HOUSE OF COMMONS

International Trade Committee

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

Wednesday 6 Feb 2019

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mr Nigel Evans; Mr Chris Leslie; Julia Lopez; Faisal Rashid; Catherine West; Matt Western.

Questions 518-634

Witnesses

I: Dr Liam Fox MP, Secretary of State for International Trade and President of the Board of Trade, and John Alty, Director General of Trade Policy, Department for International Trade.

Examination of witnesses

Witnesses: Liam Fox and John Alty.

Q518 **Chair:** Good morning and welcome to the International Trade Committee session for this month—there is another next month on the same date—with the Secretary of State for International Trade, Dr Liam Fox. Welcome, Secretary of State. Can I also ask for the name, rank and serial number of your assistant, please?

John Alty: I am John Alty, the director general for trade policy in the Department.

Q519 **Chair:** Thank you very much. Secretary of State, briefly, how do you think Brexit is going?

Dr Fox: We are closer to an agreement than we have been at any point. The fact that last week the House of Commons set out what it wanted takes us much closer to getting the agreement that I hope everybody wants.

Q520 **Chair:** How worried are you about a no deal? You said that it would damage the economy, but that it would be survivable. There are many catastrophes and calamities that are survivable, so that is quite a range. What do you mean by that? What are you envisaging by a no-deal scenario damaging the economy?

Dr Fox: I am not aiming for a no deal; I am aiming for a deal. That is the Government's policy. Naturally, the Government want and expect us to reach an agreement with the European Union. I think that that is in everybody's interests. Economically, we do not want to see disruption to the UK's trading and economic position. I think that, equally, we do not want to see disruption to the European economy, with Italy already in recession, the French economy relatively flat, and the German economy undergoing problems. It is not in anyone's interests to have no deal. No deal will mean disruption beyond the borders of the United Kingdom.

Q521 **Chair:** So not all options of Brexit are good? Some are quite bad, do you think? You say that some options of Brexit would damage the economy, correct?

Dr Fox: I think no deal will undoubtedly cause us economic disruption. I think that is unavoidable.

Q522 **Chair:** So one of the options of Brexit will cause economic disruption that you think is unavoidable?

Dr Fox: I think no deal—

Q523 **Chair:** Which is a Brexit option.

Dr Fox: It is a default position. It is not an option that the Government would consider. The Government want to have an agreement.

Q524 **Chair:** One of the results of Brexit could be no deal. A result of Brexit, as you said, could therefore be damaging to the economy, yes?

Dr Fox: I just said that, yes.

Q525 **Chair:** Is that how you envisaged that Brexit would go—that we would be looking down the avenue of something that would be damaging to the economy? I cannot remember that being written on the side of a bus.

Dr Fox: We have always wanted to have an agreement with the European Union. That has been Government policy since the referendum. We still hope that the House of Commons will vote for it.

Q526 **Chair:** So should those advocating Brexit say that Brexit will be good, dependent on getting a deal with the European Union? Clearly not all options of Brexit are good, as you have conceded.

Dr Fox: That is what the Government's policy has always been. If what you are really asking is, "Should we ever think of abandoning Brexit?" the answer is, "No." We made a political pact with the people of Britain. Parliament and we all—as Members of Parliament—said, when we voted for the referendum, that we would abide by its result. Eighty per cent. of Members of Parliament in the current Parliament were elected on manifestos that said that they would honour the result of the referendum. That means that we have to leave the European Union, having accepted that it is our democratic duty. I think it is also our duty then to leave in the way that is most beneficial and least disruptive.

Q527 **Chair:** So if it came down to no Brexit—a revoking of article 50—or a no-deal Brexit, which you said would damage the economy, you would choose the latter: damaging the economy?

Dr Fox: My choice is to get a good deal for the UK and to persuade Parliament, and those parliamentarians who have not yet been persuaded, that we should vote for the Government's proposals.

Q528 **Chair:** It is interesting that you would choose a Brexit option regardless of whether—in your own words—it would damage the economy, over remaining in the European Union.

Dr Fox: Chairman, I know the argument that you are trying to make. I am making a very clear point. We have a democratic duty to deliver on Brexit and to deliver it in the best way possible.

Q529 **Mr Evans:** The Prime Minister is in Northern Ireland today, and was there yesterday, trying to sort out the backstop problem. Do you see the backstop issue as sufficiently soluble by the Prime Minister, so that when she comes back to Parliament there will have been a sufficient change?

Dr Fox: Yes. I think that it was made very clear in Parliament that the point at issue was not whether we wanted to avoid a hard border between Northern Ireland and the Irish Republic, but that the mechanism in the agreement would potentially keep the United Kingdom locked into an agreement that it did not want. I think, therefore, two things are being explored. One is alternative mechanisms to provide reassurance to the people of Northern Ireland and the Irish Republic that we will not in any way accept the return to a hard border. Secondly, work is being undertaken by the Attorney General on the legal text as to whether it would be legally possible to have either a unilateral mechanism for exit or to insert a time limit in that. In either case, the Government have been clear throughout that we do not wish to see a return to a hard border in Northern Ireland in any way, shape or form.

Q530 **Mr Evans:** Are all the options fairly equal? I have read *The Telegraph* and *The Times* today—

Dr Fox: Usually a mistake.

Q531 **Mr Evans:** I could have made it worse by carrying on reading other titles. The mixed messages seem to be that the Prime Minister is wedded to this backstop in one way, shape, form or another, whereas a lot of Brexiteers would just like to bin it.

Dr Fox: The question is whether it is the concept or the actual specific mechanism. I have not spoken to many Members who say they do not want to give a guarantee of no hard border. The mechanism that that has come to be known as is "the backstop", which has come to mean a lot of things to a lot of people.

Q532 **Mr Evans:** You do not get the impression the Prime Minister is wedded to some form of backstop and is looking at all the options?

Dr Fox: Not to a particular mechanism, no. I think that the concept is very clear that we must avoid that hard border for a number of reasons that have been well rehearsed, but on how we actually apply that, there are a number of ways, potentially, to do that. That is what the Government is examining at the moment; that is what the Prime Minister has been doing in her discussions; and that is what she will do when she goes to Brussels later in the week.

