HOUSE OF COMMONS

Scottish Affairs Committee

Oral evidence: Scotland and Brexit: trade and foreign investment, HC 903

Tuesday 4 December 2018

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Watch the meeting

Members present: Pete Wishart (Chair); Deidre Brock; Hugh Gaffney; Kirstene Hair; Christine Jardine; Ged Killen; Danielle Rowley; Tommy Sheppard; Ross Thomson.

Questions 505 - 582

Witnesses

I: Rt hon David Mundell MP, Secretary of State for Scotland, and George Hollingbery MP, Minister of State for Trade Policy, Department for International Development.

Written evidence from witnesses:

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Examination of witnesses

Witnesses: Rt hon David Mundell MP and George Hollingbery MP.

Q505 **Chair:** We welcome both of our guests this afternoon. It is good to see you again, Secretary of State, and I believe this is your first appearance at this Committee, Minister Hollingbery. Thank you very much for attending today and helping us out with our Brexit and trade inquiry. For the record, please say who you are and anything by way of a short introductory statement. We will start with you, Secretary of State.

David Mundell: Yes, Chairman. I will make a short opening statement. I begin by thanking you and the Committee clerks for your forbearance with the logistics of bringing this session together. Mr Hollingbery and I are most grateful for that. We are grateful for the opportunity to appear before the Committee today. As you are aware, Mr Hollingbery is the Minister for trade policy within the Department for International Trade and, although he has never appeared before this Committee before, he has appeared on behalf of the UK Government in the Scottish Parliament.

From the start, I would make clear the Government's position in relation to leaving the EU and trade matters. Leaving the EU offers us an opportunity to negotiate our own trade agreements and to be a positive and powerful force for free trade. We will be able to set tariffs for our trade with the rest of the world and have the ability to secure the trade deals with other countries, including potentially seeing a succession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

At the same time as looking for new opportunities, we are also seeking to achieve continuity in our trade and investment relationships with third countries, including those covered by existing EU free trade agreements and other EU preferential arrangements. This will be a technical process rather than a renegotiation of existing terms. We are exploring ways to achieve this with our trading partners.

It is important to remember that Scotland's largest market is the UK single market and that Scotland trades nearly four times as much with the rest of the UK as it does with the European Union, according to the Scottish Government's own figures. In addition to this, Scotland's trade with the rest of the world is higher than with the EU.

There is a real opportunity to grow trade with the rest of the world as we leave the EU. There is no reason why trade with the rest of the world should not rise when we start to sign independent trade deals that will enable the UK to trade more easily with the likes of Australia, Canada, the USA and CPTPP. After all, the USA is Scotland's largest international trading partner, worth over £4.8 billion in 2016.

On the subject of inward investment, it is key to note that, even since the Brexit vote, Scotland has still enjoyed success in attracting inward investment. An Ernst & Young report came out earlier this year highlighting that job growth, through inward investment projects, increased by 104% in 2017 compared to 2016.

The trade Bill is currently awaiting a date for its Committee stage in the House of Lords. The Bill provides for establishment of a UK trade remedies mechanism to ensure that we are able to continue to defend UK businesses from unfair trading practices. The trade Bill also makes provision for the UK's accession to the Government Procurement Agreement at the World Trade Organisation.

The UK Government are dedicated to delivering for the whole of the UK, and I am dedicated to ensuring that Scotland is heard, whether it be through my role representing Scotland's interests directly in the Cabinet or via the Scottish Government. It is also vital that Scottish businesses are fully engaged, for example, via consultations on future trade agreements.

A 14-week consultation period on FTAs has recently closed. During this period there have been webinars, roundtables and meetings with business, as well as ministerial engagement with devolved Administrations led by Minister Hollingbery. This is a clear demonstration of the UK Government's desire to take into account views from across the UK on our future trading arrangements, and we are committed to this continuing.

The Department for International Trade supports trade and investment in all parts of the UK, such as through its overseas work, international events programme and online services. It works closely with its counterparts in the devolved Administrations to co-operate effectively on events and to improve the navigation of support available to businesses. The Department values the work undertaken by devolved Administrations, which contributes to an excellent overall offer of export and investment support available to businesses here in the UK.

Any future trade deals must work for both the whole of the UK and reflect the needs of Scotland, as well as England, Wales and Northern Ireland. The Department for International Trade is working closely with devolved Governments to deliver an approach that does work for the whole of the UK, reflecting the needs of individual strengths of each of the nations and drawing on their knowledge and expertise.

Q506 **Chair:** I am grateful. Mr Hollingbery, do you have anything to add? We have a very comprehensive—

George Hollingbery: I have quite a lot to add, Mr Wishart, but I thought that in the interests of time in your inquiry I would not do so.

Q507 **Chair:** I am grateful for that. We are not anticipating a vote until about 3.30 pm to 4 pm at the earliest so, if appropriate, we will conclude the session at about 3.30 pm to allow members to get into position for any particular votes. We will look at that as the time for rounding up and see if we can meet that.

Just to get things started, Mr Hollingbery, I looked at the trade White Paper that the Government published in 2017. It stated that any future trade policy would be developed in collaboration with the devolved Administrations, and recognised that there are particular interests and issues when it comes to international trade. Can you explain to us how far you have got with this and what your thinking is just now and currently?

George Hollingbery: Absolutely, sir. If you will excuse the voice, I am afraid I have lost it slightly.

We do engage widely with the devolved Administrations. We have monthly roundtables with policy groups among officials in the DAs. There are six-weekly senior official group meetings to talk about those issues of more pertinence and highest interest.

As we know, there have been quadrilateral discussions around the formal arrangements, and I will return to that in a moment. Since July 2016, 25 ministerial visits to the DAs have taken place, including 12 to Scotland, and there have been plenty of ministerial bilaterals between DIT Ministers and responsible members at the devolved Administrations. I have met twice with Ivan McKee and I have also met with Derek Mackay. I have also met with Ken Skates from the Welsh Administration and will do so very shortly again.

When I met with Mr Mackay in Scotland last time I undertook and promised him that I would attempt to bring the Administrations closer in this regard, and we would talk more. We would simply have more interactions. I have now set up a regular six-weekly phone call with the Ministers. It does not happen every single six weeks. It is entirely in the hands of the DAs as to whether they want to take advantage of that. I shall be calling Mr Skates literally straight after this meeting.

I think that leaves a little more detail on the concordat that we are attempting to reach. At this stage I am not in a position to be able to give you any particular details, but we hope to be able to share the proposals on this with the devolved Administrations very shortly and I do hope it will be this week, in fact.

Q508 **Chair:** Could you help the Committee with roughly what the themes are around that and what things you are looking at?

George Hollingbery: I know the Committee has seen the proposals from the Scottish Government on how they wish to be involved in free trade agreements. It is not unfair to say that one or two of those were at the far end of the bargaining scale, in that they said that there were several issues upon which they wished to be able to grant consent to the UK attitude to the free trade agreement. That is not on the table and will never be on the table. The UK is tasked with looking after UK free trade agreements abroad and we will continue to do that.

What is absolutely clear to me is that at every stage, and as deeply as possible, we shall be taking the particular attitudes, the particular needs, and the particular information from devolved Administrations into account. We should be drawing them as closely in as is reasonable to the actual negotiations themselves, such that we have a full and frank exchange of views, so that we know what the DAs want. If we work together more closely we will—all of us—have a better agreement to work with. There will be less tension and, in fact, hopefully no tension between the two sides. The UK will be negotiating on behalf of everybody in full cognisance of the facts and what the devolved Administrations need and want from a free trade agreement, and I am confident that what we will be offering is very much in that spirit of the commitment I made in Scotland back in September.

Q509 **Chair:** You heard from the Scottish Minister responsible for trade in the Scottish Parliament. He was saying to this Committee that what he desired, probably more than anything else, was to be involved in the conversations and discussions about trade arrangements at a very early stage. What are your views on that, and how would you see a role for Scottish Ministers being involved in the preliminary discussions about trade agreements?

George Hollingbery: I am not going to pick out any particular stage of the agreements. I am absolutely convinced that what he says, in essence, is correct. The more closely we interact with the devolved Administrations, the more closely we draw people in, the more information we exchange, the more frank that information can be, the better it will be for all of us. I believe that the proposals we are going to make very shortly are absolutely in line with delivering that commitment.

Q510 **Chair:** That is the Minister responsible for this. You are obviously aware of the different trading priorities that Scotland has. There have been lots of discussions featured round about the fishing industry, for example, and the way that Scotland—with food and drink particularly—exports to the rest of the world. How can they be featured into any arrangement you would have in any negotiations with third parties?

George Hollingbery: Very straightforwardly, exactly as you would imagine. When we are aware of exactly what the issues are, exactly what protections may or may not be needed, exactly what market opportunities those businesses wish—and in the end it is businesses we are talking about here—then the negotiating mandate will be shaped around those offensive and defensive interests. They are certainly not terms I care for much. They are far too aggressive as far as I am concerned, but we can see that nations have desires and wants and they want to protect certain things and it is reasonable that those sides should be able to do that.

