PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

TRADE BILL

Third Sitting

Thursday 18 June 2020

(Morning)

CONTENTS

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not later than

Monday 22 June 2020

The Committee consisted of the following Members:

Chairs: Sir Graham Brady, †Judith Cummins

† Anderson, Fleur *(Putney)* (Lab)
† Caulfield, Maria *(Lewes)* (Con)
Clarke, Theo *(Stafford)* (Con)
† Courts, Robert *(Witney)* (Con)
† Esterson, Bill *(Sefton Central)* (Lab)
Fletcher, Katherine *(South Ribble)* (Con)
Griffith, Andrew *(Arundel and South Downs)* (Con)
† Hands, Greg *(Minister for Trade Policy)*
† Hendry, Drew *(Inverness, Nairn, Badenoch and Strathspey)* (SNP)
† Higginbotham, Antony *(Burnley)* (Con)
Hosie, Stewart *(Dundee East)* (SNP)
† Johnston, David *(Wantage)* (Con)
† Nichols, Charlotte *(Warrington North)* (Lab)
† Rowley, Lee *(North East Derbyshire)* (Con)
† Thomas, Gareth *(Harrow West)* (Lab/Co-op)
Webb, Suzanne *(Stourbridge)* (Con)
† Western, Matt *(Warwick and Leamington)* (Lab)

Kenneth Fox, *Committee Clerk*

† attended the Committee

Witnesses

David Lawrence, Senior Political Adviser, Trade Justice Movement

Tom West, UK Environment Lead, ClientEarth

Sam Lowe, Senior Research Fellow, Centre for European Reform (also a member of the Strategic Trade Advisory Group)

Nick Ashton Hart, Geneva Representative, Digital Trade Network

Public Bill Committee

Thursday 18 June 2020

(Morning)

[Judith Cummins *in the Chair*]

Trade Bill

11.30 am

The Committee deliberated in private.

11.31 am

Ordered,

That, the Order of the Committee of 16 June be varied so as to omit the final three rows in the table and substitute the following—

Thursday 18 June	Until no later than 12.10pm	Client Earth The Trade Justice Movement
Thursday 18 June	Until no later than 12.35pm	Sam Lowe, Senior Research Fellow, Centre for European Reform and member of the Strategic Trade Advisory Group
Thursday 18 June	Until no later than 1.00pm	Nick Ashton-Hart, Geneva Representative, Digital Trade Network

—(Greg Hands.)

Examination of witnesses

David Lawrence and Tom West gave evidence.

11.32 am

The Chair: We now move on to oral evidence.

Fleur Anderson (Putney) (Lab): I have a declaration of interest. In my former role as head of campaigns for CAFOD—the Catholic Agency for Overseas Development—I was a co-founder of the Trade Justice Movement.

The Chair: Thank you. That will be noted on the record.

We will now hear oral evidence from ClientEarth and the Trade Justice Movement. Do we have them online?

David Lawrence: I am here; I can hear you.

The Chair: Hello. I am Judith Cummins, the Member responsible for chairing proceedings. I will not be asking you any questions, but I will be calling Members and witnesses to speak.

David Lawrence: That sounds good.

Q91 The Chair: Bear with us, David. Tom West is just taking his seat before I formally start the evidence session.

Welcome, and thank you very much for coming. Thank you, Tom—lovely to see you—and thank you, David. Could you start by introducing yourselves? Let us start with Tom.

Tom West: Thank you for inviting me. It is really good to be here, if slightly surreal; it is my first time out of the house for a while.

My name is Tom West. I work for an environmental law non-governmental organisation called ClientEarth. We are interested in the implications of the Bill and trade policy in general on the environment. The way we see it, there are a number of ways in which trade policy can affect the environment, directly and indirectly, in terms of the quality of goods we are trading, but also in terms of how our trade rules affect how able we are to meet our important environmental commitments.

At the moment, the UK has this great opportunity. It has this great chance to redefine and refresh how trade policy is designed. A lot of trade policy is quite old—years and decades old—and was not written in a time when the global environmental challenges, like climate change and biodiversity loss, were understood to the same extent. It is very well established now that there is a real urgent need to take action here. We think there is a chance for the UK to refresh the approach to reflect that and to move us forwards as global leaders in that area.

Q92 The Chair: Thank you, Tom. Can I move now to David Lawrence? Please introduce yourself for the record, David, before we start taking questions. I remind Committee members that we have until 12.10 pm, and then we will need to move on.

David Lawrence: Good morning, everyone. My name is David Lawrence and I am the senior political advisor at the Trade Justice Movement. We represent 60 NGOs, faith groups and trade unions that have an interest in trade issues. Our group has done a lot of work on international development and the relationship between that and trade agreements, but obviously our focus recently has been on post-Brexit trade agreements and the UK's new independent trade policy. We have previously given a lot of evidence on parliamentary scrutiny of trade agreements, which I would like to talk about today, if possible. I also very much share Tom's concerns about upholding environmental standards and using trade in an environmentally sustainable way, so I will touch on that as well.

The Chair: Thank you. I now throw the floor open to questions.

Q93 Bill Esterson (Sefton Central) (Lab): Thank you, Ms Cummins. Good morning, Tom and David. Tom, you just talked about the chance to redefine trade agreements. For starters, can you talk us through the government procurement agreement and the continuity trade agreements? What is your view of what the Bill does in both areas? Do you have any concerns, and is there anything you would like to add to the Bill in those areas?

Tom West: Sure. I will focus on the continuity trade agreements and what is being done there. It is worth saying at the outset that it is sensible to try to roll over and maintain where we are, as a starting point. It is also important to see that as a starting point as to where we are and where we want to go. The process gone through there demonstrates the need for, first, a better approach to scrutiny and oversight for how we conduct and design our trade policy. Secondly, there is the point about saying, "Let's review and refresh." With the continuity agreements in particular, there is a need to put in place mechanisms to review those in due course and to check up on them and say, "Are these delivering the economic things we need from the trade agreements but also,

importantly, the environmental issues that we need to deliver on?" If we want to become a global leader in environmental issues, we need to think about what that means for all areas of policy. We cannot simply rely on directly environmental ways to deliver those. Let's look at those and see: are these the sorts of trade agreements that are working from an environmental point of view? Are they encouraging the right sort of trade and the right sorts of goods and services? And are they allowing us to take the actions we will need to take to fight climate change and reverse biodiversity decline?

Q94 Bill Esterson: Great. Thank you. David Lawrence, could you answer the same question? Perhaps you could share your thoughts on where this relates to the GPA as well as to the continuity agreements?

