

# International Trade Committee

## Oral evidence: The work of the Department for International Trade, HC 123

Wednesday 16 October 2019

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Members present: Angus Brendan MacNeil (Chair); Faisal Rashid; Owen Smith; Gareth Thomas; Matt Western.

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### Witnesses

I: Rt Hon. Elizabeth Truss 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: Elizabeth Truss and John Alty.

- Q1 **Chair:** Good morning. I welcome to the Committee the new Secretary of State for International Trade and John Alty, the Director General of Trade Policy at the Department for International Trade. I will kick off this morning by asking about whisky, Secretary of State. There is concern in the Scotch Whisky Association about the likelihood of tariffs, with whisky carrying about 62% of the UK's exposure. What contact have you had with the US Government and what have you asked them to do with regards to whisky tariffs?

**Elizabeth Truss:** I am extremely disappointed with the decision that the US Government have made for retaliatory tariffs on whisky, which is the hardest hit, and on a number of other industries, for example textiles and dairy products—the UK has been hit right across the board. I do not think this helpful; tit-for-tat tariffs do not benefit anyone. Of course, I have had strong representations from the whisky industry, the Scotch Whisky Association and numerous operations that would be affected by these tariffs.

I have been raising the issue of these tariffs for a number of months. When I was out there in July, I raised it with Bob Lighthizer, my opposite number. I also raised it subsequently with Wilbur Ross, the Commerce Secretary, on my more recent visit to the US. I also had a phone call last night with Bob Lighthizer, again to urge him to rethink the imposition of these tariffs.

- Q2 **Chair:** What response did you get from Mr Lighthizer on that?

**Elizabeth Truss:** I will not go into the details of a private conversation. He said that he would take the issue away. The other conversation that has taken place was between the Prime Minister and President Trump, in which the Prime Minister also raised this issue. My view is that we have a good relationship with the US, but this type of action is not going to help that relationship and I strongly urge the US to reconsider.

You will be aware, as Chair of the Committee, that tariffs on the UK car industry have also been threatened. We could face tariffs of up to £1.2 billion, which would have a severe effect on the car industry. Those could potentially be levied from 14 November. I have also raised that with US trade ambassador Bob Lighthizer, because I am very concerned about this action.

- Q3 **Chair:** Have you asked him to delay the imposition of these tariffs?

**Elizabeth Truss:** I have asked them to rethink the imposition altogether; I have asked them not to do it. They do not have to do it and, in terms of the WTO Airbus ruling, the UK has complied with the ruling. We have taken the appropriate steps to comply. That is the point that I have made to the US.



**Q4 Chair:** The Republic of Ireland seems to have its whiskey tariffs dealt with to the satisfaction of whiskey producers there. Why have they been more successful than the UK Government? Is their relationship with the United States a bit more special?

**Elizabeth Truss:** A number of European countries have been hit on a number of different products. The Republic of Ireland has been hit on other products. It is not, I think, part of the Airbus consortium in the first place, which probably explains some of the differential. The French and Germans have been hit. I have made the point to the Americans that I do not think this tit-for-tat tariff is at all helpful.

**Q5 Chair:** Okay, thank you. We will move on but come back to specific sectors during the hearing. How might the new Brexit deal that is being negotiated affect the UK's ability to have an independent trade policy, which was a holy grail for your predecessor?

**Elizabeth Truss:** The Prime Minister is absolutely clear that the proposed deal that he has put on the table and is currently under discussion with the EU will allow us to have an independent trade policy, because we will be able to set our own rules and regulations. We won't be part of the customs union or the single market.

**Q6 Chair:** Do you think that Northern Ireland will be advantaged or disadvantaged by a post-Brexit agreement that might keep it subject to EU regulations with a customs border existing in the Irish sea?

**Elizabeth Truss:** I cannot go into the specifics of what is being discussed today. We will have a Cabinet meeting later today, where I will be updated on that. We are very clear that we want Northern Ireland to be part of any future trade deal.

**Q7 Chair:** The question is more a theoretical question for you, in the position that you occupy. Would it be beneficial to or to the detriment of Northern Ireland if it found itself subject to EU regulations and that customs border in the Irish sea? I am sure you are well aware of what business and agriculture in Northern Ireland feel, but for you, looking from a trade perspective alone, will it be to Northern Ireland's detriment or benefit?

**Elizabeth Truss:** My officials are working very closely with DExEU officials at the moment as part of those negotiations, to ensure that this doesn't have a detrimental effect on Northern Ireland's trading prospects. Northern Ireland is a very strong exporter of agricultural products in particular, and those are issues that we are working through with DExEU. But this is an ongoing negotiation. The details are being worked out. No doubt that will be presented in Parliament in due course. I hope that all the members of the Committee will want to get on with this and support the negotiated deal.

**Q8 Chair:** Many think that this will be to Northern Ireland's benefit, both those inside Northern Ireland and certainly those outside Northern Ireland—Scotland sees that Northern Ireland would have a terrific advantage not being shackled to the Brexit situation but benefiting from the EU's larger situation. Do you agree that that would be a benefit to



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Northern Ireland, or is it better being with GB?

**Elizabeth Truss:** As I said, we are still working through the details. Negotiations are being undertaken by DExEU. I think the Secretary of State is currently in front of the Exiting the European Union Committee. I don't think it is wise to comment on those details before they are fully worked through.

**Chair:** I will have to take from that that the position of the Secretary of State is uncertain whether it is advantageous or detrimental—I have put the question three times.

Q9 **Matt Western:** Looking now at no-deal Brexit preparations, on 8 October the Government announced their revised no-deal tariff schedules. Given that the Government have spent a shedload of money on an advertising campaign telling businesses to get ready for Brexit, it seems incredibly late for them to get organised and prepared. Why was it so late?

**Elizabeth Truss:** We had already issued the no-deal tariff schedules earlier this year for consultation, so this was a revision of the existing no-deal tariff schedules. We made three revisions to the schedules. Many businesses had already prepared on the basis of the existing schedules.

Q10 **Matt Western:** Clearly, any change to the schedules might seriously impact on their businesses.

**Elizabeth Truss:** What we did was respond to specific concerns raised by industry, to make sure that those schedules were correct. That is why we issued those revisions. We issued revisions in the areas of heavy goods vehicles, bioethanol and textiles, to deal with the various issues raised by industry.

I think it is important to note that these are temporary tariff schedules. They will be in place in the event of no deal for up to one year. We will be consulting on the long-term tariff policy in January 2020 in that case. These are there to smooth the path through a no-deal Brexit. Obviously, that is not what we want; what we want to do is to secure a deal, but this is there to make sure that preparations are in place.

Q11 **Matt Western:** The Government also announced an exceptional review process, as I understand it, to allow industry and consumers to advocate adjustments to the no-deal tariff regime. Why is that necessary? Won't it merely compound the uncertainty that they are already facing?

**Elizabeth Truss:** The exceptional review process is there if something unexpected happens; let's say, an industry that is sensitive or strategically important faces a flood of imports that we haven't previously considered. This is an exceptional review process in case something like that happens.

We don't necessarily expect to have to use it, but it is an important safety valve. For example, the decision we made on bioethanol was because of the potential issues of a carbon dioxide shortage, which could adversely impact the beer industry. That's why we made that change to the temporary tariff schedule. If something of that nature happened, we want



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to have the mechanism to be able to deal with it. There is the longer-term mechanism, which I strongly encourage people to contribute their views to, about what our tariff schedule should be longer term, but the exceptional review process is for those unforeseen circumstances.

**Q12 Matt Western:** You are talking about critical sectors. Surely there can be nothing more critical than the agricultural sector and the supply of foods. Why is it that, despite the voice of the NFU and its criticisms, the tariffs on agricultural goods remain unchanged, yet for something like heavy goods vehicles those tariffs have been cut? Why is that?

**Elizabeth Truss:** There are some very sensitive agricultural sectors that have a relatively high tariff rating under the TTR. For example, sheepmeat has a tariff of 38.2% under the TTR already; that was taken into account when the original TTR schedule was put in place. Yes, there are concerns that have been raised by the NFU. I myself have spoken to the NFU about this. There is a balance to be struck.

You will be aware that this is a joint policy that we hold with the Treasury. There is a balance to be struck between smoothing the path for consumers and avoiding an inflation spike versus the issues that producers understandably face. That is why we are consulting in January on a long-term tariff strategy, which the NFU and others are extremely welcome to feed their views into. In the short term, we wanted to make sure that there is a smooth path in terms of consumer products in the event of a no-deal Brexit.

**Q13 Matt Western:** But just to be clear, was there a specific consultation, say with the NFU?

**Elizabeth Truss:** The NFU has fed its views in at every stage of this process; yes. The earlier tariff schedule was released before I took up this role in Government, but I have had discussions with the NFU and I hope to have further discussions with them about this specific point.

**Q14 Matt Western:** Finally, when do you plan to publish the finalised no-deal tariff rate quotas? When will they be published and advised to businesses?

**Elizabeth Truss:** The no-deal tariff rate quotas, some of which, I understand, are still being discussed in Geneva through article XXVIII—John, I don't know if you want to—

**Q15 Matt Western:** That is incredibly late, isn't it?

**John Alty:** Where there are no-deal quotas in the temporary tariff, those are being announced at the same time as the rest of the tariff. With the quotas that we are talking about in the WTO, the UK has already laid down its goods schedules and there is a process that we are going through, where those countries that feel that they have been affected by those have the right to make representations to us. Those discussions are continuing but they won't affect the UK's schedule on day one, if there is a no-deal Brexit. They are continuing discussions.