These conversations are with businesses primarily but with the devolved Administrations to point us towards errors we may not have seen or may have forgotten, or hidden areas that are not yet apparent to us, that will help us shape those defensive and offensive interests more precisely. Whether we will be able to deliver on all of them is, of course, a moot point. That is for negotiation but it is absolutely right that the DAs should be in a position to shape the negotiations before we start.

Q511 **Chair:** We will come into some more detail about some of the issues that we found as a Committee about proposals and plans for the things that you mentioned, but I would be keen to hear from the Secretary of State about how he sees the arrangements for Scottish Ministers and the Scottish Parliament getting involved in future trade arrangements.

David Mundell: The first thing, Mr Wishart—and I am happy to put it on the record—is I very much welcomed Mr McKee's appointment. I felt that it was an appropriate ministry to have within the Scottish Government, because previously, prior to the changes, your trade was in with a whole range of other things, and to have a dedicated Minister I think has already made a real difference in the dialogue that we are able to have directly with the Scottish Government.

Obviously, in addition to Mr Hollingbery, I have met Mr McKee and I have met with Mr Mackay and, indeed, a number of the officials that have been appointed. I think we are in a much better place now to be able to dovetail, have the discussions and dialogue. It is very important to maximise the benefits for Scotland, so that we are all aligned; that we are aligned with the Minister and that we are aligned and working closely—as I am sure we will come on to—with Scottish Development International and, indeed, the role of Scottish Enterprise as well to an extent. I think the new structure provides a positive way forward and, from where I sit, Mr Hollingbery, in particular, has embraced that.

Chair: I am grateful for that. I am going to allow Ms Hair to ask questions. I know she has to leave us at 20 past so, Kirstene, if you want to ask your questions.

Q512 **Kirstene Hair:** Thank you both for joining us today. Minister Hollingbery, how effective do you feel the GREAT campaign has been across Scotland, the brand promotion that has been put out by the Department?

George Hollingbery: In the end, the only people who will reflect that to you properly are the businesses who have used it and been part of it. The major client with whom I have spent most time is the Scotch Whisky Association. It will not surprise you almost every market I go to the

Scotch Whisky Association and/or Diageo and others have had things to say. The reflections that I have had are that it works well to there.

It is, of course, a UK-wide product under-laid—perhaps we should say—by Scottish Development International but which we find is a very useful adjunct to what we do. Where there are Scottish interests, where there are Scottish members of staff in post in various regions, they most often co-locate with our staff out in the regions. In fact, the only time when they do not co-locate is when there is a physical barrier to them doing so. It is much better for us to have SDI co-located with us. Our teams get on extremely well and, clearly, where there is a Scottish interest it is highlighted by SDI.

I think members should be confident that the GREAT campaign is available to all, is used by Scottish businesses to a great extent and most of the reporting that I hear—in fact, all the reporting I have ever heard—is that it is a method of promotion that companies find extremely useful, Scottish or otherwise.

Q513 **Kirstene Hair:** Do you believe that having Scottish and UK branding available to them is an asset or a drawback for Scottish exporters?

George Hollingbery: In the end, only the Scottish businesses will really be able to make their own minds up about that. There is a very wide understanding internationally of the GREAT campaign. That is a branding that has been used for a number of years now. I have seen it in pretty much every place I have been across the world, and I have now travelled to 40 nations since I was appointed.

In every case—from Qatar to Kazakhstan to Taiwan, Panama, Costa Rica and beyond—this is a brand that is understood by local businesses. I do not detract for a moment from SDI's branding. I believe that it can be a useful adjunct to but I think if I was as a Scottish business looking to promote myself internationally, I would certainly want to write off the idea of using GREAT for good, rational, sensible reasons before I considered going elsewhere.

If you are going to use the two brands concurrently, it seems to me that makes some considerable sense. It is entirely up to the Scottish Government and, of course, to local Scottish companies to decide what they will do on that, but I think my simple observation is that it is a well understood brand that brings value to the nation overseas and is a clear focus for British business when foreign companies wish to interact with us.

Q514 **Kirstene Hair:** Thank you. Secretary of State, in the previous session, as has already been mentioned, we had Ivan McKee, Minister for Trade, Investment and Innovation, on behalf of the Scottish Government and, although the Minister did confirm that obviously 60% of Scottish exports are to the rest of the United Kingdom, four times that of the exports from Scotland to the EU, he did then go on to say that there is a desire on our part over time to change that, because it is not a healthy situation for one country to be so dependent on another for such a high percentage of their exports. Why do you believe the Scottish Government have that opinion?

David Mundell: It is very important to acknowledge the importance of the market within the rest of the UK for Scotland. It is a very, very significant market and it should not be forgotten or neglected. I think that is very much a message from Scottish business. I met with Scottish financial businesses yesterday and they were very clear obviously on issues that they have with the European Union, but for many of those businesses the rest of the UK is clearly the most important marketplace.

I am saying that and wanting to make sure that it is fully acknowledged, because these figures that sometimes get pushed back—which I mentioned in my opening remarks—are Scottish Government figures in terms of the importance of the rest of the UK.

It is also important that Scotland and the UK as a whole look first to ensuring, as we wish, we maintain markets in Europe but also beyond. I think the view of DIT is that, in terms of trade growth overall, 90% is going to come from the rest of the world in the next 15 years. Within Scotland and within the UK we also have to be outward looking, but we cannot and mustn't neglect the fact of the importance of the UK market to Scotland.

Q515 **Kirstene Hair:** One final question: Secretary of State, you have proactively embarked on a number of trade missions in a global capacity. How effective have they been in promoting Scottish produce?

David Mundell: The first point that I would say is that, in relation to those visits, we have worked very closely with Scottish Development International, for example, on my visit to Japan so that, in fact, both Governments were making the same case particularly for inward investment into Scotland. There have been particularly from Japan a number of very significant investments and a number that are currently possible to take forward.

When I was in New Zealand recently, the mood there is very much of seeing an opportunity in the post-Brexit world. There is no doubt that there were very difficult times in New Zealand at the time the UK came into the EU. There is a feeling that the strength and depth of trading relationships that existed previously could be re-established and there is a very positive attitude. Most recently I have been in South America. I have been very pleased by the openness to Scotland, the very positive links that already exist in many of these countries with Scotland, and I think—particularly in South America—there are huge opportunities for Scotland.

Q516 **Deidre Brock:** Secretary of State, a recent answer I received from you in response to a written parliamentary question stated that respective

Secretaries of State for Scotland have made 11 international visits to promote Scotland's businesses and exporters to overseas stakeholders. Can I ask what measurable benefits did Scotland get from those trips? Can you tell us what countries you visited and could you tell us how much that all cost?

David Mundell: I think I have answered questions or provided freedom of information request information in relation to all the costs, but I can certainly provide you that by letter subsequently because we make all that information publicly available.

In the course of this year I visited Hong Kong and China. In Hong Kong, as you will be aware, there are very significant Scottish financial services interests and Scottish diaspora there. We had significant engagement with them, particularly highlighting opportunities that there might be for investment by them both in the UK and in Scotland.

I then travelled to Japan where we were involved in a major promotion of Scottish food and drink. I met with Canon Medical who invest heavily in Scotland and who we were encouraging to take part in tender projects for the Queen Elizabeth Hospital.

Q517 **Deidre Brock:** Thank you for those details, but can you tell us how the UK Government and the Scotland Office are going to measure the benefits, so that those trips might be able to demonstrate to the people of Scotland that the cost is worthwhile?

David Mundell: All trips have to be measured in two regards. Sometimes there are specifics where we have taken forward a specific initiative, such as with the higher education sector. Sometimes we are promoting Scotland, very much making the case that Scotland is open for business, we are available for business. I see today Mr McKee, for example, is in Germany with very much that message, "Here is what Scotland has to offer".

Q518 **Deidre Brock:** Are the UK Government and Scotland Office reviewing these trips, and will they be sharing with us what specific outcomes have come from these various trips?

David Mundell: Yes, because I think it is important to do that. We are at a point—which you would expect me to say—where with this change, as we leave the EU, there is a considerable amount of just getting out there and telling people, "We are here. We are open for business", and the opportunities that exist. That has been a big part of what we have been doing in recent times. Did you have something specific?

George Hollingbery: Just very briefly, Mr Chair, I mentioned that I have done 40 trips abroad. I would just say this about trips. Sometimes things are entirely measureable but sometimes it is difficult to exactly quantify what a trip will bring. In my case, as a junior Minister, I am usually an articulation point around which an agreement is reached. They may be fairly low-level agreements. They may be about the potential to explore changes in the legal process or in contract law that might then allow British companies to have access. In some cases, it is much more acute.