David Lawrence: Could very quickly remind me what the question was?

Bill Esterson: What is your view of the Trade Bill as it is? Do you have concerns about it, and are there any additions you would like to see made to it?

David Lawrence: As I said earlier, parliamentary scrutiny is a big concern for us. When the Trade Bill was first introduced, which was a while ago now, it was billed as an open conversation on scrutiny and a new framework for how trade could be done, but in fact we see nothing new on parliamentary scrutiny, and so far the Government have not seemed to be very open to having that conversation or to listening to proposals for how scrutiny should operate. That is not just our concern; it is shared by a lot of other NGOs and businesses, and indeed by many MPs. The UK currently uses a pretty archaic form of treaty scrutiny that dates back to the first world war. It was designed to deal with secret defence treaties between European powers. Today's trade agreements are a million miles from that. They cover a huge range of policy areas—from food standards and environmental regulations, to NHS prices and digital services. We think it is completely inappropriate to expect that MPs should have no say in how those deals are made.

It is also worth noting that that is an issue that many members of the general public are concerned about. If you think back to the Transatlantic Trade and Investment Partnership, or TTIP—the proposed EU-US trade deal—you will see that one of the reasons it collapsed was that people were not happy about the idea that these important talks were happening behind closed doors and that their own elected representatives did not have much of a say over them. In Westminster, MPs have less of a say over trade deals than MEPs in Brussels or, indeed, Members of Congress in Washington DC.

If I am honest, I think lots of people would be quite surprised and shocked to learn that their own elected MPs do not have a say over these trade agreements, the new deals we are doing with the EU, the US, Australia and Japan, or the new ones announced yesterday. It is not clear who people are meant to write to or who represents them and their interests when they are concerned about how these deals might affect their livelihoods, the food they buy or, as Tom mentioned, environmental standards and principles.

For us, scrutiny is an absolute priority. We also want to use trade to maintain high standards. We have concerns about the GPA and the way that public procurement works, but scrutiny is absolutely the priority. If we do not have that, there is no way Parliament can make sure that trade in the future meets with those high standards, and there is no democratic representation or transparency.

Q95 Bill Esterson: David Lawrence, you mentioned the GPA briefly at the end. Can you say what those concerns are about public procurement?

David Lawrence: There is a scrutiny concern that is specific to public procurement as well—making sure that Parliament has a role, that there are democratic processes involved—and there is a standards concern to ensure that procurement can be used in a way that maintains standards. The Government have this levelling up agenda and the idea that post-Brexit Britain will support parts of the country that are not doing so well economically. Procurement is an opportunity to support those areas as well. As we have seen with covid, all sorts of big questions are raised around global supply chains. One of the immediate effects of covid was countries putting in place things like export controls and wanting to localise their supply chains. Procurement is one of the many tools that Governments can use to support local industries in that way and to maintain standards. The more that Parliament has a say over that process, the better.

Q96 Bill Esterson: Thank you. Just a follow-up question to both of you: what scrutiny system would you like to see in place?

David Lawrence: From our perspective, there are four elements to an ideal scrutiny procedure. First, before negotiations begin, we think there ought to be a full debate, with a vote on the negotiation objectives, and that ought to be written into law. At the moment, the Government can grant a debate, if they want to—and they have done so, at very short notice, as some of you will remember, I am sure, on the US objectives and the EU objectives—but we want a guaranteed debate and vote on the objectives. Secondly, during negotiations, there should be regular reports back to Parliament on the progress of those negotiations, and, ideally, publication of texts from each negotiation round. That is a practice that is done elsewhere: the EU has updates during negotiations. As I am sure all of you are aware, MPs are very much left in the dark. At the moment, US and EU negotiations are going on, but we rely on leaks, essentially, and reports from Brussels or from DC because there is no formal process for reporting back.

Thirdly, after negotiations there should be a debate and a vote on the final deal to approve it. Again, that is something that happens in the US Congress and in the European Parliament. We do not have that guaranteed. The only way we can get a debate and a vote on a trade agreement is if the Opposition force a debate on it during an Opposition day within a 21-day sitting period. As you all know, it is not guaranteed that there will be an Opposition day that falls in that period, and if there is, the Opposition may decide to use it for other things. The Government are proposing a lot of new trade agreements, so the current system is not reliable in terms of ensuring that debate and vote on the deal.

Fourthly, throughout this whole process we would like to see public consultation and independent impact assessment. There have been some half-hearted attempts at that. I sit on one of the expert trade advisory groups

at the Department for International Trade, but there is not a well-established, formal process of consultation with actual trade agreements where businesses and NGOs are brought in to comment on and critique the trade agreements themselves. We have not seen that happen yet. Again, that is something that happens in other countries, but the UK is very much behind on this.

Q97 Bill Esterson: Before I get Tom West to answer, I have a question for David Lawrence. You talked about the importance of the publication of the negotiation text at the end of each round. Why is that so important? Indeed, why is the process you outlined so important? What sorts of things can go wrong if the level of scrutiny you described is not in place?

David Lawrence: It is about public trust. We saw in the TTIP negotiations a lot of distrust that ultimately led to the deal falling apart. If you wanted TTIP to happen—if you want these trade agreements to work—you need the public behind you. If there is not transparency, there will be conspiracy, leaks, theories about what is being discussed, accusations and a lot of uncertainty. That is why it is something that businesses and NGOs are united on: regardless of your view on whether the specific trade deals are good or bad for the economy or society, at least if you have transparency, you know what is being discussed and what is on the table. That is why we are pushing for it, and we have joined the British Chambers of Commerce, the International Chamber of Commerce and the CBI in pushing for that level of transparency. It has been a source of frustration, not just among civil society but also among businesses, that these important deals are supposedly on the way but we do not know what is being discussed at the moment.

Q98 Bill Esterson: Thank you. Tom West, would you like to add to what David Lawrence has said?

Tom West: We are supportive of the asks and processes David outlined. Greener UK, which is a coalition of environmental organisations, is also a signatory to the document David mentioned. I will just add some extra things around the side.

First, once a trade deal is in place and up and running, there is a need for ongoing scrutiny and involvement of civil society in making sure it is being implemented in the right way. That is crucial looking forward. Secondly, to give a bit more clarity as to the value of this, within the environmental sphere, the value—in fact, the necessity—of public participation is long recognised. The Aarhus convention 1998 enshrines in law that the public must be engaged in the design of policies related to the environment. It is true here as much as in other areas: by involving the people affected by the policies, you get better policies and better buy in.

