

International Trade Committee

Oral evidence: UK trade negotiations, HC 233

Wednesday 23 September 2020

Ordered by the House of Commons to be published on 23 September 2020.

[Watch the meeting](#)

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Mark Menzies; Taiwo Owatemi; Martin Vickers; Matt Western; Mick Whitley, Craig Williams.

Questions 196 - 227

Witnesses

I: Elizabeth Ames, Board member, Menzies Australia Institute, King's College London; Stephen Booth, Head of Britain in the World Project, Policy Exchange; and Dr Maria Garcia, Senior Lecturer, Politics, Languages and International Studies, Bath University.

II: Phil Stocker, Chief Executive, National Sheep Association; Miles Beale, Chief Executive, Wine and Spirit Trade Association; Adrian Dobson, Executive Director Professional Services, RIBA; and Richard Rumbelow, Director of International Affairs and Export Services, Make UK.



Examination of Witnesses

Witnesses: Phil Stocker, Miles Beale, Adrian Dobson, and Richard Rumbelow.

Q196 **Chair:** We are now going to move to the second panel. I will ask the four members of the panel to introduce themselves. We have: Phil Stocker of the National Sheep Association, I am delighted to say; Richard Rumbelow; Adrian Dobson; and Miles Beale. Starting with Phil Stocker, would you introduce yourselves—name, rank and serial number—in your own terms, please?

Phil Stocker: My name is Phil Stocker. I am chief executive of the National Sheep Association, and I am a farmer by trade. I have spent my whole life farming, and I still farm on a small scale now. The National Sheep Association is a membership organisation for sheep farmers across the UK.

Chair: It is an absolute delight to have you here, Mr Stocker. As somebody who keeps some sheep myself, it is the zenith of my chairing of the International Trade Committee to have the National Sheep Association on board this afternoon. Thank you very much.

Adrian Dobson: Good afternoon, Chair. My name is Adrian Dobson. I am executive director of professional services at the Royal Institute of British Architects. We represent about 40,000 architects in the UK and internationally, and about 4,000 firms or practices of architects. No sheep, I am afraid.

Chair: I am wondering if you have ever designed a state-of-the-art lambing shed.

Miles Beale: Good afternoon, Chair. Good afternoon, everyone else. My name is Miles Beale. I am chief executive of the Wine and Spirit Trade Association in the UK. We have over 300 members who do something in wines and spirits in the UK on the UK market, whether it is buying, selling, importing, exporting, producing or retailing. As an industry, we are worth just shy of £50 billion in economic activity and pay about £11 billion into the Exchequer via taxation. Australia and New Zealand are two very important markets, certainly for wine imports. It is probably fair to finish up by saying that there are 225 million bottles of Australian wine on the UK market, which is more wine than from any other nation in the world.

Chair: I think you might meet some more people shortly who do some stuff with wines and spirits, but I don't want to say too much about that. We have three great associations there, three ace associations. For the royal flush we have the aces at Make UK, and the ace of clubs there is Richard Rumbelow.

Richard Rumbelow: Good afternoon, Chair and Committee. Richard Rumbelow from Make UK. I am the policy director responsible for our international relations, including our international trade policy work. Make



HOUSE OF COMMONS

UK is the representative body for UK manufacturing. We have around 20,000 firms in membership, ranging across aerospace and automotive through to chemicals and food manufacturing. International trade is a very important part of what our members do, and I am therefore very happy to be here to talk about options relating to Australia and New Zealand.

Chair: Mr Rumbelow left out his greatest post. In the previous Parliament he served as a specialist adviser to the International Trade Committee, which is obviously a slip of the mind, because that would have been the zenith of his career, I am sure.

Q197 **Mark Menzies:** Adrian, what do your members hope to gain from UK trade arrangements with Australia and New Zealand?

Adrian Dobson: In some ways, and I would say this as a representative of RIBA, British architecture is already a bit of a global success story in terms of exports. In 2019, architects won about £625 million-worth of international work, and we have a lot of high-profile architects with an international reputation. Although that figure is a drop in the ocean in terms of international trade, architecture is often seen as a lever. It brings other services behind it: engineering services, legal services, project management services, right down to construction products for export. We do a lot of work with DIT promoting architecture as a kind of soft export in a way, because it has a cultural export element.

Australia and New Zealand are currently relatively small markets for architectural exports, that is true. Only about 2% of international revenue for our practices comes from Australia and New Zealand, but we believe there are significant market opportunities. We have already heard about how our education systems and regulatory systems are very similar, so there are deep culture and business links already, which make it attractive for an FTA. We already have projects from UK architects who are working in Australia and New Zealand, but often they are very high profile. For example, you have Grimshaw, with the big station refurb in Melbourne, and we have McAslan working on the Sydney Metro. A lot of the work has been in infrastructure, because the rebuilding of the UK railway stations has enabled them to export that expertise.

We think there could be significant benefits, but obviously the FTA—as we heard from Elizabeth earlier—would have to have a deep services content. It would have to have that kind of element within it. In terms of things we would like to see in that service component, we think it would have to include mutual recognition of professional qualifications, although we note that is in the negotiating objectives, and probably enhancements to business travel. The visa regime can be a barrier. Hopefully it would give better access to procurement markets. If they are included in an FTA that is usually better. We do not have good access to Australia and New Zealand procurement markets, and we do not have the same freedom of investment in Australia as other countries with an FTA do. Often



businesses want to go into partnership with Australian firms or they want to establish in Australia, that kind of thing.