With a couple of my trips it has been specifically about transitioning free trade agreements, which in some cases are worth many tens of billions of pounds, but I think to try to put an absolute monetary return on each and every, frankly, diplomatic trip—which is quite often the case that one enters into—is a very, very serious ask, which I think could cost an awful lot of money to do and actually yield not terribly much information that was worth having. It is very important that we monitor how much we spend. It is very important that Departments spend taxpayers' money wisely, but I am not entirely convinced that a monetary outcome can be the only reasonable outcome of that review. There are many reasons why Government Ministers will travel overseas. Quite a lot of them will not necessarily give immediate monetary gains but might be enormously to the benefit of the country.

Q519 **Christine Jardine:** Secretary of State, unfortunately Ms Brock has asked almost exactly the question that I was about to ask. However, it does open another issue: the question of monetary return and cost. Presumably, in all of these trade missions—and indeed whether the Secretary of State is part of them or not—the interests of the Scottish business sector and all sectors of the Scottish economy will be represented by the UK Government. What would be the cost to the taxpayer of doubling that up and sending both a UK Government delegation and, say, sometime later that year a Scottish Government one?

David Mundell: I would certainly very much welcome an approach where we could move to more joint delegations. That would be a much better way to get the best value for taxpayers in Scotland and I think that would be an aspiration.

When I recently went to South America, ahead of going I did discuss it with Mr Mackay. I explained what I was doing and opened up the opportunities for Scottish Enterprise, in particular, and Scottish Development International to be able to contribute to what might be involved in the programme. For example, after one of the visits to South America, I fed back very much directly to John Swinney, the Scottish Government and the universities of Scotland the wish for higher education to become more involved in South America. I think that there is a huge opportunity for Scottish higher education, as they have done in other parts of the world, to get much more involved in South America, so there was a feeding back. I am very open and would be very conducive to even closer working together.

Q520 **Christine Jardine:** Do you think there is the possibility of that and a benefit to be gained?

David Mundell: I think there is a possibility. As I have said in my answer to Mr Wishart, I very much welcome Mr McKee's appointment. I think the appointment itself is very good and Mr McKee is a very sound individual as well. He probably won't thank me for saying that.

There is continued scope for closer working and I am sure that is what businesses and industry bodies want, in fact. A lot of feedback I get—because we all know Scotland is a bit politicised, let's be frank—is that businesses and organisations do not want to be put in a position to choose. They do not want it to be said, "If I back this Scottish Government initiative I cannot back a UK Government initiative". They actually want to be able to work with both Governments and our objective is to facilitate that.

Q521 **Christine Jardine:** Moving forward—for both the Secretary of State and the Minister—how would the UK Government engage and how are they currently engaging with the Scottish Government about post-Brexit trade policy? Would you be, for example, hoping to take this more joint approach or do you think there will be a more—

George Hollingbery: Are we talking about trade policy or trade promotion?

Christine Jardine: Trade policy.

George Hollingbery: Mr Wishart, I think I have largely covered that because, in the end, that is really about our future trade arrangements and the Scottish Government will know more and, therefore, the Committee will know more in the next week or so. Thereafter, it is about the institutions that we have set up or need to set up to operate an independent trade policy. That of course includes the Trade Remedies Authority. It includes the powers given under clause 2 of the trade Bill, which allows the transition of existing agreements, our accession to the general procurement agreement, our accession to the World Trade Organisation, and so on.

There are not many regards in which devolved institutions, authorities and Administrations would get involved in those. There will certainly be a place for devolved Administrations to contribute to the Trade Remedies Authority and the deliberations in what cases are brought forward. That is as yet unset absolutely in terms of how that will interact, but there is certainly a role to be played there.

In those other areas, those are largely without consideration of devolved issues. Clearly, there is a lot around clause 2, and I have given evidence on that to the Scottish Parliament, and about section 12 and the concurrent powers and so on, but I think that is more about domestic legislation rather than wider trade policy post-Brexit. Hopefully, that has covered most of the issues.

Q522 **Christine Jardine:** That is fair enough. Just finally, Secretary of State, as Scotland's senior representative in the UK Government, how will you judge or do you think there is an ideal way to judge whether or not the approach is successful for Scottish trade and industry?

David Mundell: I think that both Governments together just have to look at the numbers. The relative percentage of exports from Scotland is below that of the UK. Both Governments are engaged in significant initiatives at the moment. If those initiatives do not lead to an increase in those numbers then, of course, we have to look at that. We have to look at it together.

There are a range of views. One of the main views, which I think both Governments share, for example, is that far too few SMEs in Scotland export. That has been an ongoing issue. You will recall when you were perhaps on the other side of the fence—if I might put it that way—the then Secretary of State, Michael Moore, put a big effort with the assistance of Brian Wilson in getting a report about how we could get SMEs exporting more. We both recognise that issue, for example, and we both need to facilitate that moving forward but I think we should be called to account. If export numbers do not increase, then both Governments need to be called to account as to why that is the case.

George Hollingbery: Likewise, the rest of the UK. This is not unique. While the problem is more acute in Scotland—I met with the SFB in Scotland to discuss this—across the UK far too few small businesses do export. There is a lot of work going on in that area about having a digital hub where people can find UK export opportunities. Some 24,000 opportunities are now on that hub for people to look at. We are trying to get to a position where it is much, much easier for small businesses to interact with exporting opportunities because, at the moment, they just do not play as well as they should.

Q523 **Deidre Brock:** Minister, I wanted to ask you about your comment around the involvement of devolved Administrations in trade negotiations. You stated fairly emphatically that consent will never be on the table in regard to those discussions. Why are the UK Government so emphatically against that? Dr Kirsty Hughes said in our October evidence session, "I think we do not have to be quite so scared of this idea of requiring consent and not just consultation. I certainly think it would be worth looking further at these different models. You say you have already talked to the Canadians. It may have raised a lot of eyebrows when the Walloon Parliament held up the Canadian trade deal but in the end CETA went through". Can you explain to us the UK Government's position on this?

George Hollingbery: I can. Straightforwardly, it is not a devolved competence for the Scottish Administration. That is as set out in the original documentation and legislation and, secondly, that is for a very good reason, which is about the protection of the single market in the UK. If we manage to negotiate a free trade arrangement with a third party, they have every right to expect that it will be delivered as it has been negotiated for the whole of the UK and that is to protect the single market.

There are areas of devolved competence where I believe it is absolutely right that the devolved Administrations should have very clear roots into the negotiating team and into the formation of the mandate that eventually comes forward and feeds into it. I have every confidence that the arrangements—which we are hopefully going to suggest this week—will demonstrate that we mean what we say.

At the moment, the UK Government are absolutely clear—and I will have no more to say on this—that UK trade policy and the negotiation of it overseas with third parties will remain a UK position.

Q524 **Chair:** You said you were going to announce something this week.

George Hollingbery: We will be sharing with the Administrations our initial proposals on the concordat.

Chair: Thank you.

Q525 **Deidre Brock:** I think it is interesting that the Canadian Government can clearly come to a mature understanding with its provinces and territories, yet the UK Government refuse to countenance any look at this as an option at all.

George Hollingbery: That, of course, is a federal system, which the UK isn't.

Q526 **Deidre Brock:** Yes, of course, but it was impressed upon us that they discuss these things and arrive at a conclusion rather than override and impose the views of the central government on those territories and provinces.

George Hollingbery: As I have just explained, I hope that the proposals that we make this week will show that we take a similar attitude with a different route, that we will be absolutely clear in our intention—we are absolutely clear in our intention—to listen to the devolved Administrations and to make sure that the opinions of the Scottish people and their businesses are taken into account when we form trade policy and negotiate our deals overseas.

Q527 **Deidre Brock:** Indeed, in an ideal world. Of course, recently we had an article in *The Times* about the EFRA Secretary of State saying that "Britain will lead an agricultural revolution with the use of gene editing despite concerns about genetically modified food". I am quoting from *The Times* article there. That will not be very welcome news to many people in Scotland. As you will be aware, Secretary of State, this is very much a live issue up there. Can you tell us how you would envisage that particular discussion being handled in intra-governmental discussions around that particular issue?

George Hollingbery: To be clear, in terms of negotiating free trade agreements, my Department has nothing to do with how DEFRA sets the regulations on food and what it can and cannot do. Our job is to get out and create new trade agreements. Our position on this will have produced products potentially at our end, which have a certain character, shall we say. That may well be of importance in future negotiations but it is for DEFRA and, indeed, for collective Government agreement, of course, to move its policy forwards.

Q528 **Deidre Brock:** Okay. Secretary of State?

David Mundell: Within the devolved responsibilities there will be nothing that DEFRA is doing or would do that would override or change existing responsibilities. The Scottish Parliament, certainly, even when I was a Member of it, debated and discussed issues around genetically modified food. DEFRA will not be imposing requirements on Scotland that are within the responsibilities of the Scottish Parliament.

Q529 **Deidre Brock:** You can guarantee that, even if a trade deal depended on the UK accepting GM food? There is no danger of that ever being imposed on Scotland?

