catherine West:** A brief question about the Commonwealth priorities. At the CHOGM meeting before the summer, the Heads of Government established a priority to work towards on health and I am wondering whether the Minister knows what that was.

George Hollingbery: On the health, not particularly. There is connectivity and clearly I know about the open rules-based system, multilateral system and protectionism. The actual health-based one—

Rachel Turner: They committed to halve malaria, so the big announcement at CHOGM was the commitment to halve malaria. I think the Prime Minister made the announcement in terms of our support behind that commitment.

Q391 **Catherine West:** Chair, I was a little concerned when a cross-party delegation visited Nairobi that, when we had the briefing from the chief official in Nairobi and from the head of DfID, malaria did not seem to be anywhere on the map. It wasn't in any of the briefings. Lots on security—and I know that that is quite rightly one of the Prime Minister's personal areas of concern—but, given that CHOGM had established that one priority, I was a little disappointed that it did not seem to be integrated back because, as you are all aware, there is a very close link between productivity and the number of days lost to the economy through malaria.

Could this message go back from all the members—it was a cross-party delegation—that we felt that it wasn't integrated back through what we heard there? So lots on security and lots on what we would like to do about trade in the future, but I felt that what was being talked about in London at CHOGM, which as members we all feel is very important, particularly given that we are trying to pump up the Commonwealth in the current climate, that none of that was reflected back. If you could take that back as a message.

Rachel Turner: I will certainly take that back but, just to reassure you, I know from my Secretary of State delivering on that malaria commitment—the support that we put behind it, tackling malaria and, as you say, the effects that has on productivity, on children and mortality—is an absolute priority for her, so let me assure you of that but I will also make sure I take that message back.

Q392 **Catherine West:** Maybe the Minister could be briefed?

Rachel Turner: Yes.

George Hollingbery: This Minister?

Q393 **Catherine West:** Yes. I think you might be the only Minister in the room. I am not sure but—

George Hollingbery: The reason I say "This Minister" is because clearly it is not a trade issue. I don't wish to be picky but it is not part of my brief. It is a DfID brief.

Q394 **Catherine West:** If I could just press you on that because I think we have just discussed—

George Hollingbery: Of course. I can see what you say. Yes, okay, if we—

Catherine West: —there is a very close link between the days lost to the economy in Africa, particularly malarial Africa, for example Kisumu, a county in Kenya, and what we are trying to achieve with trade. The UK spends a lot of its aid budge on strengthening health systems and so on and I would not want that link to be lost. I think it would be particularly pertinent, given that every single Head of Government in all 53 countries has said it is a priority, that it is part of what you talk about as a Minister when you go around.

George Hollingbery: Fine. I understand exactly what you say; reprimand received, understood and accepted.

Q395 **Mr Chris Leslie:** Can I also welcome you? You are the third Minister of State for Trade that we have had at this Committee.

George Hollingbery: I know. I am sorry, I would rather have the previous one here but I am—

Mr Chris Leslie: I don't know about that.

Chair: Mrs May might be watching.

Q396 **Mr Chris Leslie:** The first Minister made all sorts of big promises about rolling over the existing trade agreements that we have, whether it is EPAs, these Economic Partnership Agreements or other free trade agreements, all have agreed to roll over was your predecessor but one's promise. His successor did not really want to come off that, but today you have been a bit more honest I notice, because you said earlier on it is not an absolute given that we can get them all transitioned. Those were your words earlier on to the Committee.

George Hollingbery: Indeed.

Q397 **Mr Chris Leslie:** It is quite important to get some honesty in this process. On 28 August—looking at this economic partnership agreement with the South African Development community—your Secretary of State tweeted that you had signed a joint agreement. Can you be absolutely clear that is not an agreement to roll over the EPA?

George Hollingbery: I will back my Secretary of State in saying that we signed a joint agreement, which we have. It was not to roll over the EPA.

Q398 **Mr Chris Leslie:** But it was an agreement to work towards agreeing.

George Hollingbery: No, it is a lot more than that and, I will be absolutely straight with you, if there were complications I would be clear. At a bilateral after the signing with Minister Kenewendo—incidentally, I don't know if you have ever met her. She is 31 years old. She is a proper livewire and I shall be watching her very carefully because she is going a long way.

Mr Chris Leslie: She might be getting the better of you but—

George Hollingbery: She was definitely getting the better of me I can tell you. Anyway, there we go. The statement basically said that we are going to be ready in time for 29 March, and I think of that there is absolutely no doubt.

Q399 **Mr Chris Leslie:** It was not an actual deal?

George Hollingbery: No, and the releases and everything we put out were very clear. I have to say the press did not necessarily report it that way, but what I can tell you is in that bilateral afterwards with their Minister for Trade, who was Rob Davies—I always forget the first name, but anyway a remarkable man—he was very, very clear with his officials—

Mr Chris Leslie: My point is—

George Hollingbery: Let me finish, Chris, if I may. He was very, very clear with his officials that there were a couple of things to be ironed out and that we expected to have those agreed now by the middle of September. That is what he expected at official level, and then at senior official level in October and hopefully signed almost immediately thereafter.

Q400 **Mr Chris Leslie:** All those little chats around the sidelines are the kind of conversation you have when you are buying a house or selling a car. The key things that matter are the black and white, ink on the paper, whatever.

George Hollingbery: This was a formal bilateral.

Q401 **Mr Chris Leslie:** In terms of the agreement, it was an agreement to work towards an agreement?