That is the overall picture for us. It was not on my original thought list, but what I did pick up from the other panel this comment about academic exchange, which can be quite valuable in areas like architecture that are quite creative. We have tended to rely on exchange with the European Union for academic exchange, and there is a risk we lose that at the moment, so I think opening up for more cultural and academic exchange would enrich the profession as well.

Q198 Mark Menzies: You touched on this in your answer, but in our predecessor Committee your association referred to fears that losing mutual recognition of qualifications with the EU would have knock-on effects regarding non-EU countries. How do you assess that risk now in relation to Australia and New Zealand?

Adrian Dobson: Perversely, if we are not able to maintain full mutual recognition with the EU, in some ways it probably creates more flexibility for our regulator to achieve mutual recognition outside the EU. There are two aspects to it, though. Mutual recognition would oil the wheels of trade in services and architecture between Australia and New Zealand and the UK. You hinted, Mark, at another problem, that construction is very cyclical, and we have a long training period in architecture.

We had become very dependent on EU nationals bringing that mutual recognition to fulfil work in the UK. Something like 80% of international architects in the UK currently come with EU qualifications. Of new admissions to the UK register of architects, approximately half over the last four to five years were coming with EU qualifications. If we lose that pipeline of talent, it is a risk to the profession and is perhaps another reason why we should be looking to negotiate mutual recognition with other third countries. There are two parts to the mutual recognition equation, if that makes sense.

Q199 Mark Menzies: It does. That is very useful. Finally, how do you view the prospect of agreements with Australia and New Zealand serving as a stepping stone to penetrating other potential markets in Asia-Pacific, certainly in light of the recent announcement of the UK-Japan trade agreement?

Adrian Dobson: This may be a little pie in the sky, and we have to be honest and say our expertise is not in the real detail of FTAs, but that could be the big prize in the long run. I said that Australia and New Zealand represent only 2% of architectural exports. Asia, as a whole, already represents nearly 30% and is probably the biggest growth market for UK architects, so in a sense that is the big prize. We do have members already working in some of the countries in the Trans-Pacific Partnership because places like Malaysia, Singapore and Canada had strong cultural ties within architecture previously. If it gave greater access to markets that are relatively closed to RIBA members, that would



be very welcome, but there are probably some complexities. We touched upon this mutual recognition issue. There are already mutual recognition systems within the Asia-Pacific region, so I suspect there would be some complexity in negotiating that, but on the whole that is certainly seen to be one of the potential longer-term prizes.

Q200 Chair: A follow-up question from me. I asked Elizabeth earlier about the Home Office, and interior ministries generally, and the fact of visas to move and to work. How big a problem are they in architecture at the moment? Is that something on which you pressed the Home Office to help trade?

Adrian Dobson: It is an issue, Angus. There are probably two aspects to it. You are absolutely right, I talk a lot about and stress the importance of mutual recognition, which is step one, if you like, but having mutual recognition immigration policies and visa policies mitigates against actual free movement and is not going to deliver that kind of oiling of the wheels. We do have a concern. Obviously that is where a free trade agreement with Australia and New Zealand would at least have to ease the movement of people. It is something that took place a great deal historically, so one imagines it could happen. We have the same problem with the EU. If we maintain mutual recognition but have very high barriers to the movement of people, we will not be able to benefit from it. It just will not happen.

Chair: I will not make any comment about the circumstances of some of the movement of people between the UK and Australia, particularly in the past.

Q201 Mick Whitley: Welcome to the witnesses today. My question is to Miles Beale. How do tariffs currently affect UK trade in wine and spirits with Australia and New Zealand, and what difference, if any, will a UK global tariff make?

Miles Beale: In general terms, the UK is the biggest importer of wine in the world, net; it is second by volume after Germany and second by value after the US. We are also the biggest exporter of spirits in the world, so wines and spirits are very much international markets and trading, although going in opposite directions. The Government's proposals for the UKGT mean we would effectively be rolling over exactly the arrangements for now, which is more or less—and it does vary slightly on whether the wine is imported in bulk or in bottle—10p a bottle for every bottle imported into the UK from Australia and New Zealand. That is about £25 million a year, £30 million if you add VAT. We would very much like to see a free trade agreement get rid of that tariff completely. We do not think it would be hard to do, as 99% of wine on the UK market is imported. In pure trading terms, if you like, with the politics and the negotiation taken out of it, it would be a dead straight thing to do.



HOUSE OF COMMONS

Going in the other direction, gin, whisky and vodka exports to Australia face a 5% tariff, so reasonably low as well. For New Zealand it is the same, but only for gin and vodka. We would like to see all of those go, and it would certainly make a difference. I have to say it would probably make slightly less difference than some of the non-tariff barriers we would like to see addressed, which I am happy to come back to, but I recognise it is not the substance of your first question.

Q202 **Mick Whitley:** You are alluding to the nuisance tariffs on spirits?

Miles Beale: Yes, exactly.

Q203 **Taiwo Owatemi:** Miles, your association told our predecessor Committee that the UK should look to enhance trade with Australia and New Zealand by removing unnecessary regulatory barriers and promoting a mutual recognition model. What would that look like, and how far can it be achieved through the current trade negotiation?