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**Q16 Chair:** Just picking up on that before I turn to Faisal Rashid, I have a note from the British Ceramic Confederation. They state that, "Many manufacturers were furious. Government are still having zero import tariffs in place for most product lines in a no-deal Brexit." They go on to ask, "How will the Government make sure that a very rapid and flexible review process is in place that has the teeth to act dynamically and rapidly and change tariffs before UK manufacturing jobs are lost?" They are particularly worried about Chinese—

**Elizabeth Truss:** As I said, we have the exceptional review process precisely for those types of circumstances. If we see a sudden flood of imports in a particular area or if there are unfair practices taking place, we obviously have the Trade Remedies Investigation Directorate, which would be able to look at those issues as well. It will be up and running from the 31st in the event of a no-deal Brexit. More broadly, there is the immediate issue of how we smooth the path of a no-deal Brexit and make sure consumer prices aren't affected. There will be a consultation starting in January on our long-term tariff schedule, and I strongly encourage the likes of the ceramics industry to contribute to that consultation.

**Q17 Chair:** So if we have a no-deal Brexit on the 31st and you might start a consultation in January, there could be dumping going on and jobs could be destroyed between the consultation being kicked off and being finished. How quickly can you react on tariffs for ceramics?

**Elizabeth Truss:** The exceptional review process can take place before January and can be triggered immediately. Likewise, the actions of the Trade Remedies Investigation Directorate, which is in place while we establish the TRA—the Trade Remedies Authority—can also take place immediately if there were dumping activity by overseas actors.

**Q18 Chair:** So if on 1 November dumping activity is highlighted and the British Ceramic Confederation are beating down your door, saying, "We've got problems," how quickly can you give protective tariffs there?

**Elizabeth Truss:** We could take action straight away.

**Q19 Chair:** So why don't you take a precautionary principle here and ensure that an important sector's concerns are being allayed, rather than have them write to us, saying, "Manufacturers are furious with the Government"?

**Elizabeth Truss:** We have made that very clear in the public statements we have made about the Trade Remedies Investigation Directorate. I am very happy to speak to the ceramics industry about that. As I said, I have spoken to a number of other industries about the progress that we can make. I don't know whether you want to comment further on the Trade Remedies Investigation Directorate. They are ready to take action.

**John Alty:** They would start an investigation if there was a complaint.

**Q20 Chair:** Would you speak to the British Ceramic Confederation before the end of the month—in the next week or so?

**Elizabeth Truss:** Very happy to.

**Chair:** I'm sure that would be welcome for them

Q21 **Chair:** Okay. I am sure that would be welcome to them. On the farming side and tariffs, the UK is a huge producer of lamb, relative to the rest of Europe and other areas, but what was once free trade will be ending and tariffs are coming their way. What are you going to do to support farming if things go really badly?

**Elizabeth Truss:** First of all, we want to secure a deal with the EU. That is our No. 1 priority. We don't want a no-deal Brexit—

Q22 **Chair:** But a deal might still have tariffs.

**Elizabeth Truss:** Everybody on this Committee, Mr Chairman, can help to effect that by voting to support a deal, which will hopefully be coming forward before Parliament.

Q23 **Chair:** So you are telling us that a deal will have no tariffs.

**Elizabeth Truss:** What I am saying is that if we were to secure the deal, we would then enter a transition period, which would end at the end of 2020, and, yes, we would continue with our current arrangements. The only issue we are talking about here is if there was a no-deal Brexit; then, there would likely be tariffs in place for products like lamb.

Q24 **Chair:** The good thing about a deal, you are telling us, is that it will have a transition period, which means that we can trade freely, but what happens at the end of the transition period? Are you telling us that there will be tariffs or not?

**Elizabeth Truss:** We don't know what the outcome of the negotiation of a free trade agreement with the EU would be, but if you look at the Canada deal that they have secured, it is pretty much tariff-free across the board. That is the type of deal that we will be going for with the EU. What we want is a Canada-style free trade deal. It is certainly the case that, for the intervening period until the end of 2020, arrangements will continue as they are now. On the subject of lamb, there are opportunities in other markets. For example, the US is the second largest importer of lamb by value in the world, and currently it doesn't accept UK lamb. There is a big opportunity for us to open that US market to lamb so we don't have all our eggs in one basket, so to speak. One of the advantages of having a more global trading policy is that we are able to diversify where we are exporting to, rather than being dependent on a single market.

Q25 **Chair:** Are you confident that there is demand for that volume of lamb currently in the United States?

**Elizabeth Truss:** Yes. As I said, it is the second biggest importer by value in the world after China.

Q26 **Chair:** So they will take the volume of lamb that is currently going to the European market and might be blunted in that market.





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**Elizabeth Truss:** What I have said is that I would like us to be exporting to both the European market and the US market. It is in the UK's interest to have a diverse range of markets that we are exporting to, so that we are not solely dependent on one market.

Q27 **Gareth Thomas:** But given that you've failed to stop tariffs being applied to whisky sales to the US, why should the lamb industry suddenly have confidence that a huge market is about to open up?

**Elizabeth Truss:** We are already exporting a lot of UK products to the US—for example, we export £8 billion-worth of cars per year to the US.

Q28 **Gareth Thomas:** They are about to have tariffs applied to them as well, aren't they?

**Elizabeth Truss:** Let's talk about that in a minute. We are exporting £8 billion-worth to the US and £12 billion-worth to the EU. The US is already our largest single-country export market. One of the reasons that I am keen to secure a free trade deal with the US is that there are more benefits to be had there. You are completely right: I am extremely disappointed with the actions the US has taken. I have made that very clear to them. As you know, it is in retaliation as a result of the WTO decision on the Airbus issue. The EU has similarly put tariffs on US bourbon, Harley-Davidsons and Florida orange juice. I don't think this tit-for-tat tariff war is helpful at all, and I urge the EU and the US to step back from this. But as an independent actor, the UK will be able to negotiate deals with other nations more flexibly.

Q29 **Faisal Rashid:** Secretary of State, you just mentioned the Canada-style deal that we are looking for. How confident are you that that can be secured in a very short period of time with the European Union? It took nearly 10 years for the European Union to negotiate CETA. Are you confident that it will be secured?

**Elizabeth Truss:** In all of these cases, the UK does not control the whole negotiation; there is another party involved, so I cannot promise what the EU is planning to do. It is in the interests of both the UK and the EU to come to an agreement. We are now very clear, under Prime Minister Johnson, about the type of deal we want with the EU. There is a new level of clarity, which is very helpful. The EU has already negotiated the CETA deal, so there is a template that can be used. I would hope that we are able to make rapid progress. Of course, it is the job of DExEU, rather than my job, to make that assessment. My job is to make the assessment of the prospects of securing free trade agreements with the rest of the world. Steve Barclay is probably better able to comment on exactly how long such a deal would take to negotiate, but it is absolutely our intention to get that style of deal with the EU.

Q30 **Faisal Rashid:** The Government says that, in the event of a no-deal Brexit, it would not apply tariff regime to imports from the Republic of Ireland coming into Northern Ireland. How is this compatible with the UK's obligation under WTO rules to apply the same tariff regime to all third countries?





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**Elizabeth Truss:** I think it is extremely important, and I am sure everybody in the Committee would agree, that we should avoid a north-south hard border. That is why we have set up this specific regime in the event of no deal.

Q31 **Faisal Rashid:** But how does that actually relate to the WTO? Have you had any negotiations with the World Trade Organisation, and what is its point of view?

**John Alty:** We do think that it is compatible with the WTO. Obviously, there are various exceptions to the normal MFN arrangements. The arrangement that you have talked about is the one that would happen, again, on day one of no deal. We think that would be compatible, but it would also be a temporary arrangement while future long-term arrangements were put in place.

Q32 **Owen Smith:** Good morning, Secretary of State. Congratulations on your new role.

**Elizabeth Truss:** Thank you.

**Owen Smith:** You referred to the Canada-style free trade agreement that you are looking to establish. By how much do you think that would reduce our GDP?

**Elizabeth Truss:** I think that Britain's GDP will increase over time as we have more freedom and flexibility to determine our own rules and regulations and to strike trade deals across the world, including with the EU. Clearly, there will be friction at the border, which there is not currently as we are a member of the customs union and the single market. Overall, we trade more with the rest of the world than we do with the EU and there are huge benefits, first in having that freedom and flexibility, and secondly in being able to strike free trade deals with the likes of the US, Australia, Japan and New Zealand.

Q33 **Owen Smith:** To be clear, versus current projections, what is your assessment of what it would do to our GDP, because your Government have said that it would reduce GDP by between 5% and 6%? A new academic study by UK in a Changing Europe came out yesterday and said that there would be a 6.4% reduction. Do you disagree with that, or do you think it would be more or less?

**Elizabeth Truss:** The reality is that no one has a crystal ball to predict the future of the economy. Those things are analyses about patterns of trade.

Q34 **Owen Smith:** You don't think it is going to go up, do you?

