HOUSE OF COMMONS

International Trade Committee

Oral evidence: The work of the Department for International Trade, HC 436

Wednesday 5 December 2018

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mr Nigel Evans; Mr Marcus Fysh; Mr Ranil Jayawardena; Mr Chris Leslie; Emma Little Pengelly; Julia Lopez; Faisal Rashid; Matt Western.

Questions 352 – 517

Witnesses

I: Rt Hon Dr Liam Fox MP, Secretary of State for International Trade and President of the Board of Trade; John Alty, Director-General of Trade Policy, Department for International Trade; Catherine Vaughan, Director-General and Chief Operating Officer, Department for International Trade.

Examination of witnesses

Witnesses: Rt Hon Dr Liam Fox MP, John Alty and Catherine Vaughan.

Q352 **Chair:** Good morning, Secretary of State. It is good to see you here in front of the International Trade Committee again. I should maybe ask first for your advisers to introduce themselves. The last time you appeared alone; yesterday you had one adviser; now you have two advisers. You had better make the advisers known to the Committee.

John Alty: I am John Alty. I am the director-general for trade policy in the Department for International Trade.

Catherine Vaughan: I am Catherine Vaughan. I am the director-general and chief operating officer for the Department for International Trade.

Q353 **Chair:** Thank you very much. I apologise; due to the short notice, we did not have time to make a name tag for you. Secretary of State, is Brexit going as well as you imagined?

Dr Fox: Ask me next Tuesday, Chair.

Q354 **Chair:** What will that be dependent on, next Tuesday?

Dr Fox: It will depend on what we vote in the House of Commons.

Q355 **Chair:** Which vote do you want?

Dr Fox: I want the Government's deal to go through.

Q356 **Chair:** I find that very interesting. You said on 1 February 2017—

Dr Fox: To clarify that answer, there is, as I have recently written, a real danger that the House of Commons, which has a natural remain majority, may attempt to steal Brexit from the British people, which would be a democratic affront.

Chair: You said on 1 February 2017 to this Committee, "We expect to get a good deal". Is the deal a good deal?

Dr Fox: If it was not a good deal, I would not be voting for it.

Q357 **Chair:** So it is a good deal. What is no deal like? How would you characterise no deal? If it is deal or no deal, you are a supporter of the deal, as you have said. What does no deal mean? How would you describe no deal?

Dr Fox: I would describe no deal as suboptimal, but I do wonder whether, following the passage of the amendment last night in the House of Commons, the House of Commons has any intention of allowing no deal to happen.

Q358 **Chair:** No deal is suboptimal to the deal or to the current situation?

Dr Fox: It is suboptimal to the current deal. Leaving the European Union is better than staying in the European Union.

Q359 **Chair:** Your order of preference is the deal, no deal and the status quo.

Dr Fox: My preference is the deal.

Q360 **Chair:** After that, is it no deal or the status quo?

Dr Fox: I am not going into the menu.

Q361 **Chair:** That is very interesting. You might have to go into the menu. If you do go into the menu, you should maybe share with the Committee which you prefer: no deal or no Brexit, as Donald Tusk said.

Dr Fox: I prefer Brexit. I voted for Brexit; I campaigned for Brexit. But I hope we do it in an orderly and transitional way, as I always have.

Q362 **Chair:** Leaving the European Union without a deal would not be orderly.

Dr Fox: It would not be orderly, no.

Q363 **Chair:** If we have a hard Brexit and no deal in March 2019, that would be a bad thing.

Dr Fox: You are trying to get me into a menu again, Chair.

Q364 **Chair:** I am trying to know your thought process, because you are a member of the Government.

Dr Fox: I want to leave the European Union, as I always have, because I believe that, for constitutional reasons, we should be masters of our own political destiny. I do not believe we should pay vast sums of money for someone else to govern us and we should have control of our own borders.

Q365 **Chair:** In short, my final point is this: do you still stick with the Prime Minister's words—I do not know whether she sticks to them herself—when she said, "No deal is better than a bad deal"? Would you prefer no deal to no Brexit?

Dr Fox: I think we have to leave the European Union because we have been instructed to do so by the British people. Parliament did not give the British public a consultation. We actually contracted out our sovereignty on that particular issue to the British public and we said, "You take the decision on whether we should stay in the European Union or not, and we will abide by that decision". They made their decision; we have to honour our side of the bargain.

Q366 **Chair:** Regardless of any economic consequences, that is your preferred choice.

Dr Fox: We have to leave the European Union. We have to find a way to do it that causes the least disruption to our economy and maximises the opportunities available to us. I have never seen it as a net negative for the UK.

Q367 **Mr Evans:** You know I am with you 100% on this, but at the moment we can leave the European Union unilaterally. Once we have signed the withdrawal agreement, we cannot. You understand that I have more chance of winning "The Great British Bake Off" than the Prime Minister has of winning this vote on Tuesday, given the colleagues I have spoken to. You have eaten a lot of pizza over the last few weeks, Secretary of State.

Dr Fox: I have not eaten any pizza. I assume that is not a commentary on my weight, Mr Evans.

Mr Evans: You have watched a lot of your colleagues eat pizza, and it has to be for some reason. What would you recommend the Prime Minister to do on Tuesday if she allows it to go to a vote and it goes as everybody is predicting? What would your advice to her be?

Dr Fox: My advice to colleagues is to vote for the agreement.

Q368 **Mr Evans:** Yes, but you have to advise the Prime Minister. She is in a hole.

Dr Fox: What advice I have for the Prime Minister would be done in private.

Q369 **Mr Evans:** But you will be talking to her in private, though.

Dr Fox: Frankly, my view is that, when you are in prison and someone offers you a key, you take it.

Q370 **Mr Evans:** The sad thing is that we are being offered a prison cell, Secretary of State. That is the problem. Those in the EU have the key. That is the real problem that people have in voting for this deal. Do you understand that?

Dr Fox: I understand the questions and reservations around the backstop. I do not know whether you want me to go into that element now. I am very happy to. Yes, as the Attorney General said, there is a calculated risk to be taken. If the risk is not taken, following last night's vote in the House of Commons, the chances are that we will end up not having Brexit, or there is a possibility of not having Brexit. With the backstop, there are a number of things worth pointing out. First, I do not think it is in either party's interest to get into the backstop. A number of people will say to me, "It would limit your ability to do trade agreements because you would not know what your future relationship with the European Union would be". The same is true, of course, of the European Union. It would not know what its relationship with the UK, the world's fifth biggest economy, would be.

Secondly, many in Europe take the view—I accept that to many it requires a suspension of disbelief—that this backstop means, if the UK does not get what it wants in any future negotiation, it can camp on the backstop, effectively make no contribution and have no free movement, but still have access to the single market. They ask, "How do we explain that to Norway and Switzerland, or to French or German taxpayers?", who would effectively be paying, in that explanation, in that understanding of it, for the UK's access.

Chair: To recap, I started off by asking whether Brexit was going as well as you expected, and you said it depended on the vote next Tuesday. If the deal, as Mr Evans says, is going nowhere, I will conclude that you feel it is not going well.

Q371 **Mr Jayawardena:** Britain has an amazing opportunity right now to seize a new role in the world and become a beacon of free trade. Surely we should be locking down a trade deal with the EU that is free from red tape and boosting trade with the world before we throw away our ace card by handing over £39 billion.

Dr Fox: We have to do two things. First, we have to maintain good access to the European market. It is still 44%—it has gone up to 45%—of our exports of goods and services. At the same time, we have to maximise our opportunity to take advantage of those growing global markets.

Q372 **Mr Jayawardena:** Why do we want to pay over the £39 billion or agree to pay it over before we have secured a trade deal?

Dr Fox: As the Prime Minister said, nothing is agreed until everything is agreed.

Q373 **Mr Jayawardena:** The withdrawal agreement would be a legally enforceable document, whereas the political declaration is not.

Dr Fox: And we will want assurances on that future economic partnership before we bring the legislation forward.

Q374 **Mr Jayawardena:** As the former Brexit Secretary Dominic Raab said, he resigned because the draft withdrawal agreement would mean the UK forfeiting all hope of an independent global trade policy and being "leashed to the EU's protectionist trading agenda". How is that global Britain going to be possible?

Dr Fox: It is self-evidently possible, because we have control over a number of those areas. In one of the discussions I had with the United States, the question was this: "If you have partial alignment on goods, do you lose control over your tariffs?" Of course, that is not true. To give a simple example, if the US wanted an agreement that saw zero tariffs on US cars coming to the UK, we could still do that under the current agreement. There is nothing to prohibit us.

Q375 **Mr Jayawardena:** So you do not believe that any part of the withdrawal agreement or any part of the political declaration holds Britain back in any way from doing deals with any other country.

Dr Fox: The backstop is a calculated risk. I have never made any great pretence about my love for the backstop. But, without the backstop, we would not have been able to get the Irish Government to take part in the negotiations. It is worth considering, because it is very seldom mentioned, that the backstop is not just for the Irish Republic. It is also necessary for the reassurance of the moderate nationalist community in Northern Ireland. Their understanding that there is no possibility of a return to a hard border is part of the way in which we underpin the stability of the Union.

Q376 **Mr Jayawardena:** So long as we are in the backstop, we are rule-takers, right? While we are in the backstop, we are rule-takers.

Dr Fox: While we are in the backstop, yes.

Q377 **Mr Jayawardena:** You said, as rule-takers, without any say in how the rules are made, we would be in a worse position than we are today. Those are your words, so why do you continue to back this deal when it would be a sell-out?