George Hollingbery: It was an agreement that we were absolutely confident it would be in place by exit day and—

Q402 **Mr Chris Leslie:** It said at paragraph 8 of that joint statement that you got that, "Our EPA will form the core basis of our future economic and development relationship. We recognise that some issues have been identified that will require consideration after the UK's withdrawal".

George Hollingbery: Correct.

Q403 **Mr Chris Leslie:** That suggests that there may be some further negotiation about what is in it.

George Hollingbery: Indeed it would.

Q404 **Mr Chris Leslie:** So you are not going to be using the exact text of the existing EPA?

George Hollingbery: No, we will be using the text as agreed prior to that next set of negotiations. It is a commitment to SACU that we will agree now to transition technically, whatever that requires—

Q405 **Mr Chris Leslie:** What are they going to amend, though?

George Hollingbery: In due course we will sit down with them. It is a commitment to sit down with them and look at the EPA more widely, as and when time presents itself as being available to do so.

Q406 **Mr Chris Leslie:** Yes, but you do not have long. How many months is it now until we exit the EU?

George Hollingbery: I want to be quite clear about this. What will be signed by the two countries—I expect will be October, it is just possible it might be November but I hope it will be October—signed and sealed will be a technical transition of the existing EPA. That statement makes a clear commitment, which is acceptable to the six countries that we would look at the EPA again in due course. We have given a clear commitment that there are certain things that they wish to examine, which there is not time to do now. We have said to them we will sit down and talk about those in due course.

Q407 **Mr Chris Leslie:** We are guaranteed that by—what did you say—November we will have a legal text agreed to roll over the SUCU?

George Hollingbery: Only a fool of a politician would guarantee anything at the moment or ever again. I am as certain—

Q408 **Mr Chris Leslie:** But your predecessors did say it had all been rolled over.

George Hollingbery: I am as certain as I can be that there are very small technical issues left to roll over about the transition.

Q409 **Mr Chris Leslie:** What are they? What are the negotiations about?

George Hollingbery: They involve tariff rate quotas and we believe we have a deal on certain issues. It is not the right place to reveal those here in this Committee, but what I have been briefed on that we have available as an offer—and this is something I said to Rob Davies—will satisfy them and they will then feel able to sign this. He did not believe that there was any reason why we would not be signing this agreement in October/November.

Q410 **Mr Chris Leslie:** If I give you the benefit of the doubt and say you have one that is going to be available probably, not guaranteed—you are not guaranteeing it—by November, how many others have to be rolled over before March? What is your relative—

George Hollingbery: I cannot remember. There are 40 of them.

Mr Chris Leslie: You cannot remember where we are?

George Hollingbery: I can tell you—

Q411 **Mr Chris Leslie:** That is one. That means there are 39.

George Hollingbery: Give me a second. There are 40 agreements that are mostly about trade—I think that is the way we describe it—which could be rolled over. There are some with highly developed nations where the risk of not rolling them over is going to be difficult because they are much larger trading partners. Clearly there are offensive and defensive interests and it will be more challenging, but we have had good indications from most of them.

There is not much point in going into a lot more detail with those but in the large part those have been developed quite recently, so, while it is not something that you would ever ignore, you have to understand that the UK based businesses and others have not come to rely upon the provisions of them as much as others. I am just painting a portrait. I will just ask officials to tell us roughly where we are on the balance if we can. I am obviously reasonably over the East African one, reasonably over the Nigeria one, reasonably over one or two of the others in the African area but I will not pretend to be fully briefed on them across the piece. If you don't mind I am going to refer to officials.

Q412 **Mr Chris Leslie:** Before we hear from them, I want to get some proper assessment about the consequences of what we are hearing today because hitherto we have been told, "Don't worry yourselves, Committee, they are all going to be rolled over". But now I welcome your more honest approach to this because you are saying that there are no absolute givens here. There might be some that do fall out. Do you have an impact assessment within the Department for each of these 40 existing trade agreements that if they don't roll over, what the economic consequences would be for both sides? Especially for the developing countries because, obviously, if they don't roll over all seven of these EPAs there could be consequences for the developing nations, not just for—

George Hollingbery: I think the only response I can give you to that is: what would the purpose be?

Mr Chris Leslie: Do you have an assessment?

George Hollingbery: Let me just tell you the complications. The complication with negotiating continuity agreements is that we are not in control of the agenda. Our side is that we know exactly what we want to do. For some of our—can I just use the word I used yesterday, which just helps, "interlocutors" because it describes them as best they are. They have different motivations. Some of them are substantial trading partners, some much less so. Some have access to preferences, some don't. There are all sorts of complications. There are difficulties in the potential EPAs that they either have or have not ratified or where all or some members haven't, and what I am trying to illustrate is very often this agenda is not something that we can control. We could throw 10,000 people at this and make every effort we possibly can and there might still be something that will get in the way.

I believe that, as we come closer to the reality of exit day, we will see a great many of those relationships rolled over because they are crucial to our partners.

Q413 **Mr Chris Leslie:** We may see some that aren't.

George Hollingbery: I have already said that there are complications with some of them, which suggests to me that they will be more difficult than others.

Q414 **Mr Chris Leslie:** The reason why I ask about an impact assessment is we are already losing the single market with 40% of our trading arrangements, possibly more than that. Then we have another third of our trading relationships that are through all of these other FTAs, EPAs and so forth. Now we are hearing that they may not be rolled over. I think the Government ought to do an assessment of the impact of the consequences for us.

George Hollingbery: I slightly dispute the contention; the contention that we are losing all EU trade is for the birds.

Q415 **Mr Chris Leslie:** We are losing the single market, though.

George Hollingbery: We are losing the single market.