Q533 **Mr Evans:** Moving on to the Trade Bill, it seems to have made some progress in the House of Lords. It is at Report stage, although it might be delayed. Are you quite confident that it will pass all its stages in time for when we leave the European Union?

Dr Fox: I am increasingly confident in that. I think the fact that the Committee stage in the Lords went relatively smoothly gives us greater confidence in that. There is the issue outstanding of the defeat that the Government suffered on the issue of scrutiny that the Government would make it clear what the future plans were on future FTAs, not of course the content of the Trade Bill. In fact, it seems the most controversial part of the Trade Bill is the bit that is not in the Trade Bill at all. The elements in the Trade Bill seem relatively uncontroversial and no one seems to have criticised them. But on the element of scrutiny, the Government will set out exactly what is happening. We are currently in a write-round process to get collective agreement on exactly how that will occur, and I will either make an oral statement to Parliament or a written ministerial statement as soon as is possible.

Q534 **Mr Evans:** What happens if it does not reach all its stages? What is plan B?

Dr Fox: The Government has set out a range of contingency plans to make sure that the three elements—the Government procurement agreement, the trade remedies authority and trade agreement continuity—are able to be in place, but even if we are able to put temporary measures in place, we would still need the Trade Bill to be passed into law to give us long-term assurances on all of those matters. For example, on the GPA, the statutory instrument that has been tabled, because there is only an eight-month assuredness in its current form, we still need to get the Trade Bill through, but I am much more confident of the Trade Bill going through now than I have been at any point up till now.

Q535 **Mr Evans:** Can you clarify one thing? The newspapers are full of speculation that somehow or other there will be some form of change to the date of 29 March because there are a load of statutory instruments that still need to be done.

Dr Fox: And lots of days when Parliament is not sitting.

Q536 **Mr Evans:** We have got the recess when we are now sitting. Can you give a guarantee to the Committee that we are leaving at 11 pm on 29 March?

Dr Fox: The Prime Minister made it very clear yesterday to Cabinet that the focus is on leaving on 29 March. We will do whatever is required for us to achieve that.

Q537 **Mr Evans:** The focus is there, but that leaves the door wide open for it to be either a sort of a NASA-style pause or two to three weeks making sure all the statutory instruments that we are dealing with during this recess week—plus, as you say, we could do the odd weekend—are done. From 100% to 0 or 50:50—all that sort of stuff—what do you envisage? Are you 100% certain? Is 29 March the date we are leaving?

Dr Fox: 29 March is the date in law that we are leaving.

Q538 **Mr Evans:** You don't see any room for manoeuvre on that?

Dr Fox: It is a question that I have been asked and I am not sure it gets us very far. It is the Government's aim to leave on 29 March. Yes—there is a lot of legislation, particularly SIs, that we have to get through, but we can have more committees and we can have more days that we sit, if necessary. That is what I would prefer.

Q539 **Mr Leslie:** Help us clear this up a little bit. There have been some reports this morning, one of them talking about the Trade Bill. One suggestion is that there is a plan to have a policy of unilateral tariff removal, possibly taking a power in the Trade Bill for the Secretary of State to be able to do that. Can you rule out for us today that that is not the Government's plan and it is not your preference?

Dr Fox: The Government have not taken any decision yet on what we would want to have in day one tariffs, in the event of no deal.

Q540 **Mr Leslie:** But you can rule out unilateral tariff removal?

Dr Fox: It is not a decision that I take. That is a collective decision across Government.

Q541 **Mr Leslie:** So it is an option?

Dr Fox: There are a range of options. The first thing to say is that in the event of a no deal, the tariffs that we apply have to be applied to the EU and the rest of the world in the same way. That is very clear under our WTO.

Q542 **Mr Leslie:** But you understand the worry that people have about unilateral tariff reduction, in terms of undercutting and cheap imports flooding in and filling our domestic market?

Dr Fox: I entirely understand the question, and I am coming to that, if you would bear with me. The first thing is that we would have to apply the same tariffs to the EU as the rest of world. I am not entirely sure that that is completely understood. That is the first principle. Second is that if we apply the full MFN tariffs to the European Union that would clearly have input costs to the UK. It would have input consequences for intermediate goods coming into the UK. Remember that 23% of our exports contain imports. That would have financial and potentially inflationary consequences. That is at one end of the spectrum of possibilities.

On the other end of the spectrum, there is full liberalisation of tariffs. That would certainly expose the UK to sudden competition in sectors to which it is not currently exposed. It would also erode preferences for developing countries, because they would lose the ability to take the advantage that is conferred by lower tariffs. Going to zero would lose that preferential—it would be preferential erosion. I personally have never advocated full liberalisation, because of those very reasons, but that is a collective decision that has yet to be taken by the Government.

Q543 **Mr Leslie:** So we have established that it is an option under consideration? I asked you whether you had ruled it out, and you would not rule it out. I am thinking about—

Dr Fox: I am not able to rule it out, because it is not my unilateral decision. It is not my—

Q544 **Mr Leslie:** With respect, you are the Secretary of State for International Trade. It would be useful for us to know whether you advocate a policy—

Dr Fox: As I have said—and I have made it very clear—that is not the position that I have advocated, but it is not a decision for me alone to take. It is a collective decision that will be taken by the Government.

Q545 **Mr Leslie:** If other Ministers force upon you a policy of unilateral tariff reduction, which you say is still potentially under consideration, what do you say—

Dr Fox: I did not say it was under consideration. I said it was a possibility, in a range of possibilities.

Q546 **Mr Leslie:** Let's stick with the word "possibility"—it is a possibility. What do you say to Laura Cohen, the chief executive of the British Ceramic Confederation, who talks about this being a completely "foolhardy" step, "wrecking" the home market for the ceramics sector? You understand her concern. You mentioned a while ago that that would be something that would be really difficult. Just to give us a sense of the analysis you are doing, how many people do you think are employed in the UK ceramics sector who might be affected by such a policy?