There is another interesting point on the value of this. Last year the US negotiators said, "Look, we can't refer to climate in our negotiations". They were able to point to an Act of Congress and say, "Our hands are bound here. It's impossible for us to do this". In that way, a steer and an instruction from Parliament can strengthen our negotiating arm. As I have said, our vision is that the UK uses its blank sheet of paper on trade policy to align its trade policy with its global environmental ambition. Let us get that clear and written down so that our negotiators can point to it and say, "The conversation that we want to have—and, in fact, that we need to have—is around robust implementation of the Paris agreement, meeting our environmental goals".

Lastly, David mentioned the need for public support: this matters to the public and they care. For me, this goes to the question—and annunciating—what are we going to get from these trade deals? What is the benefit and value to people? That is very much part of the question and review of what our trade policy is for. We have seen various estimates of what a US trade deal might get us, for example, from an economic point of view. The figures sometimes are relatively small. I have seen some say that the benefit in reduction in tariffs might amount to £8 per household per year. If that is the case, we need to understand what that will do for us and what other benefits we might be able to get from a trade policy that is more closely aligned with our environmental ambitions.

Q99 David Johnston (Wantage) (Con): Both of you have talked about the US and the deal we have with them, but this Bill is about the continuity of agreements that we already have through the EU. If I understand your criticisms correctly—you can correct me on this—you are saying, Tom, that the agreements we have had through the EU have not been good enough for you, and David, you are saying that agreements we might do in the future with Australia and the US and so on may not be good enough for you.

First, given that this is about continuing agreements that we already have, if we sought to change them, they would not really be continuity agreements anymore. Secondly, could you both talk about the counterfactual? If we did not have this Bill or the continuity agreements, what would be the consequences for this country and for those countries in the developing world with which we are seeking these agreements?

Tom West: I think it is right to say that the Bill itself is focused on those continuation agreements, but in some ways that is symptomatic of the wider problem I am talking about in terms of the lack of an approach that says, "Let's review and revisit what our trade policy is for and how it should be designed," with an eye, in particular from our perspective, on what that means in terms of delivering our climate and environmental goals. As a first step, yes, we need to take those sorts of measures and it is sensible to do so, but that is just a first step. That, in and of itself, cannot be the full range of what we should be seeking to achieve when it comes to our approach to trade. However, taking that more ambitious approach requires putting in place certain mechanisms and frameworks. We are talking about scrutiny processes as a key part of that and, in addition, frameworks that seek to guarantee that, through our trade deals, we will be protecting and supporting our delivery of environmental goals by making sure that we retain our right to regulate in environmental matters and doing that thoroughly; that we have non-regression in environmental standards and a meaningful and enforceable commitment to non-regression; and that our import standards match up to our environmental goals.

Q100 David Johnston: For absolute clarity, would you say that the EU falls down on those areas at the moment?

Tom West: I think that the EU's approach to trade needs improvement, yes. This is not just about trying to replicate what the EU is doing in any of these areas. There is scope to do things better, to use this new power to conduct our trade policy in new ways where we can be a world leader and use our seat at the WTO to say, "There is a better way to do these things," and that is a great opportunity.

David Lawrence: Can I just add to that? There are issues around the substance of the agreement, but you can improve the scrutiny processes without necessarily changing the substance of the roll-over agreements, while recognising the importance that those deals are rolled over the before the transition period ends. We work closely with Fairtrade and Traidcraft, which are two of our members. They have direct links to lots of the countries that have the EPA trade agreements—economic partnership agreements—with the EU that are being rolled over. There is a tension because a lot of countries want to change those EPAs—they see Brexit as an opportunity to renegotiate those deals—but there is also a desire for those to be done in time. Our hope is that those things are not completely incompatible and that you can have a new Bill, like the Trade Bill, that implements these agreements while also having a process of scrutiny and an opportunity for countries to reform EPAs where necessary.

In terms of the scope of the Bill, the Bill is about roll-over agreements. It is also about the creation of a Trade Remedies Authority and acceding to the government procurement agreement. Both of those latter two things are about future trade policy. They are not just backward looking—"We need to make sure those things are rolled over". They are also about the UK's new trade policy. That is why, for the previous version of the Bill, a number of amendments that were ruled in scope, both in the Commons and in the Lords, were about why the scrutiny process is not just for roll-over agreements but for new agreements as well. Indeed, some of those amendments were successful in the Lords. There is an element of, "If not us, then who, and if not now, then when?" about it as well, because the Government are not proposing any alternative trade legislation at the moment.

This is the only legislative opportunity, as far as we know, to put in place these scrutiny provisions. If the Government want to bring forward a trade framework Bill, or something else where there is an opportunity to have a proper conservation about scrutiny, then fine, but in the absence of that, this Bill should be used to put in place those scrutiny procedures, as with the previous Trade Bill.

Tom West: If I may add to that quickly, this lacuna that David and I are both describing, in terms of where is this bigger picture of trade policy, comes through in the conversations on the Agriculture Bill as well, where the issue of food import standards is, quite rightly, an important topic for debate. We are saying that what we do around our import standards is going to matter. It will matter for British farmers, but for our environmental impact and overseas footprint too.

Our view is that the Government clearly need to act to put in place those manifesto commitments to not compromise on environmental, animal welfare and food standards. We have seen statements in the media in the past around the Trade Bill being the right place to do this, but at the moment there is nothing in the Bill about it. The Agriculture Bill provides that opportunity as well. Clearly, there is a need to do something on import standards. That is true of food import standards, but it is true more widely as well. It is not just food that we are looking to import, and we need to make sure that that approach is compatible with our domestic environmental ambition and our global environmental ambition too.

Q101 David Johnston: Could I just push you quickly on the second part of my question, which was on the consequences of not having these continuity agreements? I have heard all the things you would like to see in the Bill and all the future standards. I accept those points from you. What would happen if we did not achieve these continuity agreements that the Bill is designed for?

Q102 The Chair: Can I ask the witnesses to be concise? I have quite a few Members who have declared that they want to ask a question.

Tom West: We have not run the counterfactual of saying what would happen if these had not gone in there. Overall, the idea of continuing those agreements for now, and then looking at them in the round later on, is an approach that makes sense.

David Lawrence: Yes, I agree with that. The Bills both need to pass before the end of the transition period in order for the deals to be rolled over. We are in agreement on that. The question is whether you can do that, while also having better scrutiny and setting in stone better standards for the future.

