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PARLIAMENTARY DEBATES  
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# HOUSE OF LORDS

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<b>Abbreviation</b>	<b>Party/Group</b>
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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# House of Lords

Tuesday 11 September 2018

2.30 pm

*Prayers—read by the Lord Bishop of Birmingham.*

## Death of a Former Member: Lord Vincent of Coleshill

*Announcement*

2.36 pm

**The Lord Speaker (Lord Fowler):** My Lords, I regret to inform the House of the death of the noble and gallant Lord, Lord Vincent of Coleshill, on 8 September. On behalf of the House, I extend our condolences to the noble and gallant Lord's family and friends.

## Brexit: Financial Settlement

*Question*

2.37 pm

*Asked by Lord Balfe*

To ask Her Majesty's Government what assessment they have made of the extent to which the financial settlement agreed with the European Union will be justiciable, in part or whole, in European Union, national or international legal systems, in the event of the United Kingdom renouncing the agreement.

**Lord Balfe (Con):** My Lords, I beg leave to ask the Question standing in my name on the Order Paper and draw attention to my entries in the register of interests.

**The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con):** My Lords, the Prime Minister has been clear that the financial settlement reflects the UK honouring our outstanding commitments made during the period of our membership. Our estimate, based on current assumptions, is that it will fall within the range of £35 billion to £39 billion. This settlement has been put forward within the context of an overall agreement, under Article 50, of the UK's withdrawal, taking into account the future relationship.

**Lord Balfe:** I thank my noble friend the Minister for his Answer. Do HMG realise that while any doubt remains as to whether the debts owed to the EU 27 Governments will be honoured, no Minister or civil servant in any member state can contemplate the UK taking part in any other activities, such as Galileo, which might add to those liabilities and thus increase the debt that might not in the event be paid?

**Lord Callanan:** Of course we are committed to the financial settlement in the context of the withdrawal agreement, but if we do not have a withdrawal agreement, that commitment falls away.

**Baroness Hayter of Kentish Town (Lab):** Does it? It would be quite nice to hear from the noble Lord whether he really means that it would fall away. But whether or not the Government will honour the commitment they have given, can he confirm that they will honour the promises they made to our farmers, and indeed the recipients of other EU funds—whether structural or research money—to maintain the full amount that they receive from Brussels at the moment?

**Lord Callanan:** Yes, we stand by our commitments.

**Lord Marks of Henley-on-Thames (LD):** My Lords, the December agreement on the divorce bill was accepted by the Minister in his first Answer as settling the UK's existing obligations. Do the Government now accept the Institute for Government's view that if we reneged, the EU could seek redress, if not in the CJEU, then in the International Court of Justice in The Hague, under Article 70 of the Vienna convention? Does the Minister also agree that such a dispute would not only undermine future co-operation with the EU, as the noble Lord, Lord Balfe, said, but trash the UK's reputation for honest dealing and would encourage other WTO members to object to our schedules, which any one of the other 163 members could do?

**Lord Callanan:** Of course, we will respect our legal obligations. We are a law-abiding nation; that goes without question. But there are several conflicting legal opinions as to our liabilities. Your Lordships' House held a committee of inquiry under the chairmanship of the noble Baroness, Lady Falkner, on which I was privileged to serve. Its conclusion was:

"On the basis of the legal opinions we have considered, we conclude that, as a matter of EU law, Article 50 TEU allows the UK to leave the EU without being liable for outstanding financial obligations under the EU budget and related financial instruments".

There are alternative legal opinions—in fact, I have spent the morning reading most of them—but it is a complicated area of law. Of course, we want none of these scenarios to come to pass; we want to reach an agreement. Indeed, we have reached an agreement, and we will honour our commitments within the context of the withdrawal agreement.

**Lord Kerr of Kinlochard (CB):** Did the Minister notice that the head of the NAO has said, formally and on the record, that we will be responsible for paying the bills whether or not there is a withdrawal agreement? Does he accept that the costs of £39 billion are the costs of past commitments, not of future access? They are computed as the cost of the commitments we have already entered into. Is he seriously contemplating that the UK would become a defaulted state?