Dr Fox: I had discussions with the sector last week and made very clear that we would be wanting to look, to see and to ask them for specific data on which tariffs they would want to see preserved, in order to guarantee the protection to the industry. We are now analysing the information that they gave us. I made very clear—exactly as I have now—what the implications would be of moving to a completely unilateral. I simply set out what the technical possibilities are.

Q547 **Mr Leslie:** Should they be worried? Eight thousand people are employed in the ceramics sector in Stoke and elsewhere, and you are not able to move this cloud away from their sector today.

Dr Fox: It is not a decision that I take unilaterally, but it is very clear what the risks would be of unilateral tariffs in that sector. I have set out exactly the considerations that we would make, and asked for evidence to help us make a decision.

Q548 **Mr Leslie:** It is not just the ceramics sector. There is the farming sector, for instance. Do you know how many jobs are at stake in the farming sector?

Dr Fox: Well, farming and food—

Mr Leslie: Roughly. Do you know how many people are employed in the farming sector?

Dr Fox: In farming and food, it is about 1.5 million.

Mr Leslie: It is about half a million people directly in the farming sector, and more jobs are associated with that.

Dr Fox: It is more than that including the associated industries.

Q549 **Mr Leslie:** Minette Batters, president of the National Farmers Union, said that unilateral tariff reduction would be "absolutely savage" for the domestic farming sector. You know the tariffs in place for dairy and meat. Roughly, what are the tariffs currently on imported goods coming into the UK for dairy and meat?

John Alty: They are high.

Mr Leslie: How high?

John Alty: I do not have the precise figures, but I think they are often around 40%.

Dr Fox: It ranges around about 30%, which we estimated would be affected.

Mr Leslie: Well, 39% is the tariff.

Dr Fox: More than most other sectors, and representing a largely agricultural seat myself, I am very well aware of the impact that zero tariffs would have on our agricultural sector.

Q550 **Mr Leslie:** But you cannot rule it out. It is still a "possibility".

Dr Fox: You are asking me to give an assurance that I cannot give because it is not my decision to take alone. Were it to be a decision for me, it is not something I would suggest in any way, shape or form. I think in the agricultural sector it is very clear what the impact would be were we to move to zero tariffs.

Q551 **Mr Leslie:** A high tariff currently protects our domestic lamb, beef and dairy farmers, and without that they will be in trouble. For UK manufacturing, do you know roughly what the current tariff is on cars, vehicles and those sorts of goods?

Dr Fox: On automotive parts you are talking about 2.5% to 4.5%, and for vehicles about 10%.

Q552 **Mr Leslie:** It is 10%. Correct. So if that tariff is gone, in the domestic market there will be far more risk to those millions of jobs in the manufacturing sector. Do you know how many jobs there are in the UK manufacturing sector?

Dr Fox: I do not know off the top of my head.

Mr Leslie: Some 2.7 million people work in the UK manufacturing sector, and without that level of protection, if the British market is suddenly flooded with cheap competition from China, Brazil or wherever, that will put their jobs at risk.

Dr Fox: It is certainly true that in the decision we take we will have to consider all those elements, and they will all be considered. We also have to consider the benefits that we may have not just for consumers, but for those elements that are part of the intermediate goods that go into our manufacturing.

Q553 **Mr Leslie:** But it is still a possibility.

Dr Fox: It is not unilateral—liberalisation is not what I would propose, and I have not heard anyone else in Government propose it.

Q554 **Chair:** There are 51 days to Brexit, and there seems to be a philosophical rumination within the Government that tariffs may or may not go. There is no hard and fast line to give to 3.2 million people—2.7 million in manufacturing, 0.5 million in farming and 8,000 in ceramics. There is nothing they can clutch to. There is no security they can hold on to from listening to you this morning, Secretary of State.

Dr Fox: The Government will make a decision shortly, and we will publish those tariffs.

Q555 **Chair:** But this is uncertainty. There are 51 days to go, and you are leaving 3.2 million people with a question mark over their jobs because something might happen to the tariffs that currently protect those jobs.

Dr Fox: We will take the decision shortly and we want to make sure that we take that decision with the maximal information in front of us.

Q556 **Chair:** People up and down the country will hear your answer with an intake of breath.

Dr Fox: I think it is quite the opposite. The Government are not going to take such a serious decision until we are sure we have got the maximal information in front of us.

Chair: With 51 days to go, you should know by now.

Julia Lopez: I just want to know, in elaborating on that, is there a comprehensive list of items that the UK does not currently produce, where we could afford to drop tariffs to zero?

Dr Fox: There are 15,000 tariff lines. Yes, there are areas where, if tariffs were to be reduced, it would not have an impact on the UK, and would have a benefit to UK consumers. Throughout, there needs to be a balance, of course, between the impact on consumers and the impact on producers. The Government are very clear that they need to give protection where necessary, but without becoming protectionist.

Q557 **Julia Lopez:** So the Government have identified those products where the UK does not have an interest, as it were, and therefore could afford to drop the tariffs to zero. Does such a list exist?

Dr Fox: Yes. Across the tariff lines there is work across Departments—BEIS, DEFRA and DIT—to see where there would be a need to protect, if you like, UK producers, but without having a disproportionate impact on UK consumers. That is always the balance.

Q558 **Julia Lopez:** That would be where there is no UK production. You touched upon the problems we would have because of most-favoured-nation rules in giving differential access to the EU, or having differential tariffs with the EU. This is something where people are looking at article 24 of the GATT to see whether you could drop the tariffs to zero or keep them as they are at the moment, while we are trying to negotiate a free trade agreement. What is your understanding of article 24 and how applicable it could be in this situation?

Dr Fox: My understanding is that article 1 takes precedence—that we cannot have different tariffs. We would not want to go into a position as an independent member of the WTO in breach of the first article.

Q559 **Julia Lopez:** So you do not foresee a situation where both the UK and the EU could agree to an article 24 situation that would allow us, essentially, to maintain the status quo until we are able to arrange an FTA?

Dr Fox: My understanding is that article 24 is only applicable where two sides have already agreed a trade agreement, but have not yet fully implemented it or perhaps not ratified it, so I don't see it as being applicable.