**Elizabeth Truss:** One of the things about the gravity analysis that the UK produces, which is internationally benchmarked, is that it does not take into account the different regulatory policies that the UK could pursue. It does not take into account the option value of more freedom and flexibility from not being part of the EU bloc—it cannot do that. Those analyses are necessarily specifically on trade, rather than looking at the bigger picture.



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It is very difficult to make predictions 15 years hence and say, "This is what the economy looks like." Every single economic forecast that has ever been conducted has not resulted in the exact amounts predicted.

**Q35 Owen Smith:** I note that you do not really answer the question on whether you think it will go up or down. To try to set it in the wider context, the IMF yesterday produced its global outlook and revealed that, in terms of world trade volumes, we have seen a reduction of almost 5% since the middle of last year, which is an enormous change by historic and global standards. Do you think that Brexit will be a good or bad thing in terms of increasing the volume of trade that we do? Will we have more or less?

**Elizabeth Truss:** I think that it will be a good thing. I am very worried about the growing protectionism across the world. I am extremely concerned about the tit-for-tat tariff battles that we are seeing, whether between the US and China, or, as we have just talked about, between the US and the EU. I think that as it leaves the European Union, the UK is a very important voice for the multilateral trading system and the WTO. At the moment, we have a crisis in the WTO: the appellate body is under threat and there are demands for more transparency. The WTO needs to reform to adjust to 21st-century trade. In the UK, as one of the original free trading nations since we abolished the corn laws and helped set up GATT in 1947, we have a very valuable role to play on the world stage.

I believe in the UK working with allies around the world. I had a meeting last week with Commonwealth Trade Ministers and we put out a statement in favour of the multilateral trading system and the WTO, making it very clear that this group of countries represents a third of the world's population and that we are seriously concerned about and want a resolution to the appellate body issue. That voice has been missing from the international trade debate for many years. The UK can have a positive influence. I think that we are more of a free trading nation than some of the EU's tendencies, and that we can be a positive voice in that debate.

**Q36 Owen Smith:** Do you not worry, though, Secretary of State, that it seems to many people—businesses and citizens—implausible for us to be arguing that we are going to increase trade and be a more free trading nation in an era in which we have this enormous downturn in global volumes of trade? We have a new era of protectionism that appears to be biting across the world. You began your remarks here today saying that you had to make repeated pleas to your American counterparts not to introduce punitive tariffs on British goods. Most people, I think, just can't believe what you are saying. Do you not worry that it just sounds incredible?

**Elizabeth Truss:** At the same time as we are facing increased protectionist noises right across the world, we are seeing new free trading agreements being struck. If you look at an example like Japan, they have recently struck a new deal with the US. Australia and New Zealand are both examples of nations that are much smaller than the UK, but are successful free trading nations. I do not think it is inevitable that we have to continue in this protectionist direction and I do not think it is desirable,



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but I think the UK's voice is extremely important and I think it is a voice that has been—

**Q37 Owen Smith:** And you don't see Brexit as part of this protectionist trend?

**Elizabeth Truss:** No, I don't.

**Owen Smith:** Retreating from—

**Elizabeth Truss:** I don't. I think one of the motivations for Brexit was being more open to the rest of the world, and having this deal where we are able to have our own independent rules and regulations and our own independent trade policy is part of that agenda of becoming more open to the rest of the world.

**Q38 Owen Smith:** I will ask one more general question, if I may, Secretary of State. Do you not worry, as a representative of the Conservative and Unionist party, that it looks increasingly likely that one of the long-term consequences of Brexit will be the break-up of the Union? Support for independence is growing in Scotland and in Wales, and many people now feel that if we end up with the deal that is proposed for Northern Ireland, there will be pressure for unification of Ireland, too.

**Elizabeth Truss:** I am a proud believer in the Union. I spent my early childhood in Scotland, in fact—in Paisley—so I consider myself to be a child of the Union.

**Q39 Owen Smith:** And you are not worried that we are destroying it?

**Elizabeth Truss:** I believe what we are doing is being able to have control of our own rules and regulations, to have a much more open approach to the rest of the world and to challenge some of the more protectionist tendencies of the EU, while at the same time striking a free trade agreement with them.

**Q40 Owen Smith:** But what will be the impact on our Union?

**Elizabeth Truss:** I don't think that is detrimental to the Union at all.

**Q41 Matt Western:** Secretary of State, may I come in here? Congratulations, by the way.

**Elizabeth Truss:** Thank you.

**Matt Western:** I admire and respect your positivity in this, but we have a President of the United States who is quite unlike any before him, and there's us, with our flag of "Free from protectionism", against the United States and China—a very ambitious country, which is very protective, very controlling and so on. We are leaving the safe harbour of Europe. How is it we can negotiate with a President who will not even extradite someone for manslaughter? Somehow we are going to persuade them: "Oh, don't worry about protectionism. Open up your markets to the UK." Surely, it's just nonsensical.

**Elizabeth Truss:** I think that is rather a defeatist attitude.

**Matt Western:** No, it is not defeatist. I think it is the attitude of a realist, if I may say so.

**Elizabeth Truss:** At present, the US is our No. 1 bilateral trading partner. One million Britons work for American companies, and 1 million Americans work for British companies. I am very disappointed about the Airbus retaliatory tariffs; I have said that already. But the fact is that countries like Japan—of a similar size to the UK and another democratic, free trading island economy—are perfectly able to strike trade deals with the US, to trade with countries like China and to do their business around the world. We are the fifth largest economy in the world. We are absolutely capable of doing this.

**Matt Western:** Totally. I understand that.

**Elizabeth Truss:** And by the way, on the subject of the US, when we have our agreed negotiating objectives, which of course we will share publicly, I want to commence negotiations with the United States of America, but I will be prepared to walk away from a deal if it is not good enough.

**Matt Western:** But the Americans—

**Elizabeth Truss:** We don't have to do a deal with the US. We are currently trading with them on WTO terms. Over the past four years, trade with the US has gone up by 33%; it has only gone up with the EU by 22%.

Q42 **Matt Western:** Trade or investment?

**Elizabeth Truss:** Trade—that is trade.

Q43 **Matt Western:** Do you accept that the American Chamber of Commerce would prefer us to stay in Europe?

**Elizabeth Truss:** I don't think we should be told what to do by the American Chamber of Commerce. The whole point of what we are seeking to do with our independent trade policy is to be making decisions here in the UK, not having our decisions by the American Chamber of Commerce.

Q44 **Chair:** Just to drop the adjective for a second—I think you used the word “defeatist”—may we put in some numbers for Owen Smith's questions and mine? What would the GDP gain be from the FTA with America? I am looking for numbers.

**Elizabeth Truss:** We are currently conducting the economic analysis—

**Chair:** Roughly. You must have a clue. The dogs on the street know this answer.

**Elizabeth Truss:** I don't want to give you a number that is not an accurate—

**Chair:** I am looking for a broad brush. We are looking to establish roughly—



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**Elizabeth Truss:** I am not going to guess what the number is.

Q45 **Chair:** I will help you. The number is roughly an average of 0.2%. Many studies of that, including our own investigations—

**Elizabeth Truss:** We are doing our own work at the moment, which is not yet complete, Mr Chairman.

**Chair:** The upper limit is a gain of about 0.35%. As Owen Smith said, the loss from the European Union is about 6%. If it is 0.2% on average, how many US free trade agreements will we need to have to make up for the loss of the 0.2%?

**Elizabeth Truss:** The point I make about free trade deals is, first of all, I want to strengthen the multilateral trading system—

**Chair:** The loss of the 5%—

**Elizabeth Truss:** I am interested in free trade deals as well—

Q46 **Chair:** I am interested specifically in numbers at the moment. How many 0.2% agreements will we need to make up for the loss of the 5% that Owen Smith referred to? We will need about 25 of them.

**Elizabeth Truss:** As I said earlier, no one has a crystal ball on the future of trade.

**Chair:** You don't need a crystal ball. We will need 25 US-style agreements—

**Elizabeth Truss:** Well, you seem to have a crystal ball.

Q47 **Chair:** Let me give you the other fact: the US is a quarter of global GDP. So now we need 25 times a quarter of the world's GDP—we need to find over six planets to trade with to make up for the loss that Brexit is going to cause, because we are leaving easy-access trade with our nearest market, the European Union. Are those not the actual numbers? We can drop adjectives like "defeatist", "negativity" or whatever—these are the numbers, Secretary of State, and they are irrefutable. This is the difficulty that Brexiteers have got. Where are you going to find the trade agreements to make up for the 5% loss in GDP?

**Elizabeth Truss:** First of all, there is the baseline, and this is what we are going to be producing in our economic analysis of the US trade deal, but there are further benefits. For example—

Q48 **Chair:** Do you know of any study that has given you greater than 0.35% of GDP?

**Elizabeth Truss:** If you let me give a full answer, I will explain the reasoning.

**Chair:** We are waiting for the numbers here—yes, please.



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**Elizabeth Truss:** These gravity models produce a baseline, but there are additional benefits. First of all, there is the benefit of the UK having control of its own regulatory policy, being able to do things differently—

Q49 **Chair:** Can you give us the benefit in GDP numbers?

**Elizabeth Truss:** That is not captured in any of those models, and it cannot be, because no economic model can predict the future policy of Governments. Let us say we had a Marxist Prime Minister, for example, who decided to nationalise all industry. That would have a devastating effect on the future of our economy, but that is not factored into such an economic model. That is why economic models are helpful indicators, but they do not tell you what the future looks like. Likewise, let us say we enter—

Q50 **Chair:** The nationalised Dutch rail company owns most of the private franchises in the UK, so what is the point here?