Q416 **Mr Chris Leslie:** That is the only bit the Treasury has done the impact assessment of so far, right, so there is another third of our trade that we now need to hone in on and think, well, what could the potential consequences be within that basket of a third if they do not roll over?

George Hollingbery: Let the officials develop a little about where we are and what our intentions are. But I think, yes, you have drawn the right conclusion here today, which is that there is no point in saying anything other than there are one or two—some of them—where it is going to be problematic, mostly because we don't control the agenda on the other side. But let us talk more about our intentions and the efforts that are being put in and illustrate it that way.

Mr Chris Leslie: Sure.

Paul Walters: Thank you, Minister. My focus is on the seven economic partnership agreements, so let me start there. It is true to say that the SACU agreement is the most advanced. It is of the highest economic value to both sides, and we have been able to make substantial progress on that. The other six agreements are not too far behind and we are working very closely with our partners on that. There is a balance of interest. We are very keen to achieve continuity and our partners are too.

As the Minister said, not all of the moving parts are within our control. These agreements will need to be ratified by our Parliament and by the Parliaments of our partners. It is important that that scrutiny happens on both sides, and some of those timings are out of our control. But of course the Government are planning that we reach agreement with the European Union on a withdrawal agreement that will include an implementation period.

The draft withdrawal agreement gives provision that the UK will continue to be considered as a part of these agreements during that implementation period through to the end of 2020, so we would automatically continue to benefit from those agreements during the implementation period if there is one.

George Hollingbery: To be absolutely clear, what I am saying right now is we are concentrating absolutely on a no Brexit scenario. That is the questions that you and I were popping backwards and forwards to each other. Clearly, the implementation period changes the dynamic completely so I want to be absolutely clear about that.

Q417 **Mr Chris Leslie:** I understand that but instead of going through the fantasy, as we have with your predecessors, where they all agreed to rollover or, as a Secretary of State says, "One second after midnight they will all be signed", which is what the Secretary of State has been telling us. We have to put that in the bin now because we are getting a bit more honesty from you about this. Let's say we have one of these seven EPAs that is rolled over, that you do get this, the other six not necessarily. So what are the consequences? Have you done an analysis of the consequences for British firms, but also for those in the developing countries who currently have a good trading relationship with the UK who might lose that on Brexit exit day and we might cause adverse consequences in the developing world? Do you have that analysis?

Paul Walters: The first point is that we are confident that we can deliver these agreements within the implementation period, but, as the Minister said, as a pragmatic Government, we are planning for all eventualities.

We are working very closely with our partners. We have increased our resources on the ground to better understand how these agreements are being used. If some of the countries move to other preference schemes or other arrangements, we are thinking about what the potential industries could be. We are talking to industry partners. We are talking to our partner Governments. We are talking to all stakeholder groups to build a better picture of what is at stake here.

Q418 **Mr Chris Leslie:** But by when? Can we say that, within this calendar year, you will be able to say all of these seven EPAs you will have to the same developed level of rollover confidence that you have with SACU?

Paul Walters: For sure. We hope to follow the same process—

Mr Chris Leslie: In this calendar year?

Paul Walters: We hope to issue joint statements with all of our partners. We have to work day and night to make sure that we get these over the line in the next few weeks and months.

Q419 **Mr Chris Leslie:** Not just joint statements but actual legal texts?

Paul Walters: Joint statements kind of with milestones, so we are being very clear to our partners and our stakeholders of the progress we are making. The joint statement was hugely important, not only to us but also to our partners, to signal to businesses that we are getting on with our work and that we can deliver that continuity, and so we will try to do that with all of our partners. All of our partners deserve this level of transparency.

George Hollingbery: Let us be absolutely clear, our partners want this so there is every motivation for it to happen. Sometimes it is difficult to activate those. There has been a difficulty caused by some bilateral partners looking at what is coming out of the UK, anticipating that there is definitely going to be an implementation period and finding the sense of urgency that is required. The reason I maintain confidence, admit that there are essential obstacles to success, is that one of the things we delivered when we were out in Africa was an absolute assurance that a no deal Brexit was a genuine possibility. However much as none of us want it to happen, it was a genuine possibility and we should legislate to deal with that. Now—

Q420 **Mr Chris Leslie:** This is an important moment because it is the first time we have heard from the Department that all of these FTAs and EPAs have not all agreed to roll over.

George Hollingbery: Every single one of them has agreed that they wish to do so and is engaging actively with the Department to make sure that we pursue that as best we can.

Q421 **Mr Chris Leslie:** But there are no agreements to roll over yet?

George Hollingbery: No. It is an absolute fact. It is an absolute fact there isn't.

Q422 **Mr Chris Leslie:** That is the key thing because we have been flannelled before.

George Hollingbery: No, there is not. That does not mean there won't be and I think it is very important for us to understand that. Sitting outside the UK it is very easy to think that the implementation period will end up with a future economic partnership. There is not a real recognition that there is a genuine chance that there will be no deal and, therefore, the sense of urgency in some quarters has been lacking. We are doing everything we can to counter that. I believe we will be successful. I cannot guarantee that will be in all cases.

Q423 **Chair:** Thank you, Minister, for being candid. You mention it was made of all eventualities. As was pointed out distinctly by Mr Leslie, the Treasury looked at the GDP effects—or damage some would say—to the various scenarios. This was published quite early on. I think the Scottish Government and the Irish Government did something similar. It was a 2% effect minus to the GDP of the UK if it only stayed in the customs union and the single market. That has gone now by the appearance of the Government and the battle is between no deal, which is an 8% damage event and 6%, which would be a deal according to the Treasury. Has your Department put any percentage figure on a lack of these EPAs being carried forward, if you are ready for all eventualities?