Q560 **Chair:** Julia Lopez's question was whether there are areas that are currently tariffed where the UK has no interest, but where the EU more widely has an interest. You said there was some work happening in the DIT on that.

On the reverse, the European Union might have tariffs on some areas or products only because the UK wanted them, and the EU might now have no interest in having tariffs in that area. Has the DIT done any work on the situation where the UK gets rid of tariffs that it has no selfish interest in, and the EU might also have an area of tariffs that are only there because of the UK? That would then affect producers in the UK selling into that market, if the EU was to go and search for these products beyond the European continent—they might go for global Europe.

Dr Fox: Of course, the European Union would have to abide by the same WTO rules and could not apply a higher tariff to the UK than to the rest of the world.

Q561 **Chair:** Let me give an example. Let's say that the UK gets rid of the tariff on oranges, which the UK does not produce and has no selfish interest in, which is a possibility. Let's say that then there is some product—I cannot think of one at the moment, but there might well be one—that the UK produces but the rest of the EU doesn't. Has any work been done in the DIT on the European Union not having a selfish interest in that area, yet having a tariff on it, and how that might affect the UK?

Dr Fox: We would not be responsible, as a third country, for what the EU would decide to do in terms of tariff policy.

Q562 **Chair:** If you were removing a tariff that was to affect European Union producers, might they then be looking to remove tariffs that were only there for the UK and which, now that the UK is gone, they don't need any more?

Dr Fox: We have no idea what EU tariff policy will be or what the assumptions will be.

Q563 **Chair:** Do you not think that is a risk?

Dr Fox: We would take decisions that we believe to be in the interests of the United Kingdom. If on citrus fruit, for example, we were able to get a wider supply at lower prices for British consumers, why would we not do that?

Q564 **Chair:** If the European Union was to do that similarly and not take UK products, you would be happy with that, and that is a risk that you have investigated and has crossed your mind before.

Dr Fox: They couldn't apply higher tariffs to the UK than to the rest—

Q565 **Chair:** I am not talking about higher; I am talking about reducing tariffs. You have surely considered that the European Union might reduce tariffs that they now currently have at the behest and the need and the benefit of the UK. With the UK no longer in the European Union, it might get rid of those tariffs. Is that a concern?

Dr Fox: I cannot see where a reduction of tariffs would be harmful.

Q566 **Chair:** Unless the producer being protected is in the UK. This hasn't crossed your mind before?

Dr Fox: I am not entirely clear what the argument is.

Chair: I can see that.

Q567 **Catherine West:** On the question of the Government procurement agreement, which you have mentioned already, how realistic is it to expect that UK accession to the GPA will be ratified by Parliament in time for a possible no-deal Brexit, given that under the Constitutional Reform and Governance Act, the relevant treaty must be laid before Parliament for 21 days without either House objecting?

Dr Fox: The GPA has been a difficult negotiation, but at the GPA committee meeting on 27 November, the GPA parties provided agreement in principle to the UK's GPA market access offer and accession. That was quite a significant milestone in our ability to do that. Of course, since that time, the EU and the UK have been in the process of concluding our discussions on the text of the decision that will invite the UK to join the GPA. The difficulty was on the wording that had to cover both deal and no-deal scenarios. We are very close to an agreement on that. The current draft, which we are reviewing, has a solution whereby the UK can deposit its instrument of accession to the GPA while still an EU member state—that was a point of some dispute earlier on—and if we have an agreement under the withdrawal agreement and an IP, then it would be deemed not to have occurred and we would simply continue under the cover of the EU. Am I confident that it will happen? Yes, I am confident that it will happen. We have set out in a statutory instrument a means by which we create the power under other legislation to enable us to do it if we have to—if we don't have the Trade Bill through in time. In either case, I am confident that we will be able to join the GPA as an independent member as we leave the European Union.

Q568 **Catherine West:** Following that, some domestic procurement legislation might be required. What is the impact of that on the national health service and other health service providers?

Dr Fox: We have made it very clear that, under any legislative proposal or any treaty, the Government reserve the right to regulate their own public services. In terms of the national health service, the Government would not allow regulation that we thought threatened the national health service.

Q569 **Catherine West:** For example, if there was a trade negotiation with a third party, where to get everything it meant liberalising healthcare—we know that is one of the areas that the US is interested in—you can categorically rule out any changes to the way that the national health services are provided?

Dr Fox: We have already done so. We have already done that in the CETA agreement, in annex II to the CETA agreement. It was reaffirmed that we have absolute right to regulate our own public services. That is part of the treaty agreement and it is the principle that we would want to carry forward. When we had the debate on CETA in the House, I made it very clear that we regarded the elements of non-regression, for example, on labour rights and on environmental standards, to be the model that we would want to adopt for future trade agreements, and also the protection of regulation of the public services, including the health service.

Q570 **Matt Western:** Following up on that, the French Government and the French Navy announced that they have purchased some logistical support ships, at a cost of £1.9 billion. Under GPA, how do you think they they would have gone about tendering that? Would they have complied with GPA?

Dr Fox: Of course we have exceptions in terms of national security, when it comes to our procurement.

Q571 **Matt Western:** They are standard support ships.

Dr Fox: You would hope that, under GPA, countries would allow those who are part of the agreement to get as much access as possible.

Chair: Secretary of State, I wrote to you last week, asking which Government Departments are responsible for each of the 40 or so EU trade agreements that the UK is seeking to roll over, as that information was not the clearest. Your response did not provide the information. Can you tell us now?

Dr Fox: I will write to you with exactly which Departments are responsible for which of them, but in general, the Department for International Trade and DFID are responsible for the trade elements and the economic partnership agreements, and the Foreign and Commonwealth Office takes responsibility for the association agreements. But I would not like to give the impression that there is an absolute delineation, because there are different elements that cross over from one to the other. It is a genuinely cross-Government exercise, and it has to be.

Q572 **Chair:** I will wait for your second reply on that same topic. I also asked for a comprehensive and definitive list of which trade agreements need to be rolled over by 29 March. You replied saying, "We will not provide a commentary on ongoing discussions, as it is the Government's prerogative power to make international treaties and in addition, these matters are commercially sensitive." I was not asking for a commentary;

I was simply asking for a list. Can you provide that list to the Committee, please?