Miles Beale: Yes, that is certainly our position. One of the easiest ways to explain this is probably with an example. At the moment, for any wine—and this is mainly because we have rules that were set up as part of the EU—but let's say a still wine coming from Australia, if it were to come by bulk, which is environmentally more friendly and more economic, and be bottled in the UK, which creates lots of jobs, and if it were then carbonated and made sparkling, you would not be allowed to call it Australian wine because you will have done something in the production process that takes away its Australianess, if you like.

We think, and I am sure the Committee would agree, that that is pretty ridiculous, so there is one thing that we would want to get rid of. That would mean consumers in the UK market have more choice of sparkling wine, and Australian winemakers could look forward to taking advantage of that opportunity. That is a good example of something where we expect to see quite an easy win if you have an agreement, and it is obviously not tariff related.

Another good example would be that there are quite restrictive wine-making practices that are European wine-making practices. They make wine that way in Australia and New Zealand to get it into the EU market, but they also make wines for their own domestic consumption in a different way. We do not want to see what the Government are currently proposing to maintain, and also to impose on European wine imports, which is a form called a VI-1 form. It is basically an import certificate for imported wine. At the moment the full VI-1 is paper-based, and you have to have seven tests of acidity as part of a lab test, all of which seems rather outdated, frankly. It is not about consumer safety. There are some bits of information that are sensible, like the ABV of the wine, its strength and what grape variety it is made of. Currently all third-country wines, non-EU wines, have to come into the UK with a VI-1 form. That is quite costly, especially for small businesses, and it drives up the price for UK consumers. The Government's current proposal is to level the playing



HOUSE OF COMMONS

field by requiring VI-1 forms for all European wine imports as well, which will cost £70 million per year, which is nuts.

Our proposal, which we cannot get the Government even to talk to us about, is to go the other way. Instead of imposing VI-1s on European wines, you would remove VI-1s for all third-country nations, including particularly, of course, Australia and New Zealand, Australia being the biggest provider of wines to this country. That would automatically see a drop in cost, an increase in trade and advantages for consumers.

Directly to your question, I would add one thing, which is that we think this would be best covered as part of the free trade negotiations. You could, in fact, deliver it via a separate but attached agreement, a wine agreement, between the UK and Australia. There would be an advantage to that because you could improve it over time without having to go back through all of the negotiations around an FTA. We would like to see it there as part of the original FTA agreement, but perhaps in a separate document that we could carry on working on over time.

Q204 Chair: I seem to remember at one stage hearing about the bulk import of wine from New Zealand and Australia that gets bottled in the Bristol area mainly. I see a nod there, so my memory is working. But then after it is bottled, it is exported into the European Union. Given that we do not know what sort of deal the UK will have with the European Union—we will be out of the single market and customs union, we know that much—what sort of issues arise around processing wine from bulk to the bottle?

Miles Beale: Excellent question. It is worth saying for the rest of the Committee that Australian wine is a good example: 15 years ago, 80% of Australian wine arrived already in bottle and 20% in bulk. It is now the other way around, so you are getting 20,000 or 30,000 litres in a single container and it is bottled over here, so it is more environmentally friendly, economically far more interesting and more efficient, and there many more jobs here, including—as you referred to—Accolade Park, which is in Avonmouth, just outside Bristol. We think it is the biggest wine bottling plant in the northern hemisphere. All the Australian wine companies use it, and there are obviously lots of jobs there. That describes the business model very well.

Wine is very clearly an international market. If you are an Australian or New Zealand producer, you are very likely to service your European customers, so mainland Europe customers, via the UK first. It comes to the UK in bulk, is bottled there and is then shipped on to the EU. Our departure from the EU or, rather, the end of the transition period, we are still unclear. I was on a call this morning with a few companies talking about how to label a product. To have labels ready for 1 January, they need to know what to put on a label now. They do not. We have no clarity on that. We have been talking to DEFRA a lot. Again, the VI-1 import certificates issue is a very similar thing. It is hard—impossible now, in fact—to set it up in time for 1 January. We cannot deliver even a different version of that business model where the UK is a global hub for



HOUSE OF COMMONS

wine trading, and it is that global hub that is extremely important. I will finish with a figure on that. Wine is the UK's sixth largest food and drink export. That is not English wine—English wine is less than 0.5% of the UK market—but it absolutely is re-export of Australian, New Zealand, Chilean and South African wine and also fine wine exports, because we are a world leader in fine wine trading. The UK, as the hub of wine trading in the world, is genuinely under threat over the next six months.

Q205 Chair: I am glad I asked the question to give you the opportunity to flesh that out. Can I clarify, of the wine re-export that is bottled, how much of that is going to the European Union? That will be the most affected, I think.

Miles Beale: It varies year on year. For Australian wine, for example—and I think this is broadly similar for New Zealand—something like 20% of wine imports into the UK then go back to other destinations, often the EU, but not exclusively. It goes as far as the Middle East or countries like Norway.

Chair: I am surprised, and maybe in happier times we might have thought of a site visit. I would imagine that a site visit to a wine bottling plant would be very popular with the Committee, but I think even more popular would be something to do with going to visit sheep. On that happy note, I will take in Mark Garnier, who is going to buffer me from asking too many questions about sheep.