Q103 Gareth Thomas (Harrow West) (Lab/Co-op): One of the areas of contention is whether the Bill should be wider in scope to include all free trade agreements. Obviously, the most high-profile free trade agreement in negotiation that is happening is the US deal. Can the two of you set out your concerns about the potential UK-US deal? Secondly, one of the other potential continuity deals, which has been controversial in the past, is with Canada. Can you set out your concerns on the potential UK-Canada deal?

Tom West: Starting with the US deal, we are concerned about the attempts and the approach from US negotiators, particularly around agriculture and food standards, to change the way the UK currently regulates and legislates in that area. It is clearly set out in the US negotiating objectives that they want to open up UK markets to US agricultural products. Our view is that in many areas those are produced to lower standards than is currently allowed here in the UK.

That also raises the indirect effect that trade deals can have on environmental standards, which is incredibly important. Trade rules can place restrictions on what it is that countries can do to meet their environmental goals. Our view is that achieving environmental goals is a good thing do—it is of value in and of itself—and that trade rules should work within that framework. Limiting what we can do, in order to achieve certain trade goals, is a restriction that we should not have in place.

To go back to the specifics of the US deal, another area of concern is chemicals. Currently in the UK, there are more than 1,300 chemicals for use in cosmetics that are not allowed; in the US, that is around 11. I think that demonstrates the stark difference between the regulatory approach in the US and the current approach

we have here. While the UK now has the chance to do things differently—I am not saying we must stick to EU ways; that is not necessarily the approach we need to be taking—we do want to make sure that our standards get better and not worse.

David Lawrence: In terms of the scope of the Bill, I do not think what we want is for the Trade Bill to become a big debate about the US trade agreement, but we do want it to be a debate about scrutiny. If you have those scrutiny practices in place, when the US deal comes round, Parliament can actually debate that properly, rather than relying on the occasional parliamentary question or a Backbench Business debate, which is what currently happens, even though it is on the Government's own terms for really important big trade agreements.

I completely agree with what Tom said about standards. The key thing here is that there are two dominant regulatory regimes in the world—the EU's and the US's. In many ways, Brexit will force the decision about which of those regimes we align with. Something that we have called for—I believe Tom and ClientEarth have called for it as well—is sequencing, whereby the EU deal comes first. We sort out our relationship with our largest trading partner, with whom we are already aligned on so many things and have been for so long, before we negotiate with the US, because the US really do want us to align with their regulatory regime, as Tom said.

You mentioned Canada. Canada and Japan have both asked not to renegotiate their existing terms, but essentially want to seek new free trade agreements with the UK. They have also both emphasised that they want the UK to sort out its relationship with the EU first, because historically the UK has been a springboard, particularly for Japanese investment in the European Union. For a lot of our trading partners, sorting out our relationship with the EU is an absolute priority. We have said let us do that first and then we can think about new trade agreements, such as one with the US.

There are a number of other concerns with the US deal. I will not go into huge detail on that unless you want me to, but we have concerns around public services provision, digital services and regulations in a number of areas, not just the environment, but also health regulations and food standards; we are also concerned about investor protection provisions, because we have seen that those have been used in really damaging ways in other US trade agreements, such as NAFTA. Those are some other concerns we have about the US deal. As I have said already, the real priority is scrutiny, because then we can have that debate properly in Parliament.

Q104 Gareth Thomas: I just want to ask about Canada.

Tom West: So, as David was talking about, there is this point about the two big regulatory spheres of influence. Canada is very much close to that US sphere and so, while there might be less of the direct issues, we see that stepping-stone effect.

One extra thing to add is that there are approaches that the US takes in its trade agreements and trade deals that are clearly better than what the EU is doing. Around enforcement, for example, some of the approaches that the US will often take include better enforcement mechanisms for environmental provisions in trade deals. Looking at the different approaches is certainly worth considering.

Q105 Fleur Anderson: I have a question for each of you. The question for David Lawrence is about scrutiny. You talked about the addition of scrutiny. Do you see any downside to adding in that additional level of scrutiny, particularly for developing countries, but also for British businesses and workers?

For Tom, a recent High Court decision about Heathrow airport ruled that we could not have Heathrow airport because it was counter to the Paris climate agreement. Are there risks if we do not put extra environmental standards in the Bill that future trade agreements will be brought into question, as that national policy statement was?

David Lawrence: In terms of downsides to scrutiny, we are very much calling for scrutiny and I do not think there are any really obvious downsides. As I said, it is an area where, perhaps unusually, we are very much aligned with the private sector. A lot of businesses are also calling for similar things.

In terms of developing countries, as you will know very well, Fleur, there are a lot of organisations in the UK representing the interests of developing countries and a lot of foreign aid organisations who would like to be able to see what is going on in trade negotiations and be able to represent those interests to MPs, but at the moment there simply are not those scrutiny proceedings in place. Obviously, the process of scrutiny takes time, so maybe it would slow things down a bit, but on the long-run game of improving public trust in what the Government are doing and public understanding of how trade deals work—where they are beneficial and where they are potentially harmful—it is absolutely worth having those additional scrutiny proceedings in place.

Tom West: The Heathrow decision is a really good example of how important it is to make sure that all of our policies are compatible with our environmental goals. While we might not get a direct read-across in this case here, what it does demonstrate is that we need to make sure that what we are doing in all areas is compatible with meeting Paris and our other environmental goals, too. We have got net zero and an Environment Bill that could provide a framework for some ambitious targets, and we need to make sure that that is compatible. Making sure that we have got that clear framework in legislation will necessarily help with that.

Q106 Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): This is a question for you both. David, this will reflect on your serious concerns about the inability of MPs to have scrutiny or to amend the Trade Bill. In fact, I think you said the public would be shocked to learn that their MPs do not have a say over these trade deals. Following on from that as a natural progression, what concerns, if any, do you have over the ability of elected Members in the Scottish Parliament and the other devolved Assemblies to influence items that are normally devolved competencies within the Trade Bill?

David Lawrence: We have very similar concerns in relation to devolved nations. It is obviously tricky because you do not want to necessarily end up in a gridlock situation where an entire UK-wide trade agreement is blocked because one of the nations has a veto, but at the same time there will be parts of trade agreements that primarily or only affect the industries in the devolved

areas and that cut across regulations that are normally devolved competencies. In those areas, we would like that to be the decision of the devolved authorities. Obviously, there is a role for consultation throughout that, as there has been through the Brexit process. I know it has not been handled perfectly in the Brexit process.