Dr Fox: That list is already published on the EU website. It is publicly available.

Q573 **Chair:** Why were those trade-related agreements not provided to us, then?

Dr Fox: The agreements are publicly available on the website. I would have thought that the Committee would have had them.

Chair: These are the ones that need to be rolled over. That list is publicly available, you say?

Dr Fox: The list of EU international agreements is there.

Chair: The ones you want to roll over—that need to be rolled over.

Dr Fox: Oh. The list of those agreements falls under—16 are DIT and DFID's and a number are FCO-led but not purely FCO.

Q574 **Chair:** I don't think we are going to get anywhere. Can we get a definitive list of your trade-related agreements that need to be rolled over by March 2019? The Committee needs to know that. We need to know that in 51 days' time—we have been asking for it; we have asked before.

Dr Fox: Yes, we can provide you with those. Of those agreements that are necessary for the continuity of trade, I am confident that if we have a withdrawal agreement, all of them will be rolled over and will provide continuity of trade for the UK. I am confident that there are no exceptions.

Q575 **Chair:** All will be rolled over.

Dr Fox: If we have a withdrawal agreement, yes.

Q576 **Chair:** So that is not a second after midnight on 29 March. That is by December 2020.

Dr Fox: No. If we have an agreement, we will have continuity of all those agreements. If we have a withdrawal agreement—

Q577 **Chair:** So all 70 countries have agreed to roll over, have they—in those 40 agreements?

Dr Fox: All countries have agreed that the EU process of deeming to have continuity will be in place. I am not aware of a single country that has said that they do not want to do that.

Q578 **Chair:** That is a different thing—not being aware of a single country. That is a negative. Have they all positively told you, those 70 countries, that they will play ball with the UK and the EU?

Dr Fox: We have been in discussion with all of them, and none of them—

Q579 **Chair:** No, I am not interested in discussions. I am interested in whether they have all positively told you yes. There are 51 days to go. In discussions that have happened in the last two years, have those 70 countries said yes?

Dr Fox: Am I confident that they will all be in trade continuity agreements if we have a withdrawal agreement with the European Union? Yes, I am.

Q580 **Chair:** Your confidence is great, and that is fine, but I am not asking about your confidence. I am asking whether all 70 countries have said yes.

Dr Fox: All the countries that we have been in discussions with have agreed to the continuity process, if we get a withdrawal agreement with the European Union.

Q581 **Chair:** All 70 countries have said yes—Japan, South Korea, the lot? They have all said yes.

Dr Fox: Japan was—Japan is—

Chair: South Korea?

Dr Fox: In the event of a withdrawal agreement, yes. If we get the withdrawal agreement and the implementation—

Q582 **Chair:** For 21 months, all 70 have agreed to roll over. There is a difference between you saying you have not got any information that they will not roll over—this is that all 70 have in writing agreed to roll over.

Dr Fox: In terms of continuity, if we get a withdrawal agreement—

Chair: For 21 months, they will all roll over.

Dr Fox: We think that they will all be in place immediately after we leave the European Union.

Q583 **Chair:** I am not interested in what you think. You are certain; you have agreed to this

John Alty: I would add that, obviously, the formal notification will happen once the withdrawal agreement is made. At the moment, we have had informal contacts with all these countries. That is why it is difficult to respond quite to your question. All the contacts we have had with them have been positive.

Q584 **Chair:** If you are naive in trade, you could think you have got an agreement and then at the last minute they could squeeze you for a concession. If I saw a naive country coming down the road, looking for 70 countries, I would think, "Easy-peasy, here we come." Anybody might do that. Is that possible?

Dr Fox: Well, countries will look to the UK and see that we are the fifth-biggest economy and market in the world and will want to export to the United Kingdom. Why would a country not wish to do that? That's why we have already got the first three agreements, which we have laid today—the text, the explanatory memorandum and the parliamentary report, which was promised during the passage of the Trade Bill. And on Monday, I will sign the agreement in Switzerland, which is the largest of all those trade agreements and which will be, I think, very symbolic, in that it will set out very clearly—

Chair: We will come to the issue of Switzerland later. Time is, as ever, our enemy.

Q585 **Faisal Rashid:** I am just following on from that, Secretary of State. As per my understanding, the Chile, eastern and southern African states and Faroe Islands roll-over agreements have already been signed. Is that correct?

Dr Fox: Correct.

Q586 **Faisal Rashid:** Okay, so that's public information, so why can't the other of the 40 or so—

Dr Fox: They are published today, and as we sign them—as will happen in Switzerland on Monday—we will then, as we promised, publish the text, the explanatory memorandum and the political agreement that we said that we would pass, as I said during the Trade Bill, one at a time, as they happen.

Q587 **Faisal Rashid:** So you have enough time, in 51 days, for all 40 or so agreements to be signed.

Dr Fox: Well, we hope to do so. In the event of a no deal—of course, that's different from trade continuity if we get a withdrawal agreement. I go back to my earlier point. If we want trade continuity, the best way is to have the withdrawal agreement passed and to have an agreement with the European Union. That's our best way of guaranteeing trade continuity. Those who vote against having a withdrawal agreement have to understand that they are introducing a level of risk into that that would not exist were we to have the withdrawal agreement.

Q588 **Faisal Rashid:** The Brexit Secretary recently wrote to certain Select Committee Chairs about roll-over agreements, but not the Chair of this Committee, and we have been doing extensive scrutiny work in this area. Were you involved in the preparation of that letter, and if you were, did you tell the Brexit Secretary that this Chair should need it too?

Dr Fox: I was unaware of this until now, but I would have expected the Committee to be given the same information as other Committees. I am surprised if that is not the case.

Q589 **Mr Leslie:** Do you remember when one of the Trade Ministers, Lord Price, gave us the runaround that all had been rolled over? It was a tweet: all have agreed to roll over. That was two years ago. You remember we were being given the runaround then. In response to the Chair a moment ago, when he asked whether all have agreed to roll over, even in the event of a withdrawal agreement, you said yes, they have all agreed to do that. Your official then helped out by saying, "Well, there have been positive discussions," and you also then started to say you are hopeful that they will. Just to be absolutely crystal clear, is there agreement to roll over all of them, even in the event of a withdrawal agreement, or is that an aspiration?