Q206 Mark Garnier: I have been to a few bottling plants in my time. They are not quite as exciting as you imagine. They are quite noisy, and you do not get to drink anything.

Phil, before we get into the meat of the issue, can you describe what is going on in the UK lamb market, where we are importing huge amounts of lamb from New Zealand and exporting huge amounts of British-produced lamb into the European Union? Of course I appreciate it is all seasonal, but if you could give an idea of what is going on there, because there is obviously quite a lot of movement of lamb. It would be helpful if you could describe what is happening to prices across the season as well.

Phil Stocker: Thanks for the opportunity. I am conjuring up all sorts of images at the moment of a Committee event on a sheep farm where we can taste some glorious lamb and drink some of these wonderful wines and spirits. It is a great image.

Chair: That would be a fantastic afternoon.

Phil Stocker: Absolutely. The UK exports somewhere in the region of 35% to 40% of our sheep meat production every year. We consume around 60% to 65% here in the UK, and 35% to 40% would be exported. Some 96% of that exported volume goes into the European Union, so there is a huge question mark at the moment about the security of that market post-December this year. For all the work that is going on in terms of new sheep meat markets in other countries around the world—the United Arab Emirates, Japan, possibly the US, and China is another



one—there is a strong feeling that none of those will come to fruition in time to replace that European volume market if we do not maintain access.

I would say at the moment, with three and a half months to go until the end of the year, we are at a fairly critical time in terms of an assurance that the market into the European Union is going to continue. I guess that creates another sensitivity about trade discussions with New Zealand and Australia, which a lot of people would assume could well result in greater volumes coming to the UK at a time when we could end up having a reduced export opportunity in the future.

Q207 Mark Garnier: The nub of my question, obviously with huge amounts of exports going to the European Union, is that if we do not get a deal with the European Union, then clearly there is going to be a big problem with our having a whole load of lamb coming in from New Zealand. That is what was behind my question, because obviously while we are exporting 35% to 40% of our domestic production, we are still importing about a third of our domestic consumption.

Phil Stocker: Yes, and we would import a not dissimilar amount as we would export as well. As you rightly pointed out earlier, that was historically to balance seasonality. The sheep farming sector is still a very traditional, natural season, with the majority of ewes lambing in the springtime. That results in a peak of lamb sitting in the market in late summer and through to the autumn, then a trough in terms of lamb coming on to the market during the spring. Historically that trade, largely with New Zealand, has been about balancing the seasonality. We do have British lamb coming on to the market all year around, but we produce a similar amount of sheep meat in the UK to what we consume. We export and import similar volumes to balance seasonality.

Q208 Mark Garnier: If we do not get a trade deal with the EU, potentially we are looking at closing down imports of lamb from New Zealand, which is going to make it quite an interesting negotiating factor.

Phil Stocker: Absolutely. If we do not get a deal with the European Union, there will undoubtedly be a stronger focus on the domestic market here in the UK because we have nowhere else to send that lamb at the moment without new trade deals being formed. There is absolutely no doubt that the industry will be looking at optimising our own domestic market in that situation.

Q209 Mark Garnier: The interesting point is that New Zealand and Australia have been fighting quite hard in the WTO to get the tariff rate quotas for lamb essentially split 100% with the EU and 100% with us. That is still an ongoing dispute. From their point of view, we are clearly an incredibly important market, as is the EU of course, but I think we take most of the EU TRQ, don't we?

Phil Stocker: Yes, we do. That is why it was agreed that there would be a 50:50 split in both the New Zealand and the Australian quotas, with



50% going to the European Union and 50% being destined for the UK market.

Q210 Mark Garnier: Coming back to all of this, clearly Australia and New Zealand have a trade surplus with us in terms of meat exports coming to us, so it is very important for them to get this right. They are going to be fighting unbelievably hard on this trade deal. What I am getting to is that it looks like we—or your members—can, at best, get the status quo and, therefore, nothing really changes. There is a huge amount of downside if we fail to get a deal with the European Union. I wonder, from your point of view, where your upside is on all of this.

Phil Stocker: I would say that there is very little upside for us at the moment. If you look at this sector by sector, there is only a one-way trade in sheep meat. We do not send any sheep meat to New Zealand or Australia, it all comes in this direction, so any further liberalisation or any increase of sheep meat volumes coming to the European Union is going to create some problems for us. The way we can respond is either to try to increase our consumption here, and we have known over the last few years that our consumption of sheep meat is on a downward trend generally, so increasing consumption here is going to be difficult, or we export more, but again those opportunities are not available to us at the moment, or we produce less. To produce less would take away the capacity of our industry and risk the very efficient processing sector that we have.

I would also argue very strongly that sheep production across the UK is very delicately balanced with the environment, with improvement of soils, with the maintenance of rural communities and with the maintenance of the landscape. This is not just about volume or productivity, there is a range of wider aspects around the environment, landscapes, and people and communities, that go alongside any damage to our industry.

Q211 Mark Garnier: Going back to the seasonality thing, let's say hypothetically we did not get a deal with the European Union. Does modern storage, or even modern production, mean that that seasonality element is not quite as problematic for UK producers?