David Mundell: First, one of the important things—and it is something again to make sure that everybody fully understands—is that when there are new trade deals, new trade agreements, they will have to be agreed by this Parliament with 59 MPs from Scotland making sure that Scotland's views and interests are fully reflected, as well as people from across the whole of the United Kingdom.

That is why I am absolutely clear that many of these stories that circulate about chlorine-washed chicken and other such foodstuffs are entirely fanciful. I cannot see this Parliament agreeing chlorine-washed chicken coming into Scotland or the United Kingdom.

George Hollingbery: My Secretary of State has made it absolutely plain, time and again, that we will not be lowering our standards. It is as simple as that.

Q530 **Deidre Brock:** Our standards? No.

George Hollingbery: Our standards include those that will be applied to imports. Plainly, it is not something that can be brought to market in the UK. There is not a great deal of point importing it in the first place. It cannot be consumed.

Just for the sake of argument—but let's just put it this way—it would be commercial madness for us to drop those standards. Let's put aside all potential political motives and so on. The brand for the UK overseas is about quality. It is absolutely about top level quality, whether it is advice you are giving on how to build an airport, whether it is how you deal with the mining of minerals or what design you put in to extract oil from the sea and, indeed, very particularly, in many markets about the quality of the products that you are consuming. I am talking here about clothes, I am talking about food, and I am talking about drink.

There are many markets in the world where food and drink cannot be trusted to be what it says on the can. Just looking particularly at food and drink, we would be very foolish commercially, internationally, to lower our standards. It would do us untold damage.

Q531 **Deidre Brock:** Yet we have your former ambassador to the United States between 2012 and 2016, Sir Peter Westmacott, warning that the Trump Administration was playing "hardball" and would likely demand that the UK allowed the import of products such as hormone-treated US beef and chlorine-washed chickens. Do you completely discount his opinion, given his experience of the US?

George Hollingbery: No, I absolutely do not. People demand all sorts of things in free trade agreements when they start and the results turn out to be otherwise. The reason they turn out to be otherwise is because the country on the other side simply will not allow it.

An accommodation was reached on this—at least in TTIP—and I have absolutely no doubt that we will be able to reach an accommodation, too.

Q532 **Chair:** Lots of concerns have been raised about some of the issues around standards. Would you be prepared to go as far as to say that if a free trade arrangement was offered to the United States that looked favourable on a whole range of issues, it would be rejected in order to maintain the very high standards we have around food and agriculture?

George Hollingbery: All I can say is to repeat what the Secretary of State has said—which I have repeated here today already—which is that we will not be lowering our standards. My opinion, on top of that, is that commercially, internationally, it would be a very, very ill thought through thing to do.

David Mundell: Just to restate what I said, Mr Wishart, that agreement—even if the Government were minded to enter into some agreement—would have to be agreed by Parliament. I cannot see this Parliament, whatever its composition, agreeing to the sort of measures that Ms Brock has set out.

Chair: That is comforting and will satisfy the whole Committee.

Q533 **Tommy Sheppard:** Good afternoon. I am pleased to see that you seem to be exhibiting a generally positive attitude towards the need for discussion and involvement of the Scottish Government in trade affairs. I would like to press a little more on what potential mechanisms there might be to allow that to happen. The Institute for Government, for example, has suggested that within the auspices of the JMC there might be a sub-committee dedicated to trade. Is that something that you think has got legs?

David Mundell: As you are aware, there is a review of intergovernmental relations at this moment ongoing, which I think is going to report back to the next plenary session of the Joint Ministerial

Committee. There is certainly a case to be made for that type of arrangement.

Q534 **Tommy Sheppard:** If not that, can you see any alternative structural models that might allow the regular interface between the two Governments?

David Mundell: I think Mr Hollingbery has already set out the way in which we are going to respond to proposals the Scottish Government made and a way in which to certainly bring together officials, the regular dialogue that there is between Ministers, both within the Department for International Trade and, indeed, myself directly with Derek Mackay and now Ivan McKee. It is certainly worth considering whether within the context of the JMC there is an approach that could help there.

Q535 **Tommy Sheppard:** Are you open to the idea of putting these ongoing discussions on to a more structured and formal basis?

David Mundell: I am open to the idea and very much support the review of intergovernmental relations, and that needs to be seen in the context of it. In summary, what I am saying is that it is worth considering. I am not expressing a view one way or another but I am not dismissing it.

Q536 **Tommy Sheppard:** When it comes to discussing future trade deals, do you see a role for the Scottish Government to be participating in the development of those deals?

George Hollingbery: Sorry, Mr Wishart, I would just refer the honourable gentleman back to the comments I made earlier about the concordat. The concordat is going to be proposing exactly what he is looking for, which is to incorporate the Scottish Government and their officials into the way in which we approach new free trade deals. I would ask him to exercise a little bit of patience. Those will be shared with the Government very shortly. They come as a package, which also addresses the previous point that he made.

I am not in a position to be able to say anything more specific than that today, save that I am content that what we are offering is, I think, a solution that will bring all the inputs that we need to do good trade deals in from the devolved Administrations, not just in Scotland but in Northern Ireland—if and when it exists—and in Wales, too, such that those who are participating feel like they have been listened to, that their points have been taken, that they are being worked into the proposals that we are making and that there are ways of dealing with that and auditing it regularly.

Q537 **Tommy Sheppard:** I look forward to seeing that but, since we are here, the question really is: do you think that the Scottish Government or their representatives will be in the room or waiting at the door outside?

George Hollingbery: Are we talking about during the negotiations? Are we talking about the formation of—

Tommy Sheppard: Yes, during the negotiations.

George Hollingbery: I think that it is certainly worthwhile leaving this with officials just for now. I do believe, Mr Chairman—one can never predict in any of these things, particularly in a Scottish context—that the offer we are making is a full and fair one that will satisfy any reasonable observer, that the devolved authorities are having a full part in the process of not only creating the outlines of our free trade agreements but having a role further down the line as well.

Q538 **Tommy Sheppard:** My final question might be hypothetical then. It is: what do you see as the role of Scottish Government representatives in this process of FTA negotiations?

George Hollingbery: Ensuring that Scottish people's and Scottish businesses' views are heard, taken into account and form part of the process by which we form the mandates for negotiating new trade agreements. That does not mean they will be involved in the absolute process of the writing of the mandates but will absolutely be part of the process that shapes the input into those mandates and ensures that the devolved Administrations'—devolved Governments'—views are known, taken into account and end up being satisfied by what is being negotiated.

Q539 **Chair:** I think that we are all very much looking with great excitement to what transpires this week.

George Hollingbery: So am I. I am very, very excited.

Q540 **Chair:** We did meet with the Canadians and we were very, very impressed with their level of involvement within the whole CETA process, particularly. I noted your remarks that we are not federal in the UK, and don't we know that, but one of the things that we were almost promised in 2014 is that this nation would be as close to federalism as was humanly possible, as part of the process of the independence referendum, so we are looking forward to that.

One of the features of the Canadian model, which impressed certain members of the Committee, was the fact that they were present during these negotiations and were able to make an input, either through conversations or discussions. They were able to put their point of view. I know you will tell me that we will have to wait until Thursday, but is that a feature of the Canadian model that particularly impressed you?

George Hollingbery: All I can say about the Canadian model, Mr Wishart, is my understanding from those who are close to trade negotiations and know their stuff tell me that it is something that the Canadians in the next iteration say they are unlikely to reproduce.

Chair: All right. We will leave it at that for now.

Q541 **Ross Thomson:** What are your views on the Scottish Government's proposal that the UK Government should be obliged to seek their agreement on areas of devolved competence?

George Hollingbery: Can we be a little bit more precise about where we are talking about?

Ross Thomson: In relation to any future trade agreement and on the basis that it could impact on areas of devolved responsibility or competence.

George Hollingbery: It is absolutely right that in areas of devolved competence—I think as was envisaged in the original memorandum back in 2012, although plainly that was not written with free trade agreements in mind and there are different dynamics around free trade agreements—particular attention needs to be paid by the UK Government to what the devolved Administrations have to say about areas that are in their devolved competence. Plainly, it would not be right that anything else should be considered. There has to be due consideration given to that.

Q542 **Ross Thomson:** To go with the Scottish Government view that we would be obliged to seek their consent or agreement, in effect, that could give the Scottish Government a veto on trade deals and on UK trade policy. Could that make it slower for the UK to strike trade deals in future if we were to go along with that?

George Hollingbery: I can go a little further than that. As I have already said, however close we want to bring the devolved Administrations, to take their advice and for them to represent the interests of their particular areas and responsibilities, it would not be right to allow the devolved Administrations to have an effective veto at any stage. This is a UK competence. It will remain a UK competence and, no, it is not in our plans to allow the Administrations to have that effective right.