Dr Fox: Well, all have indicated a willingness to do so—

Mr Leslie: In writing?

Dr Fox: But as has already been pointed out, the actual point at which they would make that decision is when the withdrawal agreement is published.

Q590 **Mr Leslie:** So they have all indicated, as a matter of policy—all those countries will roll over if there is a—

Dr Fox: As far as I'm aware.

Q591 **Mr Leslie:** No. As far as you're aware isn't, with respect, good enough. Have they or haven't they?

John Alty: The people, the countries, that we have talked to have been positive about the approach of continuity, because that is the simplest way of achieving a roll-over, as you call it. As I said, that depends on the withdrawal agreement being finalised and agreed, and then the Commission will notify those countries. Obviously, that will be the point at which they formally confirm that, but we have had substantial contacts with them already.

Dr Fox: And of course this is in the event of a withdrawal agreement and an IP.

Mr Leslie: That's in your positive scenario!

Dr Fox: It is for the Commission then to notify those countries that they automatically continue, because Britain at that point will continue as though we are—

Q592 **Mr Leslie:** But you understand that it is their choice, too. They have a say in this. It is up to the South Koreans or whoever—they also have to say, "Okay, we'll go along with this." But according to you, they have all agreed this.

Dr Fox: Why, in terms of continuity, would a country that currently has an agreement with the European Union not want to have an agreement with the European Union?

Mr Leslie: It is a perfectly reasonable question, but you are saying that they have agreed. It does matter, Secretary of State, doesn't it?

Q593 **Chair:** Are we looking at your assumptions or at their agreements?

Dr Fox: Our working assumption is that we will have full continuity.

Q594 **Chair:** What is that based on?

Dr Fox: Do I think we will have full continuity? Yes, I think we will have full continuity.

Q595 **Chair:** They have told you this.

Dr Fox: I think that we will have full continuity, because I think it makes no sense for any country to not want to have a deal.

Q596 **Chair:** That is your logic, but you have got to put yourself in somebody else's shoes. I still want to know the reason for what you have envisaged.

Dr Fox: We have had no indications from any of the countries that we have spoken to that they wouldn't want to have a continuity agreement. Why would they not want to have a continuity agreement?

Q597 **Chair:** Because they might want to get a trade advantage. They know that you are more desperate for a continuity agreement, and they might want a trade advantage. Surely—

Dr Fox: I think this is confusing no deal and deal. In a deal, it is exactly the same agreement, because the EU deems it to be continuity of the agreement in place. There is no change.

Q598 **Chair:** In a deal there are three partners: the EU, the UK and a third party.

Dr Fox: In a deal scenario, the European Union deems the agreements to continue—they don't change. There is no negotiation.

Q599 **Chair:** But it is up to the other party whether it agrees to this.

John Alty: In a deal situation, the UK would not be able to negotiate, because we would continue to be covered by the EU common commercial policy.

Dr Fox: It is not a question that arises.

Q600 **Julia Lopez:** Dare I suggest that if all of the roll-over was agreed, you would then have an issue of ratification. When we were in South Korea, they discussed the fact that they would have to go through the South Korean Parliament, which could take three months, in order for that agreement to be ratified. Is that your understanding, and if so, are there interim arrangements that can be put in place to cover trade in between agreement and ratification?

Dr Fox: This is in the event of no deal. What we were discussing a moment ago was in the event of a deal. We don't negotiate those agreements again; they are simply continuity agreements that are deemed by the European Union to continue. That is one argument. This is a separate argument about, in a no-deal scenario, what we do with agreements that we want to have continuity of trade. Yes, some countries have legislative issues, and we are looking with them to see whether there are legal mechanisms that are WTO-compatible, in order to maintain trade during what might be a legal hiatus—not for us, but potentially for them. It is not a numbers game about agreements; it is about the continuity of trade. It is how we find mechanisms to ensure that, in the event of a no deal, we don't get disruption to that trade. The EU agreements that we are talking about account for about 12.1% of our trade. It is 2.2% more if you add the EU-Japan EPA. Of that 12.1%, the five largest agreements account for about 9%, and therefore priority is given, in terms of continuity of trade, to getting those completed. Just to put it in scale, the bottom 21 agreements account for only 0.9% of total trade.

Q601 **Julia Lopez:** I just want to know what discussions you have been able to have with Turkey. I think Turkey is an interesting case, because my reading of the backstop is that if we have to enter it, the UK would be in a similar trading position to that of Turkey. We would in effect have a de facto customs union for goods but not services. How successful have discussions been with Turkey, and can Turkey have independent discussions with the UK as a partial member of the customs union?

Dr Fox: Turkey is in a difficult position, because it is subjected to the common commercial policy and duty of sincere co-operation. If the UK were to talk to, and have negotiations with, Turkey, it would potentially encourage Turkey to break that duty of sincere co-operation, which we are not willing to do as long as we are members of the European Union. It poses some of the difficulties that a country would have in being able to operate an independent trade policy, if it were to be in either a full or partial customs union. That is one of the reasons why I am very much opposed to a customs union option for the UK.

Q602 **Chair:** What is more important, trade policies or trade?

Dr Fox: The trade that we have is the key to our prosperity.

Q603 **Chair:** Trade is more important than trade policies, so you might be ripping up our trade policies with, say, 48% of our trading partners, to have trade policies somewhere else. I am ensuring that you understand the clear difference between trade and trade policies.

Dr Fox: They overlap. You mentioned the ceramics industry earlier, and one of the key gains that we would have with an independent trade policy is that we could do a trade agreement with the United States, where there is currently a 27% tariff on UK ceramics being sold into the United States. That would be a huge trade gain.

Q604 **Matt Western:** I could not help but notice on your desk, Secretary of State, that you had a table with a lot of red and orange in it. Is there anything you should be telling us about that?

Dr Fox: Yes, I am colour-blind.