More generally, it is about applying the normal standards of democratic scrutiny that we would expect for other areas of domestic legislation to trade agreements, in recognition that trade agreements have a large and wide-reaching domestic effect. If the Government want to build a new railway like HS2, they have to put it in a Bill that has all of its Commons stages, layers of scrutiny and Committees like this one, and then it goes to the Lords and it comes back again. It goes back and forth, the media get involved and people write to their MPs about it. That is just for a railway and this is for a trade agreement that, if the Government are to be believed, is central to the UK's post-Brexit industrial strategy, and MPs do not have anywhere near that level of say over it. So what we are calling for is similar to the way in which other regulations and big projects and proposals are treated with the level of democratic scrutiny that they receive.

Tom West: Yes, I agree. With environment, agriculture and fisheries all being devolved, this is obviously really important to our concerns, too. Clearly, there is a need for better mechanisms to be in place to make sure that the four Governments of the United Kingdom can work together to have the appropriate conversations about how we are going to work these things out. It is not straightforward exactly how it will work, but clearly it needs to be done so that the devolution settlements can be respected, and, as David says, so that the proper democratic input into trade agreements can be had.

The Chair: If there are no further questions from Members, I will thank the witnesses for their evidence and we will move on to the next panel. Thank you, David and Tom.

David Lawrence: Thank you.

Tom West: Thank you.

Examination of Witness

Sam Lowe gave evidence.

12.10 pm

Q107 The Chair: We will now hear oral evidence from Sam Lowe from the Centre for European Reform. Sam, we are doing this remotely so you are on audio. I am Judith Cummins and I am the Chair of the session. I will not be putting questions to you but I will call Members forward to ask questions of you and inviting you to speak. For this session, we have until 12.35 pm. Can you introduce yourself, Sam? Thank you and welcome.

Sam Lowe: Thank you for inviting me. My name is Sam Lowe and I am a senior research fellow at the Centre for European Reform, a think-tank. I am also a member of the Strategic Trade Advisory Group.

The Chair: Thank you, Sam. I call Bill Esterson.

Q108 Bill Esterson: Good afternoon, Mr Lowe. Thank you for giving evidence. Can you talk us through your view of the Bill? Perhaps you could say a bit about the provisions on the GPA and the continuity trade agreements and how you see those provisions, whether you have concerns about them and whether there is anything you would like to see added to the Bill in either of those sections.

Sam Lowe: The first thing that I should say is that I think the Bill is necessary; there is a need for continuity when it comes to the UK's trade relationships with third countries. Looking at the provisions for the government procurement agreement, I can see why there might be some concerns about the powers given to the Executive to alter things in future, but I also understand why the provisions are there, in that the government procurement agreement will evolve over time, new members will accede to it and there will be a need to update it.

Specifically on the continuity agreements, there are a few points that I would like to make. First, I am not sure that the scope is fully understood, in that it maybe covers more agreements than people think. As well as the ones that we all know about, for example Chile, Jordan and the like, it also covers Singapore and, to my reading, Vietnam, which was signed by the EU in June 2019. That is something that should be considered.

When it comes to the broad categorisation of continuity, I have a few questions. I would probably recategorise the agreements. I would start with category 1, which is the pure continuity agreements where there are just minor changes to be made. I am thinking of Chile, Israel, Jordan, Lebanon, Faroe Islands and the like. I would also include South Korea stage 1 in that box.

My second box would be the agreements that are continuity agreements but will be substantially different from what exists within the EU. Those are the agreements with Norway, Iceland, Switzerland and Turkey, and I would probably add Ukraine to that box as well. Because the existing relationship is so contingent on our EU membership, there is no doubt that the future agreement we have with them will be substantially different from today.

The third category are just new agreements, because we have decided that they cannot be rolled over and we are set to renegotiate them. That would be Japan and Canada. I would also put South Korea stage 2 in that box, in that the South Korean roll-over agreement contains a commitment to consider renegotiating after three years, but it also contains a poison pill that means that we will inevitably have to, because the rules of origin provisions that allow for EU inputs into UK goods to continue to qualify for the agreement's local content provisions expire after three years. In that case, it will be a renegotiated new agreement.

As to whether I think the Bill is appropriate in its coverage, I think for box 1—pure continuity with minor changes—it is fine. For box 2—continuity but with big changes—I would say that it is probably still fine. There are obviously some concerns that they will change substantially, but those agreements are ones where we probably need to prioritise continuity over all else. In box 3, to my mind, they are new agreements, so I am not sure why they will be covered by a Bill that is focused on continuity—particularly in the case of Japan, where we have seen new objectives and even statements that we want to go beyond the EU's existing agreement.

I would conclude with the need to consider the counter-factual. What we are discussing here is not necessarily the whole trade agreement; we are discussing how we

deal with the implementing legislation accompanying the trade agreement. If we think about what that covers in practice, we are largely just talking about procurement and perhaps some issues on technical barriers to trade—that is it. In practice, we are probably talking about fairly minor changes in this space.

In the grand scheme of things, I suppose the question we are asking ourselves is: would slowing this down for everyone in order to do this via primary legislation add sufficiently extra scrutiny on the whole? I am not convinced it would, considering that it is ultimately still a yes/no decision either way. Parliament is not going to change; it just has to decide whether it wants it. Here is where I think it speaks to the bigger issue, which the Bill does not address but is hard to ignore. I listened to some of the first panel, and they touched on it. Parliament's role vis-à-vis trade policy is incredibly limited; it is largely an Executive competence. Parliament has very little influence over what trade agreements look like, and very little ability to object to them if it comes to it.

Q109 Bill Esterson: Thank you very much for such a comprehensive opening. I want to ask you about what is and is not a new agreement, but in the context of what has already happened. I think I am right in saying that something like half the agreements covered by the Bill have already gone through. Are there concerns about some of the things that happened in those agreements? As some agreements have already gone through without the Bill, is the Bill needed in order for the remaining agreements to be negotiated and to pass?

Sam Lowe: The question of whether it is needed is a very good one. I am not sure I can actually answer it. You have just acknowledged that some of the agreements have passed. I suppose it is required, in that there might be a need to get some legislation through very quickly at the last minute if some of these negotiations drag on, so there is an issue there. Your first point was about what is in the agreements.

Q110 Bill Esterson: Are there any concerns about what has gone through in the agreements that have passed already?