**Elizabeth Truss:** The next point I was about to make is that in a higher tariff world, having a free trade deal with other countries provides additional benefits of avoiding future tariffs.

Q51 **Chair:** Do we have any numbers?

**Elizabeth Truss:** Well, no, because no economist out there can predict the actions of the Chinese President in three years' time. That is why the models are inherently limited in what they can project.

Q52 **Owen Smith:** I fully accept that you are undertaking a new study, Secretary of State. Very simply, do you anticipate that that new study is going to show that we are going to see an increase in GDP as a result of having a Canada-style free trade agreement, or a decrease, as every single other study, including the two that have been done by your own Government, has suggested?

**Elizabeth Truss:** The economic study I am conducting is about a US-UK FTA. The economic studies that you are referring to about the European deal are a matter for DExEU.

Q53 **Owen Smith:** In that context, do you think that your new study is going to show that the volume of increased trade and GDP that we will see as a result of a new deal with the US is going to offset in any way the 6.4% reduction in GDP that is anticipated as a result of our leaving the EU?

**Elizabeth Truss:** I don't accept your premise about the EU. I believe that we will see benefits over the long term, in terms of increased regulatory freedom and increased freedom to do things differently.

Q54 **Owen Smith:** In GDP terms? Are you anticipating that we are going to see an upward trajectory?

**Elizabeth Truss:** I think we will see Britain, over the long term, continuing to grow. I am not going to get into the mug's game of precise economic forecasts, because we know how those turn out. Broadly





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speaking, I think the UK's GDP will increase over time, provided we elect the right Government with the right policies.

**Q55 Faisal Rashid:** With due respect, Secretary of State, all I am hearing is that we cannot predict this, and we cannot do any economic analysis on the UK-US trade deal. You say that Brexit is a good thing, in your view, but clearly, as a responsible Government, impact assessment studies and analysis have to be done to bring in such a big thing, hitting 6.7% of the economy. If it is a no-deal Brexit, it is a nearly 10% hit on the economy.

In July, you indicated you would be reviewing the guidance to businesses on trading with non-EU countries in a no-deal scenario. What were the findings of that review, and what steps have you taken as a result?

**Elizabeth Truss:** On the subject of economic analysis—this is going back to my previous role at the Treasury—the economic analysis showed that Britain would grow under all scenarios. That is what the economic analysis previously showed.

**Faisal Rashid:** What are the numbers?

**Q56 Gareth Thomas:** It also showed that we would grow faster through continued membership of the European Union than in any Brexit scenario that has been advocated up to now.

**Elizabeth Truss:** But as I said, it did not take account of future policy decisions and options.

**Q57 Faisal Rashid:** The Government have identified seven customs co-operation agreements and three authorised economic operator agreements as prioritised for roll-over in case of a no-deal Brexit. What progress has been made in respect of each of these agreements?

**Elizabeth Truss:** John?

**John Alty:** Obviously, the agreements that we have been focused on have been the trade continuity agreements. The customs agreements are being taken forward by HMRC, particularly those with the US, China and Japan, I understand. You would have to ask them for exactly where they have got to, but I understand that they are progressing those discussions. Our focus has been on the trade continuity agreements.

**Q58 Faisal Rashid:** What would be the consequences if they don't happen or they are not in place by 31 October and we have a no-deal Brexit?

**Elizabeth Truss:** Are you talking about the trade continuity agreements?

**Faisal Rashid:** Yes, the roll-overs, if they are not in place by 31 October.

**Elizabeth Truss:** The reality is that if there were a no-deal Brexit, additional tariffs would be payable. All this information is available on the DIT website for companies to look at.

**Q59 Chair:** That would clearly be bad for the economy.





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**Elizabeth Truss:** It is clearly not a good thing. Let us take Canada, for example. Regrettably, Canada has not yet rolled over its agreement. The Canadians are now in an election phase, so there is a purdah taking place until the election results are announced on 4 November. Clearly, that would be one area where additional tariffs were payable.

Q60 **Chair:** Briefly, before I move on, there has been a leaked document from DIT that says the Department would push DEFRA to accommodate an American request to lower the UK's sanitary and phytosanitary standards post Brexit. Is there any truth in that?

**Elizabeth Truss:** I am not going to comment on some leaked document, which I do not believe is from DIT.

Q61 **Chair:** So would you ever push another Department to lower standards?

**Elizabeth Truss:** No. I'm very clear that we need to maintain our very high food safety standards and animal welfare standards. We have no intention to diverge from that.

Q62 **Chair:** So the clear message you have for the United States at the moment is that, as the Secretary of State for International Trade, you will not in any way change standards to accommodate American requests for lower UK standards.

**Elizabeth Truss:** Yes.

**Chair:** Good.

**Elizabeth Truss:** As we leave the EU, we want to have complete sovereignty over our rules and regulations, and we want to maintain our high standards. In many cases, that will mean increasing our standards—for example, on banning live animal exports, which is something that we were not able to do under the EU but would want to do as the UK Government. Yes, we will maintain our standards.

Q63 **Chair:** That is very interesting. Banning live animal exports—would that include to the European Union?

**Elizabeth Truss:** Yes.

Q64 **Chair:** Wow. So you are saying that, for a 22-mile ferry journey, you would ban live animal exports.

**Elizabeth Truss:** That is our policy.

Q65 **Chair:** Would you drive animals the length of England? Would you export them the length of England—300 miles?

**Elizabeth Truss:** Our policy is banning live animal exports.

**Chair:** Fascinating. Wow, okay.

Q66 **Matt Western:** Some of us were involved in the Trade Bill many moons ago—it seems like a very long time ago, and it was probably written on parchment or something. When is it going to be reintroduced?



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**Elizabeth Truss:** I am sure you will have been excited and delighted to see that it was mentioned in the Queen's Speech.

**Matt Western:** Very excited.

**Elizabeth Truss:** So I hope we will be able to introduce it as soon as possible.

Q67 **Matt Western:** In the next six months?

**Elizabeth Truss:** I don't have a specific date, but obviously I am keen to introduce it as soon as possible, to ensure that we put the TRA on a statutory footing.

Q68 **Matt Western:** What will be the situation in terms of the Trade Remedies Authority, and will any of the provisions in the Bill be different from those contained in the original Bill?

**Elizabeth Truss:** I'm afraid you will have to wait until we publish the Bill to see the precise details, but it will put the TRA on a statutory basis. We have arrangements in place so that we can ensure that we can apply trade remedies in the interim period, but it is clearly much better that it is an independent body—independent of Ministers—for its full operation.

Q69 **Matt Western:** Just on the investigation directorate, which is an interim body, is that now at full complement in terms of staff?

**Elizabeth Truss:** I believe we have the staff necessary to undertake investigations straightaway after 31 October.

Q70 **Matt Western:** Does that mean it is not at full capacity?

**John Alty:** It's got around 100 staff, which, as the Secretary of State says, is sufficient to carry out its operations—for instance, in a no-deal Brexit—and it will continue to grow.

Q71 **Matt Western:** Where are we with the TRA, in terms of staffing and appointments?

**John Alty:** Appointments. We have a chief executive, and there is a process for appointing a chair.

Q72 **Matt Western:** There is a process. What are the timings of that?

**Elizabeth Truss:** Imminent.

**Matt Western:** Right, okay. Thank you.

Q73 **Chair:** Is the guidance in place to deal with trade remedies after Brexit? The British Ceramic Confederation are very concerned that a lot of the upper apparatus and infrastructure is not in place to deal with trade remedies.

**Elizabeth Truss:** I am very happy to meet the ceramics industry.

Q74 **Chair:** Do you have an answer for them here and others?



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**Elizabeth Truss:** The answer is that it is in place, and I am happy to meet them to discuss that further.

**Chair:** So the guidance is in place; we have heard that from the Secretary of State today.

Q75 **Gareth Thomas:** Forty-three EU trade measures were going to be kept in place after Brexit, according to the previous Secretary of State. The TRA was going to undertake a full review of each of those, based on UK market data. How many of those 43 measures have been fully reviewed, and will all of them have been done by 31 October?

**Elizabeth Truss:** The answer is that they have not been reviewed yet.

Q76 **Gareth Thomas:** Not one of them has been reviewed as yet?

**John Alty:** No, not yet, but that doesn't prevent us from giving those protections after 31 October if we are in a no-deal Brexit. Measures will be rolled over, and then the reviews will be carried out over the coming months to confirm whether or not to keep those measures in place.

Q77 **Gareth Thomas:** Do you anticipate being challenged at the WTO if you apply a trade remedies measure without having first undertaken an investigation using UK market data?

**Elizabeth Truss:** We have made our approach very clear at the WTO already, so we don't anticipate that.

Q78 **Chair:** Okay, free ports—something that has hugely interested a number of people. We have actually had a little investigation into free ports. In the summer, you announced plans to establish up to 10 free ports after breakfast—I mean after Brexit, although maybe it was a thought after breakfast. What would be the unique selling point of the UK's free ports in comparison with other free ports around the world?