Matt Western: Someone else who produced the paper perhaps isn't, though.

Dr Fox: Yes. The normal ways of coding don't really work for me.

Matt Western: Maybe they do for the rest of your Department.

Dr Fox: They have to operate on that basis. It is not as severe as when I was Secretary of State for Defence when, during the Libyan campaign, the maps were marked in red and green for our respective positions—it was impossible for me to know whether we were winning or losing.

Mr Leslie: Do you have a driving licence?

Dr Fox: Colour-blindness is not a restriction on driving.

Q605 **Matt Western:** May I move on to the very real impact on businesses out there, which are extremely concerned about the preparations for rolling over trading agreements or, indeed, a no-deal Brexit? What measures are you taking to help them?

Dr Fox: As we look at no-deal preparations, if we think that there is a risk that we will not be able to roll over certain agreements on time, we will issue technical notices for businesses. My current timetable is to make those available sometime in the next two weeks.

It may well be that companies want to think about what would happen were we not able to get those agreements. Of course, we may well end up getting them, but I think it is reasonable for us to indicate a warning that they may not be achievable.

Q606 **Matt Western:** Obviously, a huge amount of stockpiling is going on, with huge costs to our business sector and particularly our manufacturing sector. Presumably, that concerns you.

Dr Fox: Again, the best answer to all that is for us to get an agreement, and to reach an agreement with the European Union. Plus, in terms of behaving in a prudent manner, we will want to make those warnings clear and explicit.

Q607 **Matt Western:** The automotive industry is one that is particularly concerned. We heard the story of Nissan recently, and of course that is not purely down to Brexit—other major factors come into play there—but the alarm bells are beginning to ring. John Neill from Unipart, who was at Davos last month, described your credibility as extremely low, and said that you do not understand or appreciate the dangers of a no-deal Brexit. He imagines a "cascade of failure", saying that the future of the UK car industry is at risk. I know that the right hon. Member for Uxbridge and South Ruislip seems to be an expert in this particular field; I am not sure whether you are. How do you respond to that?

Dr Fox: I said that no deal would be disruptive, but I think we have to guard against excessive pessimism in terms of no deal, and against excessive optimism from those who say that no deal wouldn't be a problem at all. There is somewhere in between.

Q608 **Matt Western:** The chief executives of Jaguar Land Rover, Ford and Unipart say that this is existential stuff, not just fear-mongering or negative—

Dr Fox: "Existential" suggests that in the event of a no deal we would have no car industry. I just don't find that credible.

Q609 **Matt Western:** Well, the potential loss of hundreds of millions of pounds—

Dr Fox: Well, that is not the same as existential. Let me be very clear: I do not want there to be a no-deal outcome to Brexit, because I think it would be disruptive. It would be disruptive for our agricultural sector and for a number of parts of our manufacturing sectors. I want there to be a deal. I think this is where those people in industry that you mentioned should be making the case for the Government's deal and encouraging all Members of Parliament to ensure that it goes through.

Q610 **Matt Western:** David Henig said that 0% tariffs and a no deal would result in a huge economic shock for this country. Matthew Lesh of the Adam Smith Institute, with whom you may have more in common, believes that 0% tariffs would be a good thing; they would concentrate our minds on the sectors that we are good at, such as the service sector, but at the loss of manufacturing and farming. Do you agree with him and the Adam Smith Institute?

Dr Fox: If you are asking do I believe in laws of comparative advantage, yes, I do. But in all the trade agreements that we have, even when we have tariff liberalisation it tends to be done over a period of time to allow economies to adjust. As I said earlier, I have not suggested the concept of zero tariffs.

Q611 **Matt Western:** But it is on the table, and it is going to be put on the table on 11 February, we hear.

Dr Fox: If, globally, we all move to a lower-tariff environment, eventually that will be beneficial for everybody.

Q612 **Matt Western:** Except that countries like China and the US are actually putting more tariffs on at this time, which will expose us and make us more vulnerable.

Dr Fox: My views on that are very clear: that those tariffs are ultimately taxes. Tariffs are unlikely to add to the productivity or efficiency of an economy.

Q613 **Matt Western:** But it is better that the consumers are actually earning money in manufacturing that they can then spend in the market.

Dr Fox: If you apply a tariff on steel—as happened in the US, for example—you cannot be surprised if your steel prices go up as a consequence, and you cannot be surprised later on if those industries that use that steel find themselves in a less competitive position. If you apply tariffs, which are taxes, to any industry or commodity, ultimately it will have an impact on competitiveness.

Q614 **Chair:** A few weeks ago, as part of our investment policy inquiry, we wrote to Dyson and invited James Dyson to our evidence session next week. The phrase used was that Mr Dyson was "unavailable" next week, but we are hoping that somebody else will appear in his place. In case he doesn't, let me ask you as Secretary of State for International Trade: can you see some logic in Dyson's Singapore move?

Dr Fox: It is not for me to comment on individual companies, but I understand that there was a movement of two people while the company continues to invest in its research and development in the UK on the basis that this is one of the best countries in which to have innovation. That is entirely compatible with the level of investment coming into the UK at the present time. It is interesting that although there is uncertainty politically around the Brexit debate, while foreign direct investment fell by 40% last year globally, it rose by 20% in the UK.

Q615 **Chair:** Was that for greenfield FDI or for acquisitions and mergers?

Dr Fox: These are the UNCTAD figures.

Chair: But which—acquisitions and mergers or greenfield?

Dr Fox: They are broader measures.

Q616 **Chair:** Because there are two types of FDI—you have to be very careful. A cheap pound can make you a very easy pick-off.

Dr Fox: I understand that, but it is very clear from the Deloitte report published two weeks ago that investment is continuing into the UK because it is a very good place to find innovative and flexible workforce.

Chair: Hopefully Dyson can come or send a representative next week to address that question further.

Q617 **Catherine West:** We were very disappointed that Mr Dyson refused to be subject to elected Members and their questions.

Dr Fox: Nothing to do with me, I have to say!

Catherine West: No, but I do want it on the record.

Chair: For the record, "unavailable" is the phrase that was used.