**Lord Callanan:** At the risk of repeating myself, I said we will honour our legal commitments, but it is a complicated legal area. There are some great legal brains in this House who would, no doubt, want to opine on the matter, but there are different opinions. Ultimately, I suspect this will come down to a matter of politics. We do not want to get into a dispute on these matters and so we have negotiated a settlement.

[LORD CALLANAN]

It is hugely complicated, there are a number of different financial areas involved, but we remain confident that we will reach a withdrawal agreement and meet those commitments.

**Lord Hamilton of Epsom (Con):** Can my noble friend confirm that nothing is agreed until everything is agreed, and that includes the financial settlement?

**Lord Callanan:** Yes, that applies to us. It also applies to the European Union.

**Lord Watts (Lab):** Could the Minister follow on from the earlier question and give some indication of whether an assessment has been made of how much the liability will be for the UK Government if there is no deal?

**Lord Callanan:** We are confident that there will be a deal but, as I said, if there is no deal, the financial commitment agreed to in the context of a deal will no longer apply. As I said, we will meet our legal commitments.

**Lord Butler of Brockwell (CB):** My Lords, as a member of the EU sub-committee chaired by the noble Baroness, Lady Falkner, I can say that the Minister quoted it correctly. There is no enforceable action by law, but the committee never denied that the UK would have moral commitments.

**Lord Callanan:** I hope we will not get into these scenarios. The Vienna Convention on the Law of Treaties 1969 has been mentioned and that might also apply in such circumstances but, as I said, we do not want to get into these scenarios. We are confident that we will reach a deal and as part of that deal we have agreed a financial package.

**Lord Mackay of Clashfern (Con):** My Lords, it will not surprise any of us that there should be differences of legal opinion about this sort of question. I hope the Government will be able to press forward with the best proposal I have seen—the one agreed at Chequers—in order that this becomes a purely academic question.

**Lord Callanan:** Obviously, it is to be hoped that we do not get into any disputes. We remain committed to the Chequers deal; as I said yesterday, we are awaiting a formal response from the EU. We think it is a good proposal, involving compromise on our behalf. We need now to see similar movement and compromise on the EU's behalf.

**Lord Bassam of Brighton (Lab):** The former Foreign Secretary says that the EU can “go whistle”. Would the Minister like to comment on Mr Boris Johnson's remark?

**Lord Callanan:** I think it is best if I stay away from these particular arguments.

**Lord Craig of Radley (CB):** Galileo has been mentioned. Can the Minister give the House any information as to the likely future involvement of this country in Galileo after Brexit?

**Lord Callanan:** This matter is the subject of ongoing negotiation. We have already made a substantial commitment to Galileo but we will need access to all parts of it if we are to continue to participate. That is what we want to do and it is what we are negotiating for. These matters remain subject to discussion.

## D-day and the Battle of Arnhem: 75th Anniversaries *Question*

2.45 pm

*Asked by Lord Black of Brentwood*

To ask Her Majesty's Government what plans they have to commemorate the 75th anniversaries of D-day and the Battle of Arnhem in 2019.

**Lord Black of Brentwood (Con):** I beg leave to ask the Question standing in my name on the Order Paper and draw attention to the fact that I am a trustee of the Imperial War Museum.

**Baroness Goldie (Con):** My Lords, the D-day landings and the Normandy campaign are a crucial part of our history, and the Ministry of Defence will mark the 75th anniversary both at home and abroad. The MoD is working with partners to commemorate this significant occasion in a wholly fitting manner, with veterans at the forefront of the planning. The Ministry of Defence will also be supporting events for Arnhem, for which plans continue to be developed.

**Lord Black of Brentwood:** I thank my noble friend for that Answer. Nineteen forty-four was the turning point of the Second World War, and the exceptionally brave troops who landed on D-day and took part in Operation Market Garden, alongside those who fought at Cassino, were absolutely crucial to the liberation of Europe. My noble friend will be aware that the 75th anniversary of these great battles next year is, sadly, likely to be the last significant anniversary when we are lucky enough to have veterans of those campaigns among us. Does she agree that it is therefore essential that their voices and needs are central to the commemorations, and can she give us a progress report on plans for the British Normandy Memorial, which will record for all time the names of the 22,000 service personnel who gave their lives in the Battle of Normandy so that we might be free?