Sam Lowe: I cannot confess to have looked at the text of every single one, but one of the concerns that had been raised was that there was an issue about whether the tariff rate quotas will have been changed in a specific agreement. When I looked at Chile in this case, the changes that had been made did, to my mind, make sense. For me, the most interesting point about some of the continuity agreements is the approach to rules of origin, which I mentioned earlier. It is the process by which a product qualifies for tariff-free trade under a trade agreement, dependent on the amount of local value added. As the UK has an issue, which is that in many sectors we do not create enough local value added to qualify for free trade agreements under normal rules of origin-type provisions, we have inserted conditions that allow for EU inputs to continue to be accounted for—either indefinitely in the case with Chile, or temporarily with South Korea. That is not necessarily a concern, but it is interesting. It is actually quite a new approach to rules of origin, and the jury is out on whether it is WTO-compliant. I probably lean towards it being compliant, but I have certainly heard counterarguments.

Q111 Antony Higginbotham (Burnley) (Con): Mr Lowe, that was really helpful, thank you. I want to turn to the Trade Remedies Authority, if I may. Can you outline your thoughts on whether there are any downsides to our having a Trade Remedies Authority and joining the global rules-based system? If we did not have one, what might be the impact?

Sam Lowe: Sorry, you cut out at the end.

Antony Higginbotham: It was just about what the impact of our not having a TRA might be. Have you given any thought to that?

Sam Lowe: We do need a Trade Remedies Authority. As it stands, this is dealt with at EU level, and when it comes to disputes over trade—be it because we are worried about unfair subsidies abroad, or worried about products being dumped on our markets or being sold at an artificially low price—we need a means to investigate and remedy them. In the interim, I believe the approach is that following our exit from the transition, we are just going to continue with the EU trade defence measures. However, those measures might not be justifiable if we are only taking into account the UK context, so they are all going to need to be reviewed.

I do have some concerns about the practicalities of the Trade Remedies Authority. First, I believe it has lost two provisional chief executives already, and it is still looking for a new one. Secondly, speaking as someone who comes from south Wales, from Llanelli—I am not an "everything needs to happen in London" person—I am not convinced that it was a sensible decision to put it in Reading and offer the salaries it does when it is trying to attract trade lawyers with vast amounts of experience. My fear is that it will create a false economy: we will end up paying law firms to do it all for us for a while as we build up the internal capacity, and then because of the pay constraints, the people who have learned how to do the job will be able to leap into these law firms to get paid a lot more. That may point to a broader problem with retention in the civil service.

Q112 Gareth Thomas: Mr Lowe, thanks very much for coming this morning. Could you talk a little bit about the difficulties there have been in getting continuity agreements with Japan and Canada completed, and what big issues you expect to arise with these deals, which you described as effectively new trade deals?

Sam Lowe: Canada is a long story, in that it links back to the previous iteration of the Government's no-deal tariff schedule and its publication. When we put forward a tariff schedule that was very liberal and offered a lot of access to everyone, the Canadians looked at it and said, "We do not want to roll over any more, because you are giving the whole world for free what we had to pay for via our trade agreement"—remember, they also had to open up their market in that context. I believe that the more recent update to the new global tariffs has changed that calculation slightly on the Canadian side, and will lead to a renegotiation.

The reason that the Japanese were not able to roll it over from a domestic point of view was that from their perspective, they had liberalised their agriculture sector to a great extent over previous years—through their agreement with the EU, through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and also through their more recent agreement with the US.

If they were to roll the agreement over to the UK, they would be giving extra agriculture access to their market on top of all that, but for free. That was just not politically doable within the Japanese context, so it led to the need for this renegotiation.

Turning to the contentious issues, I suppose that with Canada we could return to some of the TTIP issues around investment all over again. That is also the case with Japan. I think both those deals are probably doable by the end of the year under certain circumstances, but you will notice that the UK has had difficulty replicating agreements with the bigger countries. It has not been so difficult with some of the smaller countries, but if you think about the ones that have not been done yet—Japan and Canada, but also Mexico and Ukraine—many of those countries want to be certain of what the future UK-EU relationship looks like, and what concessions the UK offers the EU, before finalising anything with the UK.

The Chair: We have until 12.35 pm for this session, and three other Members want to ask questions, so it would be good if we could keep questions and answers quite concise.

Q113 David Johnston: Sam, this is a question I asked some of the witnesses earlier in the week, when we heard from representatives of the steel and chemical sectors and elsewhere. Do you think there are there particular countries with which it is especially important that we achieve continuity agreements, and particular sectors for which it is particularly important we achieve them?

Sam Lowe: Yes. In terms of countries that require continuity, Turkey is quite a good example: we currently have supply chains that run out of the UK into Turkey and back. I think particularly the automobile industry has some exposure here. This is a really tricky one, in that we are currently in a customs union with Turkey via our membership of the EU and, unless we are in a customs union with the EU, which is obviously not Government policy, we are going to be unable to replicate that relationship with Turkey. When it comes to the future trade agreement with Turkey, at least on the tariffs level, the most we can expect is for it to match what we have agreed with the EU. That, of course, would be better than not having a trade agreement; but the benefit of being in a customs union is you do not need to worry about rules of origin. So all of a sudden this becomes a slight issue with Turkey, and it is why I put it in my second box earlier, of being a continuity agreement but with big changes.

Of course the other ones that really do, probably, matter are Switzerland and the EEA countries—Norway, Iceland—in that we have quite deep trade relations with them now, as we are part of the single market. That will obviously, again, change quite substantially because of our decisions over our relationship with the EU.

Another country that does matter, and I believe it has been resolved—I do not want to say certainly, because I do not have a list up in front of me—is South Africa, in that we actually have automobile supply chains that run through South Africa. There we have a different problem, in that it does not achieve the same for the companies as now; we currently export products to South Africa—inputs to South Africa under the EU-South Africa agreement—that are put into, say, a car there and then sold back into the EU under the preferences of the agreement, because the UK-based inputs can qualify as local to South Africa under something called bilateral cumulation. That will cease to exist under the new agreement.

The point I would make is that all the agreements are going to change. I have just, in my head, got three different categories.

Q114 Matt Western (Warwick and Leamington) (Lab): On the TRA, what is your view in terms of what structure it should be—you mentioned the two chairs that we have lost in a fairly short period of time—in terms of the make-up and the origin, and who approves their appointment?

Sam Lowe: Having read the Trade Bill, I think the approach seems broadly sensible. I do not have it in front of me at the moment, but I believe the Secretary of State approves the chair; and then the chair makes a recommendation on the chief executive, subject to sign-off of the Secretary of State, unless the chair is not there, in which case the Secretary of State does it. I understand it is an independent body to the Government, but it obviously needs to have close ties with the Department for International Trade.