**Elizabeth Truss:** The fundamental concept of a free port is that goods can be imported, exported and added value to without having to go through the full customs procedure. It would give benefits to companies that wanted to set up in the free port area. What we are also interested in doing—I have put together a free ports advisory panel—is making sure we are using the latest modern technology to modernise our ports. We are also making sure there are additional benefits available—for example, planning freedoms to make it much easier for businesses to set up. The fundamental purpose is to look at onshoring manufacturing business that was previously offshored, which could be used to import and export goods.

Q79 **Chair:** What happened to the UK's last free ports?

**Elizabeth Truss:** There were free ports before, as you know—for example, Liverpool was a free port—but because we were part of the EU customs regime, the differential benefit gradually disappeared, and it was no longer worth their while retaining free port status. This is something that is particularly beneficial when we are not part of a customs union.

Q80 **Chair:** So when we leave free trade and we have tariffs, free ports help



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you round the tariff wall. Free ports are a function of a lack of free trade, then—is that what you are saying?

**Elizabeth Truss:** No, because they also help with things like customs procedures—streamlined customs procedures, for example. I recently visited a foreign trade zone in New Jersey. Some of the US tariffing system is quite complicated, and one of the purposes of free ports there is to allow companies to work on products without having to encounter that bureaucracy. Of course, we want the UK to have streamlined customs procedures as much as possible, but I think there is definitely a role there for free ports, in terms of allowing goods to be more easily transferred. We will shortly be announcing an invitation to potential free ports to express interest. We are likely to be asking the port authorities where they see the main benefits as being. One of the interesting things about free ports around the world is that they tend to be particularly used by small businesses, which often find that trading and customs barriers can be quite difficult.

**Q81 Chair:** Isn't the reality that free ports are trying to keep where we are now in a few areas of the UK, as everyone is else is disadvantaged, relative to where they are at the moment? How many jobs are these free ports going to create? Bear in mind that Make UK announced today that 120,000 have gone in manufacturing since 2016—since the Brexit adventure began. How many jobs do you think we will see created by the free ports, Secretary of State?

**Elizabeth Truss:** I can't put a precise number on that. A number of potential free port bidders have put out numbers. I think Teesside has said that they could see a significant—

**Q82 Chair:** Would it be greater or less than 120,000?

**Elizabeth Truss:** We have the lowest rates of unemployment in the UK since the early 1970s. What we are seeing in the UK economy is extremely strong jobs performance because of this Government's policies of helping more people into work and cutting taxes on working people. What we want to make sure is that these free ports have high-value, high-skilled jobs in them. That is one of the pieces of work we are doing to make sure that genuine value is being added. If you look at free ports around the world, there are some where that is less true, and there are others where they put in a very strong performance. It is all about the specific regime that we put around the free port, which we are currently working on.

**Chair:** Our mini-inquiry showed there'd be less than 120,000, it might be useful to know.

**Q83 Owen Smith:** Secretary, I think you said that the Government want to create up to 10 of these free ports. Have you done any analysis as to what the negative impact might be on ports that do not get free port status?

**Elizabeth Truss:** One of the things we are looking at in designing the approach to free ports is making sure that we do not see a diversion of activity from elsewhere—that this is genuine additional activity that is taking place in that area.



**Q84 Owen Smith:** How are you going to do that?

**Elizabeth Truss:** We are conducting an analysis to look at the effect of those economic policies. In the past, we have had policies such as the development of Canary Wharf and the Docklands Development Corporation that have attracted additional investment into the UK. That is what we want these free ports to do: we want them to be beacons of potential investment where people see new opportunities. We do not want to see them diverting activity from elsewhere, and that is all in the design of the policies around the free port, whether it is the tax policies, the planning policies or the customs policies.

**Q85 Owen Smith:** But you accept that there is a risk? It seems obvious, doesn't it? If you've got these special-status ports—

**Elizabeth Truss:** Of course. I absolutely accept that there is a risk of that, which is why we are working very carefully to design the policy in the right way.

**Q86 Owen Smith:** Have the Government decided on a set of criteria to determine which ports are likely to be successful in bidding? There is a risk, obviously, that you do not have geographical spread across the country.

**Elizabeth Truss:** We are working on those criteria at the moment, yes.

**Q87 Owen Smith:** Can you give us any insight into what they are going to be?

**Elizabeth Truss:** No. We will announce them in due course, but, currently, discussions are taking place across Government on what the criteria should be.

**Q88 Owen Smith:** If I could also talk to you about transparency in future trade agreements—obviously, that is something we had a lot of discussion with your predecessor about—it is now almost a year since DIT closed the consultation on trade agreements with Australia, New Zealand, the US and so on, and on accession to the Trans-Pacific Partnership. You still have not published the response to that. It does not seem very transparent to wait a year before publishing—

**Elizabeth Truss:** What we are intending to do is publish the response at the same time as we publish our negotiating objectives for a given deal and the economic scoping study that this Committee is extremely interested in. We will publish those things together.

**Q89 Owen Smith:** I think we are going to come to some of that stuff later on, so I will move on quickly. Once we have Brexited, if we Brexit, you—the Government—have said that, obviously, deals with the US, Australia, New Zealand and so on would be your priorities. How quickly do you think you are going to start those negotiations, and have you prioritised between them, as it were, or is the Department able to undertake all of that in one go?

**Elizabeth Truss:** I am keen to start them as soon as possible.



**Q90 Owen Smith:** What does that mean?

**Elizabeth Truss:** As soon as possible means as soon as possible. I have checked with John that he has the necessary resources to progress all these agreements. Japan is slightly behind the other three, because we are just at the phase of inviting input from business into what they want out of a Japan trade deal, and when I was over in Japan a few weeks ago, that is what I announced and what I discussed with Minister Motegi, their relevant Minister. Japan is slightly behind the other three, but once we are ready, we would publish the negotiating objectives, the scoping study and the response to the consultation process. Japan would be slightly later than the other three.

**Q91 Owen Smith:** While we are on your vital and necessary foreign travels, when you were in Australia—in Canberra, I think—you talked about freedom of movement potentially being part of an Australian free trade agreement, and then you seemed to withdraw that remark slightly. Clarify that for us, please.

**Elizabeth Truss:** What I was talking about, if you read the transcript of my comments, is the rite of passage that many Australian young people previously benefited from, to be able to come and work and study in the UK for a few years, and likewise the opportunities for British young people to do that in Australia. That was part of a very close relationship between our two countries. I never talked about EU-style free movement of people. It was an aberration that that appeared.

**Q92 Chair:** We will maybe glance over the bicycle in New South Wales and the helmet—I believe some local laws might have been transgressed there with a bike and no helmet, although there was an umbrella.

**Elizabeth Truss:** Let me just respond on that, Chair. It was absolutely driving rain—it was apparently the first time it had rained in Sydney for ages—and I didn't really travel very far on that bike.

**Chair:** With or without the helmet.

**Elizabeth Truss:** But it was a British bike—the Brompton bicycle. You will be aware that that is Britain's No. 1 bike manufacturer. I was out there promoting it to the Australians.

**Faisal Rashid:** So you can ride that without a helmet.

**Elizabeth Truss:** Sorry—I didn't catch that.

**Chair:** It was the law of New South Wales that I was referring to about wearing helmets or not. Maybe don't go back within a certain period.

**Q93 Faisal Rashid:** Moving on to serious business, Secretary of State, what assessment have you made of the impact of preferential trade agreements on labour standards and human rights?

**Elizabeth Truss:** In all our trade agreements, there will be the relevant chapters agreeing standards in those areas.





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**Q94 Faisal Rashid:** It was reported in February this year—I think this was from your predecessor—that Britain has already received demands to roll back its human rights standards in exchange for progress on post-Brexit trade deals, including from some countries that Ministers are pushing to secure agreements with. Will you commit to maintain Europe's standards on human rights and labour standards in all future trade agreements?

**Elizabeth Truss:** I haven't heard any such representation from any of the countries we are seeking to do trade deals with. The four first priorities for trade deals are the US, Japan, Australia and New Zealand, and all of those countries already have high standards in those areas.

**Q95 Faisal Rashid:** But will you commit to keep the same standards as we have with the EU?

**Elizabeth Truss:** I commit that we are going to have our own UK standards in these areas, and they will be maintained.

**Q96 Faisal Rashid:** Will they be a reflection of the current standards we have with the EU, or will we change our standards?

**Elizabeth Truss:** Earlier, I talked specifically about animal welfare and the banning of live exports. The whole point of leaving the EU is that we are able to set our own standards, while obviously maintaining international human rights law.

**Q97 Faisal Rashid:** Okay. I am just trying to get to whether those standards will be the same standards we have right now. Or will they be improved, not lowered?

**Elizabeth Truss:** Exactly what decisions future Governments make about what rules and regulations Britain has is a decision for them, so I can't predict for ever. What I am saying is that this Government are very committed to high standards in areas like the environment and labour standards, and we will act accordingly. But the key point is that it will be a sovereign decision for the UK to make, rather than something that is decided at EU level.

**Q98 Gareth Thomas:** You said that your priorities are, among others, a free trade deal with the US. I am wondering where the priorities of the Government as a whole lie. Is it to negotiate a Canada-style free trade agreement with the European Union, and that will be the priority going forward, or is to negotiate these additional free trade agreements, such as with the US, as you have described?

**Elizabeth Truss:** Both of those things are priorities. I have talked about my priorities—

**Q99 Gareth Thomas:** Sure, but let us narrow that down. Which is the most important? It is a simple question.

**Elizabeth Truss:** They are not in conflict with each other, so they are all important—that is the answer. It is important to get a good free trade deal with the EU. It is important to get a good free trade deal with the US.