George Hollingbery: If you are talking about the EPAs as in the EU EPA definition, not free trade agreements but straightforward EPAs, I don't have a figure in my head exactly and I am sure colleagues can help me. The percentage of UK trade that is involved here is—well, nothing is trivial—I think South Africa is 0.8%.

Q424 **Chair:** Sorry, I mean if EPAs and FTAs don't happen. Has your Department—

George Hollingbery: On FTAs let's not forget that there are some that have been long extant but there are quite a lot that are quite recent and, therefore, the detrimental effects of not doing these is much less now than it would have been had they been in place for a long time. I think you will understand the point that I am making.

Q425 **Chair:** I seem to remember Sussex University talking about a point or a percentage point of 2 to GDP. Would that chime?

George Hollingbery: Can I be absolutely candid with you? I think this is the province of the Treasury and/or DExEU. I understand the point you are making about trade deals and potentially the interplay between impact assessments and so on. The answer is I believe we don't hold that figure and I would expect that figure to come from Treasury if it was going to come from anywhere.

Q426 **Chair:** Will you write to the Committee and let us know if the Treasury included in that 8% figure the non-EU stuff as well, or is that just EU no deal damage to GDP or is there more that is unseen for the UK?

George Hollingbery: I think you are as well writing to the Treasury yourself for that information. You are simply adding a step with us requesting information. That is something that you can enquire from the Treasury—

Q427 **Chair:** Your Department would not know. It would be the Treasury that is more aware of the impacts of the trade agreements?

George Hollingbery: We are absolutely clearly aware of any potential impact, particularly on our bilateral partners and why it is so important that we have these arrangements in place. Yes, it matters a great deal to British companies, the trade there and clearly that is a principle of concern for the British Government but, at the same time, we are very concerned about this issue and that is why we are putting so much effort into creating continuity as best we can. I have been as candid with the Committee today as I can be. I am saying to you that we believe we will transition them.

We all know that the Government are working incredibly hard to create an implementation period and an agreement with the European Union that will allow us to work longer and harder on these and actually get them into place, so the Department is doing as much as it possibly can to make sure that these are on our books.

Q428 **Mr Chris Leslie:** I am finding it difficult to believe that your Department does not have an analytical capacity within it to assess the benefits of a free trade agreement or an EPA or, conversely, the loss of an FTA or an EPA. Because you were just saying, Minister, it is a matter for the Treasury. I am not sure I believe that. Surely, you have within your Department, because you are the Department of International Trade, the ability to assess what is the benefit of a new FTA or the consequences of losing an existing FTA.

George Hollingbery: With limited resources in the Department we would want to put our resources into making sure that does not happen rather than making calculations.

Mr Chris Leslie: Do you have that capacity in the Department?

George Hollingbery: What I can say to you is that in all cases where a trade agreement has been reached and reported in May to the European Select Committee, because that is the process that is involved, a benefit paper, an impact assessment, has been produced for each one of those.

Mr Chris Leslie: From your officials, Mr Walters?

George Hollingbery: I do not know where the source was.

Q429 **Mr Chris Leslie:** Maybe Mr Walters knows. Is that from your officials within the Department?

Paul Walters: So when the EU agreements have been ratified by the UK Parliament we have tabled impact assessments, which include this information.

Mr Chris Leslie: Derived by officials in your Department?

Paul Walters: Yes, drawing on sources from our own—

Q430 **Mr Chris Leslie:** So you have an analytical capacity within the Department for International Trade to calculate the economic impact of either going into a free trade agreement or leaving a free trade agreement? Do you have that capacity within the Department?

George Hollingbery: We have the ability; whether we have the capacity is a different matter.

Q431 **Mr Chris Leslie:** Oh, come on.

George Hollingbery: No, I am being absolutely straight here. The counterpoint I would ask you is since we are putting every single effort into retaining these, since the numbers we know are not enormous for these EPAs, is it a good use of officials' times to be calculating what it might cost if it does not work or putting it all in to make it work in the first place? What I would like officials to do is talk a little about GSP and GSP+ in this context.

Chair: Mr Leslie, are you happy with the answer?

Q432 **Mr Chris Leslie:** No, if you were going to sign a new FTA with the United States I am quite sure the Secretary of State would laud an X% growth figure for that new deal, would he not? I am quite sure he would. I just want some honesty about the capacity within the Department. You can tell me you are developing the capacity, I quite accept that. But I do not believe that you do not have the capacity within the Department for International Trade to analyse the impact of either gaining a new trade agreement or losing one, because we are potentially talking about losing trade agreements in March 2019, and you are telling the Committee that you do not know what the impact or you have no assessment to do that.

Rachel Turner: It might be helpful—and I will ask my colleague, Paul, in the Department for International Trade—clearly in understanding the impact of those countries, who are members of economic partnership agreements, the key issue will be understanding the counterfactual. Some of the countries in EPAs are the poorest countries, some of them are slightly better off, and some of them are even more better off. Those three groups of countries inside an economic partnership agreement under a counterfactual would all have different preferential access.

We certainly are aware and have the capacity to understand what terms different countries would fall back on in the absence of a transition. That itself is dependent on the progress of the Customs Bill, which is the Bill that would allow us to set up our own unilateral preference policy and includes the ability to offer duty free quota free access to least-developed countries.

When you ask about analysis there are different moving parts here. In terms of being able to understand the tariffs that countries would fall back on, then absolutely we have the ability and the capacity to do that in Paul's team. Certainly, I am making sure that those resources are available to Paul to do that.