Q115 Fleur Anderson: In terms of global best practice on trade agreements, if there was a ranking system, with nought being no parliamentary scrutiny at all and 10 being maximum parliamentary scrutiny plus civil society involvement, what score or ranking would you give the Trade Bill? What are the downsides of not having much parliamentary scrutiny? Can you give us examples of what things can be improved in trade agreements by more parliamentary scrutiny and involvement?

Sam Lowe: Taking into account the current scope of the Bill, which is to achieve continuity, it is slightly unique in that sense. However, I agree with a comment by an earlier witness: if there is not going to be further legislation to lay down the scope for Parliament's engagement in future trade agreements, it seems to me that it would be possible to expand the remit of the Bill to cover that. I think that is right, in that the Trade Remedies Authority and GPA provisions are forward-looking, so there is no reason why you could not do that as well.

The UK's general approach to scrutiny is very poor. I think parliamentary scrutiny is very poor. Parliament has very little ability to influence trade negotiations or set the agenda of trade negotiations. To my mind, it has—*[Inaudible]*—yes/no vote. Just from a democratic point of view that seems slightly out of order to me, in that, when we compare it with the US or the EU, Parliament at the crudest level has a yes/no option on whether to approve a trade agreement or not. As a result it is much more involved with the process. That is something I should like changed. Of course that is not currently in the scope of the Bill, but if the Government are not going to introduce further legislation, I would understand if the scope of the Bill was expanded.

Fleur Anderson: Would you give that a score, then?

Q116 The Chair: Hi, Sam. Fleur is asking if you will give a score out of 10.

Sam Lowe: The point I am making is that this Bill is not really comparable to other systems, in that it is sort of unique. To score the UK approach more generally to treaty scrutiny out of 10, it would be below five.

The Chair: Thank you very much for giving evidence. If there are no further questions from hon. Members, I ask that we move on to the next panel. We are just waiting to get the technicalities sorted out, so we will suspend for a few minutes.

12.30 am

Sitting suspended.

Examination of Witness

Nick Ashton-Hart gave evidence.

12.35 pm

The Chair: We will now hear oral evidence from Nick Ashton-Hart from the Digital Trade Network. Nick, can you hear us?

Nick Ashton-Hart: I can indeed.

Q117 The Chair: I am Judith Cummins. I am chairing this session. I will not be asking questions but calling on members of the Committee to do so. We have until 1 o'clock for this session. Please introduce yourself to the Committee.

Nick Ashton-Hart: Thank you. I will try to be brief, because it is important for you to have time to ask me things. I am Nick Ashton-Hart, the Geneva representative of the Digital Trade Network, which is a coalition of industry groups throughout the world. I am the focal point for industry on digital economic policy in Geneva. I have been involved in the trade community for more than a decade and participated for about 20 years in multilateral telecommunications and trade policy as it relates to use of the internet.

I am frequently on national delegations and an adviser to countries or groups of countries that are negotiating economic policy. I am also the special adviser on international internet policy for the International Chamber of Commerce in the United Kingdom, although I am speaking to you today in my personal capacity as a trade expert in the field.

Q118 Bill Esterson: Good afternoon, Nick Ashton-Hart. Thank you for joining us. Give us your impression of the Trade Bill as it currently stands. In particular, please concentrate on the elements on the government procurement agreement and the continuity trade agreements. Do you have concerns or are there areas where you would like to see additions to either of those sections?

Nick Ashton-Hart: Thank you very much for the question. Thank you all for asking me here. It is a great privilege and honour, as an immigrant who arrived here in 1986 with £900 in my pocket, to be heard by Parliament.

With respect to the Bill, many of the comments I made about the Bill in the last Parliament remain true. There are some changes in this Bill, but the core of the issue is the road it sets out in terms of consultation on trade policy with not only Parliament, but industry as a whole. In my work, I see how Trade Ministries worldwide relate to stakeholders and how they choose to involve stakeholders in trade policy-making and negotiating.

I understand the argument that the continuity agreements are intended to be as close as possible to and a simple replication of the provisions of the agreements that you benefited from via membership of the EU, and that consultation is not necessary because of that fact. As I said in 2018—and this remains true—these are not the same agreements. At that time, we did not have any of the agreements rolled over, if you will, so we assumed that they would not be the same agreements. Based on my experience in trade policy, nobody makes exactly the same deal with a smaller party that they did with the larger party, because it is not in their interest to do that. In this case, we have even more reasons.

As an example of how these agreements are not the same, I offer up the Swiss agreement. There are 20 mutual recognition chapters of the Swiss-EU agreement. The UK-Swiss agreement has only three, because Switzerland cannot agree that our regime is equivalent unless we continue to apply the EU regime, as the Swiss-EU agreement requires that. So, 24% of the UK's exports and 16% of imports in that deal are not covered currently. That is also true in the agreement on customs, so UK goods will not be expedited through the Swiss border in many cases as a result.

Therefore, these are fundamentally not the same agreements, yet they are treated, in terms of consultation with industry and Parliament, as if they are, when they are materially different. It is like anything else—if you start out on a road, you want to make sure that the destination you are heading towards is the destination you want to reach. I think that, as a country, the destination we should want to reach is that the country as a whole buys into the arrangements for trade policy that the country proposes to make.

While I accept that in February 2019 the Government's roadmap for consultation with Parliament and with civil society and the like began to approach what we would consider a more standard relationship, I offer this comment to Committee members to consider. If you are negotiating with another party about economic affairs, the reason why you want industry to have a close relationship with you when you are doing that is because industry has relationships with industry on the other side—in the country that you are negotiating with. Industry can then help you to gain support from industry in your negotiating partner for the provisions that you are recommending, which are also in the interests of industry in that other country, or negotiating partner. If industry is not a close collaborator with you throughout the negotiating process—not just in setting up the terms that you are looking for before you negotiate, but throughout the negotiation and ratification process—you are robbing yourself of a key element that will help you to negotiate a successful outcome.

That is just as true when you are dealing with issues such as the GPA as it is when you are dealing with regular free trade agreements, or regulatory co-operation agreements, which are not really discussed that often but are fundamentally important—financial technology bridges, or FinTech bridges, and the like.

That is the key thing that I have heard from industry, and the key thing that I have seen is that the continuity agreements are taking longer to reach than had been thought. I wish I had been wrong about some of my predictions back in 2018; unfortunately, pretty much all

of them have turned out to be taking place. These agreements have been more difficult, they have been more different and there are gaps in coverage. Of course, all of that is not terribly surprising, but despite the knowledge that industry and other stakeholders were right when they said that more consultation was needed, the Bill still does not provide for that consultation to take place, which is a real lack, and an opportunity that should be seized.