Q618 **Catherine West:** My question is about the Swiss deal. The Committee requested a copy of the text so that we could deepen our understanding of the negotiation, but the Department refused our request. After some research, we noticed that there was a 3,000-word essay on the Swiss Government website that gave us most of the information that we needed. Is that really the tone that the Department wants to set with the Committee—obfuscation and refusal to come to us for scrutiny? That is a very bad way to get off, given that we are seeking information for very good reasons, 51 days before a potential no-deal Brexit.

Dr Fox: I will not say too much now, because I intend to say something on the Floor of the House next week if possible.

Q619 **Catherine West:** Well, you don't need to, because the Swiss Government have done it for you.

Dr Fox: I think it is important that we have a mechanism in Parliament that enables us to scrutinise future free trade agreements in real time.

Those will be new agreements; these are continuity agreements. I have always been very much of the opinion that when we start to be able to do new agreements with an independent trade policy, Parliament should be able to have a view in real time of what is happening.

Q620 **Catherine West:** So why aren't you starting as you mean to go on?

Dr Fox: We had set out at the beginning of this process that as we finished each agreement and got to the point of signature, we would do what we have already done, which is to publish not just the text, the explanatory memorandum and the full parliamentary report, but the process that we agreed during the passage of the Trade Bill, and that is what we will stick to.

Q621 **Catherine West:** Is it normal for Members of Parliament to have to research other Governments' websites to understand what is being negotiated between this Government and another Government?

Dr Fox: Our Parliament set out what the process would be, and that process is set out in the Trade Bill. It is exactly as I said—when we get to the point of signature, we will make those documents fully available to Parliament.

Q622 **Catherine West:** It is about culture and tone, and there is a risk that you are turning very interested Members into detectives so that they can find out what our Government are meant to be doing. That is not the way that in a hung Parliament a Department should function.

Dr Fox: We said that we would set out the text, the explanatory memorandum and an explanation of any changes that had occurred as a result of the ongoing discussion, and then it would be subject to full parliamentary procedure after that. That is set out clearly in the Trade Bill, which was voted through by the House of Commons.

Q623 **Chair:** What happens with Switzerland if there is no withdrawal agreement? What is the situation with the Swiss? The situation with the Swiss is much trumpeted, but there are 51 days to go and we have no real clue what is happening with Brexit—nobody does, and nobody knows which way it will go. From your point of view, with or without a withdrawal agreement, what happens with Switzerland? Will there be a deal on 29 March?

Dr Fox: Yes.

Q624 **Chair:** So that covers both scenarios—deal and no deal. It is just the same. It will all be fine.

Dr Fox: If there is a deal it would come into effect at the end of the implementation period.

Q625 **Mr Leslie:** If there is no deal, the Swiss agreement is still a roll-over, is it?

Dr Fox: Yes, and it comes in on 29 March.

Q626 **Mr Leslie:** We have been trying to establish not just the full-fat free trade agreements—obviously, we have the number from you on those—but how many trade-related agreements have to be rolled over if we want full continuity of trade. You will be aware that the *Financial Times* put that figure at around 759 different treaties, agreements, mutual recognition agreements and so forth. What is your number for the trade-related agreements that need to be rolled over for continuity?

Dr Fox: We have always said around 40, and there is a reason why it is not a specific number. Some of those EU agreements are already in place. Some are partly in place, such as the Fiji agreement or the CARIFORUM agreement. Some are pending, such as the Kenya agreement, which has not been signed, or the east Africa community agreement, because Tanzania won't do it. Some are being updated, such as the Mexico or Morocco agreements.

Q627 **Mr Leslie:** You are perhaps misunderstanding my question. You have the number of full FTAs, but I am talking about trade-related agreements, and that is a bigger number because there are MRAs, other treaties, aviation and so forth. Mr Alty, do you know the number?

John Alty: I know the number for this Department, which has seven mutual recognition agreements. Some of those are included in the actual trade agreements.

Q628 **Mr Leslie:** I am thinking about for the whole UK Government. Are you not holding the pen?

John Alty: No; the Department for Exiting the European Union is managing the whole programme of international agreements.

Q629 **Mr Leslie:** What's their number?

John Alty: You would have to ask DExEU what their total number is. Some of those are related to trade; some are less so. They cover nuclear safety and all sorts of things. We are focusing on the trade deals.

Q630 **Chair:** A final question, Secretary of State. You have a lot of thinking to do up to 29 March. If there is no deal and there are queues at Dover and things not on the shelves, is that politically survivable for any Government to have taken the country they are governing into that situation?

Dr Fox: The Government are very clear that what they want is an agreement.

Q631 **Chair:** Yes, but if on 2 April you haven't achieved that—

Dr Fox: We are focusing all our energies on getting an agreement with the European Union. We believe that we are very close to an agreement and it is very clear that the one sticking point at the moment relates to the Irish border. That is what all our energies are focused on.

Q632 **Chair:** Are you ready to compromise on that?

Dr Fox: I believe that from the vote in the House of Commons, were we are able to resolve that problem, we will be able to get an agreement. I just hope that all parties in the House of Commons will recognise that and not obstruct a withdrawal agreement, which could put us in the territory of no deal.

Q633 **Chair:** Thank you. The Government are stockpiling at the moment, as I understand from the Department of Health and Social Care. Should individual citizens be stockpiling in case you don't get the show on the road in 51 days' time?

Dr Fox: No; I think it is very clear that the Government's entire efforts are focused on getting an agreement. I cannot emphasise enough that we are very close to having that agreement; that the one issue remains the Irish border; and that the Prime Minister's efforts are going into resolving that. If we are able to resolve that, the indications from Parliament are that we will get an agreement. Any Members of Parliament who don't vote for an agreement will have to understand how that increases the chance of no deal, with all its consequences, which the Committee has set out today.

Q634 **Chair:** The safest thing might be to revoke the Trade Bill. Will that be in place on 29 March?

Dr Fox: Should the Trade Bill not be in place, we will have contingency plans to ensure that it is able to be fully operational.

Chair: Secretary of State, thank you for this morning's ping-pong. I will see you again, I believe, on 6 March for part 2 of our discussions. Thank you very much indeed.