We can certainly build scenarios about what that would look like for different groups of countries by their income status. In terms of giving the impression that we absolutely are very alive to putting in the effort and the resource to understanding what this would feel like for different groups of countries and that is why, in parallel, we are putting so much effort and resource into ensuring that we have the ability and the legal ability to deliver duty free quota free access for the least developed countries and to run the UK's own preferential scheme, that of course works alongside and in parallel to the EPA. I hope that that helps you a bit. I hope that helps give you some sense of the issues.

Q433 **Chair:** The Customs Bill mentions quite a bit about the "Everything but Arms" scheme for least-developed countries. It is a lot less clear on GSP and GSP+ and how they would fair. What are your plans for the arrangements of these countries that currently benefit from those schemes?

George Hollingbery: Basically, they are going to be transferred across, that is what the Customs Bill does. The access that is available now, through the European region, will come through as part of the UK region, assuming we get the Customs Bill through.

Q434 **Chair:** UK Government policies are that GSP and GSP+ should be dealing on the same terms as they currently are.

George Hollingbery: Yes, indeed. Sorry, I thought we were talking about "Everything but Arms". But yes, is the answer.

Chair: I am saying that the Customs Bill is a lot about "Everything but Arms" but very little about GSP and GSP+. That was the point.

George Hollingbery: Yes, the intention is that in all three they should be transitioned across. There have been inquiries to your Inquiry here and elsewhere about how those might change. In due course, they may change but continuity, yet again, is what we look for. We are not intending to change in the short term, but there will be, when there is time, space and ability—time to re-examine and see whether we can produce a better UK specific scheme. But we will be doing that as a transition for now.

Q435 **Sir Mark Hendrick:** During the Committee's Inquiry, different industries have raised particular concerns about future arrangements for trading with developing countries. Can I ask what action the Department has taken to respond to these concerns? I have just been looking at some of the areas concerned. Sugar, for example. In September of last year the EU system of sugar quotas and minimum prices came to an end, so there are concerns among the cane producers that their industries will not be protected. On fresh produce, delays in checks at the border were identified in oral evidence to the Committee. On textiles, the British Retail Consortium was concerned about Rules of Origin being a particular problem. On technology, Samsung UK was concerned about tariff free access. Clearly, there are a number of concerns about trading with developing countries. Can the Government respond to some of these concerns that have been raised in the evidence?

George Hollingbery: I have been a little involved in the sugar side, British Sugar versus Tate and Lyle, and the change in the EU attitude towards beet and imports and so on. It is not a complex area. It is a very clear area. The rules of origin issue depends largely on the negotiation of the future economic partnership. If that is solved then the access that partners will enjoy will be much the same as it is now, and look much the same, even if it is not identical. But if we do not get that those countries will have access to the UK, but the accumulation rules and so on into the EU will not be available to them. That again is something I understand. There were a couple more issues.

What I shall do, if I may, is hand over to officials who, to be honest with you, do most of the load carrying when it comes to dealing with companies, and I think will be probably better informed than I am on this.

Paul Walters: The first thing to say is, we have enjoyed listening to the evidence and reading the evidence ourselves, and it is hugely important for us. We are entering a new area now where having this granular information about how supply chains are developing between the UK and developing countries is hugely important for us, as we discuss with our partners the continuity of the arrangements for the economic partnership agreements, but also the preferences as well.

But of course we do not stop there. Promoting trade and investment between the UK and developing countries goes above and beyond the trade agreements. It is an important cornerstone, but, on top of that, as the Prime Minister made very clear last week, there is a whole range of stuff that the UK is doing with these countries to help them trade better.

In our relationships with the Caribbean and the sugar producers, we are looking to develop holistic economic development relationships with those countries, helping them to adjust to changes in EU policies, but also helping them to develop other industries that will help them to compete globally.

As the Minster has said, our focus at the moment is responding to the call for continuity. Once we have secured that, in the future the UK will build on its long tradition and reputation for supporting the need to developing countries and working on trade and development to try to improve those offers.

We do not want to just have those preferences sitting there being unutilised. We want to make sure that we are developing supply chains. That there are more exports coming from these countries, coming to the UK, there are more investment opportunities for British companies investing in Africa. We will work tirelessly to try to make those arrangements ever better and make sure that we are coming in with complementary support, whether it is on the finance side, UKEF, CDC, or through the development assistance, helping with investment in climate reform to bring those agreements to life and make sure that they are used.

Q436 **Sir Mark Hendrick:** What is the Government's position on the current Rules of Origin in unilateral preference schemes and EPAs? Will you be looking to revise these?

George Hollingbery: That is the point I just made. Currently, if something is brought in from an EPA country—if the EU has an agreement—into a member state of the European Union and it can be accumulated for Rules of Origin purposes. The status that is enjoyed by any organisation, business, and so on, that is importing intermediate goods into the UK from an EPA country, if we have transitioned the EPA they will be able to accumulate, presumably, in any other country with which we have an FTA that includes that, that we can probably accumulate. But what is for sure is that until we have negotiated the FEP—and if we have not negotiated the FEP that accumulation will not happen as far as the importing to the European Union would be concerned.

This whole question sits around the issue of the future economic partnership. If it is there then, to all intents and purposes, importing companies in the UK will not see a difference and nor will provider companies in the bilaterally—

Q437 **Sir Mark Hendrick:** Are you ruling out revising these arrangements or not?