Q543 **Ross Thomson:** On that, Secretary of State, as you know, Scotland has 59 MPs and some of them sit around the Cabinet table. Do you believe that it is, therefore, important that the principle that foreign affairs, international treaties, international trade, remains fundamentally a reserved matter and that is what people voted for back in 2014?

David Mundell: First, because it was referenced earlier, just to be clear for the record, I don't believe the Walloon example, in relation to the CETA trade arrangement, was a good one. I don't think that that is a model that would be one to follow here within the United Kingdom.

What I have said in my earlier evidence is all of the United Kingdom's MPs—including 59 from Scotland—will have the opportunity to contribute to the debate and agreements on future trade agreements. That is why I am very confident that many of the things that are of the spectres that are produced, of chlorine-washed chicken and hormone-injected beef, will not make it to the shelves of Scotland or anywhere else in the United Kingdom because it is not possible to get the agreement of Parliament.

One of the approaches, which I think is a very welcome one, is the consultation that the Government have already engaged in, through the Department, in relation to future agreements in terms of building the parameters, the mandate, and understanding what is acceptable. I think this is one of the problems, looking back in relation to the TTIP proposals, where negotiators went forward without really understanding what their mandate was—in fact, both in Europe and the US—and ended up with a situation where it wasn't acceptable on either side. There are things to learn there.

We go forward with a mandate that we know can be accepted throughout the United Kingdom and in Parliament and achieve a deal that we can get agreement on within Parliament.

George Hollingbery: As I am sure members will probably know, the consultations ran for 14 weeks. They garnered a huge number of responses, even if one strips out postcard campaigns and so on. In relative terms there were enormous numbers of contributions, far more than is traditional in EU consultations. Lots of people have had their say and, of course, the Scottish Government have also had their say, as is quite right and proper.

I think I can reflect at this stage, even though we are still in quite early days of analysing those responses, when I flick through the Scottish Government's contribution I would say that on the vast, vast, vast majority of issues we are aligned. There is no disagreement about what it is we are trying to achieve. Clearly, there are one or two areas and those will be dealt with through all the channels I have already outlined—in official level meetings and ministerial meetings and so on—and we will get to a place, but I suspect we will find in the end that there is not a great deal upon which we disagree.

Q544 **Chair:** I don't want to get into a prolonged conversation about what we will be debating for the next five days in terms of the political declaration and deal that has been offered to Parliament, but could you tell us roughly where we are in terms of thinking about customs arrangements, for example? I know that in the political declaration the UK Government are looking to seek to build and improve on the single customs territory provided for in the withdrawal agreement. Is that still the intention of this Government? Is it your intention to seek a customs arrangement with the rest of the EU and how would you see that working?

George Hollingbery: My view is that the political declaration and the withdrawal agreement are set out and you have all read them, I suspect. If you haven't at least you will have read some summaries of them, and I think you will be very familiar with what is and is not possible, might or might not be possible, in certain different arrangements. The political declaration is exactly what it is. It is an aspiration about what we wish to agree with the European Union as a framework on which to operate. I think we all know what the potential outcomes are of that and their implications for trade.

Q545 **Chair:** Therefore, how do you see the UK within that arrangement being able to negotiate its own trade deals and arrangements?

George Hollingbery: Outwith the backstop and it is all—

Chair: We will leave the backstop to one side.

George Hollingbery: If we can just push that to one side, because I think we know that that complicates matters, unquestionably, we are absolutely confident—and it is contained in both the withdrawal agreement and in the political declaration—that we should be free to negotiate our own free trade agreements and, indeed, conduct our own independent trade policy and that we will do so.

Do I think we will be able to do so easily? That will depend on the amount with which we align with European regulation. Plainly, that has an effect but I think that is probably—for anybody who is concerned about leaving the European Union and establishing sovereignty here—sensible, grown-up use of the trading of sovereignty for one purpose against another.

We will perhaps find at certain stages that certain things are more important to us in certain markets. That might mean we want to align less with the EU but, in the end, that agreement is one free trade agreement and there are others out there and we will decide where to align.

Q546 **Chair:** On the EU and other trade arrangements, I think the understanding of everybody is that you are able to negotiate and discuss future trade arrangements with third party countries but unable to sign them until transition is concluded. Is my understanding right about that?

George Hollingbery: They are not able to be used.

Q547 **Chair:** Not able to be used. Therefore, in that period and process during the transition arrangement, will you still be looking to seek the participation and involvement in conversations with Scottish Ministers and the Scottish Government?

George Hollingbery: On the new free trade agreements the same rules will apply exactly as I have described—well, I haven't described them but in the concordat those rules that the Scottish Government should see tomorrow or the next day, hopefully, will outline exactly how free trade agreements are to be handled. I would expect these to be handled no differently because they are in the implementation period or because we are a standalone nation.

Chair: Danielle Rowley.

Danielle Rowley: I think that Ms Brock probably covered my question quite thoroughly, so I am happy to skip on and I won't take the time.

Chair: That, therefore, leaves us with Ged Killen.

Q548 **Ged Killen:** The Government have said they want to use Brexit as an opportunity to push for more liberalisation in the global trade of services. How do you aim to achieve this, given the reluctance of many countries to liberalise trade and services?

George Hollingbery: Services are a very interesting case in point. I think we deposited our services schedule to the WTO yesterday or the day before, so we have taken a step forward there. We have a WTO presence on that and we are now in a position where other Governments can comment on those schedules.

Services are a tough nut to crack. They are a particularly tough nut to crack because the UK is a very wide open services nation in the first place. There is a great deal you can do here already, so what we have to trade on actual service access is perhaps less than it may be from many other countries. In fact, an awful lot that can be done on services can be done through negotiations outwith the free trade agreement, with countries gradually reforming their system that has barriers to trade built in quite often to services.

I am thinking here about things like having a domestic presence on your board or a domestic level of shareholding or, for example, in Taiwan where the Administration had not quite got to grips with the fact that publishing documents in Chinese only for tenders was counterproductive. Not because it locked out UK producers but because they would then use a different set of translators who may well translate something in, where dots and commas really can matter in a commercial transaction. There had to be an official English version of the documents.

Services, yes, they are notoriously difficult to negotiate. That does not mean that they cannot be. It does not mean that there cannot be a sea change in the way that services are dealt with. We have all sorts of areas where there isn't really any established practice yet, particularly around data, where the WTO has not really kept up, TTIP and negotiations are stalled.

There is also another way of looking at this, which is that, yes, it is important to find even the smallest increase that can be had, for example, in legal services in each of the states in the United States, to try to get a little bit extra of a huge pie and, therefore, go that way. It is also worth thinking about prospects 10, 15, 20 years down the line, where middle classes are growing in a very populous country, where shaping services and shaping service regulation in those countries is another way in which you can increase service trade. Yes, it is a complex area.

Q549 **Ged Killen:** The Government previously proposed in the Chequers agreement that they seek a looser regulatory relationship with the EU for services. Is that still the case, and what evidence do you have that this divergence will benefit the UK?

George Hollingbery: I hate to say this as I don't like to say I am not entirely sure. We have two trade Departments in the UK Government. One is a negotiating one with the EU and we do the rest, so I have not been intimately involved with the proposals that we are making to the EU. Clearly, I know—as everyone else does—that service agreements with the EU as part of the future economic partnership are incredibly important to the UK. Over 70% of our exports are in services. Funnily enough, we have juxtaposed positions in our EU position as against the rest of the world. Our issues are with goods. Services are lower than they should be. We have to try to increase our opportunities in services with the EU if we possibly can, and regulation is clearly an area you can look at.

Q550 **Ged Killen:** Will the Government consider liberalising visa restrictions for skilled workers and students from non-EU countries to help sign new trade deals? Will they be jumping the queue, to use the Prime Minister's language?

George Hollingbery: The immigration White Paper is coming forward shortly. I have not seen it any more than you have, but it is clear from the language that is being used that skills are going to be very important. It is, of course, clear that in many free trade agreements that are struck, certainly those struck most recently by the EU with Japan, Canada and so on, there are parts about the various modes of service provision—mode 4 being the movement of persons between jurisdictions—which any rational country would look at as something that they would facilitate in a free trade agreement. It is part of service facilitation and if you are able to get reciprocal gains, then it is something that you rationally have to think about.

Q551 **Ged Killen:** How are you going to square all of this given that one of the major concerns of Brexit seems to have been free movement of people and immigration? Given that any new trade deal is going to have an element of this within it and the Government have a commitment to reduce net migration, how do you square all of that?

George Hollingbery: There is a very real difference between a position where an individual, because of where they reside, is able to move with complete freedom to any other part of the same jurisdiction, whether it is the same country or a different country, reside, claim and use services, take benefits, do anything they wish—incidentally, for the record, my analysis for what it is worth at the time of the referendum was that free movement probably was a net economic contributor to the country, but that is just me and the conclusion I reached. That does not mean that the Government are pro-free movement of people in the EU because that is absolutely not the case.