Dr Fox: It is very clear—it is in the text repeatedly—that it would be a temporary arrangement, if it had to happen. There are a number of mechanisms to stop it happening. There is the option of the extension of the IP, six months out, at the end of June 2020 to avoid getting there. I think we underestimate the sense of urgency there is to get a future economic partnership agreement between the EU and the UK, for all the reasons I have just mentioned. I did not mention the Irish business community, which thinks the backstop is a one-way ticket for business to move out of the south to the north. All those things considered, there is a sense of urgency to get it moving. Much as I have had my own reservations about the backstop, one of the things it has allowed us to do is give the Irish Government a permissive environment, politically, to talk about the actual alternatives to the current backstop, facilitation and technological agreements, for example, which we have seen emerging in the last couple of weeks.

Chair: With respect to colleagues, this is the final question.

Q378 **Mr Jayawardena:** While we may not agree on the items we have discussed so far, one thing we will perhaps agree on is the EEA. Is that not the worst of all worlds?

Dr Fox: The EEA would be far more restrictive than the current proposed agreement, in that it has much stiffer alignment and much less room for manoeuvre. It would require us to join, which would require the agreement of the EFTA states. There is no reason to presume they would actually want to do that from some of the indications we have had. It would require us to maintain a level of alignment with the single market far greater than the partial goods alignment that is in the current agreement. In fact, in many ways it is closer to EU membership than the agreement being put forward today. I find it unbelievable that those who say they cannot agree with the current proposal put forward by the Government would want EEA or EFTA status.

Q379 **Matt Western:** Having heard that, and having heard from Mr Raab and his resignation on principle, why did you not resign?

Dr Fox: I did not agree with the assessment. I still take the view that Britain should try to leave the European Union in a stable and ordered way. The other alternatives of not leaving or leaving with no deal at all are either politically unsustainable or economically more damaging.

Q380 **Matt Western:** In talking about the future UK-EU relationship, Mr Raab had an objection to the commitment to build on a single customs territory. What do you see as the implications of that for the Department for International Trade in relation to concluding our own trade agreements?

Dr Fox: There were two changes between the outline political declaration and the political declaration we finally agreed. The first was that we would build and improve on this, rather than simply build on it, and the second was the inclusion of the phrase "in line with the parties' objectives and principles above", which was a cross-reference to both the protection of the UK single market and the protection of the UK future independent policy. There was a change between those two versions that was not widely commented on but which the UK insisted upon, because it did actually make a difference to the interpretation.

Q381 **Mr Fysh:** One of the big industries in this country in which we want to do more trade overseas is our defence manufacturing industry. Its competitiveness is very important to that. Could you tell me whether Government involvement and Government support for our domestic defence industry would be subject to the state-aid provisions of the EU in the backstop?

John Alty: In the backstop, there are some level playing field provisions. In most cases, those are non-regression provisions, so they say you will not go backwards. On state aid, because the Government want a strong state-aid regime, in the backstop, we are bound by the state-aid regime.

Q382 **Mr Fysh:** Is that a yes? They would be bound by the state-aid provisions.

John Alty: In the backstop, yes.

Q383 **Mr Fysh:** Is it or is it not the case that currently in EU law there is a blanket exemption for defence industries from the treaties so that EU firms are exempt from state-aid provisions?

John Alty: I am not an expert on the treaties as they apply to the defence sector. You are right that there are special provisions for defence in relation to those sorts of things, but I am not sure whether it would be true to say it is completely irrelevant.

Dr Fox: Chair, it is such a fine legal point. I think I will write to Mr Fysh on that.

Q384 **Mr Fysh:** It seems to me that what is being proposed by the Government is essentially to allow the EU to regulate state aid of our defence industry while it gets a competitive advantage for its own by being able to do whatever it likes. I find it hard to see how any responsible Government could possible recommend that to Parliament.

Dr Fox: That would not be my interpretation, but we will clarify that. We will get a legal clarification on that.

Q385 **Emma Little Pengelly:** On 8 November, Secretary of State, you said that the UK must have the ability to end the backstop or else we would be subcontracting that power to the European Union, and it needs to be an issue for the sovereign British Government. What changed?

Dr Fox: If we do not get the agreement, as I wrote at the weekend, there is a chance that we will not see Brexit completed. Having talked to colleagues across Europe, their dislike for the concept of the backstop is stronger even than I had anticipated, and therefore there is a double incentive on both sides to never get there.

Q386 **Emma Little Pengelly:** You are saying that it is a political risk, as you have mentioned already this morning, that is worth taking, to change your view about the backstop.

Dr Fox: It is a calculated risk, because my assessment is that the worst possible outcome would be not to leave the European Union, in terms of both the future of the United Kingdom and faith in our political system.

Q387 **Emma Little Pengelly:** Do you agree with the Chancellor of the Exchequer, the Prime Minister, the Attorney General, that the backstop is bad, not good and needs to be avoided?

Dr Fox: All parties will want to avoid it. It is potentially extremely unacceptable to all sides.

Q388 **Emma Little Pengelly:** Could you explain why it would be unacceptable? Why is it bad for the UK? Why is it bad for Northern Ireland?

Dr Fox: It clearly restricts the UK in a way that it otherwise would not be restricted. As I have already explained, there are those on the other side of this debate who think it gives the UK the advantage of being able to continue to access the single market without making a financial contribution or accepting free movement.

Q389 **Emma Little Pengelly:** Could you just explain in a bit more detail how it would be restrictive? If Northern Ireland was in the backstop, how would it be restrictive?

Dr Fox: To be frank, while we would technically have the ability to make and implement trade agreements, it would be difficult without knowing what the end date would be. That would provide us with a potential difficulty. I do not think it is worth pretending otherwise, because it is quite clear that there are downsides to it. The downsides on both sides provide an incentive not to get there. The backstop is there primarily to give the Government of Ireland an assurance that the UK is genuine about not wishing to see the introduction of a hard border between the Republic and Northern Ireland.

Q390 **Emma Little Pengelly:** In the context of the backstop, particularly in relation to Northern Ireland, Michel Barnier has said that, if the backstop applied to Northern Ireland in the way set out in the withdrawal agreement, Northern Ireland would not be able to participate fully in any UK trade deal. What assurances did you get? What do you have in the withdrawal agreement to guarantee that Northern Ireland would be able to partake in UK-wide trade deals?

Dr Fox: We will negotiate and implement trade agreements for the whole of the United Kingdom.

Q391 **Emma Little Pengelly:** What assurance did you get in the withdrawal agreement to guarantee that Northern Ireland could partake in United Kingdom trade deals in light of what Michael Barnier had said about the backstop?

Dr Fox: We would not implement trade agreements that were not UK-wide.

Q392 **Emma Little Pengelly:** Is it not the case that there is nothing in the withdrawal agreement that gives that assurance?

Dr Fox: The decision about what the UK Government would implement is only for the UK Government.

Q393 **Chair:** That is interesting. I was going to ask you about this. If you were in a negotiation, would you be in a GB negotiation or a UK negotiation? You now say that if it was not for the entire UK you would not implement those trade agreements. Therefore, external forces have you over a barrel. If Northern Ireland is in a backstop, you ain't going to be negotiating or agreeing any trade agreements. You have just said that.

Dr Fox: No. The trade agreements we negotiate would be for the whole of the United Kingdom.

Q394 **Chair:** If Northern Ireland is in the backstop, it is not the whole of the United Kingdom. You cannot include them in this.

Dr Fox: That is not the same question, Chair.

Q395 **Mr Fysh:** Can I just clarify? In the backstop, there are provisions where GB has to comply with the common commercial policy and the common external tariff. In reality, how could the UK possibly make trade agreements with other people when that is explicitly given in the black and white legally binding agreement to the EU to progress? It has nothing to do with you.

Dr Fox: It is a UK-wide backstop.

Chair: Northern Ireland could be the services part, in the single market.

John Alty: In the backstop, we would not be covered by the common commercial policy. We are covered by a customs union with the EU.

Mr Fysh: No, that is not true. Sorry, that is not true. Would you like me to find the provision?

John Alty: We can confirm that.

Chair: We can come back to that detail, and we will pick it up again.

John Alty: To clarify, we are only covered by that to the extent that the customs union—

Chair: Sorry, we will come back to that when both sides are happy with the data.

Q396 **Faisal Rashid:** Thank you, Secretary of State, for coming. Very quickly, if on Tuesday this Bill is voted down, is there a plan B? If yes, what is it? If no, why not?

Dr Fox: The Government's plan is to get their vote through the House of Commons, and we are not going to get into hypotheticals ahead of the vote.

Q397 **Faisal Rashid:** Clearly, Secretary of State, the Government have to have some kind of contingency plan. It is very normal in any organisation for such a big issue. There is no plan B. I am really worried about that.

Dr Fox: There is an easy way round that, which is to vote for the Government's motion.

Q398 **Faisal Rashid:** You mentioned that there is a danger of having no Brexit. What do you mean by that?

Dr Fox: I think it was clear during the passage of the Trade Bill that there is a lobby in the House of Commons to keep the United Kingdom in a customs union, or in the customs union, as it was put then. That lobby is alive and well, as was shown in last night's vote.

Q399 **Faisal Rashid:** In paragraph 25, the political declaration refers, in relation to the future UK-EU relationship, to the UK "aligning with Union rules in relevant areas". How would that affect our ability to strike trade agreements with other countries?

Dr Fox: If I may say so, it is a very good and key question. Any voluntary alignment would have a countermeasure in terms of what we can offer elsewhere in the trade agreement. Basically, the more the alignment, the greater the limitation on being able to offer freedom for future trade agreements in that space but, equally, the less friction there is in terms of our trade relationship with the EU. Conversely, the lower the level of alignment, the greater the degree of freedom in free trade agreements in those areas will be, but the greater the friction.