George Hollingbery: It is not a matter of revising the arrangements. It is simply a matter of what it is about the supply chain that matters to the participating country and supplier. Currently, they have access to the European market. Their goods are accumulated if they are exchanged within the EU as being of EU origin. If we do not have the relationship through the future economic partnership agreed with the European Union, they will not be able to accumulate it and feed into the end user within Europe as accumulated items. They will be disadvantaged. That is the case. That is another reason why we very much want to strike the future economic partnership.

For a no deal scenario, we will simply have to see what arrangements can be made and how we can deal with that. If the future economic partnership is in place, the bilateral partner and the constituent business within it should not see any difference.

Q438 **Chair:** Minister, some discussions I have picked up in the past about the way Africa has been sectionalised outside Africa at the moment. The tension to northern Africa to do, probably by making Africa into different trading blocs. A contention Trade CAF have raised about Ghana, and Ghana being considered for an EPA, because the other countries in the customs union are not prepared to join the EPA is creating a tension there. Some of the intervention—well-meaning it might be—from the European Union, from the UK, the division can lead to tensions within the area by maybe creating a natural trading block. How do you see your Department having in the future to work forward to overcome these issues, which Africans themselves have brought up, of the forces that are external to the region causing unnatural trading situations for them?

George Hollingbery: I am not aware that we have necessarily unnatural trading relationships. On the whole, we are dealing with groups of countries who come together in agreement, such as the customs union in southern Africa and the one in east Africa as well, and we are trying to negotiate with blocs that look like natural blocs. If it turns out that there are tensions politically between those countries that is not something we can control. I don't think it is us forcing that issue in any way, shape or form. It is just a matter of—for example, Kenya and Tanzania, we know that there is an issue about the final notification of that EPA, we can speculate about why it might be the case. But that is not something that is derived from the UK or the EU forcing that block into a shape it does not want to be in. That is a block we approached because they already had a structure. I do not recognise the problem.

Q439 **Chair:** If the EU has a deal with Ghana and pulls it out of this west African customs union grouping, surely that is not the best way for regional co-operation, that needs to be—

George Hollingbery: There are trade elements to it and I can quite see the line you are going down but it seems to me this is more FCO, maybe, and DfID. I don't think there is any intention—there is certainly no sort of neo-colonialism going on here by creating blocs that don't suit. As far as I can see from my limited experience, most of the blocs we have approached or dealt with have created themselves to be dealt with and that is the way we will continue. If those groups decide they do not wish to be blocs anymore and we have not yet ratified an agreement and people wish to drop out, I don't think the UK would cease negotiations. We would try to find a solution that suited everybody to allow that EPA to be ratified—and indeed that is exactly what we are doing in West Africa and precisely what we are doing in Kenya—and hopefully we will come to a conclusion that suits all parties. But there is certainly no intention in the Department for Trade of trying to force anybody to join anything that they don't want to join.

Chair: I think that is a straw that many will grasp on to, the aim or the the desire to at least try to please everybody, which is probably welcome.

Q440 **Catherine West:** What are the Government doing to ensure that a cliff edge is avoided for countries that might graduate out of LDC status in the near future?

George Hollingbery: I think that structure is as it is in the EU. It is built in. There is a three-year transition phase that flattens out somewhat and we have said time and again and rather boringly now that we are seeking to transition, not to complicate matters upfront. There is probably some work to be done there in the future as and when we look at our own general scheme of preferences, our own unilateral preferences programmes, to see what we can do to iron out that issue. Clearly at the moment it is a challenge. The EPA that includes Kenya has come up against that challenge. There has been a mechanism that has been put in place to try to allow Kenya to retain duty-free, quota-free, which unfortunately has found to be in contravention of the WTO rules so there is more to be done on that front. We want to transition that EPA even though it is not ratified by all parties and there are further complications with that particular agreement as well.

On the actual straightforward question, that is for the future. We are transitioning what currently exists and there is the three-year transition that should help, but we do recognise it as an issue.

Q441 **Catherine West:** Given that the future might be quite short. Could I ask a supplementary that is not connected?

Chair: Yes.

Catherine West: I wanted to ask about a topic that came up when I was reading for today about Germany. Obviously Germany is in the EU and we are in the EU and yet they seem to be so much further ahead than us. What have we been doing wrong in the last little while, just generally in terms of—

George Hollingbery: I think this reflects the Chairman's original question—perhaps it wasn't the Chairman—about are we a long way behind, why are we such a long way behind and so on.

Chair: It was Mr Evans.

George Hollingbery: Was it Mr Evans? I am sorry. I did forget. I think it is largely the same thing. To some extent we, as a country, took the rules of sincere co-operation about as seriously as anybody possibly could have done. This is just my own impression. I am here to speak for the Government but this is an impression I have gained in my travels. I think I can do no better than that and officials might want to talk about it too. I suspect other countries felt like they had a trade policy, but it was a policy about trade rather than trade policy, and pursued it relentlessly.

I think the previous Government led by Prime Minister Cameron began to rectify that, began to look at reaching out, looking forwards, looking differently, but it seems to me that for some time we perhaps rested on our laurels a little, particularly in Africa and particularly in Commonwealth countries, and went with what the European Union gave us and perhaps did not push it as far as we could and should have done in the circumstances. We certainly did not have the expertise in Government at that stage, I don't think, to pursue it relentlessly.

Rachel Turner: When you begin to unpack the figures it is quite interesting because there is goods trade and there is services trade, and of course the UK is a services-dominated economy. If you look at the total UK trade, if you add goods and services as a share of GNI and look at our trade to developing countries, including services, and compare that with Germany, you will not see the stark contrast with Germany so far ahead of us as the share of their GNI with developing countries. I think what we are seeing in many developing countries is that the services sector is really beginning to take off. As developing countries grow, we can see these very quick transitions in some countries in which the services sector is really beginning to take off as a share of GNI.