Phil Stocker: Again, it is a good question. I think if the industry had time, it could adjust itself to level out that seasonality over the year and it could become more self-sufficient during the year. It could probably do that in a number of ways. Storage would be one way, extending the shelf life. Having said that, there is a challenge to overcome. Freezing lamb down to give you real seasonality costs money and usually devalues the product, so there is a perception problem to overcome there, I guess.

Some farmers are already extending their lambing season, lambing later into May and holding lambs through until the following year, or lambing early and getting lambs on to the market early during the spring. There are ways that we could become self-sufficient. The industry would need time to adjust, and we would need some very strong signals to make



HOUSE OF COMMONS

sure those adjustments were well-founded and supported by longer-term agricultural and food policy.

Q212 **Mark Garnier:** I have one last question. Is the issue with lamb very similar to what happens with beef, pork, chicken and other meat products?

Phil Stocker: It is very different. It is a very different meat in that it is probably far more extreme in terms of seasonality than other products. It is also probably important to mention that while historically the trade was very much built on levelling out seasonality, it is now more and more about balancing cuts—and this is seen in the beef, pork and poultry sectors—so we export and import to suit the consumption trends of our population. We would typically import a lot of legs, loins and higher-value cuts and similarly we would export lower-value cuts, so we balance carcass choice, if you like, as much as balancing seasonality.

Mark Garnier: I better go over to Angus now, because he has a very furrowed brow and is obviously a man with a declarable interest on this subject.

Q213 **Chair:** I remember declaring this interest once to a New Zealand sheep farmer. I told him I had 32 ewes, and he started off saying he had 26. I felt quite good, then he added on the word “thousand”.

Phil Stocker: I thought you were going to say, “in his freezer”.

Chair: It changed the dynamic of our conversation.

I am noticing a couple of things around the edge of this at the moment. There are a number of crofters here in my constituency. On those higher prices this autumn, a lot of stories are being told that there is a lot more New Zealand lamb going into the Asian market, particularly China at the moment, and as a result there is less going into the European Union and there is more demand from the European Union for lamb and it is sending prices up. Is that exactly as you see it, Phil?

Phil Stocker: Yes, I think that would be absolutely right. From October 2019, I think we have seen a lower volume of New Zealand lamb come into the UK, largely because of their nervousness about the volatility of our market. They were very aware this time last year that, if we were going to crash out with no deal, we would be in the situation that Mark described, where we would need to sell more lamb on our domestic market. New Zealand was very aware of that, and I understand somewhere in the region of 50% less volume of New Zealand lamb came to the UK over the winter and the early spring. The currency rate, the exchange rate, has been very favourable for exporting our products, so that always increases demand. There is no doubt that the French, Belgian and German markets and their processors like our lamb. It is a very easy market; it is a very easily accessible market. They like the quality of the product and they like the fact that it is largely grass fed, so if the currency and exchange rate is good, that European market works



HOUSE OF COMMONS

extremely well for us. We have now had a season of really good prices, and I hope that lasts for as long as it can.

Q214 **Chair:** Prices for many are up about £10 a head or 16%, which is good. I know you have already said what sheep farming does for the landscape, the countryside and the environment, and what have you. I went on the train last week through England's green and pleasant lands. You were alluding there that they might not be so green and pleasant in future if the flocks are not there to graze them. Would you like to expand a little on that?

Phil Stocker: Yes, absolutely. You see it most when you look at some of our most revered landscapes. I guess the Lake District would be a good example, and the Pennines, Dartmoor and Exmoor down in the south-west, and the Welsh borders. In all the areas that our public most love and that, I guess, are most visited, and where tourism is such a strong part, you look around and it is usually family-scale livestock farming with sheep as its core. It is largely sheep that create that landscape. They create that very pastoral and green landscape, and they also provide habitats for a lot of the species that we love in this country. We would not get the skylarks, the lapwings, the curlews or the whimbrels without our grassland being grazed. For all the talk at the moment about rewilding this country or more forestation, most of the species that are indigenous to the UK have come about because of the way we have farmed this land with livestock.

There was a discussion earlier about New Zealand and Australia both trying to increase their environmental credentials, but when they talk about it they are usually talking in terms of carbon footprint. More and more in the UK, we are not just talking about the carbon footprint; we are also talking about species restoration. Society benefits as well, with access to the countryside. Again, if you think about where people love to walk in the countryside, it is usually on those open, wide expanses of grassland. It would not be that way without sheep grazing them.

Again, with the increasing risk of wildfires that we are seeing across the globe at the moment—we periodically see those wildfires in the UK—a grazed landscape keeps the grass short, green and not dead, with a lot of dry biomass on the surface, and significantly reduces the risk of wildfires. Wildfires can be one of the things that are most damaging to the environment and to species. The patchwork we have in the UK of small farms, relatively small fields and lots of grassland brings multiple benefits that we do not recognise adequately in this country.

Q215 **Chair:** To the south of where I am here, at the south end of the Hebrides, on the island of Mingulay the National Trust for Scotland brought the sheep off it and they have seen an explosion of rabbits, which is leading to soil erosion. Despite asking the National Trust to remove some of their sheep from St Kilda, and their numbers rise and fall and crash, and there is a question about the husbandry of the National Trust there with what happens. This would never be tolerated by farmers,



and they still are resistant. But you see the green and pleasant land of Mingulay going a little more brown as a result of the lack of grazing.