Therefore, it has to be a trade-off between what the cost of the friction will be in trading with the EU, and what the realistic limitations will be on the freedom we have with free trade agreements. There is a sliding scale. From the discussions we had, it is very clear that this will be something, in the future economic partnership, for us to determine. To do that, you have to have a realistic view of our likely share of trade with the EU and the cost of friction in that trade versus the freedom we would have in determining a free trade agreement elsewhere.

Q400 **Faisal Rashid:** You agree that there will be limitations.

Dr Fox: It is a real-world trade-off.

Q401 **Faisal Rashid:** Right, so we will be able to have trade agreements with the rest of the world with no problem.

Dr Fox: Of course we will, but if you have alignment in a particular area it means you cannot offer freedom from that alignment in a trade agreement you are entering into. For example, if we want alignment in elements of manufactured goods to avoid border friction, we do not have freedom to offer that in a future free trade agreement. The question on manufactured goods would be whether anyone would seriously want that. Most of those manufacturers selling into the UK are also selling into the EU, and have a single manufacturing process. They have said to us, "It would be inefficient for us to have a second production line just to sell into the UK". In likelihood, we would adopt those standards anyway.

Q402 **Chair:** You have indicated that the Government are out of plans if plan A goes out.

Dr Fox: That is not what I said at all.

Chair: Is there a plan B?

Dr Fox: I said I was not discussing it.

Q403 **Chair:** But is there a plan B? I am pretty sure that in 2014, when Scotland was going for independence, yours was one of the voices looking for a plan B, and there were plans A to E. But we are here asking you what plan B is. When you demanded in the past a plan B, or your colleagues demanded a plan B, plan B was there and plans A to E were there. One of two things is happening here. You either have no plan or you have a plan and you are not disclosing it. What is going on? Do you have a plan? Is there a plan B?

Dr Fox: As I said—

Chair: Why can you not be candid with the people?

Dr Fox: I will repeat this: the Government's plan is to get its deal through the House of Commons because we believe it is the best way.

Q404 **Chair:** Do you have a plan B, overt or covert?

Dr Fox: The Government's plan is to get its vote through the House of Commons.

Chair: That is shocking.

Q405 **Mr Leslie:** I feel as though I am seeing a different Secretary of State—here we are in 2018—than the one with all those ideals and expectations back in 2016. Reality has been a bit harsh.

Dr Fox: Has it?

Mr Leslie: Let me clarify—

Dr Fox: If I thought it was right to leave the European Union when I voted to do it in 2016, I think it is twice as right now.

Q406 **Mr Leslie:** Brexit, your Brexit, means this blindfold concept. We give the withdrawal agreement and then we do not really know what the European relationship is going to be, because that is still to be negotiated. I just want to get a sense of this. I do not think it was necessarily your expectation that the Secretary of State for International Trade would continue to have to sit and twiddle his thumbs for that next period while the European trade agreement was still to be determined. I would have preferred the trade agreement, as you intimated at the time of the referendum, to have been done by the time we exited, but it turns out that under your Brexit we are going to be exiting without having that commitment to the future trade arrangement. Are you going to be negotiating the European trade arrangement or is that for a different Department?

Dr Fox: It still remains DExEU that would deal with the European Union.

Q407 **Mr Leslie:** You are going to have to wait until they finish it.

Dr Fox: No, we are not waiting at the moment. Plus, I just have to say this. There is this view, quite wrongly, that all the Department for International Trade does is trade policy. Trade policy is only part of what we do. It is 470 out of nearly 4,000 staff we have. This Department's main work on a day-to-day basis is exports and investment. That is mostly what the Department does.

Q408 **Mr Leslie:** But your real ambition, Secretary of State, was to be out there, across the world—it was the easiest thing in the world—making all these comprehensive free trade agreements. It now turns out that you will have to wait until we, as a UK, secure our trade agreement with the EU first, before we can then, in sequence, conclude trade agreements with the rest of the world. Is that not right?

Dr Fox: The assumption is that the political declaration effectively has the effect—John might want to comment on this—of what would be a trade negotiating mandate. That is how our international partners view the political declaration. This is the direction of travel of what our trade agreement with the European Union will be, and they will be planning accordingly.

Q409 **Mr Leslie:** But you are not expecting to conclude any comprehensive free trade agreements with non-EU countries before the EU arrangement is concluded.

Dr Fox: They are likely to progress very much in parallel.

Q410 **Mr Leslie:** But you could not conclude any, could you? Those other countries will want to know what Britain's relationship with the EU is first before they conclude.

Dr Fox: Yes, of course they will, but in any case we would not be implementing any new trade agreements until after the end of an IP in any case.

Q411 **Mr Leslie:** Expectations have been part of your problem, Secretary of State. You are saying, "One second after midnight, we will roll everything over. Everything is the easiest thing in the world". Can I, from experience, suggest that you dampen expectations down a bit for the country? They should not necessarily expect all these free trade agreements with the rest of the world to be concluded until many years after 29 March, potentially. It is going to take many years to conclude the EU arrangement. Only then will we be able to come to concluding agreements with the rest of the world, maybe. That is because, is it not, those other countries will want to know whether the UK will be free to reduce or change tariffs, whether we will be free as a country to vary our SPS or TBT arrangements, and all those things?

Dr Fox: No, it is very clear that we will.

Mr Leslie: We will not know that until we have concluded with the EU.

Dr Fox: We do know, for example, that we will have complete control over our tariffs, because we have talked in the political declaration about alignment on manufacturing goods.

Q412 **Mr Leslie:** Will we know if the UK is able to lower its tariffs?

Dr Fox: That is not about tariffs, because we will want to maintain complete control of our tariffs. We have said so.

Q413 **Mr Leslie:** But you have not agreed that with the EU. There is no agreement with the EU that the UK will be able to lower its tariffs, for instance. We will not know that until we have concluded our deal with the EU many years hence.

Dr Fox: We would expect to conclude our deal with the European Union by the end of the IP, i.e. the end of 2020.

Q414 **Mr Leslie:** You really think we are going to conclude a trade agreement with the EU by the end of 2020. Be careful about expectations, again, as I was saying. Just to be clear, you think we are going to settle our deal with the EU by the end of 2020.

Dr Fox: That is the express wish of both sides.

Q415 **Mr Leslie:** But you will not guarantee that, will you?

Dr Fox: We cannot guarantee anything.

Q416 **Mr Leslie:** Just as you could not guarantee rolling over all the trade deals one second after midnight, could you?

Dr Fox: We are still intent on doing that.

Q417 **Mr Leslie:** You are still intent on rolling over all those existing trade deals one second after midnight. Your junior Minister did not raise that expectation.

Dr Fox: If the Government win their vote next week, that is exactly what will happen.

Q418 **Mr Leslie:** The realistic Liam Fox is probably the one I would suggest should be freed here, not the one who makes promises that cannot be fulfilled. That is partly the problem you have caused here.

Dr Fox: In terms of promises that can be fulfilled, if the House of Commons votes for the Government's agreement next week, all our trade agreements that the European Union currently has will automatically in law be rolled over.

Mr Leslie: Okay.

Q419 **Mr Fysh:** If we get to the end of 2020, as you have been mentioning, and we have not concluded an agreement, what happens at the border, trade-wise? What do companies have to do to trade between Great Britain and the EU? What are the documents that need to be shown?

John Alty: Are you talking about no deal?

Mr Fysh: No, in the backstop.

John Alty: In the backstop, there will continue to be common customs arrangements. As the Secretary of State was saying earlier, there will not be tariffs. There will be questions for the UK about its regulatory arrangements. There are customs checks relating to tariffs, rules of origin and so forth, which would not be operational in the backstop. The UK will then have a choice about its regulatory arrangements. Again, as the Secretary of State was saying, there is a sliding scale there. For things like rules of origin and tariffs, there will not be checks under the backstop.

Q420 **Mr Fysh:** What is the meaning of the A.UK movement certificate that is mandated by the legal text of the Northern Ireland protocol or backstop as regards GB-EU trade? What needs to be declared in it, and what is it?

John Alty: That is another detailed question. If you need the answer—

Q421 **Mr Fysh:** I can help you with that. It says that it has to be a physical paper certificate, given to the company making the consignment. It has to be wet-stamped. It must be wet-stamped by a customs official when it crosses the border. Then the company needs to keep those certificates for three years and can be inspected by the European Commission to see that it has complied. What has to be declared is where the product is from or that it has had its duty paid. How is that not a massive and very antiquated friction that is in fact different from the electronic declarations that are currently available within EU law for third-country trade? How is that not a much worse deal than not having a withdrawal agreement? How is that not, in fact, the cliff edge that this Government is proposing to set up?

Dr Fox: I will need to check on the exact status of the form that Mr Fysh mentions but, were we not to have a withdrawal agreement, were we to leave the European Union without an agreement in other words, we would face widespread potential disruption to business. Again, where there are ways of minimising that, the Government would consider that, but ultimately, to go back to Mr Leslie's question, although he is rather bothered about my brush with reality, the backstop is not something we want to see. It is not something either side wants to see. In fact, I see it as an incentive for us to get an agreement before we would ever get there.

Q422 **Mr Fysh:** Can you understand, Secretary of State, how the people who read the text of the withdrawal agreement, the legally binding agreement, might see this? I have mentioned two of the hostages to fortune. One is the friction that I just mentioned and the other is the defence industry; there are a host of other ones. Every single one of the 27 countries in the EU will come with its own thing that it wants as its price of letting us out of the backstop fallback and into something else. Is it not just monumentally stupid and utter wishful thinking on the part of this Government to think that is somehow something they are going to do? Are they going to say, "Sure, UK, if you want out of it, fine, we will give you whatever you want"? That is never going to happen, is it?

Dr Fox: As I said and as the Attorney General said in the House of Commons, there is a calculated risk here. I also repeat—

Q423 **Mr Fysh:** Is a calculated risk a bit like putting five bullets in the chamber of a revolver and playing Russian roulette with it? It is utterly stupid.