George Hollingbery: Just for illustration purposes, in both Nigeria and Kenya I met people who had started law firms five years ago, four years ago in one case—both female-led, I am delighted to tell. One had 60 partners and the other one had 50, and that is in five years, just to illustrate it.

Rachel Turner: I think the point we are both making is that you have to also take account of what is the UK offer, what is the comparative advantage and what is the fit with developing countries. Increasingly we are confident—and I think the visit to Africa was also very much part of demonstrating our future intent—that the UK services sector will increasingly begin to show both investment and trade with emerging countries.

Q442 **Catherine West:** I would buy that argument if it were not the case in China, for example. China is not really a developing country, given that it is giving billions of pounds to everybody else now, but it is the same there. Germany seems to have more of a—Angela Merkel has been to visit Guangzhou, which is a bit like our Birmingham. It is huge. She has been there three times. I feel that perhaps there is something there and yet I don't feel that it is anything to do with EU membership. It is just to do with being good at—

George Hollingbery: The Secretary of State has had three trips to China this year and is due to do a fourth.

Catherine West: But we are behind, that is my point.

George Hollingbery: David Cameron and George Osborne almost got laughed at when they went out to China. I am not sure that I necessarily think that we are not putting the effort in now and I was unaware of that statistic, which is extremely interesting.

Chair: Is David Cameron still there, given we have not seen him in—

George Hollingbery: Funnily enough, I think he might be.

Q443 **Matt Western:** Apologies I was late. I was just coming back from a Select Committee trip on Housing, Communities and Local Government. Sadly I missed most of your evidence, Minister.

Chair: We hope you will read the transcript.

Matt Western: I hope so. Just following on from my colleagues and what they were asking, it does seem that for all these years, even though we have been part of the EU, and some blame our membership of the EU as holding us back from exporting to Africa and China and so on, you see the multiples of trade that Germany does with China, which is massive—I can't recall if it is 10 or 20 times the size of the UK—but within the EU as a member. Then you look at Africa where, according to the *Financial Times*, Germany, Italy and France export double the number of goods. I understand the point you are making, but we have had this rhetoric of the "march of the makers" and other countries have been doing this for many years. What has really been holding us back? It has not surely been membership of the EU?

George Hollingbery: I have never suggested it was. I absolutely did not suggest that. I think there was a—

Matt Western: No, sorry, I hadn't heard your previous—

George Hollingbery: There are all sorts of complex factors involved but I think now I hear the stats about services, services are now nearly 80% of the economy and I suppose it is a lot less visible. I am just beginning to wonder about some of the statistics I have been reading over the last several days about these multiples, about how much has been said, and I suspect very strongly that a lot of that does not include services.

We might well find if we look at the split a bit more carefully that the situation is not quite as it seems. That probably won't be the case in China, I suspect, where there will be a great appetite for goods, particularly for German manufacturing machinery and so on, and rather less for services, because that will be an immature market for us. I suspect that imbalance will probably look quite similar there but elsewhere that might be rather different.

I am sitting here speculating on all of this. I don't think in the end it is terribly relevant why we got where we did so much as that we recognise that we should be doing better and should be putting resource into it. That is very much what the Department is doing and the Government have recognised this because they have produced the Department for International Trade and restructured its entire networking posts around trade promotion, export and trade finance, and having a trade policy, of course, but that is less relevant in the end to the immediate promotion of British companies abroad.

Yes, it seems to me that there could have been more done in the past. Do we blame anyone in particular and particularly the European Union? I certainly don't. Do I think we should do more? Yes. Do I think we are doing more? I do.

Q444 **Emma Little Pengelly:** I want to ask about where the £18 million in funding for Aid for Trade is coming from. Is that entirely additional to the money already within the various programmes through DfID funding or is it new money?

George Hollingbery: It is coming out of the DUP budget. No. I think I will leave that to officials to answer.

Rachel Turner: Are you talking about the financing at the Commonwealth Heads of Government summit?

Emma Little Pengelly: It was an item about the Aid for Trade. It was a specific programme that I understand is going through two of the WTO programmes, support—

Rachel Turner: Yes, at the WTO at the end of last year. Paul can talk to that one.

Paul Walters: Those are important programmes that are helping to support the very poorest countries in the WTO. It relates back to one of the earlier questions. It is hugely important that we are helping to build the capacity of developing countries so that they can fully participate and play a role in the WTO and help shape those global rules. It is also important that once those rules are established they are able to take advantage of it. It is no good just having those agreements in place but they can't take advantage of it. Those are two important programmes implemented by WTO and UN organisations based in Geneva that help to target that support to those countries that need it most, help them take advantage of the trade, and it comes from DfID's budget.

Q445 **Emma Little Pengelly:** What is the scrutiny or the transparency for the spend of that money that is being invested from the point of view of the British contribution to it? It does seem that these are existing programmes within WTO, from my understanding. Does that then come back to the Secretary of State? Is there a relationship with the Department where you scrutinise how effectively that money is being spent?

Paul Walters: It is fully in line with all of DfID's spending. It is something that we hugely prioritise. We have agreements in place with those organisations. We do the necessary due diligence in advance of entering into those contractual arrangements. We do annual reviews that are published online. Taxpayers are able to go and see those reports and the reporting is accountable through DfID's Permanent Secretary and through DfID's Secretary of State as well.