Phil Stocker: Absolutely. There is an interesting dilemma there, because the more we move to be a more global trading nation and the more we are pushed to develop trade in China and the US and take away our focus from our domestic market, the more we will be pushed to produce a homogenous, standard specification product for a global commodity market. One of the big values of our sheep industry here is that it is rich in its diversity, its product types and its different breeds. I would see that as our natural capital, and I would see it wholly aligned with future Government policy about multifunctional land use and agriculture. That is based very much on a very biodiverse agricultural system. It is what we have within the sheep industry, and the more we become global players, the more we risk that.

Q216 **Chair:** You have talked about market levellers if we entered into trade agreements with New Zealand and Australia. Some might say that this is some sort of protectionism. That would be the charge against the National Sheep Association, if I can play devil's advocate and never be blackballed from an association of which I am not a member, incidentally. Is it a market leveller or is it protectionism? I have to ask the question in those terms.

Phil Stocker: When we talk about market levellers, I guess I am talking about two things. Tariffs would be one, and I would see that as a high-level protection to avoid market damage. At the moment both New Zealand and Australia would be well below meeting their TRQ volumes. I think New Zealand is somewhere in the region of 40% of meeting its TRQs and Australia is around about 60%, but I would still see TRQs as a safeguard to protect from damage to the industry.

The second aspect of a market leveller is related to the fact that we are being driven—we already have some of the highest environmental and animal welfare standards in the world and our future direction is about raising those standards higher and higher. Most of our farming community would like to do that, but what we cannot afford is for those efforts to be undermined by importing products with lower standards from elsewhere in the world. We are not going to achieve that global improvement in environmental performance or animal welfare if we do not protect ourselves in the market and avoid those products coming in.

We were talking about environmental tariffs earlier. We either have to have something like an environmental tariff or we have to reward farmers here in the UK for the delivery of those public goods that would be over and above those that are being delivered in other parts of the world.

Q217 **Chair:** Do you think food security is coming up as an event when we talk about trade? We can think back within the last 100 years, and it is less than that to World War 2, to when food security was an issue. Are we giving that due weight?



HOUSE OF COMMONS

Phil Stocker: I do not think we are. I do not think we are giving food security due consideration at all in this. All the time we seem to be moving to a more volatile world. It is volatile politically, it is volatile environmentally, and it is volatile economically as well. I feel the UK should have some very strong aspirations on food security. There are two areas where I think you can argue that food security is a public good. One is about providing our nation with a level of food security, understanding that there are products that need to be traded around the world and that people want choice in their diets. A level of food security, I would argue, is a public good.

Then when you go to those areas of artisan foods within the market, again if you picture the Lake District, those artisan specialist foods contribute to other businesses within the Lake District, such as tourism and hospitality. They really do contribute to rural economics. I think you can argue for food production being a public good from two quite extreme angles.

Q218 **Chair:** A final question from me. Is there any concern within the National Sheep Association, and agricultural circles more widely, that with the EU also negotiating trade agreements with New Zealand and Australia, agriculture in the UK could be sandwiched in a perfect pincer movement? The situation is that you could lose your European market and, secondly, the European markets, without the UK interest—which I think is a quarter of the sheep produced for the European table—may mean that they drop barriers and more New Zealand and Australian product goes into what traditionally was the marketplace for the four nations of the UK.

Phil Stocker: I think there is a risk of that. Even at the moment I would say that, with the uncertainty over our future trading relationship, there will be processors in the European Union already looking at increasing the volumes of New Zealand and Australian lamb coming in to secure those supplies throughout the period. It could be quite uncertain. We also know that once we lose those markets, it is quite difficult to get them back again. It does present a risk. I think the stability of that European market and the fact that they balance out our market very well, that they like our product and that the type of cuts they like fit in very well with other export opportunities across the globe, means that any disruption to that market could be quite damaging to us in the future.

Q219 **Martin Vickers:** Chair, I notice you said that was the zenith of your career, so it is all downhill from here.

Chair: It absolutely was. I was doing my best to censor myself, and that was my censored moment. I could have gone on a lot longer, and Phil is probably glad I did not go on a lot longer.

Phil Stocker: I think you are wasted where you are.

Q220 **Martin Vickers:** My question is for Richard Rumbelow. How might trade agreements with Australia and New Zealand benefit your members, and what do you see as the key negotiating priorities for the UK?



Richard Rumbelow: First of all, it is fair to say that both Australia and New Zealand are friendly nations with which we are discussing future trade agreements. As the previous panel said, I think there will be a lot of goodwill on both sides to ensure suitable market access.

As for how we see it, there has been a continuous but growing appetite for UK-manufactured products in both Australia and New Zealand, pointing particularly perhaps to the automotive sector for some of the UK's premium manufactured and assembled brands, and also perhaps to machinery equipment. There are clearly other opportunities to expand on that, too. There is an appetite there, and opportunities arise for manufactured goods heading to Australia and New Zealand as a destination. On where discussions and negotiations on tariffs can perhaps focus first, any reduction in automotive tariffs on exports to Australia and New Zealand would be helpful. As the Committee heard a short time ago, the tariffs on goods are fairly well liberalised. In fact, for the automotive sector it is only 5%, but any move in terms of tariffs would be welcome.

Other areas in terms of getting goods to market would be relevant, particularly in areas such as customs procedures and technical barriers. I think there are things that can be done in and around the border, as well as tariffs, to speed access to market for goods, which would be very helpful.