Dr Fox: No. I will repeat what I said earlier. There are those on the other side of this negotiation who think that what has been negotiated gives Britain an unacceptable advantage. I know some of us in this country find that difficult to grasp conceptually.

Mr Fysh: Yes, the Government do. That is correct.

Dr Fox: But there is the view that this is advantageous for the UK, because there are those—I have spoken to them—who say this means that, if Britain does not get what it wants, Britain will be able to camp on the backstop, not make any contribution, not have free movement and still have access to the single market. I know that is not how it is viewed from a certain British perspective, but—

Mr Fysh: It will give up its sovereign ability in defence.

Dr Fox: It is a real view. It is a real view that is expressed from the other side.

Q424 **Chair:** I am going to leave that disagreement there. You just said that a hard Brexit in March and no deal would lead to widespread disruption to business. You are talking in concrete terms there. In March, if that happens, that is equivalent to a WTO Brexit, a hard Brexit. Earlier you said you preferred that to remaining in the European Union. Effectively, though, when you move out of the abstractions and into the concrete, in March/April you would much prefer to be in the European Union than out of the European Union. Is that not right? That is why you will take any deal now to achieve that.

Dr Fox: No, I want to leave the European Union.

Q425 **Chair:** But not next March or April: you want to be in the single market and the customs union, trading as we do now, in April.

Dr Fox: I want us to leave the European Union on time, as we promised the British people. I want to do it in the least—

Chair: But do you see an incongruity between your abstractions and your concretes here?

Dr Fox: No, I think there is a deal on the table that is acceptable. It will get us out of the European Union on 29 March. It fulfils what we were instructed to do by the British people. It is not a perfect deal from my point of view or from the European Union's, but the bigger danger here is the political one of not leaving the European Union.

Q426 **Emma Little Pengelly:** In the spirit of the context of realism, I want to pick up on the point that John mentioned in response to Marcus' question. Post-Brexit, in a backstop situation, you referred to it being UK-wide. But that is not the case, because there are aspects of it that are particular to Northern Ireland. In particular, you said that in a backstop there would not be an issue with customs checks, because the UK would indeed be in a UK-wide customs arrangement, but that the UK would have a choice in regulatory terms.

The Secretary of State has said that, in terms of that choice, the more aligned that we are, the more restricted we are in making free trade deals, and the less aligned we are, the more flexibility we have. But it is factually the case that, within the withdrawal agreement, there are 68 pages within the annexe where there will be full alignment on many issues that pertain to Northern Ireland, which would restrict the ability to do trade deals in relation to those matters. Is that not the case?

John Alty: There is regulation, as you say. It will be for the Government to decide, for the whole of the UK, what the rest of the UK does in relation to regulation at that time. All I meant was that the customs arrangements are UK-wide customs arrangements.

Dr Fox: I entirely understand the point. During the backstop, the application of regulatory alignment would not make it possible to introduce the elements of any free trade agreement that related to those areas where there were restrictions. For example, services or investment may be applicable in a future free trade agreement but not in terms of goods.

Q427 **Emma Little Pengelly:** To be absolutely clear, within the protocol and the associated annexe, that is mandatory in the backstop for Northern Ireland but it would not be mandatory in relation to the detail set out in the annexe, those 68 pages, for the rest of Great Britain. That would be a political decision for the Government in relation to GB.

Dr Fox: Were there any trade agreements already negotiated at that point, it would therefore be for the Government to decide whether to apply them but not fully to Northern Ireland or wait for full application until after the backstop, in which case it would be a purely UK application. My personal preference is for the latter.

Q428 **Faisal Rashid:** Very quickly, Secretary of State, if the EU withdrawal agreement and political declaration does not get through Parliament next Tuesday, would you support extending article 50 in order to renegotiate and go back to the European Union?

Dr Fox: It is a very neat try at the same question another way round. My view is that we work to get the Government's agreement, and I am not discussing hypotheticals beyond that.

Q429 **Mr Evans:** Originally, you supported a time-limited backstop. Would that not have been the best solution to this particular problem?

Dr Fox: There are a number of potential solutions to the reservations that many of us have. The question is whether they are negotiable.

Q430 **Mr Evans:** It appears that not much attempt has been made to negotiate. It is worse than David Cameron going and trying to negotiate his deal. He asked for little and got less. There is this perception—

Dr Fox: Nothing is less, yes.

Q431 **Mr Evans:** There is a perception that we did not try to put a time limit on the backstop. Would that not have been the solution to a lot of people's concerns? There could be a backstop at the end of, say, a six-month period, if they have not come to a solution. To be honest, they have until 2020 to come up with this solution, plus a backstop. It is basically an extension on the extension.

Dr Fox: There is an inexorable logic to that point, as there would be with a unilateral mechanism to escape the backstop. The drawback is that the

Irish Government would say, "A backstop with a time limit is not a backstop".

Q432 **Mr Evans:** It being open-ended is a real problem for people, you will find. If the backstop does come in, which most of us believe will happen because it gives the EU 27 leverage on things like fishing and various others, what impact does that have for the United Kingdom on our schedules with the WTO during that period?

Dr Fox: In the laying of our schedules, it makes no difference.

Mr Evans: They stay as they are. They are aligned to the European Union.

Dr Fox: Our independent schedules have already been laid for both goods and services. Our GPA schedule has also been laid. They will be the basis on which we would make an offer for future trade agreements. That is what our trading partners would know. They are not actually dependent on this process. It is worth pointing out that the EU itself has never had schedules certified that reflected either the full EU membership or the current trading position.

Q433 **Faisal Rashid:** WTO schedules are the baseline against which free trade agreements are negotiated, so how will any protracted uncertainty over the UK's schedules affect your plan, first, to roll over existing EU trade agreements at the point of Brexit and, secondly, to negotiate new agreements soon after Brexit?

Dr Fox: They will not. As I have just pointed out, the EU has not operating on certified schedules for over a decade. It has never had certified schedules for its full membership at any point since 1995. The EU has been able to conclude and ratify a number of trading agreements in that time, and the same would apply to the UK.

Faisal Rashid: It will not affect us.

Dr Fox: It will not affect us.

Q434 **Julia Lopez:** As I understand from what you have said, you believe that colleagues should support this deal because, while it is not ideal, at least it is a Brexit of some kind. The risk of not voting this deal through is that we might have no Brexit at all. You are a much more experienced parliamentarian than I am, so can you please take me through, step by step, how we would get to no Brexit at all? It is my understanding that that would require Government legislation. As far as I understand it, the law suggests that we will have a no-deal Brexit unless the Government put down some other piece of legislation that tries to move it in a different direction. Can you take us through, step by step, how you perceive that we could get to no Brexit at all?

Dr Fox: It would entirely be possible, we believe, for amendments to a number of possible pieces of legislation to achieve that effect. It is quite right: we cannot be bound by a motion in the Commons, but we would be bound by legislation. Governments can only be restricted by statute, legally. There are a number of pieces of legislation that we need to pass to make our exit from the European Union effective, the Trade Bill being one. That gives us our ability to technically roll over our trade agreements from the EU. I will come back to the other possibilities there. Likewise, there is the setting-up of the Trade Remedies Authority and membership of the Government Procurement Agreement. We are exploring the legal options for Ministers. We have taken the first part of the TRA, for example, on ministerial direction in terms of spend, but of those three it certainly would not be possible to have UK membership of the GPA without the legislation of the Trade Bill going through. It is undoubtedly true that that Trade Bill is amendable to have a customs union amendment attached to it.

Q435 **Julia Lopez:** Would you consider pulling the Trade Bill, if necessary, if you thought that some cheeky amendment might get tabled that could kill Brexit altogether?

Dr Fox: As I said, I have been taking advice on other potential routes to achieving what we need to achieve through the Trade Bill, but my understanding, as far as it is today, is that the GPA part of the Trade Bill would not be possible to achieve by any other legal means currently available to the Government.

Q436 **Julia Lopez:** My understanding is that the Government want us to move to a situation whereby we align ourselves in goods and agri and not in services when it comes to our future trading relationship with the EU. That would limit us to being able to make trade deals, broadly, based on services. Are you aware of any other major economy that has done a services-only deal?

Dr Fox: No, it would not be services only. First of all, FTAs have to cover all elements. Of course, we would have complete freedom on tariffs and TRQs even when it comes to the manufactured goods we are talking about. I gave the example earlier. One of the ones most oft quoted in recent times is that we would not be able to do an FTA with the United States because we would not be able to offer tariff-free access to American cars. That is not actually true.

Q437 **Julia Lopez:** One of the concerns I have had going through this process is the degree to which your Department is talking to the chief Brexit negotiators, and whether those Brexit negotiators understand that what they are agreeing with the EU is going to have an impact on our ability to have an independent trade policy. In the Department for International Trade, we have a highly experienced and world renowned trade negotiator in Crawford Falconer. I would like to know how many times Crawford Falconer has met with our chief Brexit negotiator Olly Robbins.

Dr Fox: I cannot answer that question, but we can certainly find out. It is a key question, and it is currently being looked at by the Cabinet Secretary —how do we align the two sets of negotiations going forward, those that will relate to FTAs outside Europe and that European process? For example, we have had a lot of countries expressing interest in discussions with the UK, with the American Government having already sought congressional authority for discussions with the UK. These are going to begin. One of the challenges we have to face in an organisational and structural way in Whitehall is how to co-ordinate those two. How do you coordinate that FEP negotiation going forward alongside other negotiations we will have at the time? Mr Leslie raised that point just a moment ago. We see that as operating in parallel, not in sequence, but that requires quite a lot of co-ordination across the process in Whitehall.

Q438 **Julia Lopez:** Have they met several times?