In future, and certainly in agreements on free trade, we would expect that the individuals whom we would facilitate would bring tangible and calculable net-net benefit. I am not suggesting for a moment that you would sit down with a pen and paper and work out what this person is going to bring, but it would be the intention of any arrangements that you reached that you would be facilitating movements both ways and that both those sets of movements would be of use to the countries involved and, of course, it would be done by mutual agreement.

I do not think that it is the same position at all. In essence, I suppose, the free movement of people was an absolutely extreme example of what a free trade agreement could produce in terms of movement of people.

Q552 **Chair:** It is even worse for Scotland, isn't it? I am sure that the Secretary of State will be able to confirm this. Nearly all our population growth in Scotland is predicated on inward migration. We have heard from several sectors, not just in this inquiry but in others, particularly in agriculture, the service sector and social care, that the ending of freedom of movement could have quite a significant if not disastrous consequence on our economy. How do we get around some of these issues?

George Hollingbery: I am here to comment on trade policy, which I have been trying to do. I will concentrate on free trade agreements. Plainly, we are looking to—

Q553 **Chair:** What has the Secretary of State been doing in Cabinet to help with some of these issues?

David Mundell: As Mr Hollingbery said, we are about to bring forward an immigration White Paper. I want to make sure that that White Paper reflects—

Q554 **Chair:** Have you stressed just how important immigration is for Scotland in that?

David Mundell: I have made absolutely clear the importance that immigration has played in relation to many parts of Scotland, particularly remote and rural Scotland, and the issues that you, Chairman, have covered on depopulation and demographic challenge. These issues need to be reflected in our immigration system. We are in a process where we are about to bring forward a White Paper and I am looking forward to seeing those issues reflected in that White Paper.

Q555 **Chair:** Are you confident that when the White Paper is produced you have been able to ensure that Scotland's particular and specific requirements are being met and are being acknowledged and recognised?

David Mundell: We have had the debate and discussion before, of course, about these issues and whether they apply in other parts of the United Kingdom. As you know, I do not—

Chair: But you are the Secretary of State for Scotland.

David Mundell: Yes, but I am also Secretary of State for Scotland on the basis that Scotland is part of the United Kingdom. We do not agree on that, but that is the basis on which I am proceeding, which is that across the United Kingdom there are areas that have demographic challenge, depopulation challenge, and specific needs in relation to businesses. That is why I do not think that a specific or devolved or Scotland-only immigration system is necessary. What we need to have, though, is a UK immigration system that meets Scotland's needs, and that is what I look forward to seeing in the White Paper.

Q556 **Chair:** Do you know what I have had real difficulty in securing? Maybe Mr Hollingbery could help me a bit more with this. It is this idea that ending freedom of movement works both ways, that there will be a restriction placed on UK nationals going to live and work in the European Union. As somebody who understands the economic consequences of immigration, can you say that is going to be the case, that all the rights and freedoms that all of us around this table had will be denied to the next generation of young people?

George Hollingbery: I cannot say that at all.

Q557 **Chair:** You can't? If we are restricting people up to £30,000 coming to the UK, is it conceivable that the EU will not do the same to people from the UK?

George Hollingbery: I just sit inside the cover of my speciality here, which is that it is precisely the sorts of exceptions you are talking about that we will be negotiating in free trade arrangements. We will be doing it to the maximum possible advantage for the UK as a whole. That does not necessarily mean that we should not be sending people overseas reciprocally to occupy similar posts perhaps or in similar arrangements in other companies. That way in FTAs both sides can benefit. There is plenty of evidence to suggest that and I do not think that countries would enter into those arrangements unless—

Q558 **Chair:** I will keep trying to get this from UK Government Ministers that there will be a reciprocal arrangement that will obviously impact on the ability of people from the UK to live and work in the EU. What we do to them they will do to us, and surely that must be acknowledged and accepted. What do you think, Secretary of State?

David Mundell: I do not think that an exact mirror of the arrangements that apply in the UK would necessarily apply in the EU or individual member states. It is already set out in the future partnership proposal that there will be the ability to work on a visa basis within the EU. The exact terms of that are for ongoing discussion and negotiation. I have said previously to this Committee, for example, in relation to education and cultural opportunities, particularly for young people, that we want to see those continuing as we leave the EU.

Chair: I have tried my best once again.

George Hollingbery: Can I add one last thing? From the Department's point of view, I cannot see that the Department would be likely to consider an arrangement that would be similar to free movement with any other trade partner. I am not commenting about the EU, I am simply saying as we enter into negotiations with third party countries, I think that it is astonishingly unlikely that we would consider doing with any country out there an arrangement that looks like free movement did with the EU. That is very, very unlikely.

Chair: Free movement in Scotland; it works both ways.

George Hollingbery: I am just making a comment. I think that it would be very unlikely.

Chair: Ged, do you want to go on to geographical indications?

Q559 **Ged Killen:** Just before we move on from that, which Department will lead on the role of immigration in future negotiations? Will it be the Home Office or the Department for International Trade?

George Hollingbery: It will be the Home Office.

Q560 **Ged Killen:** If we can move on now to GIs, under the provisions related to GIs within the withdrawal agreement, will Scottish GIs receive the same standard of protection as they currently receive in the EU post-Brexit?

George Hollingbery: I think that there is a nicety to that question. Let me just say that GIs are extraordinarily important to the UK Government. It is a shortcut route to intellectual property. It is, in effect, one of many versions of intellectual property. We believe they are extremely important to those companies and those producers who have achieved them in an EU context.

In each individual market case it will be entirely up to companies to decide whether they wish to try to protect themselves in those markets, and that will be a combination of all sorts of issues. I suspect that given the option any company would want to be protected in every market if it could, but the difficulties of free trade arrangements means that trying to put in place every single GI that the UK has, even if the company and/or the protected name has no business in that country, might mean that it is simply not worthwhile because of the trades one might have to make, the gives one might have to produce to make that happen.

Where any single producer across the UK has an interest in a market, where they have sales going to that market, where there is intellectual property through the GI being protected, we will discuss that with the individual companies and/or people who enjoy that privilege and attempt to deliver what it is that they want. The answer is that we will do the best we can. We will have our own version of a GI. We cannot just simply duplicate exactly what is there at the moment, but there will be a UK distinct version of it, and that most certainly will take account of Scottish interests.

Some of the most important GIs in the UK are Scottish. Of course, we all know the example of Scotch whisky, and I have to tell you that pretty much every single time that I do an overseas trip there is a request from

Diageo, the Scotch Whiskey Association or others to be doing something on their behalf and it is something that I do extremely gladly. It is a very, very important business to the UK and should absolutely be afforded protection.

It is also worth noting, Mr Wishart, that, of course, in some areas GIs are simply not necessary because there is another arrangement in place that already does the same job. It would be a strange thing to do to replicate protection. One would not quite know where to go for arbitration and so on. If a spirits agreement is in place with third country X, there is little or no point in using the GI for that particular protection.

Q561 **Ged Killen:** Will the necessary domestic legislation and institutions be in place to recognise the EU's GIs in the UK by March 2019?

George Hollingbery: I think that it is the case, and I will allow the Secretary of State to correct me here if I am wrong, that the schedule for the GIs is included in the withdrawal agreement. I forget exactly, but it does not matter. In either case, if there is no deal, then I presume there is no acceptance of the GI schedule.

David Mundell: Clearly, as is well known, there is a legislative programme that would proceed on the basis of there being a deal and there is a legislative programme that would proceed on the basis of there not being a deal. If there is not a deal, there would be required to be a different legislative approach, but there would be one.

Q562 **Ged Killen:** Lastly, what will happen to GIs that are approved in the UK after the implementation period? Will they be registered in the EU?

David Mundell: Obviously, that is dependent on the nature of the ongoing agreement that we have reached with the EU in terms of what the detail ultimately is of the future partnership agreement.

Q563 **Ross Thomson:** Thank you for your answer there, Minister. You rightfully mentioned that whisky is a big Scottish export. I know Diageo has been engaging with MPs cross-party and that big markets for them are the US and India. The withdrawal agreement as it stands recognises and protects over 3,000 GIs, so that is recognising GIs such as Parma ham or feta cheese. My understanding is that this can prevent us from signing a free trade agreement with third countries such as the US or India because we have those protections for products that are made in Italy or Greece or whatever. A GI can be protected for Scotch whisky in that bilateral, and these are big markets for us. We do need to protect our own GIs, but why are we protecting the GIs of others when they could get in the way of getting this fantastic Scottish product into the US and India?

George Hollingbery: I am not sure about the read-across to a US FTA of recognising EU GIs in the UK market. I am not sure; perhaps I am missing something, and I may be. I am just thinking about the read-across there.