Q446 **Catherine West:** Specifically on the investment question, how is the Department working with investors to support the developing countries' investment streams and, secondly, provide specific support to exporters to encourage them to trade with developing countries? It is both sides, supply and demand.

George Hollingbery: There is a huge amount and we could talk for a long time about that, I suspect.

Q447 **Catherine West:** I would be very happy to have a written reply, if that is easier, just to lay that out.

George Hollingbery: With UK Export Finance, we took round tables of financiers, particular areas of expertise of the UK, the Lord Mayor of the City of London promoting the City of London. The CEO of the London Stock Exchange came out with us. There were several partners from investment law firms, investment banking firms. We had the head of

Standard Chartered and so on. The job of the Government is to facilitate, introduce, try to structure, use all the tools at their disposal to produce that programme, which we were just talking about, and making sure there are systems that work, that there is a rule of law that enables proper investment and everyone understands. That is the principal thing initially. It is confidence in a country, that it will work and you will get your money and get your money out, you will be able to make money and there is a market for it.

Beyond that, it is huge. The facilitation programmes, that money we were just talking about, are all going to do exactly what you are talking about. On top of all of that, of course, there is the export strategy that was announced only two weeks ago.

Q448 **Catherine West:** There is a little bit of a risk of throwing money at the problem and then not having adequate lines of scrutiny in. This Committee will have only a certain amount of time to scrutinise all of those budget columns, but perhaps we can write to get some more information, Chair.

Chair: Yes. I assume none were selected due to their dancing skills.

George Hollingbery: You would be absolutely right.

Q449 **Chair:** Minister, we are coming to the end of today's question session and we are looking at a UK now that is going to be leaving—one of six countries outside any form of visible trade agreement, which is an interesting space to occupy. Your evidence today has been useful and helpful, but I think we will finish off where we started. We started off on gender issues and witnesses have suggested to us in relation to any new trade deals that a gender impact assessment should be done to analyse the impact of any trade agreement on people of different genders. How do you view that proposal in the Department for International Trade?

George Hollingbery: I think I can only give you a personal view at the moment, which is that at GSP+ there are any number of international accords that states that use that system have to accord to. Plainly there is an appetite at CHOGM—and we are talking in a Commonwealth context here obviously—for promotion of gender equality. We have talked about the McKinsey report that talks about $28 trillion if you could create parity between the sexes across the world, $12 trillion if you can just get local countries to match the best performer in their region. There is a huge amount to be done. Is it the place for a Department for Trade to be doing that? There are areas of ethical behaviour that plainly are and certainly in FTAs we accord with any number of human rights and modern slavery—

Q450 **Chair:** On the specific point of gender impact assessment, in many areas, and just thinking of renewable energy that is going on in my constituency at the moment, there are impact assessments being done for contracts above a certain value to see how it can help the local construction chain and the local components chain. On something like this, is it a worthwhile bolt-on to put on so there is some focus on this? Sometimes it can be smoke-filled rooms or whatever and this is not thought of and then afterwards we are wishing we had steered the ship a couple of degrees to the left or to the right.

George Hollingbery: I can see how in a complex economy, where it is easy to monitor certain things, keep a tab on things, have reporting chains that come to the right person and have a report in the right place where you can produce a report that gives you a true picture of what is going on, that that might give you an incentive to do something of that sort.

In some of the countries we are talking about it would seem to me to focus in on various areas where women are not participating, could participate more widely, where there are clear opportunities that can be exploited with targeted funding and targeted assistance would be more effective than having a generic across-the-board commitment, which would be very difficult to monitor. It might make people feel better about the fact it was in there but I would be somewhat sceptical about whether it would actually benefit women on the ground, when we are talking about women of course. Start smaller, think bigger. If you develop to a certain level and encourage it a great deal more would be my approach, but I am not a professional and these two are.

Q451 **Chair:** If you have the conversation that—we are not just talking about gender to tick boxes here. We are talking about gender because 50% of the population are people—

George Hollingbery: Of course. It is very important.

Chair: If we get that dialogue and we transmit that thought and that understanding, it is surely to the benefit of the other side ultimately that they are including everybody they possibly can rather than just an emphasis on half. Remember we know that when women are empowered and they are better off, it helps children especially, or there is a greater chance, I should say.

George Hollingbery: I think what I will do, Mr Chairman, I would commit to—presumably your evidence reflects this and if we can read the bits of evidence that have been submitted to you I will consider it and look at it. I am not sure it is actually within my gift to make any promise on this issue about what might happen but I still reflect that targeting particular sectors—textiles, shoes, jewellery—there are numbers of them where women can be immediately impacted by being empowered to deliver certain things in certain communities such as micro-banking, as we know, solar furnaces.

There are numbers of examples across the board. You can then impact at very local level and have a much wider impact in areas where that impact needs to happen than you might do if you just have a general commitment to the very top of the chain. I will commit to review the evidence and just see where it leads me.

Q452 **Chair:** We will transmit that from the Committee to the Department, which obviously the Department will transmit further.

George Hollingbery: Thank you.

Chair: I think we are finished, unless there are any further questions. Matt Western?

Q453 **Matt Western:** Can I ask, Chair, if you can pull off the areas of inward investment in Africa and looking at what the Chinese are doing, that there was an announcement about?

George Hollingbery: Yes.

Chair: Minister, you have been here longer than you expected to be, I think. Thank you and both your officials for coming today to help us conclude our report on this area for the International Trade Committee. It is greatly appreciated and no doubt we will see you again in the future if there is not an election called in the next few hours, months, weeks, years or whatever. Thank you, Minister.