The other point to mention, and I know it has been referred to already, is that manufacturing relies heavily on services. Services are often the lubricant that helps a good being sold to a customer, and therefore areas such as service, maintenance, installation and things like that are very important components. Any developments that can be encouraged and any agreements that can be reached in areas such as business travel movements, mutual recognition of professional qualifications and rights of establishment would also be very helpful to be able to bed in the UK's excellence in services and manufacturing.

Q221 **Martin Vickers:** Would it be fair to say that it is mainly the bigger companies that are going to benefit from this, or do you see opportunities for SMEs?

Richard Rumbelow: I very much see the opportunity for SMEs to get there, for no other reason than they are perhaps slightly more agile in terms of market opportunities and, therefore, will be able to adapt quickly to an emerging and growing market such as Australia and New Zealand. There is a need to have a separate chapter on SMEs, where some particular focus can be given to the challenges that some SMEs may face in going to a new market, but certainly I think it should be very much directed to that.

Obviously, it does not preclude the larger organisations from having access to that market, and in some cases, of course, larger companies will bring the smaller companies with them. It is for both, but for SMEs



there is a great opportunity in both Australia and New Zealand, particularly in some of the niche areas, going forward.

One area where perhaps Australia and New Zealand could benefit long term from a relationship with us is perhaps in emerging technologies. We heard about the digital sector earlier but, in areas such as new energy sources, hydrocarbons and things like that, there is a mutual opportunity there that the UK certainly wishes to push, and I know it is reciprocal on the Australia and New Zealand sides as well.

Q222 Taiwo Owatemi: Richard, given that UK trade with Australia and New Zealand is predominantly in services, and goods trade strongly features primary commodities such as woollen materials, base metals and food, what potential is there to increase the trade in manufactured goods?

Richard Rumbelow: It goes to the point I mentioned earlier. There is an existing pipeline of manufactured goods heading to Australia and New Zealand. As the Committee has already identified, the volumes of that, in both volume and value terms, are clearly less than other competitive markets at the moment, and there is a geographical reason for that. However, there is clearly an opportunity in some of those more specialist areas for companies to be able to export products, not just in the automotive sector, which I referred to, but in areas such as machinery, medical healthcare equipment and other related products. There is a genuine opportunity to look at the Australian market with a greater focus.

Again, even though I would say going global is important to UK manufacturing, we are still very much remaining European and we cannot get away from the fact that, for the majority of our members, the European markets, both as a source of imports and in terms of exports and connectivity to the supply chains they have been able to build up over so many years, still remains a very fundamental part of how our members trade currently and in the future, which is why it is very important that the UK negotiates a best-class deal with the EU by the end of the year to ensure that commercial certainty for a significant proportion of our members.

Q223 Taiwo Owatemi: Given that Australia and New Zealand are a long way away from the UK and are relatively small economies, how does this affect trading in manufacturing goods and the potential to increase it following a trade agreement?

Richard Rumbelow: You are absolutely right that the geographical dynamic currently bears down on the ability to have a stronger link with Australia and New Zealand. There are clearly opportunities in certain sectors, as I have outlined, to improve that. The service component of manufacturing is important, but it is not just in the service part of manufacturing; it is in other aspects, perhaps in design, technology evolution and things like that, where the UK has excellence in services for manufacturing. That is an important component and should be recognised and brought out in a future FTA, along with improving access for business



HOUSE OF COMMONS

travel and mutual recognition of professional qualifications and matters such as that.

Geography does play a part, but I think services will be important. In fact, ironically, in some aspects of our trade with both Australia and New Zealand at the moment there is the seasonality aspect, where we are able to supply products into both markets because of the seasonality difference that is of benefit to us.

Q224 Chair: Mr Rumbelow, just thinking about Make UK and manufacturing, how much attention are UK manufacturers paying to the New Zealand and Australian markets? How much do they know about it? What would Make UK look to get in future from a relationship that might grow from what it is now? Are there any expectations among your members for a change from the present to a more positive one in the future?

Richard Rumbelow: I think the positivity that would come and flow from a free trade agreement with Australia and/or New Zealand would provide a focus for many firms who perhaps have not had the opportunity of studying both markets in close proximity or close detail before. I think by having that opportunity to remove some of the barriers in terms of market access for goods in areas such as customs procedures, tariffs and things like that will be an encouragement for firms to look at Australia and New Zealand more seriously.

In all of the discussions that we are having with regard to the emerging negotiations that the UK is having in a number of markets and, related to the fact I mentioned a moment ago, that the European Union remains a significant export and import market for our sector, I think a great focus is required on extending and providing that market opportunity and information to firms to make them aware of those opportunities in the future.

There is a great responsibility both on industry and on Government to let the benefits and the opportunities from those FTA discussions flow through our economic architecture so that firms become aware of those opportunities and more focus is invested in providing firms with that information, both here in the UK and in market access opportunities, to help them understand how to get hold of those benefits, what benefit it is for them and making the necessary introductions to allow them to export more successfully to some of those markets, particularly Australia and New Zealand, given the geographical location of them both.