Dr Fox: As I have said, I cannot answer that question. I do not know.

Julia Lopez: So you do not know whether your chief negotiator is meeting regularly with chief Brexit negotiator.

Dr Fox: I do not know how many times they have met; I have said I do not know. I can find out, but I do not know how many times they have met.

Chair: Will you write to the Committee?

Dr Fox: I will indeed.

Q439 **Emma Little Pengelly:** I just want to ask a very specific question about quotas and how this will impact Northern Ireland if Northern Ireland is still within a backstop scenario. If Northern Ireland is in a backstop scenario, as you have indicated, there is free movement into the European market. In that situation, as you have described, post-Brexit, even within this arrangement, you would have the ability to change quotas. For example, if we decided to increase our quota for New Zealand lamb, more New Zealand lamb would be coming into the UK. How does that impact, with that lamb coming to Northern Ireland? Clearly, there is an open backdoor into the EU single market, which would potentially impact on their quotas for the same product. Have you made any assessment in the Department of how that quota differential may impact, in terms of goods travelling from GB into Northern Ireland?

Dr Fox: Changes in quotas that are different from the current arrangements would only be implementable after we left the backstop. While we were there, that problem would not arise because the quotas would be as they are today.

Q440 **Emma Little Pengelly:** It is your position that, as long as Northern Ireland would be in a backstop situation, the UK Government could not do anything in terms of quotas.

Dr Fox: As I said, the Government would have the choice. If we had a new trade agreement that had a different level of quotas, the choice would be whether to implement the elements we could for the rest of the

UK during that period. My preference is that we would only implement a trade agreement when we were able to do so for the whole of the United Kingdom.

Emma Little Pengelly: That is your preference. You are saying that there is the ability to do that but, if Northern Ireland was in the backstop, that could only be implemented in Great Britain.

Dr Fox: Yes.

John Alty: As the Secretary of State said, in the backstop, because we have a common customs arrangement with the EU, the quotas we would have would be saved. If we negotiated an agreement with a country like New Zealand, we would not be able to bring that into force until after we had left the backstop in relation to things like quotas.

Q441 **Chair:** Secretary of State, you mentioned the United States of America there. A famous son or grandson of my Hebridean constituency, President Donald John Trump, said last week, "If you look at the deal, they may not be able to trade with us. That would be a very big negative for the deal." Was the President indulging in truth or was he indulging in bluster?

Dr Fox: Clearly, the comment was not meant to be taken literally, because we can trade with the United States and we will continue to trade with the United States. It is our single biggest trading partner as a nation.

Chair: The President of the United States was indeed factually wrong, of course, not for the first time.

Dr Fox: The President was implying that you would need to look at the implications of any EU deal in terms of what the UK had to offer any US FTA.

Q442 **Chair:** Was what he was alluding to truth or bluster?

Dr Fox: The fact the US would not be able to trade with the UK—

Chair: We know that is nonsense; we have established that.

Dr Fox: It was factually incorrect.

Chair: Donald Trump often indulges in nonsense; we take that as read.

Dr Fox: I would not take that as read for the President of the United States.

Chair: Are you sure?

Dr Fox: I would think in this case it was factually incorrect.

Chair: I would guide you to YouTube. There is some fantastic stuff from Donald Trump on YouTube.

Dr Fox: I am far too busy.

Q443 **Chair:** But the point is this. Is the possibility of an FTA impacted negatively by the Brexit deal?

Dr Fox: The United States will have to take into account what the UK's relationship with the EU will be when we come to that trade agreement with the US.

Chair: I take it there was some truth in what Donald Trump said, then.

Q444 **Matt Western:** In terms of the continuity of EU trade agreements, the EU has 40 agreements with something like 68 or 70 countries. When we heard from you back in October 2017—Mr Leslie was referring to this earlier—you were very confident that we would be able to roll over all of those a second after midnight or whatever it was. Where do we stand in terms of having confidence that all 40 of them will absolutely be delivered at that time?

Dr Fox: We do not have any reticence among any of those countries about having that rollover in a no-deal scenario. Where there is reticence is that some of those countries do not believe there would or could be a no-deal scenario. They make the assumption that there will be a deal and therefore they need not implement the legal work required to do that. Our advice to them throughout has been, "It makes sense to prepare for no deal, however unlikely you think that may be". They will be watching our proceedings over the next week and making their assessment in light of that. We are well advanced, particularly on a number of the bigger trade agreements. I am not going to say which ones, because they are all sensitive negotiations for us. But, in terms of the major elements, I am confident that we will have the ability to roll those over in the event of no deal.

Q445 **Matt Western:** I have two supplementaries. Korea and Japan would be among the larger deals.

Dr Fox: They include Japan, Korea and Switzerland.

Q446 **Matt Western:** You are confident we will deliver those.

Dr Fox: As I say, we have had indications from all of those that they want to see continuity. Again, they are making decisions about when they should begin the process, sometimes domestically, of being able to achieve that. That is dependent on a number of national elements. Our advice throughout has been, "Do not leave it too late. Do not leave a lot of work to be done in the last few months. Get it done now". But we have not had an indication from any of those countries that they do not want there to be continued trade access through those negotiations. As I say, if there is any difficulty on that, it is on timing and the understanding of those Governments about the likelihood or otherwise of no deal.

Q447 **Matt Western:** Mr Hollingbery was in front of us last week, and he seemed to be slightly more cautious about achieving all 40 by 29 March. You are more optimistic.

Dr Fox: It is a question of the balance of expectations. As I said, none of those countries have said they do not want to roll over into a new agreement.

Matt Western: I understand. It is about the actual delivery.

Dr Fox: That is very clear. It is a question of whether countries believe we will have a deal with the European Union or not. I have to say, from their point of view, they get different signals from the UK at different times. My advice is consistent: even if this turns out to be work that was unnecessary, our businesses will not blame us for being over-prepared for the eventuality. That is far better than being underprepared.

Q448 **Mr Leslie:** Coming back to reality and expectation management, I suppose, you will remember one of your previous junior Trade Ministers, many junior Trade Ministers ago—I think it was Lord Price—told the Committee, or in fact he tweeted it out, "They have all been rolled over. They have all been done. All these deals have been done". Of course, it turned out they had not been done. Then we were talking about rollover one second after midnight when they would be done. In your answer just now, you did not talk about them as a sort of copy and paste rollover. You talked about them as negotiations, in fact quite sensitive negotiations: Switzerland, Norway, Turkey. That does not sound like a copy and paste rolling-over process. That sounds as though you are having to go back to these countries, that they are asking for different terms, that there is something slightly more than just a "photocopy and insert here" exercise in that rollover.

Dr Fox: I have never ever, ever used the phrase "copy and paste", because that has never been what we are engaged in. There are some differences, elements on TRQs for example. Again, I make the point that every single one of those countries has expressed its desire to have continuity with the UK. It is a question of how we achieve that continuity and the speed with which we achieve it. My worry is not our ability to deliver on all those trade agreements. It is that time is running out.

Q449 **Mr Leslie:** When you were here in November, when the Chair asked, in a follow-up question, if you wanted to renegotiate parts of them, your answer was no. Now you are saying that that was not quite right. There is some renegotiation taking place.

Dr Fox: There are some minor differences, but they are essentially replications of what we have already. They are all slightly different agreements. We have to take account of those. I do not use the phrase "cut and paste" because it is actually inaccurate to say that.

Q450 **Mr Leslie:** We should think of them as renegotiations.

Dr Fox: We should think of them as replications.

Q451 **Mr Leslie:** There is a difference between replication, which would imply the continuity of the same terms, and renegotiation. I just think it is quite important. We are talking about big countries. What is our EU proportion, 40% to 44% of our trade? We are talking about 12% to 14%, something like that, of our trade. In your economic modelling, by the way, you assumed they would all be there, rolled over, but now we are talking about renegotiation of that 12% of our export trade. It is a slightly different proposition. I just want to be realistic about what we should expect, that we should not all be told, "It is all fine. They are all going to be rolled over one second after midnight". Let us be realistic that, if there is a renegotiation, it is a process that could take quite a long time.

Dr Fox: No. Countries are very clear about the consequences of not being able to maintain access. Of course, only three of these agreements are more than 2% of total UK trade.

Q452 **Mr Leslie:** Sure, they are cumulative.

Dr Fox: For all of them, access to the UK market is generally greater, by size, than the reciprocal view. Therefore, it is in the interests of all those trading partners to maintain access to what is the world's fifth biggest economy.

Q453 **Mr Leslie:** If I am a company in—I do not know—financial services, 5% of our financial services export is to Switzerland. It is quite a big chunk of British export activity. They should not expect a replication of the current arrangement because there is a renegotiation happening with Switzerland, right?

Dr Fox: I am not going to comment on where we are with any one of them because they are quite sensitive.

Q454 **Mr Leslie:** I do not want to reopen it, obviously. I totally respect that this is bilateral, but just so we are clear it is not a copy and paste. It is not a rollover. It is a renegotiation between the UK and Switzerland.

Dr Fox: It is a replication of as close as we can get to the current agreement.

Q455 **Mr Leslie:** And it could take some time.

Dr Fox: I would not expect it to take a long time.

Q456 **Faisal Rashid:** You are saying they are rolling over after 29 March. After the transition period, will these negotiations have to change, depending on what deal we get with the European Union, the final deal, the free trade agreement? There will have to be some changes to these 40 agreements.

Dr Fox: If we have an agreement with the European Union, there will be an automatic continuation of these agreements through the implementation period. If we have the withdrawal agreement, these agreements will continue as they are today, without change, to the end of the implementation period.