It is fair to say that the US has a different attitude to these geographical indications. Feta cheese is the absolutely principal one that we all know about. I am afraid that I am sufficiently ignorant as to the absolute tenets of TTIP to know what was done with GIs in TTIP. Perhaps members of the Committee know, but let's just say that the United States managed to sign or at least get to a point where there was agreement between the EU and the US where, of course, EU GIs must have been part of the mix. Maybe they were just missed out, but I doubt it. The simple fact of free trade agreements is that people will use offensive and defensive interests to create complex bargains across the piece, which may not necessarily be that easy to follow. You may well find that a give on bicycles allows you to have something on the other side that is not connected with bicycles at all but may be very useful in another regard, and the same can happen on GIs.

I think that there are still plenty of ways in which we can do that agreement with the United States, keeping our own GI schedules and making sure that we protect the interests of our—well, not modest number, but a less extensive number of GIs than is available to some countries across Europe. I believe that that is a problem that can be surmounted and got around.

Q564 **Ross Thomson:** In terms of the GIs, I understand that the EU has said that it could never legally enter into negotiations with us on the future relationship until we have actually left, which is why we are at this stage with the withdrawal agreement before we go into negotiations for the future partnership. However, GIs are fundamentally part of anything that you would discuss down the line as part of any future arrangement. The fact that we are protecting over 3,000, many of them EU GIs, already at this stage sounds like the EU is cherry picking over when they want to enter into meaningful discussions with us on that future trading relationship. Why have we agreed that at this stage when GIs probably should have happened further down the line?

George Hollingbery: I hate to duck once again, Mr Chairman, but in the end it is part of a negotiation. Presumably, it was required but I can only comment around future trade negotiations. I am not part of the Brexit department. Does the Secretary of State have anything to add on that?

David Mundell: That has been the structure of the negotiation. It was a point that has been subject to some previous parliamentary discussion and scrutiny and ultimately in the negotiation it is an agreement between the two sides and that is where that landed.

Q565 **Chair:** Just on that, because I think that Mr Thomson is on to something, was there not an offer made by Michel Barnier about reciprocity when it came to GIs? We would be prepared to recognise European Union GIs if they recognised ours and our arrangement would roughly be the same, but that was turned down by the UK Government, I suspect because of the question that was asked by Mr Thomson. Would that be a fair representation of what happened?

George Hollingbery: My view, Mr Wishart, is that even at this stage we have the results of a negotiation and there are plenty of positions that the EU started off with—which in my view are rather more fundamental than whether or not GIs are recognised—that the EU has moved substantially on, perhaps not to some people's satisfaction but nevertheless very substantially moved.

Q566 **Chair:** Could I suggest that we need to hear more? GIs are so significantly important for Scottish food and drink—

George Hollingbery: Of course, they are enormously significant to trade, but we are talking about fundamental constitutional issues. You will forgive me for thinking that while my entire life is taken up with protecting British interests abroad and making sure that we have the trading arrangements we need and making sure our companies are represented and we get through trade barriers, and so on, there are some moments in our history when we have to look at constitutional issues as well.

While Mr Thomson and I probably disagree on the output of where we have ended up, the EU moved its position substantially on some very major constitutional issues, which it said would have to be a certain way before it would ever talk to us. We may have moved on GIs. Do I think that is important? Of course it is important. It is terribly important in my area and, frankly, yes, could make my life a little more difficult, but the fact is that some of the areas that the EU moved on from their original positions were also very substantial, even if not to everybody's entire satisfaction.

Chair: Thank you for that. I think that we are a little bit clearer.

Q567 **Deidre Brock:** I want to follow up on something that you said in front of the Finance Committee in Scotland recently, Minister. It is about GI. It says something along the lines of what you have been saying, "In most free-trade deals—certainly the ones that I have looked at recently—one has to demonstrate a certain level of penetration into the market and/or a desire among consumers for that GI to gain protection. On the whole, quite a few of the UK GIs that we promote fail that test in respect of the Japanese or South Korean markets. Whisky is no problem at all and—amazingly—the GIs for blue and white Stilton often get through. However, there are several other products that we would like to protect that just do not have sufficient market penetration to warrant GI status in that market." Would GI products like Scotch beef and Scotch lamb be included within those examples that you suggest do not have sufficient penetration to warrant GI status?

George Hollingbery: I am afraid I do not have the actual figures per market. I have not talked personally with those producers. Indeed, perhaps someone could illuminate me; I should certainly know. I need to find out for myself exactly how each GI is represented to the UK Government. I think that that is something I should take away from this

Committee and understand that I need to do more of, not just in the Scottish context, in all contexts, about where that contact point is about the use of Scottish beef or Scottish lamb and so on.

I would say, having been in my post a little longer, I think that I can reflect that the process is a little more subtle than I perhaps outlined on that day. One learns in these jobs, I am afraid, and my understanding was pretty much correct. What I said was pretty much correct, but I think that it is more iterative. It is more about talking to the businesses and working out whether they may need protection. Where they believe that they are a unique brand we can use that as a shortcut for geographical indications as we please because that is effectively what it is. The intellectual property of Scotch beef, where it is felt to be really important and a real stimulus for sales, from the people for whom it really matters is what we need to find out first. That is what should drive us in trying to negotiate those GIs.

Q568 **Deidre Brock:** Indeed. Of course, I would imagine that everyone who supports Scotch beef and Scotch lamb would think that it is important in every trade deal that is being discussed to promote those particular areas. Wouldn't you agree, Secretary of State?

David Mundell: Yes.

Q569 **Deidre Brock:** You don't, Minister?

George Hollingbery: I think that it is always important to make sure that every business that will be affected has its chance to reflect to the UK Government in making their negotiating mandates which GIs are important. If the Scotch beef industry or association came through discussion with us to make its case that in every one of those four agreements the Scotch beef GI is important to their business, then of course we will work in negotiations to protect it. If they say to us that at the moment it is not, "We need you to negotiate to put in a way of putting in new GIs if it comes to the point where we start exporting to that market", that might be another alternative.

I am simply saying here that the puzzled face is not required. It is simply not required. I am reflecting to you the reality of the world. Not every product is exported to every part of the world where one might do a GI. In that case, there is not a trade flow to protect. As long as one can negotiate, as one often can, the ability to put new GIs on to the block when they matter, when there is actually something to protect, then that is another way forward. I am simply saying to you that there are different ways of doing this.

David Mundell: The practical reality is that the industry has not over recent times been concerned about so much the brand as the ability to access markets, particularly a market like the US, because other requirements have been put in—phytosanitary requirements, for example—that have excluded British and Scottish meat products from many markets in recent years. In my discussions with Quality Meat Scotland and the industry, it is getting these barriers down that has been absolutely their priority.

George Hollingbery: I have to say, rather embarrassingly, that is a very, very good answer. It is exactly right. Wherever I have been around the world, there are indeed barriers, particularly to meat products, which have been very difficult. You were asking earlier about the use of people going abroad and what you get out of them. One of the articulation points that—

Deidre Brock: Measurable benefits I was talking about.

George Hollingbery: When I went to Taiwan, my visit provided an articulation point that had to be met by both sides negotiating, which allowed at that meeting pork to be readmitted to Taiwan. The exact financial repercussions of that will be felt over the next five to 10 years. One cannot tell immediately because one has to access supply chains and undergo quality checks in market and so on. Certainly, the priority at the moment in many markets, particularly for beef, pork and other meat products, has been access at all. The Secretary of State is exactly correct.

Chair: Have you finished, Ms Brock?

Q570 **Deidre Brock:** I have something quickly. The US and, indeed, Australia, I believe, as well tend to favour a trademark approach rather than PGIs or GIs. We had a GI expert, Dr Gail Evans, who came to the Committee and suggested that the Government might consider adopting the approach used in the Trans-Pacific Partnership. Have there been investigations of that model whereby both trademarks and GIs are potentially recognised? Has that sort of model been investigated?

George Hollingbery: The honest truth is that I do not know. It has not crossed my desk if it has and I have not thought to ask the question. I think that it reflects what I said in my remarks only a few moments ago, which is that in the end GIs are a form of intellectual property. It just depends how you want to protect that intellectual property as to what form you use. It seems to me that is an alternative. It is simply exemplifying what I said. This is about a brand value and that is protected in many different ways, or can be.

Q571 **Danielle Rowley:** Minister, could I ask you to provide us with an update on what progress the Government have made in rolling over the EU's existing trade agreements by March 2019? Are the Government confident that that will happen in time?

George Hollingbery: I could just refer you to the remarks I made to the International Trade Committee only last week, but I am very happy to summarise here, Mr Wishart.

There are 40 agreements that we wish to transition under the auspices of the DIT. There are, of course, a great many others led by all sorts of different Departments for different reasons. In our Department, we are making very good progress with quite a large number of deals, but there are some that are unquestionably more problematic. I do not think it is any secret that if we leave the EU without a deal there are going to be members of the customs union, who are not necessarily members of the EU, with whom it is going to be difficult to strike immediate agreements. That is simply a complication that I think is hugely aware to all.