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**Q100 Gareth Thomas:** Sure, but, with respect, they are potentially in conflict. We might want to agree with the European Union as part of a Canada-style free trade agreement, but that may be in conflict with what we want to agree with the United States. That is why I ask which is the Government's priority. There must be one.

**Elizabeth Truss:** As we progress in working on these agreements, we can obviously look at the trade-off—if there is one—between those two different things. So we will look at what is the maximum benefit to Britain and to British business in doing that. For example, in terms of agriculture, we currently import £1 billion-worth of beef from the EU. That is a very valuable market for them. There are other countries that could be potentially interested in that—for example, Australia. So there are areas where there are trade-offs.

However, the point I wanted to make in response to your overall question is that we have to make the right decisions for Britain. I don't want us to be pushed around, with the EU telling us that we should adopt this particular set of policies, or the Americans telling us that we should adopt that particular set of policies. We should do what's right for Britain and then strike free trade deals, on a mutual recognition basis, to secure access to those markets. It is kind of dangerous to think that Britain is just some kind of floating entity that just goes along with whichever nation or organisation wants us to change our rules in a particular way.

**Q101 Gareth Thomas:** My point is that there is considerable uncertainty for British business in terms of the future relationship with the European Union, as well as—increasingly now—with the US. I am therefore trying to elicit which would be the most important for Prime Minister Johnson's Government to sort out.

**Elizabeth Truss:** We want to do both, and we've got the resources and the capability to negotiate both. That is the answer. On a case-by-case basis, there may be specific issues that come up. But let's take Canada. It has been able to do a deal with the US—the United States–Mexico–Canada agreement, which obviously also includes Mexico. That deal was concluded within a year. Canada were also able to do a deal with the EU—admittedly, it took a lot longer. But if Canada can get good FTAs with the US and the EU, and it is a much smaller economy than Britain, why can't we? It's not beyond the wit of man.

**Q102 Gareth Thomas:** Indeed. You stated in your conference speech that post-Brexit trade—

**Elizabeth Truss:** I am glad you were listening—I'm very flattered. [Laughter.]

**Owen Smith:** He was hanging on every word.

**Elizabeth Truss:** I'm not sure there were many people in the hall, but I'm glad you were watching it.

**Q103 Gareth Thomas:** Let us come back to your conference speech. You said that post-Brexit trade agreements would not involve "EU-style regulatory



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harmonisation...but mutual recognition of other countries with high standards." As I understand it, the EU single market is substantially based on "mutual recognition" of member states' standards and rules. So I just wondered if you might explain what you meant, exactly.

**Elizabeth Truss:** There is quite a lot of regulatory harmonisation as well, as part of the single market. So, what I mean overall is that the UK should seek to recognise other countries' high standards without having what amounts to extraterritorial regulation of what those countries are actually doing, and I think that's the best way to progress free trade agreements.

I think that regulatory harmonisation has been a problem in the EU and it has meant that we—

Q104 **Gareth Thomas:** Can you give me an example?

**Elizabeth Truss:** I would give you the example of areas like our financial services and tech industries, where I think that if the UK had more freedom to do things differently, we would make different decisions. I mean, when I was DEFRA Secretary, I was part of the agricultural committee, and I was frequently out-voted, frankly, on issues such as how the countryside stewardship scheme worked. I found that the EU was very bureaucratic in its approach and that it demanded endless box-ticking, and I don't think that was to the advantage of British farmers. I think the same is true in areas like financial services and tech, where we could do things differently, with our own independent rules and regulations.

Q105 **Gareth Thomas:** I think most of the financial services industry is looking with a distinct lack of enthusiasm towards the post-Brexit world—

**Elizabeth Truss:** If you don't mind my saying, sometimes the big players in industry are those who most like detailed regulation, because it stops—

Q106 **Gareth Thomas:** The ones with most jobs?

**Elizabeth Truss:** Well, no. It stops the new entrants coming into the market. I want a trading system that is much more accessible for small and medium-sized enterprises, where you don't have complicated rules that only the big—

Q107 **Gareth Thomas:** Is that a problem in the City at the moment?

**Elizabeth Truss:** I think financial regulation is really a matter for the Treasury, but I certainly think that what we have done in terms of allowing challenger banks to emerge, like Starling Bank, has been positive, but there is always more that can be done to make it easier for new entrants to enter markets. That is also true in the technology industry. I am very sceptical when I hear Nick Clegg talking on behalf of Facebook about how he likes particular regulations. I often fear that that might be because he doesn't want new competitors entering that market to challenge the behemoths like Facebook.

**Gareth Thomas:** At least there is one thing we agree on.

Q108 **Chair:** Do you think the phrase "free trade agreement" is misleading?



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People hear the term, but they are not free trade at all; they are partial trade. If we get a free trade agreement with the European Union, it will not be as free as the trade we currently have with the European Union. Wouldn't you agree?

**Elizabeth Truss:** I think "free trade agreement" is commonly used parlance to describe—

**Chair:** Do you agree that it is misleading? It is okay for the nerds, but the public hear it and think, "We are going to get a free trade agreement with Europe," when in fact it will not be as good as the trade agreement we currently have with Europe. It will be worse.

**Elizabeth Truss:** The problem we currently have with Europe is what we have been discussing; it is the regulatory compliance that has to take place alongside that.

Q109 **Chair:** But if we are to sell into their market, we have to comply. We are moving from being part of a 16% of global GDP bloc to more like a Canada, with 1.36%. In fact, the UK will be a 2.25% of global GDP bloc. There is not much trade muscle there at all, so we will have to do what the big boys tell us.

**Elizabeth Truss:** We have more freedom and flexibility, and we can be more nimble. The EU as a trading bloc has to get 27 countries to agree to things. It is inevitably slower to make that happen, and inevitably compromises have to be reached across the member states. We have made a choice as a country that we do not want to be part of that bloc because we want sovereignty over our own rules and regulations, and I what I am saying to you is that that brings benefits of freedom and flexibility.

Q110 **Chair:** I think we can test just how nimble we are at the moment—

**Elizabeth Truss:** In areas like tech and financial services, where Britain leads the world, it is to our advantage to be able to work with other nations to develop rules and standards that are not held back by the sometimes somewhat protectionist approach of the EU.

Q111 **Chair:** Okay. We can test how nimble the UK is. There are 40 trade agreements to roll over that we are copying from the European Union. They were going to be done a minute after midnight last March. How many of them are done now, on 16 October? How nimble have we been?

**Elizabeth Truss:** We have secured 72% of the agreements, which is 16 agreements with 46 countries. That accounts for £100 billion-worth of trade.

Q112 **Chair:** So somehow less nimble than the EU was in getting those agreements.

**Elizabeth Truss:** I think it took them a considerable amount of time to build up those agreements over a number of years.

Q113 **Chair:** But they had already been done; you haven't had to build them



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from scratch. The EU has done the work for you. They are there, and you have got 72%—

**Elizabeth Truss:** There was a lot of detailed negotiation involved in all of these agreements.

Q114 **Chair:** But if we are nimble, buccaneering Britain—all the chat we hear—why were these not done a minute after midnight last March?

**Elizabeth Truss:** I think the officials at the Department for International Trade have done a fantastic job of conducting all these negotiations in parallel and securing 72%, but in terms of the ones we have not yet secured, there is a number that we are working on and making progress; there are a number of others where it will be difficult to get an agreement. I highlighted Canada—

Q115 **Chair:** But we are nimble. How will it be difficult? I thought we were nimble.

**Elizabeth Truss:** If the other party refuses to do a deal, there is not much you can do.

**Chair:** Ah, we are at the mercy of others. Okay.

**Elizabeth Truss:** That is the nature of bilateral agreements.

**Chair:** Ah, I see.

Q116 **Owen Smith:** Do you share the view of your predecessor that this Committee should not have access to the confidential negotiating documents we need to do our job and provide scrutiny of future trade agreements that you hope to start negotiating straight after Brexit?

**Elizabeth Truss:** I think this Committee has a very important scrutiny role. I am looking at how we can make that work during progress in negotiations. There is obviously a balance to be struck between keeping negotiations confidential and making sure Parliament is full engaged in that. I am very happy to have further discussions about that with the Committee.

I know there was a suggestion of setting up an alternative committee. That is something I am still looking at, to be frank. What I can say at this stage is that we are very committed to publishing those documents up front, discussing them with the Committee and keeping the Committee involved. It is important to recognise, though, that we have a parliamentary system similar to Australia or Canada, and when you look at what they do with their FTAs, we are offering considerably more engagement and access than they offer. There are details to be bottomed out, but my concern is making sure that we do not end up negotiating in public, because that would put us at a disadvantage with the US, Australia or whoever else we are negotiating these agreements with.

Q117 **Owen Smith:** We understand that there is a balance to be struck between proper scrutiny and transparency and sensible negotiations, some of which will have to be confidential. You do seem to be a bit more open than your



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predecessor was to this Committee rather than an alternative committee, given we have an established Select Committee process in our parliamentary system, which has a fundamental role in helping the Government assess confidentially those negotiating documents. If that is right, I think it is really positive.