The consultation should not be seen as a negative; it should be seen as a positive. These agreements will last longer than they are expected to, and the successor agreements to them will take longer to negotiate than is estimated, because there is one thing that you can guarantee about a trade agreement negotiation process and it is that the target date for finishing it is not the date you will finish. You will definitely finish at some later point than you predict. That has proven true for us with these continuity agreements, which is not a surprise to anyone in the trade community.

Hopefully, that is not too long an answer.

Q119 Bill Esterson: That was very helpful. You mentioned the Swiss-UK agreement, and the differences in the mutual recognition chapters. Are there other agreements where there are similarly big gaps between the agreement that we are party to as members of the EU and the agreement that we have now signed with a partner?

Nick Ashton-Hart: First, I should say that you will have testimony from other witnesses who will have more knowledge of all the continuity agreements than I do. As you know from our conversations, I am a services guy, so I tend to focus on services and digital services.

As is the case in the Norwegian agreement, we will find that in any third-country agreement we try to make, the EU will quite naturally have made conditions on that country's negotiations with additional third countries—the regulatory choices that the third country has with other parties with which they negotiate, other than the EU, are constrained by the agreement with the EU.

When it comes to regulatory chapters in trade agreements, there are really three major powers: the US, the EU and China. We do not have the regulatory freedom to determine, on our own sovereign nature, exactly what we do. Ultimately, we will adopt one of these three—we are smaller, and that is how it works. Big blocs carry the weight and tend to get more of what they want than do smaller parties. That is true of negotiating for anything in life. Anyone who has bought a car or a house will realise that those things stay the same. We will find that the choices that other countries are allowed to make in terms of their agreements with us are constrained by their deals with the great powers.

Q120 David Johnston: Nick, could you talk about the importance of the GPA for the digital services sector, and in financial terms?

Nick Ashton-Hart: The GPA is its own special animal. You will already have had descriptions of it, so I will not describe it. The GPA is a pretty loose agreement, and you can decide what you want to include within it and what you want to exclude. In theory—actually, in reality—it offers access to large amounts of potential supplies to Governments around the world, because Governments are major purchasers of everything. There are many conditionalities on that, and we will get less out of it than is suggested by the headline numbers, because of the flexibility of the arrangements and the scheduling. Countries, naturally, often like to sound more open than they are in this area.

I know of a certain European example: a major trading partner of ours in the EU that speaks a language that is not in the world's top 50 most spoken languages has the same commitments on government procurement as does the EU, in terms of market access to third countries. What is not stated, however, is that you must do all of your bidding, contractual work and work with that party in that language that is not in the world's top 50 languages, which quite naturally rules out the vast majority of people and companies in the UK, especially small companies. I am sure that a vanishingly small number of people in the UK speak that language.

So yes, the GPA is important, and yes, it does allow our firms access to many other markets but, looking at the fine print, access is not as simple and straightforward as is suggested. The GPA allows you to say to another country, "You—service provider X—can bid on services with my country." It does not say, "And we will treat you as if you are one of us for regulatory issues." You still need to be able to meet the regulatory requirements as a service provider that a domestic service provider has to meet. That is understandable and reasonable, but if your regulatory system in the UK is not seen as equivalent by that country, you will have to go through the additional step—if it is a regulated service, and many of them are—of being found to be regulatorily compliant with the regime of the country you are selling into. As we know, services are all heavily sensitive to regulation and to regulatory compatibility in third countries that you are selling into. That is why the single market is such a massive enabler of services trade throughout the European Union and its member states.

Q121 David Johnston: In conclusion, despite what you see as its limitations, you would rather see us accede to it than not do so.

Nick Ashton-Hart: Certainly.

Q122 Matt Western: Nick, I just want to concentrate on the digital sector and e-commerce. Do you think there any omissions from the Bill in those areas? I am thinking particularly about what has happened in the last 24 hours with regard to the US pulling back, and about some of the challenges being faced by the WTO on this front. Should there be something in the Bill on that?

Nick Ashton-Hart: We are, as you know, one of the world's powerhouses in services. Part of the reason we are a powerhouse in services is because, in the digital realm, we are also a great power in terms of innovation and firms that have had a lot of international success. Something like 60-plus per cent. of UK trade is underpinned in one way or another by digitalisation, so we are highly sensitive to any barriers to services through regulation, as well as through things such as the free flow of data and data protection.

We know that the agreements will not be duplications, because they are already not exactly the same. To the extent that we can, we should try to ensure that there are liberalising measures associated with at least the fundamentals of digital trade—some arrangements on data protection and on mutual recognition. Of course, that would also require us to stay quite close to the EU

regime on data protection, which I and the industry have strongly argued in favour of. It is difficult, because if you are a negotiator and say, "I want to replicate this agreement, but I want to change one thing," the other side is quite naturally incentivised to say, "Okay, then I want to change another thing." The reality is that everyone will come to this with some changes, because—for many reasons, only one of which I covered—you cannot just copy and paste.

To the extent that we can put in digital measures, we should. It should be a part of the negotiating mandate for those agreements. It may be; I speak to DIT people quite frequently and have not heard whether it is, so I would not like to say whether it is, one way or the other.

Q123 Charlotte Nichols (Warrington North) (Lab): The UK is massively competitive in digital and e-commerce, and we expect it to be even bigger in the post-covid economy. However, I am quite concerned about what future trading agreements mean for online harms, because of things such as section 230 laws in the US on platforms' liability for what they host. Is this an area that you think should and could be covered by the Bill?

Nick Ashton-Hart: I would say that, at the level of principle, it probably should be. This is an example of an area of regulation that is not only economically consequential, but social and politically consequential. It is also not understood very well. The issues around platforms relate to business-to-consumer platforms, and particularly to social media. Those platforms are a tiny minority of the actual economic value of platforms as a whole. Business-to-consumer traffic represents about 10% of a platform's value vis-à-vis the 90%, which is business-to-business traffic.

It is important at a level of principle to recognise that there are sensitivities, but it is also important to recognise that economic policy does not solve social problems and that the hooks need to be there to allow for exceptions, so that social problems can be anticipated and dealt with by the competent authorities that are responsible for them. In economic policy, however, the default is that platforms are a public good in the same way that markets are a public good. We want to facilitate innovation in the platform space, and our economy is a huge beneficiary of that.

The Chair: If there are no further questions from Members, on behalf of the Committee I thank you, Nick, for your evidence.

Ordered, That further consideration be now adjourned. *—(Maria Caulfield.)*

12.56 pm

Adjourned till this day at Two o'clock.