There are differing motivations in some of these deals. You might imagine there are some deals out there that are with larger countries than us or certainly countries at a similar level of development and GDP where there is an appetite to change some of these agreements. It is hardly surprising that a deal was struck with a group that represents half a billion people. We represent 70 million; therefore, there is an appetite for change. Among many other agreements we are making very good progress and down at the development end of the spectrum, the EPAs, you will again not be terribly surprised to know that the arrangement that they currently enjoy, an asymmetric development stage agreement, is something that they are very keen to replicate. We are very close with a lot of those.

There are at the same time some real complexities, and I am going to take a little bit of the Committee’s time to illustrate how complex it is to transition some of these arrangements. There are changing incentives and have been across the two years we have undertaken this programme. There has been significant uncertainty about the motivation of the implementation period, indeed even uncertainty about whether that would exist until December last year, the emphasis on no deal, then back to the implementation period and so on.

There are complex partners. Some of our partners are groups of quite large numbers of countries, and as you might imagine they do not necessarily always get on all the time. Finding unanimity across some of these groupings can be quite challenging. Some of them have very clear lack of resource. One partner country with whom we wish to transition told us they could not speak to us for a month and a half because they were busy doing local elections and all the officials that were available would be off doing that. This is just to give you a flavour of the difficulties.

Some do not wish to incentivise us to do no deal by having an emergency brake in place and want us to make every effort to try to put a deal in place. I have some sympathy with that position. Some are having elections and that particularly matters again in some of these composite agreements and multilateral agreements where one party simply cannot say yes because there is not a Government to say yes at the moment. There are ratification issues about how long these can take. There are asymmetries and so on. I do not want to bore the Committee to death, but there is a reason why some of these are taking quite a long time.

To the direct question, I believe that we will transition the majority of these agreements. I believe that among our major trading partners when there is some genuine certainty as to whether or not no deal looks very likely, the stars will align quickly to put measures in place. It is quite likely that some of those agreements may have periods that exceed 29 March simply because of practicality, ratification timetables and so on, but I believe that we will in the end, if we have the event of a no-deal Brexit, have the majority of these in place.

Q572 **Danielle Rowley:** Chair, I know we almost got on to the backstop before and not quite, but what will trading options be if the backstop is implemented? Perhaps the Secretary of State could say what the economic consequences will be for Scotland if there are different trade rules for Northern Ireland.

David Mundell: First, I think that we have to acknowledge that Northern Ireland has different arrangements right now. There are different arrangements applying in Northern Ireland because of, for example, the single electricity market and arrangements related to the Belfast agreement. I do not think that it is an appropriate comparator with Scotland, and I reject the line of argument that says because of Northern Ireland's unique circumstances that have developed through a lot of very significant issues in the past that somehow Northern Ireland is being given an advantage over Scotland. I think that is a wholly false argument.

What we are trying to do in the backstop is deal with very specific circumstances that exist in Northern Ireland. It has been very difficult, but something that can be lived with has been achieved. I do not think that it will be to the detriment of Scotland. In fact, keeping Northern Ireland in the United Kingdom and ensuring that there is not a hard border between Northern Ireland and the Republic of Ireland is to the advantage of Scotland.

Q573 **Danielle Rowley:** Will trade be different between Northern Ireland and Europe than the rest of the UK, particularly Scotland and Europe?

David Mundell: By the very fact of being on the island of Ireland, by having a single electricity market, by being in the same phytosanitary area for agriculture and agricultural products and the Republic of Ireland being within the EU, then it will.

Q574 **Danielle Rowley:** What consequences will that have for Scotland?

David Mundell: I don't think that it will have significant detrimental consequences for Scotland because that is the situation as it is right now. I reject the comparison of Scotland to Northern Ireland and arrangements for Scotland compared to Northern Ireland because

Northern Ireland has these very specific circumstances, which the backstop is seeking to address.

Q575 **Deidre Brock:** Just very quickly, the Attorney General said yesterday that firms in Northern Ireland would be advantaged by this arrangement, so I am interested to hear that you disagree with the Attorney General's opinion on that.

David Mundell: I am not disagreeing with him, but I am disagreeing with you, Ms Brock, and the First Minister in the way that you have sought to draw the specific issues that have come about by very difficult circumstances.

Q576 **Deidre Brock:** But the Attorney General says that that gives Northern Ireland firms an advantage. I do not see how you are now putting that on to myself and the First Minister.

David Mundell: Yes, I am because in trying to take forward the issue of Scottish nationalism, what you are doing is trying to draw Northern Ireland into the debate about Scottish nationalism, and I wholly reject that.

Q577 **Deidre Brock:** Is the Attorney General doing that?

David Mundell: I wholly reject that.

Chair: Ms Brock, have you finished your question?

Deidre Brock: We will leave it there, but that is—

Q578 **Ross Thomson:** On that point, I could not agree more with the Secretary of State for Scotland.

On the point of the Northern Irish backstop, you are absolutely right about there being a single electricity market. There is the livestock area. The Northern Irish protocol does go an awful lot further because we now apply it to products so there will be full harmonisation, which goes further than what we have right now if you look at the annexes of the withdrawal agreement. That does provide for customs controls between GB and Northern Ireland, very similar to the Turkish model, with the production and issuing of certificates for goods going between GB and Northern Ireland. Given that 61% of products coming into Northern Ireland come from GB, are you not concerned that on all those products and agrifoods and the production of these new certificates that that is creating something new that we do not have within the UK internal market already?

David Mundell: I think that as I am clear and, as you know, the Prime Minister is clear, we do not want to be in the backstop. The backstop is there as an arrangement to ensure that if we have not reached our future trading agreement by the end of 2020, then there are arrangements in place that do not bring about, intentionally or otherwise, a hard border in Northern Ireland.

There are a lot of checks that currently take place or could take place in relation to goods moving between Northern Ireland and GB and going forward we do not want to be in the position—which is why we want this to be covered in the future trade arrangement—of an increase in those differences that currently exist. We do not want to be in that position. As my colleague the Chancellor of the Duchy of Lancaster has suggested when he appeared before the Scottish Parliament, we would seek on a regulatory basis to align with any changes that were required to come into place in Northern Ireland in order to try to minimise that process. Whether we agree or not on the fundamentals, I hope we will agree that it is the aspiration of the Government to minimise the backstop and minimise the opportunity for differences or extra regulation and bureaucracy to arise.

Q579 **Chair:** I think that you were a little bit unfair to Ms Brock for raising the very legitimate issue of a possible unfairness to Scotland with the backstop arrangements for Northern Ireland, but we will maybe leave that aside just now.

As a final question, I just want you to answer this. Under any scenario of leaving the European Union, Scottish business and trade is going to suffer. The Scottish Government say up to £9 billion; the Treasury says something different. I am not entirely sure what the Treasury figure is, but we are aware that the Treasury does not factor immigration into its assumptions. Could you perhaps conclude this particular session by saying that you understand that there will be an issue and a hit for Scottish business and Scottish trade and that you as the Secretary of State for Scotland, as these negotiations go forward, will be doing everything possible to ensure that this will be mitigated?

David Mundell: I will be doing everything that I can to ensure that Scotland gets the best outcome from these negotiations. The first step, Mr Wishart, in securing that is to vote for the Prime Minister's deal next Tuesday, and I would hope that all members of this Committee would find themselves able to do that.

Q580 **Chair:** Lastly, Mr Hollingbery, we have had a lot of conversations about some of the arrangements if we are leaving without a deal, though there now does seem to be a cross-party initiative to ensure that we would not be leaving without that. What is your assessment of leaving without a deal and how will this impact on Scottish trade and business?

George Hollingbery: The Department for International Trade has a number of responsibilities to anticipate what would happen in a no-deal scenario. We believe that we are ready as a Department, that we have considered all the issues that will arise both for companies and, indeed, in straightforward trade policy terms, and that we will be ready. That is our mandate for a no-deal scenario is to be ready and to ensure that we have the machinery in place such that we can operate a trade policy, and I believe we are there.

Q581 **Chair:** I know that there is not much time left, so just briefly I see that the Government have recently launched a grant scheme to support UK businesses to prepare for customs declarations post-Brexit. I do not know if that particularly falls into your responsibilities.

George Hollingbery: It doesn't, but the simple fact is that there is a large amount of information ready to go, let's put it that way. We already have the various—I forget what the exact name is—documents that have been put out to help businesses and citizens prepare for a no-deal scenario. As and when there is more certainty one way or the other, there is a lot of work that has been done to ensure that everybody will have a detailed idea as to what it is—in trade at least but the intention is across all of Government; we can only be responsible for the trade part—and that those documents are ready and will be available for citizens and companies to understand the new systems if they need to do so.

Q582 **Chair:** I am grateful. Thank you ever so much for your first appearance at the Scottish Affairs Committee. You will be welcomed back again in the future. Thank you, once again, Secretary of State. I believe that we will have you in the near future to discuss Scotland Office accounts.

David Mundell: Will I be welcomed back?

Chair: You most certainly will, as always, Secretary of State. Thank you both for your appearance today.