Q457 **Chair:** Secretary of State, I have three questions for you and then we will go to another area. First, Government economic modelling scenarios published last week provide figures for an impact on GDP of the various

Brexit scenarios. I am sure you know they are all negative. The modelling assumed that, in all the scenarios, all EU trade agreements will be transitioned unchanged from exit day. Given your difficulties in rolling over these agreements, is the picture actually worse than that modelling suggests?

Dr Fox: There is a difference between forecasts and scenarios. I am sure I do not need to tell the Committee that. The forecasts look at all the factors and, in light of all the factors in play, determine what the most likely outcome is. Scenario planning isolates a single factor and says that, if everything else stays the same, this is what would happen. Of course, in all these scenarios it does not take into account any mitigation put in place by Government, any fiscal changes or any monetary policy changes that are put in place.

Q458 **Chair:** I am asking specifically about the deals not being rolled over.

Dr Fox: As I said, we expect those agreements to be rolled over. That is still our assumption.

Q459 **Chair:** Let us just scenario plan, or scenario think, for them not being rolled over. How will that impact GDP, positively or negatively?

Dr Fox: It depends on other mitigations. I am afraid we cannot just pluck figures out of the air on scenario planning.

Q460 **Chair:** If they are not going to impact GDP negatively, they do not matter, do they? Because they matter, they must be impacting GDP negatively.

Dr Fox: As I say, we expect them because it would be more disadvantageous for other countries not to have the access to the UK market. That is why other countries want to have them.

Q461 **Chair:** Indeed. Sabine Weyand, the deputy EU Brexit negotiator, reportedly said that South Korea—and the Committee has been to South Korea, and we have spoken at length with your embassy in South Korea—had objections to the rolling over of its EU trade agreement during the post-Brexit transition. How worried are you that South Korea will push for more restrictive rules of origin in the rolled over trade agreement, meaning cars assembled in the UK could be subject to tariffs?

Dr Fox: I am not going to comment on individual countries, for obvious reasons. I have also been in South Korea recently and, again, there is a very strong desire to see replication of the agreement. Again, there is some reticence about whether it is worth making the planning for no deal, because many would assume there that there will be a deal. It is a case that we have to consistently make.

Q462 **Chair:** You have just told us you expect all the deals to be rolled over, yes?

Dr Fox: It is impossible for us to guarantee it, but it is in everybody's interest to do so. Nobody has said they do not want to do so, but, as I say, there is a political impediment here. That is the approach of some countries to whether they should actually activate the process as domestically required if, in fact, we are going to have a deal with the European Union, and whether they would be wasting time and resources. It is an understandable reticence.

Q463 **Chair:** That is quite a notable difference from what George Hollingbery, your colleague in the Department for International Trade, told our Committee last week. He asked a rhetorical question to himself: "Will we get them all in time? We will not". He said, "Will we get the majority? I believe we will". That is a big difference from what you are telling us at the moment. There seems to be a lack of unity and focus from the Department for International Trade when one of you is saying that and you are saying something else.

Dr Fox: I am telling you what the aim of our Department is, and it is in the mutual interest of all those involved, not least some of the smaller trade agreements, which are with developing countries, to maintain access to the UK in that scenario.

Q464 **Chair:** As I said, the Committee was in South Korea. We were in Seoul. We spoke at length to UK diplomats in Seoul, who pointed out a number of the difficulties, not least the Parliament in South Korea, the time it might take to get things through there, the negotiators themselves. Leaving all that to one side, has the Department undertaken any analysis of the ratification process in each signatory country and have you found any red flag issues internally?

Dr Fox: We have.

John Alty: Yes, we have looked at how each country would expect to ratify, and we have taken that into account in the way that we have approached the programme. In some countries, there are different ways of doing it.

Q465 **Chair:** Were any red flag issues found, any big worries?

John Alty: I was just about to say that some countries have emergency ways of operating. There are their normal procedures; then there are things they can do more quickly. At the moment, as the Secretary of State has said, we are at an advanced stage with many of these countries and they are aware of their own procedures and their enthusiasm to maintain continuity.

Q466 **Chair:** Are there red flag issues?

John Alty: As I say, we constantly monitor the processes, and we are in touch with those countries. They often have choices about how they do things so we want to know from them how they are planning to implement things. It is often a question of choice for the country as to the different routes they take.

Q467 **Chair:** Is any country creating a major concern for you?

John Alty: As the Secretary of State said—

Dr Fox: Yes. The answer is yes where countries still believe they do not need to carry out the planning because there will be a deal. My advice still is that it is prudent, whether or not they believe that a deal is likely, to prepare for no deal, because that will ensure that, should it come to pass, there is trade continuity. There are potential other ways of doing that, short of full ratification, but we think the sensible thing to do is, even where countries believe we will have a deal with the European Union, to take the precaution of ensuring they have belt and braces.

Q468 **Chair:** We know there will be trade continuity. The trade will continue. The question is whether the trade will continue on the same preferential, advantageous basis. Are there any countries that have given you red flag issues?

Dr Fox: Where we have concerns with particular countries, we continue to raise them with them, particularly on this point that all countries should prepare. Even if they believe it is an unlikely eventuality, they should prepare for it.

Chair: You have concerns with particular countries and you raised the issues with them.

Q469 **Faisal Rashid:** *Business Insider* has reported that the DIT plans to use Henry VIII powers to scrap European food standards. What assurances can you give that these powers will not be used to lower our UK food standards?

Dr Fox: My first recommendation to the Committee would be not to take too much notice of *Business Insider* when it comes to reporting of anything from the DIT. We have made it repeatedly clear that the Government intend to maintain our standards, not only because there is enormous pressure from UK consumers to ensure those standards are met, and we have our domestic legislation to ensure the standards of the food we eat and the substances we drink.

I would also make this point: the Barclays survey of global customers suggested that, for example, in China up to 60% of people would choose to pay more for a product because it was made in the United Kingdom. They do that because they regard "made in the UK" as conferring, in itself, levels of standards in the quality of the produce, including food and drink. If the UK were to decide to, for some reason, reduce the levels of quality assurance we give to our own consumers, it would have a knock-on effect in terms of the quality of our exports. It is not simply a domestic concern; it is also a concern in terms of international reputation.

Q470 **Faisal Rashid:** Why was there a need for Henry VIII powers in the Bill?

Dr Fox: The Government have taken a range of powers to ensure that we have continuity. I say this again. I say this in Parliament; I say it outside. There are some who have decided that they want the Government's policy to be that we would reduce standards because it suits their political agenda to do so. It is not the Government's policy. In continuing to peddle this line, they are peddling a complete untruth.

Faisal Rashid: Thanks for the reassurance.

Q471 **Mr Evans:** You have done some public consultations over trade deals with America, Australia, New Zealand and TPP. What sorts of things are you hearing?

Dr Fox: The first is a lot of volume. I suppose I can tell you this. When we embarked on the process, we were not sure what the level of response would be from the public. Occasionally in politics we dodge a bullet accidentally. I had actually wanted the work to be done in-house and was asking, "What if the number of responses is too great?" We decided to contract it out to MORI, on the basis that we would have to pay for 100,000 responses even if it was more than that. In the end, we received more than 600,000 responses to the trade consultation, which almost certainly makes it the biggest consultation that any British Government have undertaken. For those of us who are Members of Parliament, by numbers of responses, that is pretty much 1,000 per constituency.

We can divide the question into the different trade agreements. There was more interest, I think I am right in saying, in the US first, then TPP, then Australia and New Zealand. The question on food standards was an issue raised. Government ability to regulate public services was an issue raised, particularly in relation to the NHS. SMEs, in particular, were worried about how the Government could guarantee preferential access for SMEs.

We are still in the process of analysing. I say this because these are the first messages we were picking up, but there was quite a lot of detailed engagement with the process, which I take to be a very good thing, and a high level of engagement. It is a vindication of the fact that we took this particular model and had that slightly prolonged, slightly longer than the EU, consultation to ask the level of ambition from the public for those.

Q472 **Mr Evans:** Is the consultation over?

Dr Fox: The consultation is over. Notwithstanding the fact that we had over 600,000 replies, we still get people saying they did not know the consultation was on, despite the fact that 600,000 managed to respond on time.

Q473 **Julia Lopez:** Sorry to talk about the potential loss of the withdrawal agreement again. If the withdrawal agreement was lost, you found yourself sitting at the Cabinet table, with your Cabinet colleagues, and some of them started advocating that we go down the EEA route or the EFTA route, what would you say back to them from a perspective of whether it fulfils Brexit and how it would impact on trade policy?

Dr Fox: As I said earlier, I am not in favour of EEA membership.

Q474 **Julia Lopez:** Let us remove the first part of my question and just focus on what you would say to anybody who said to you that we should go down that route.

Dr Fox: I would say, given that you will find yourself in lockstep and regulatory alignment, and that you will have to accept free movement of people, that is not really compatible with the result of our referendum.

Q475 **Julia Lopez:** You would advocate strongly against such an option.

Dr Fox: If it is leading the witness, it is leading the witness in the right direction.

Q476 **Julia Lopez:** If that became the official Cabinet position, would you remain in the Cabinet?

Dr Fox: I never answer these questions because one of the problems with the whole debate around Brexit is that it has become incredibly personality focused and not focused on a lot of the issues. I find a lot of the media coverage is difficult to discern, if you are a member of the public, in terms of getting information about what is contained and what is not contained. Interestingly, one of the polls recently said that 30% of the public thought Brexit had already happened. I think the sequencing is quite difficult for voters to understand. I saw one of the TV commentators last week saying that there were other models available instead of the withdrawal agreement, including a Norway and a Canada model, the point being that the withdrawal agreement is a sequence to get something else.

In terms of the question on the EEA, I find it very difficult to understand why people can say they do not support the current proposed Government agreement because they say it is too restrictive, but they would be willing to buy in to the concept of EEA, which, in my view, is more restrictive. If it was a sliding scale, I would have said you have EU membership, EEA, the current agreement and then you move on to other looser arrangements.