**Elizabeth Truss:** I am happy to have further discussions about it. I have not made any definitive decisions so far. We need to look at how it will work. As I said, my concern is the confidentiality. It is helpful to have parliamentary input. We also want input from the devolved Administrations during the process. We will have to bring everyone with us. The reason I want to do these trade deals is that I believe they will be beneficial to the UK. I will not sign up to them if they are not beneficial to the UK, and we have to bring people on board to show that is the case.

This is a fascinating area because we have not had discussions about trade in the UK for over 40 years. I am keen to have a positive public dialogue about the benefits and not end up in a position that other countries are in, with a protectionist, anti-trade feeling.

Q118 **Owen Smith:** Excellent. You drew a comparison a moment ago between what you are proposing for our mechanisms and the mechanisms deployed in America and other places.

**Elizabeth Truss:** I think I used Australia, New Zealand and Canada, actually. I don't think I mentioned America, because they have a separation of powers that we do not have here in the UK.

Q119 **Owen Smith:** No, and leaving that legalistic aspect aside, the important thing is that in the States there is openness and transparency about what the initial mandate is for negotiating a trade agreement, and at the end of the process, there is a yes/no—a veto potentially available to legislators. Do you think that is something we should have in our country, in order to bring people along with us, to be open at the beginning and to give Parliament a say at the end about whether it is a good or bad thing for our economy?

**Elizabeth Truss:** If you look at other Westminster-style democracies such as Canada, Australia and New Zealand, they do not have that vote at the end. The ability to strike treaties is ultimately a prerogative power. A House of Lords Committee recently confirmed that that is the right approach for the UK. We should absolutely have engagement during the process, but it is an Executive prerogative to strike those treaties.

Q120 **Owen Smith:** Don't you think that runs the risk, Secretary of State, that in an era in which people are really worried about what some of these trade deals might mean for us—that we will strike a deal with America involving chlorinated chicken and various other things that we are not keen on coming into our system—you could mitigate that risk by allowing Parliament a greater say and not simply leaving Government to sign the deal on behalf of the people?

**Elizabeth Truss:** I think there should be a very full process of engagement. We are going to have full disclosure of the negotiating





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objectives—the economic analysis. We will have that discussion; but I could comment on some of the things that have been happening recently, like the Benn Act, which I do not think is entirely helpful. Parliament has a scrutiny role and the Executive has a role of delivering these international treaties, and that is the way we should keep it. That is the way our system has worked well for years.

**Q121 Owen Smith:** Some might say that the Benn Act is a great example of Parliament safeguarding the rights of the people in the face of prerogative power being abused.

**Elizabeth Truss:** I do not agree. I could make the point that the best way of sorting that out is a general election.

**Q122 Faisal Rashid:** Secretary of State, there are 15 days left to the deadline for Brexit, and all I am hearing today is “We are negotiating,” “We are discussing,” “Economic analysis is going on,” “I can’t commit”. Why do you believe that the Committee should believe that we will be fine post-31 October in a no-deal scenario?

**Elizabeth Truss:** The Government has done huge amounts of work preparing for no deal. There have been over 60 meetings of the XO committee, which meets daily, going through all the details to make sure we are prepared at the borders and prepared in terms of our trading arrangements, and that business have all the information they need to continue to trade in a no-deal Brexit scenario. The discussion going on today is all about trying to secure a deal. That is the Prime Minister’s priority. He has put a very clear proposal on the table with the EU, but it has always been my view that we have to be able to walk away if we do not get the right deal. This is why it was so important to ramp up our preparations for no deal, in the same way as I believe that for the US—we have to be prepared to walk away from a deal with the US if we don’t get what we want. I think what is right in one case is right in the other.

**Q123 Faisal Rashid:** I totally appreciate that, but with the evidence in our sessions now—and we had one on fisheries last week; so many other evidence sessions. That just gives me an indication that we are not prepared, because everything, when we ask questions—no concrete information comes back.

**Elizabeth Truss:** The person who is responsible for no-deal preparations is the CDL, Michael Gove, and no doubt he is appearing in front of a Committee explaining this. My job is to make sure that we are ready from the perspective of international trade, and also look at the opportunities post-Brexit for international trade. I don’t think this is necessarily the right Committee to be addressing some of those issues.

**Q124 Faisal Rashid:** Very quickly, I am just going to ask a question about the Trade Bill. On 26 September the Leader of the House said, “The Trade Bill contains a bit on a customs union, which would be an absolute disaster. It will not come back in that form.” This week the Trade Bill was brought back to the House unamended.

**Elizabeth Truss:** No it wasn’t.



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Q125 **Faisal Rashid:** What made the Government change its mind?

**Elizabeth Truss:** We haven't published the new trade Bill.

**Faisal Rashid:** Well it has come back, I am sure, in the Queen's Speech.

Q126 **Chair:** If I can move on, Secretary of State, in your conference speech, which of course we all watched—

**Elizabeth Truss:** I'm so grateful for the audience.

**Chair:** You referred to your "two fantastic wingmen Conor Burns and Graham Stuart" MP. What about the third ministerial post and the wingwoman who was there—it has been vacant since Baroness Fairhead resigned on 2 May—for trade and export promotion? Why empty so long? Are there no personnel in the Government?

**Elizabeth Truss:** Yes, I would very much like a Lords Minister to be appointed as soon as possible.

Q127 **Chair:** What is the delay? That was May—five months ago.

**Elizabeth Truss:** I am working very hard to get that agreed so we can move forward.

Q128 **Chair:** Does nobody want the job?

**Elizabeth Truss:** There are lots of people who want the job. It is a very popular job. *[Interruption.]* It really is. I am not lying.

Q129 **Chair:** Ok, so an appointment could be imminent then.

**Elizabeth Truss:** I hope so, yes.

Q130 **Chair:** Okay. The Law Society of England and Wales are obviously concerned about Brexit—but it seems everybody is concerned about Brexit. What is being done to promote the UK as a global legal centre and jurisdiction of choice to key export markets, in the absence of your Minister for Trade Promotion? What are you doing to make sure that the Department prioritises legal services in future trade agreements?

**Elizabeth Truss:** That is a very important area for the UK; we are world leading in that space. We are working very closely with the Ministry of Justice on promoting legal services internationally. As I have said, I am certainly very keen to secure a Lords Minister as soon as possible.

Rest assured, the three current Ministers have been clocking up the travels. The Minister for Trade Policy has been to Brazil, Chile, Algeria, Morocco and Vietnam since starting his job. The Minister for Investment has been to Panama, Colombia and done an entire tour of China. I know that during that time, both have promoted legal services, as I have during my extensive travels.

Q131 **Chair:** I am sure that the Law Society would be delighted to hear that. On the World Trade Organisation and the fact that we are so nimble, how close are we to reaching an agreement with the 20 or so WTO members



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that objected to the TRQs—the tariff rate quotas—in the UK's goods schedule at the WTO?

**Elizabeth Truss:** We are still working on those issues with our counterparties. Some of the main countries concerned are the likes of Australia and New Zealand, which are also keen to strike a free trade agreement with the UK. Those issues are temporary while we get on with striking those free trade agreements, so I have encouraged them to move forward on that front. I do not know whether you want to comment more on the specifics of the article XXVIII negotiations, John.

**John Alty:** We have had discussions with all the partners, and I think that they are progressing pretty well. Obviously, different partners have different interests, so one has to take them one at a time, case by case, but there has been a lot of good engagement.

Q132 **Chair:** How nimble are we? How nimble is the UK? In the WTO, there are 20 of them now. Where is this nimbleness that was talked about?

**Elizabeth Truss:** There is nothing holding us back in terms of our no-deal preparations. Fundamentally, counterparties have objected, and we continue in discussions with them, but that will not affect the post-Brexit trade environment.

Q133 **Chair:** We had no problem before 2016. We then had a problem and still have a problem three years later. That is not very nimble, is it?

**Elizabeth Truss:** Immediately after Brexit, we will still be able to continue that trade. There are continuing objections from some of the counterparties, but those discussions will continue.

Q134 **Chair:** Okay. Over the summer, one of your permanent secretaries, Antonia Romeo, tweeted that DIT had secured the UK's WTO schedules. Just a point of fact: was that correct, given that objections still stand?

**Elizabeth Truss:** Yes. The schedules have been put in place. There are objections to them that we are working through, but those schedules will be in effect should we leave with no deal on 31 October, which we do not want to do.

Q135 **Chair:** So are they secured or not?

**Elizabeth Truss:** Yes.

**John Alty:** Yes.

**Chair:** Okay. You have those objections but you are happy with the situation.

Q136 **Faisal Rashid:** The WTO's dispute settlement system is on the brink of collapse. There is a bitter US-China trade war and negotiations on a plurilateral trade-in-services agreement have stalled. As a WTO member in its own right, what will the UK do to help resolve this crisis in the multilateral trade system?

**Elizabeth Truss:** I am extremely concerned about what is happening at the WTO. I was over there last week meeting Director General Azevêdo, and I also met David Walker, who is currently conducting the review into what can be done to sort out the problem with the appellate body. I think that it will take movement from all parties—the US, the EU and others—to resolve that issue, and it is very important that we do that.

Free trade agreements are positive, but what underlies the entire global trading system is the rules-based multilateral system, which particularly protects small countries. When I had a meeting with the Commonwealth Trade Ministers, a lot of small island countries were extremely concerned about what is happening at the WTO because if we do not have a proper rules-based system that can be enforced, larger countries are able to exercise their muscle at the expense of smaller countries that perhaps have less weight.