Q225 Chair: Make UK is an important organisation when it comes to trade—as indeed are all four organisations we have had here today—but do you think you have been included enough? Are you hearing enough from Government? Is the flow of information genuinely two-way and happening as it should be, or could Government do better, do you think? I am not looking for a free hit at the Government here, which is tempting for a SNP MP; it is a genuine question. Are there things that you feel could be better in the consultations or maybe in the working relationship



behind the scenes?

Richard Rumbelow: One has to say this is an evolving picture, as the Department for International Trade has only been in existence for four years. Its focus has been very much on ensuring continuity with our existing trading partners through the EU and, as we are seeing now, very much in pursuing its own independent trade agenda.

It is important that business groups and other social and economic actors play their part and are involved at the heart of those trade negotiations and of that trade policy. It is a common practice in other countries, and in many of the countries that we are in discussion with now, that that interconnection between Government, economic and social actors is at the heart of how they define their negotiating strategy.

Government have moved in some of the ways in which they are bringing economic actors into those negotiations, but I would hope it is a watching brief, and one that is under continual and constant review to ensure that the best advice across the economy is brought into those negotiations both now and on an ongoing basis.

Chair: I think that is a suitable message for Government, and it is hopefully one they are listening to.

Q226 **Matt Western:** Richard, very briefly, you were talking about automotive, and you will forgive me for picking that up for a second. To be clear, what are the tariff rates for commercial vehicles and for heavy goods vehicles, coaches and buses, in which we have excellence on these islands? I am also particularly interested in some of our exporters in the construction sector and manufactured products. Companies like Thwaites, just outside my constituency as it happens, and bigger players such as JCB in Staffordshire, will of course be quite important in both Australia and New Zealand. How do the tariffs play for those sorts of products?

Richard Rumbelow: In general terms, the import tariffs for the automotive sector are around 5%, certainly for the Australian market. I can come back to the Committee with a more detailed breakdown, if required, in some of those more specific sectors such as mechanical, machinery and things like that, which I am very happy to do, but 5% for the general automotive and truck sector is competitive with other tariff regimes around the world, where the tariff figure can often be a lot higher. As the Committee heard in the earlier session, both Australia and New Zealand have a general liberalisation approach to their tariff regime, but even a 5% tariff would be something on which to seek movement in any FTA discussions that are concluded with both.

Q227 **Matt Western:** Miles Beale, you were talking about VI-1 certification. Out of interest, does that apply to wine products coming from Chile, which of course is also a major source for UK consumers?

Miles Beale: I am delighted to say there is no tariff on wine coming from Chile because that has been rolled over. That was an arrangement with



HOUSE OF COMMONS

the EU and has been extended for the UK, but VI-1s, yes, are still required. There are different variants of VI-1s depending on the origin, but yes, they are still required from Chile.

Chair: I think we are coming to the end of our afternoon. It has been a very enjoyable afternoon but, Miles, do you want to come in again?

Miles Beale: Sorry, Chair. Might I beg the Committee's indulgence with just one thing?

Chair: I have been very good to the sheep people. I had better be good to the wine people, too.

Miles Beale: I hope this is helpful to the Committee. In my previous life I was a civil servant at DEFRA, so some of the discussion about sheep reminded me of my time trying to renegotiate the Common Agricultural Policy. I am not going to go into that because we could be here for a while.

What I was going to say is that we have some praise for DIT. I was listening to a lot of what Elizabeth said in the first session, and we are woefully short of trade specialists. I think there are fewer than a dozen in the civil service, and probably fewer than that now. One of them has been ennobled and is in charge of our negotiations with the EU. He used to run the Scotch Whisky Association, so that is a good use of the expertise we have.

Excellently, Crawford Falconer and others have been brought in from elsewhere. Certainly our advice to Government, whether they take it or not, has been to get experts, do a deal with Australia and New Zealand quickly and then get hold of their experts to help us with particularly the US trade negotiation.

I would say that DIT and Elizabeth Truss have been very good at listening to some of our suggestions. The latest example would be Airbus-Boeing retaliatory tariffs that have affected the spirits sector. She has managed, with her officials, to discuss development of the FTA at the same as dealing slightly independently, but perhaps around the same table, with that particular issue.

Although DIT is very new to this, I would say they are being very open with us. I had to sign a non-disclosure agreement so that I could see some of the information, but it has been handled extremely well. I would contrast that with the negotiations and how they are being conducted with the EU. Mr Western just asked about VI-1s, and we are at a crossroads. You even up and you say something about future trade policy either by going down the route where you increase red tape and costs and make it harder to trade, or you look the other way and lower barriers and red tape across the board. Quite clearly, I think most of us would be in favour of the latter. DIT, I think, are doing a better job than most at heading in that direction.



HOUSE OF COMMONS

Chair: Thank you very much. You have that on the record, and I am sure it will reach the Secretary of State's ears. If not, we will make sure in our private discussions next time that we relay that. It will be good for them to hear that. I notice the chastisement on what is happening with the EU, but I will leave that there. It is not quite our area at the moment.

Panel, I thank you all very much. As I said, it was the zenith of my career as Chair of the International Trade Committee to have the National Sheep Association here, but very close, with silver medals all around, for architects, for wine and, of course, for Make UK. Thank you for an interesting afternoon. I hope you enjoyed it even a quarter as much as I enjoyed it. If you did, you have had a great afternoon, one and all. Thank you, and feagar math. I hope our paths will cross again sometime in the future. All the best.