Q477 **Julia Lopez:** Since you mentioned it, on sequencing, when you began this process was it your understanding that the withdrawal agreement and the future trading relationship would be negotiated in tandem?

Dr Fox: Article 50 of course says that there has to be a withdrawal agreement—that is a legal element of article 50—with a view to the future relationship. It does not actually state under article 50 that they have to be simultaneous. The EU of course took the view from the outset that the trade agreement would only be negotiable when the UK was a third country and outside.

Q478 **Julia Lopez:** Do you think we should have listened to the EU on that, or should we have pushed quite a lot harder to negotiate both those things at the same time?

Dr Fox: You can push, but you cannot negotiate with yourself.

Q479 **Mr Fysh:** On the sequencing, to clarify, if the UK were to want to join the EEA, for example, am I right in thinking that the EU would almost certainly still insist on some sort of a withdrawal agreement under the terms of article 50?

Dr Fox: Yes.

Q480 **Mr Fysh:** It would say that we would only be able to negotiate such a future relationship once outside.

Dr Fox: Yes.

Q481 **Mr Fysh:** That does not get us away from any of the potential issues or indeed advantages of the withdrawal agreement, because that sequencing would be the same.

Dr Fox: That is entirely my understanding.

Q482 **Chair:** Just as you mentioned article 50 there, the advocate general of the European court yesterday enshrined that no other country could frustrate—I think that was the word he used—the UK's will if it wanted to unilaterally decide not to continue with Brexit, putting sovereignty in the hands of the UK Parliament. Do you welcome that?

Dr Fox: Of course, that was the advocate general's view, not the court's view. We have yet to determine what the court says. It also said "in good faith". My understanding of that was that this could not be used as a temporary mechanism to extend for a short period the article 50 process and that it would be once and for all. It is not a way of getting out of the process, lengthening it for a certain period, in order to complete our exit. That was not an option, as I understand it, legally, from yesterday.

Q483 **Chair:** Do you welcome the fact that the UK quite clearly in EU law now has the sovereignty that cannot be vetoed or frustrated by any other member country to decide its own path in the future? If that path happens to be the revoking of Brexit, that is a sole decision for the UK up until 29 March. In principle, do you welcome that?

Dr Fox: The revoking of Brexit is to break faith with the voters of the country, because the voters have told us to leave the European Union

Q484 **Chair:** We know this, but do you welcome the principle of sovereignty, the choice being just the UK's and not every other country's?

Dr Fox: Where I think there is a genuine misunderstanding here, Chair, is that there is a view seemingly taken that we could simply end article 50 and that would buy us more time to leave.

Q485 **Chair:** That is not what I am asking, though.

Dr Fox: My understanding, and I may be wrong, from the judgment is that it does not buy that temporary rain check.

Chair: It allows you to unilaterally revoke article 50.

Dr Fox: It would be ending article 50, not to reuse article 50. In other words, that would be it.

Q486 **Chair:** Yes. Do you welcome the sovereignty to do that and nobody else can interfere?

Dr Fox: I always welcome national sovereignty.

Chair: Okay, you have answered my question. Thank you very much.

Q487 **Mr Leslie:** As one of the parties to the case at the European Court of Justice, alongside Joanna Cherry and Tom Brake, I should declare an interest.

Chair: Andy Wightman is as well.

Mr Leslie: Yes, Andy Wightman, MSPs, MEPs. It is quite important that we establish that right to revoke for the UK. I just wanted to rewind a bit to your answers to Julia Lopez about the Trade Bill and the arrangements. I think it is more than a year since the Trade Bill started its passage through Parliament. You have delayed the passage of the Trade Bill. I think it is waiting to come up in the House of Lords. Can you just be honest with us about why you have delayed the Trade Bill?

Dr Fox: It was a decision taken by business managers that it would be easier to deal with the Bill after we had determined what we are determining next week.

Q488 **Mr Leslie:** The problem is of course the establishment of the Trade Remedies Authority and others. To do that requires legislation. You have had to just ignore all the rules on that and give an instruction to your officials.

Dr Fox: It is not ignoring the rules. There are clear Treasury rules on how that procedure operates under ministerial direction. It is not ignoring the rules.

Q489 **Mr Leslie:** Your officials would have preferred Parliament to give the authority to your strategy, and you had to write to your officials to overrule them, yes?

Dr Fox: It is not for my officials to determine what the Department's policy is.

Q490 **Mr Leslie:** You have instructed the officials, against their advice that we should have parliamentary approval for big things, like the appointment of the chair designate of the Trade Remedies Authority, the establishment of that, the spending of the money. You have gone ahead without express parliamentary approval.

Dr Fox: We have gone ahead under the rules set out. The House of Commons has given its approval to the process.

Q491 **Mr Leslie:** No, the House of Commons has not given its approval to your establishment of the Trade Remedies Authority, to your appointment of the chair of that body.

Dr Fox: The House of Commons passed the Trade Bill that set up the TRA.

Q492 **Mr Leslie:** It is not a completed piece of legislation.

Dr Fox: I understand that, but the House of Commons—

Q493 **Mr Leslie:** You might have got a Second Reading and a Committee stage, but we have not seen what the House of Lords improvements to that Bill are going to be.

Dr Fox: We have applied the Treasury rules on this to the letter.

Q494 **Mr Leslie:** When will you be bringing forward the Trade Bill?

Dr Fox: That is a matter for the business managers.

Q495 **Mr Leslie:** Do you think we should be content, as a Committee, to see you make these big appointments without reference to Parliament, without cross-examination, without scrutiny, in this way? Do you think it is appropriate that you have proceeded with that without that level of parliamentary approval?

Dr Fox: The House of Commons made it clear that it supports the setting up of the TRA. The Civil Service appointments process is entirely usable in those circumstances. Some of the appointments cannot be ratified until the Bill receives Royal Assent, and they can only be appointees for the moment on a temporary basis. As you can imagine, I am keen to see the legal authority granted and the ability to therefore use secondary legislation to bring forward those other elements.

Q496 **Mr Leslie:** Would you write to the Committee and let us know the total amount of expenditure you have instructed your officials to commit without parliamentary authority being approved?

Dr Fox: It is £8.9 million. I do not need to write to the Committee.

Q497 **Mr Leslie:** That could be potentially wasted money.

Dr Fox: No, we will be leaving the EU at some point.

Mr Leslie: No, not necessarily.

Dr Fox: Because we have an instruction from the voters to leave the European Union, and I am a democrat, I take the view that, as we have encouraged other countries to be prudent, we have to be prudent ourselves. We cannot leave the possibility open that we would leave the European Union without having the ability to protect our industries, not least those who would be vulnerable to dumping and subsidies, such as ceramics and steel. It is not a risk I am willing to take. Those in the House of Commons who voted against the Bill being created may be willing to take those risks. I am not.

Q498 **Chair:** I am going to take you up on ceramics, steel and what have you in a second. You mentioned costs a second ago. Can you let us know how much the Department has spent on travel costs in visiting various countries to secure continuity deals—just the continuity deals that we hear about? You might not have the answer today.

Dr Fox: No, we will not have a disaggregation of travel on that basis, because when Ministers go abroad they do not only have one conversation.

Chair: I mean Ministers and officials.

Dr Fox: I do not think it is possible to do that, Chair, because if I go and I am talking to a country like Korea, as you mentioned, about trade continuity—

Q499 **Chair:** Okay, what is your global spend?

Dr Fox: —I would also be talking about trade and investment. It would be impossible to disaggregate, because I doubt that we have taken many visits entirely for a single purpose.

Q500 **Chair:** Briefly, can you give us your global spend?

Dr Fox: Do you mean on trade continuity?

Chair: I mean on all trade visits.

Dr Fox: Not offhand, no.

Chair: Can you write to the Committee and let us know?

Dr Fox: I think the *Times* has done it for you. I am sure the Committee can cut and paste on that one.

Q501 **Chair:** But you cannot tell us, okay. To go back to where you were with steel and ceramics, under the withdrawal agreement, in articles 127 and 128, EU law would apply to the UK during the transition period, with the UK having no formal say in the shaping of that law. Since this would apply to and include the EU's trade defence regime, what role would the Trade Remedies Authority play during the transition?

Dr Fox: During the transition it would be developing the capability to eventually take over the cases that the EU was running on the UK's behalf and the UK was a party to, because we would have to have some continuity. One of the reasons the implementation period has that potential break to determine whether there should be an extension of the implementation period six months out is that this is about the level of time we would require for the Trade Remedies Authority to pick up live trade issues at that point. We would need to know whether the TRA was going into full mode at that point.

Q502 **Chair:** The role of the TRA would be really of a student, an apprentice, to the European Union.

John Alty: One of the key tasks for the TRA will be to look at all the existing cases. We have already had a consultation about where there are existing EU cases with a UK interest. We have identified those and the TRA will need to look at those to make sure they continue to be ones that are relevant to the United Kingdom. There will be quite a lot for the TRA to do, whether or not we are in a transition period.

Dr Fox: The bottom line is that we cannot afford not to have it in place. It may well be that it is not handling all the cases by itself for the implementation period obviously.

Q503 **Chair:** No, or any of the cases.

Dr Fox: We cannot take the risk that the United Kingdom would be unable to protect some of its most important industries from dumping or subsidy.

Q504 **Matt Western:** On trade policy transparency and scrutiny, clearly with modern trade deals it is not simply about tariffs. It is about regulatory agreements as well, but also environmental issues, working rights, labour law, consumer standards and so on. Why is it the Government have not committed to giving Parliament a final vote on the ratification of new trade deals in that case?