First, the UK is making its position very clear, and I made the position very clear last week. Secondly, we are using the collective voice of the Commonwealth to speak out against what is happening and to demand an urgent resolution. But certainly, the best prospect at the moment is the work David Walker is doing, and I urge the US, the EU and others to engage in this properly and resolve the issue before we get December, when the appellate body will potentially not work. It is incredibly important.

By the way, there are some fair points made by the US about the WTO—for example, on issues such as intellectual property, state-owned enterprises and forced technology transfer. We need to see better rules and more transparency from the WTO, and trade practices need to be modernised for the 21st century. What we cannot have is the whole system being wrecked, because it really will be extremely damaging. We have been talking about the danger to world trade at the moment from rising protectionism, but the WTO going into abeyance would be a huge problem. It would be a lot worse. I want to be a very strong voice at the WTO and work on this with Commonwealth allies, who are very concerned as well. We represent a third of the world's people, and we need to make our voices heard.

Q137 **Chair:** Incidentally, speaking on behalf of all Committee members of all political shades, we have been quite impressed with Julian Braithwaite, the ambassador at the WTO, and his team.

**Elizabeth Truss:** They are an excellent team and very well respected. One of the pieces of work we are doing is developing more of a Commonwealth caucus that can operate at the WTO and ensure that all the voices of the Commonwealth are represented there.

Q138 **Chair:** On another point, you were recently appointed the Minister for Women and Equalities. From the Committee's point of view, we certainly welcome that, because there is a huge overlap between trade and gender. There is a relationship, and involving more women in other countries certainly has well-known beneficial effects for families, children and



poverty alleviation. What is your view on using those two portfolios—your trade portfolio and Minister for Women portfolio? I would say it is a genuinely exciting area that you have at the moment, and it might be quite a unique situation. Congratulations on both of them.

**Elizabeth Truss:** Thank you. I very strongly agree with you. In fact, when I discussed this issue with the Rwandan trade Minister, she told me that 80% of the people who conduct cross-border trade in Rwanda are female, often running small enterprises. One of the things that we discussed at the Commonwealth Trade Ministers meeting is much more focus on opening up trade for those small enterprises, which has huge benefits to the wider community. As well as promoting free trade, there is an opportunity to promote other British values while I am travelling overseas—human rights more broadly. When I was in Japan, I launched the Asian chapter of the global equality caucus, which promotes LGBT+ rights—specifically promoting ideas such as equal marriage, in which the UK has led the world. There is a really strong connection between empowering people economically and empowering them in other ways. As you know, the Prime Minister is very passionate about girls' education, which is a strong part of the agenda we are pursuing. The two go very well together.

Q139 **Chair:** Good luck with all that, and well done. The question I want to ask you is related to that. If there is a no-deal Brexit, the Government will implement a transitional protection measure to protect preferential access to the UK market for Kenya, Ghana, Cameroon and Côte d'Ivoire in the absence of roll-over agreements. This is a good thing, but what is its legal status, and how do you see a more permanent solution coming forward?

**Elizabeth Truss:** John, would you like to comment on that?

**John Alty:** As you said, Chair, we see the transitional protection measure as a temporary means of ensuring that the access a number of developing countries currently have will continue in the event of a no-deal Brexit. It is a temporary measure. We have put it in place for 18 months. We hope to be able to negotiate, during that period, a longer-term arrangement. We will have to see, but I guess that it will be more analogous to some of the other EPAs that we have with developing countries. It is really there to ensure that those countries don't lose access to the UK market immediately after Brexit.

**Chair:** Thank you.

Q140 **Owen Smith:** Continuing this series of questions on your twin role, are you concerned, Secretary of State, that lots of the studies that have been done—it seems you don't set a lot of store by analyses conducted by your own Government or elsewhere—suggest that the impact of a no-deal Brexit will be significantly worse for women in our country?

**Elizabeth Truss:** You are right. This idea that you can analyse women independently of the population—we need to ensure that everybody, women and men, benefits from potential opportunities. My philosophy is that we need to remove the barriers to that, rather than trying to allocate



financial upsides or otherwise. I think those analyses are somewhat flawed.

My broad view—I have said this before to this Committee—is that by giving the UK more control over our future, we will empower people in this country more and we will be able to open up to the rest of the world. That brings more opportunities, including for women. That is why we are doing this. Aside from anything else, people voted for this in 2016 and it is high time that we got on and delivered Brexit. I want us to deliver it in a way that opens up opportunities for men and women. I don't think women benefit to the detriment of men and men benefit to the detriment of women. We are one society. I don't accept this slightly divisive analysis.

**Q141 Owen Smith:** I am not sure that it is divisive. It is analysis done by the Fawcett Society and others, for example looking at women being paid lower wages than men in our country, and the risk that Brexit will hit wages will have a disproportionate effect, therefore, on women. Women have rights that have been won partly through European legislation, which may be at risk if we leave, especially with a no-deal Brexit. That is why people are concerned. It is interesting that you have been given this twin role. It gives you a twin responsibility to ensure that we don't have a no-deal Brexit, because most people think it will have a detrimental effect on women.

**Elizabeth Truss:** The idea that a no-deal Brexit would affect women's rights is bizarre, to be frank.

**Owen Smith:** The reason there is that concern—

**Elizabeth Truss:** Can I just answer your question? We already have a record number of women in work in this country. I don't think there is a better place in the world to be a woman. Of course, there is more to do in Britain. I am passionate about removing the barriers to women entrepreneurs accessing finance and getting more girls to study subjects such as maths at school, which will help them to get good jobs in the future, but the idea that women's rights will be diminished because Britain has a say over our own rules and regulations—I think it is the opposite. I think women's rights in Britain—being a woman in Britain—are better than pretty much anywhere else in the world. I don't buy this pessimistic future vision.

**Q142 Owen Smith:** To explain why others, not myself, such as the Fawcett Society have highlighted this, they are concerned that in the event of a significant downturn in our GDP—no deal would mean much more than 6% reduction in GDP, more like 8% or 9%—the temptation will be, particularly for a Conservative Government, subsequently to cut red tape and regulation, and alongside that rights for people, in order to compete with our economy being significantly diminished. That is the very simple concern that people have.

**Elizabeth Truss:** In the modern world, you don't compete by reducing people's rights. You compete by giving people more opportunities, by upskilling the population and by leading the world in areas like digital, data





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and artificial intelligence. That is the way we are going to become a more successful country. We won't become a more successful country by becoming less productive or giving our people fewer opportunities; that's just nonsense. It's not our vision.

Frankly, the fastest way to cause an economic crash in this country would be to elect a Government who are proposing Marxist solutions, in other words the current leader of the Labour party. That would have a desperately detrimental effect on everybody in Britain. I suspect that you might agree with me on that.

**Chair:** Much as I enjoy this sparring, I think we need to move on.

**Owen Smith:** I'm not going to respond to that. Briefly—

**Elizabeth Truss:** You agree with me, yes? I don't think a Marxist Government is going to—

**Owen Smith:** I am not in favour of a Marxist Government.

Q143 **Chair:** As a matter of fact, the UK isn't the best place to be a woman; it is about 13th best. The list is headed by the most socialist countries—Sweden, Denmark and Norway—according to Business Insider from the United States. It ranks the United States as 16th. The more socialist the country, perhaps, the better.

**Elizabeth Truss:** I am not going to be lectured by a man on the best place to be a woman. I don't think you have got any equity in this.

**Chair:** This is what we are told. I am not lecturing; I'm reading this information. Don't shoot the messenger, please. This is from Business Insider and I think it was written by a woman.

**Elizabeth Truss:** I don't see any women on this Committee.

**Chair:** Two women have written the article—Alison Millington and Erin McDowell. They wrote it, Secretary of State; take it up with them.

Q144 **Owen Smith:** Is it right that the Cabinet meeting has been brought forward this afternoon to 2.30 pm?

**Elizabeth Truss:** Has it? I didn't know that.

Q145 **Owen Smith:** Apparently that has happened this morning. Should we be interpreting that as meaning that you are not going to be signing off on a deal, meaning no-deal is more of a risk?

**Elizabeth Truss:** It's the first I've heard that the meeting has been moved forward. I've got no idea why.

Q146 **Chair:** Your Department breached the Court of Appeal's ruling on the licensing of arms to Saudi Arabia. How did this happen and what steps have you taken to ensure it does not happen again, and especially that it doesn't happen with Turkey?



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**Elizabeth Truss:** First of all, as I said in my statement to the House of Commons, there was an error made in terms of the way that the process was followed. I have unreservedly apologised on behalf of DIT for that error.

We are currently undergoing an independent investigation, conducted by a director general at DWP who is looking at exactly how this happened. It has become clear that it was about information that was pertinent to the decision making not being shared across Government.

On Turkey, while we are looking at that situation, obviously it is the Foreign Office that lead on the intelligence, in the cases of both Saudi Arabia and Turkey. We are waiting to issue any licences until that has taken place.

**Chair:** Thank you. I don't think there are any further questions. Thank you for your time this morning, Secretary of State. It was an interesting exchange and I am sure there will be others poring over some of the answers, now and in two or three weeks' time, especially. Hostages to fortune, perhaps—who knows, by then? Good luck in your role going forward.