Dr Fox: Through the CRAG process, Parliament has a well-set out process on that. On the particular issues, one of the reasons I was very keen that we debated CETA on the Floor of the House as the first trade element we looked at was that sub-chapter 23 or 24—I can never quite remember which it is—sets out that in the CETA agreement the parties to the agreement will not allow the undermining either of their labour law legislation or their environmental legislation for the sole purpose of achieving a trade advantage.

I said on the Floor of the House, and it is there in Hansard, that this is, effectively, the model we would use for future trade agreements. CETA has been ratified and the instruments delivered on that, so it is very clear what the UK wants to do. I say do not judge the Government by rhetoric; judge the Government by what we have actually done. I hate to make a party political point, but the Conservatives in the House of Commons voted to ensure that that treaty was ratified and those instruments were in place.

Q505 **Matt Western:** Parliament will have a say in all those details within any trade agreement. Will we also be involved in setting the framework for that, for the trade deal?

Dr Fox: Yes, I am very keen that we consult. We are awaiting a debate in the House of Commons at the moment on the consultation of the four trade agreements before the Government move on to the next stage. It is very important that Parliament has its say. If the public have had their say to the extent they have, Parliament needs to have its say too on that. Once we have had that debate, the Government will move to the next stage of how we will develop the outline of those agreements.

To row back a little, the reason that we held the public consultation was that, with the experience of TTIP, the Government took the view, and I personally strongly take the view, that one of the problems with TTIP was that the public had not had the ability to be consulted fully at the beginning of the process, nor was there sufficient transparency during the process to maintain public assent for it. It is a reality of the age in which we live that the public, the consumers, will take far more interest in trade agreements than they did in the past.

Q506 **Matt Western:** That is a good thing.

Dr Fox: It is a good thing. I do think it is a good thing. When we were looking at the models for this, there was an idea that we would have more minor contact, with interested parties looking at it, for example. In my view, it was far better to have an open public consultation, use the ability to have modern communications, so that more people could have their say. I think that has been shown by events to be the correct judgment.

Q507 **Faisal Rashid:** How will you measure the success of your new export strategy?

Dr Fox: It will be if exports increase. The consultation on the export strategy started from a slightly different place from most Government consultations. The question we asked, effectively, was, "What can only the Government do that the Government should be doing better?" The private sector is already doing a huge amount. There is no point in replicating what already happens. The answers were very clear, very clear indeed. They said, "There are four things we want from the export strategy. We want to be informed, connected, funded and encouraged".

What was generally meant by "informed" was better information about potential markets, the culture of markets, the regulatory framework and the legislative frameworks affecting markets. "Connectivity" meant connecting across Government much better than we do at the present time. For example, up until recently we did not even put online where Ministers would be travelling. We had all sorts of reasons given why we could not do this, not least that it was a security risk. Well, I was hardly advertising I was going to be on the 6.30 BA flight to Beijing on Tuesday. It was that there would be a DIT Minister in China in March. It was twofold, why we did that. First, for those who are lobbying for market access, knowing where Ministers will be is an opportunity. Secondly, where companies have a contract or an agreement they want to get over the line, again, it is helpful to know that. That was the connectivity.

On the funding, it was particularly SMEs asking for better access to UK Export Finance. Of course, we added £2 billion to the direct lending ability of that in the Budget. Encouragement was perhaps the most interesting one because what businesses were asking for was not better encouragement from Government. They wanted the creation of a peer-to-peer advice capability, so we have taken on staff at the department to create a new online community so businesses can talk to like businesses about the experiences they have had, the difficulties they have had and the opportunities they have had. I do not think that is naturally where Government would come from in a consultation, but it was very much what real businesses told us they wanted to get out of the system.

Q508 **Faisal Rashid:** I understand the export strategy, and we had an event with the Minister recently. Germany and South Korea have really good models for supporting their businesses to export. Did you look around the world at how they are doing promotion on exports and supporting their businesses?

Dr Fox: We are, on an ongoing basis. The German chambers have a compulsory levy that they have to pay to support the export activity. Even the slightest dipping of the toe in the water here suggested that would not be a very popular move. We are looking constantly at best practice to see how the UK can perform. In comparative terms, the increase in UK exports in recent years has been really quite striking. To move up from 28.3% GDP exported to 30.5% in two years is very successful by any international comparison.

There is a rider to that very good news. Looking at the best performing areas of the UK, to take the West Midlands, with a 15.8% increase by value of exports in 2017, the number of exporters only rose by 0.9%. What we are achieving at the moment is a lot higher in the value of exports by the current exporters, but without necessarily bringing enough new exporters in now. We have a number of ways of doing that. A number of colleagues have had the Export Hub in their constituencies to show to businesses how easy it would be for them to get into exporting.

Q509 **Faisal Rashid:** Yes, and supporting the trade fairs as well.

Dr Fox: On the trade fairs, yes, the Tradeshow Access Programme has been successful. Talking to businesses, however, they express some anxiety about whether it is too prescriptive and whether, in fact, the money the Tradeshow Access Programme allows them to access could be accessed in a more flexible way. For example, it might not be the trade fairs that companies want to spend their money on. The rate-limiting step in their exporting may be translating into another language, for example. I am very keen for the Department to look at ways in which we can increase that flexibility to make it more bespoke for businesses.

Q510 **Julia Lopez:** The UK Trade Policy Observatory has recently reported that, between the EU referendum and the end of 2017, the flow of inward investment into the UK has suffered its longest continuous decline since the beginning of the data series in 2003. Meanwhile, the same group says that Germany overtook the UK as the largest recipient of FDI in Europe, whereas last month our Minister for Investment said it was the UK that remains the No. 1 destination. Are you alarmed by this apparent decline in inward investment and what are we doing about it?

Dr Fox: There is no decline in inwards investment. The trade laboratory figures, even by their own description, had a very tenuous link to the referendum question, which they admitted in their own document. ONS have just produced the figures. Our stock of inwards investment has increased again, £189 billion in the year to June 2018. I will check that exact date. The UNCTAD figures, the UN figures, suggest that in the first six months of 2018 the UK was not only still at its No. 1 position in Europe but had moved to second place globally, behind China and ahead of the United States.

All the figures on inward investment have to be taken with a pinch of salt, because they all measure slightly different things, but the trend is clear, that investment into the United Kingdom remains extremely strong. More venture capital on tech has come into London in the last 12 months than into the whole of Germany, France and Sweden combined.

Q511 **Faisal Rashid:** DIT's accounts for 2017 and 2018 show underspend of £14 million. That is due to slower than anticipated recruitment. What is the problem in your Department with recruiting?

Dr Fox: There is no problem in recruitment in our Department, but we are not willing to recruit anybody just to fill up the budget. The sort of specialists we are looking for do not grow on trees. We are determined that we will get the right people, not the fastest people.

Q512 **Faisal Rashid:** The budget is basically higher than it should have been then. Is that what you saying?

Dr Fox: We would love to fill it, but we have to fill it with the right people. There is no point simply increasing our number of staff if they do not have the level of skills that we need.

Q513 **Faisal Rashid:** So you have enough resource.

Dr Fox: In that particular part of the budget, the recruitment for TPG, we have still to reach our ceiling.

Q514 **Matt Western:** Secretary of State, we have heard anecdotally that, in the DIT's operations abroad, the budgets have been cut by, say, 20% or 30%. We have been told that. Why is that the case at such a critical time, when we should be investing in our overseas representation?

Dr Fox: I shall ask Catherine to comment on the figures in a moment. When DIT was formed, it included a baked-in reduction from what was the then UKTI budget. That budget was back-ended, so none of the reductions to UKTI occurred in the early years and they all occurred really in the final year. That is what we inherited. We had discussions with the Treasury on that, because it was inevitably going to lead to reductions in staff numbers, and we had an increase in the money we were able to spend from the Treasury.

Rather than simply maintain all the staff where they were, we have taken the opportunity to see where we actually needed to have higher levels in the capabilities of the staff we had. Changing staff is always expensive. It always costs money, but in many cases the way staff funding had occurred meant we were often getting the maximal number of those we could get for a particular salary ceiling, rather than being able to get staff at a higher grade. That is what we have used the opportunity to try to do. That process is still ongoing. I am very happy to write on the details of that.

Q515 **Matt Western:** Could you share the budgetary numbers, how much is being spent in our overseas representation, in certain markets specifically? It is really important that we should know that, particularly in relation to these 40 trade deals we are talking about.

Dr Fox: We are looking to better match our staffing with the potential economic opportunities, in terms of predicted growth of markets and predicted potential share for UK exports. That is what we have tried to map. I am very happy to write about the changing pattern of staff that we have tried to do that with. If that was an offer to lobby the Treasury for more funds for our overseas network, it is always gratefully received.

Matt Western: I would be delighted to help.

Q516 **Chair:** Secretary of State, we are coming to the end of our pleasant morning's exchanges. You said at the beginning that MPs are trying to steal Brexit. Given the forecast of economic damage to GDP, is a better way of reading it that MPs are trying to prevent loss of jobs, damage to business and industry, and ensure there is protection for people in the country and their livelihoods?

Dr Fox: That is one way of putting it. The way I would put it is that Members of Parliament should have the humility to accept what the British public have determined they should do in terms of Brexit policy. We determined that there should be a referendum. We said we would honour the results of the referendum. It is time for us to hold up our end of the bargain.

Q517 **Chair:** It is very fair of you to agree to the economic damage there. We both have that as a point of view.

Dr Fox: Noted.

Chair: Can I bring the Committee session to an end? Thank you very much, Secretary of State, for coming this morning. Hope to see you again in the not too distant future. The hazard of resignations in Government notwithstanding, we would like to see you again, very soon I would probably guess. Thank you again.

Dr Fox: Thank you, Chair.