**Baroness Goldie:** I thank my noble friend, who makes a very important point. The Ministry of Defence is of course mindful of the views of not only veterans but the wider service community as a whole and will remain so for the forthcoming commemorations. On the matter of the memorial, I thank and pay tribute to the noble Lords, Lord Ricketts and Lord Dannatt, who support the Normandy Memorial Trust. The trust has submitted all the many complex details required by the French planners, who are mindful of the sensitivities of a development on this exceptional site. That process, including a public inquiry, is expected to take the remainder of this year.

**Lord Ricketts (CB):** My Lords, I thank the noble Lord for his reference to the Normandy Memorial Trust, of which I am the chairman. I can report to the House that we have secured an inspiring site looking down over Gold Beach, and we will be holding a first ceremony to inaugurate that site, although not yet the full memorial, on the anniversary of D-day next year. Does the Minister agree that a British national memorial bringing together the names of all those who fell under British command, alongside the Commonwealth war graves, will bear an important message to future generations about the sacrifices of those who made our freedoms in Europe today possible?

**Baroness Goldie:** I do agree. None of us will ever forget the momentous contribution made by those who fought and died during the Normandy campaigns, and the unique—it is unique—British D-day Normandy memorial recognises in a fitting manner that enormous contribution.

**Lord Campbell of Pittenweem (LD):** My Lords, I must declare an interest, as my formidable father-in-law, Roy Urquhart, commanded the British 1st Airborne Division at Arnhem. There are two points that I would like to make to the noble Baroness. First, there is already an annual pilgrimage to Arnhem, which has been sustained only because of the generosity and hospitality of the local community. Were there to be a more elaborate event, it would surely be necessary to ensure that the local community was not overshadowed. Secondly, if there is to be any elaborate commemoration, I hope that due regard will be paid to the Polish 1st Independent Parachute Brigade, which suffered grievous losses and whose contribution to Arnhem is frequently ignored.

**Noble Lords:** Hear, hear.

**Baroness Goldie:** I thank the noble Lord, who I think senses from the reaction of the House what an important and relevant point he has made. I am sure these points will indeed be noted and that every endeavour will be made to ensure that the Arnhem commemorations are treated sensitively and appropriately.

**Lord West of Spithead (Lab):** My Lords, as we are talking of commemorations, I am sure that the House would like to remember that 17 years ago today the atrocious attack of 9/11 took place, when more than 3,000 people were killed. I am sure that the House will be thinking of that today.

My question relates to D-day, of which there are many possible commemorations. In that operation, approximately 6,000 Royal Navy and merchant ships were involved. Does the Minister hope that we never have to use that many ships again, and agree that the way to avoid war is to have sufficient ships to make people wary of engaging us in that way, so perhaps we should invest a little more in our military?

**Baroness Goldie:** With characteristic ingenuity the noble Lord manages to engineer a question that perhaps does not relate entirely to the question on the Order Paper, but he makes an important point. The Government

are acutely conscious of the need to ensure that we have the capability to meet future challenges. That is what the strategic defence review has been about and is certainly what the modernising defence programme is about.

**Lord Pickles (Con):** My Lords, 2019 will also see the start of the 80th anniversary commemorations of the Second World War. Will my noble friend consider extending the scheme that has commemorated the award of the Victoria Cross in the First World War with paving stones outside the houses of those to whom it was awarded? It has been an extremely successful scheme, and is a reminder that out of ordinary streets came extraordinary people.

**Baroness Goldie:** I concur in every aspect of my noble friend's sentiment, and I will make sure that these important suggestions are taken back to the department.

**The Lord Bishop of Birmingham:** My Lords, I do not have to declare such a close interest in the name Urquhart as the noble Lord across the Chamber, but I bear the same surname. These events were some time ago. In addition to the very important commemorations which the Church and other faiths fully support and participate in, I encourage the Minister to talk to colleagues in the Department for Education to ensure that they live on in the memory and experience of our young people, so that they understand—particularly in the light of current world events—the consequences of keeping the peace and the mobilisation of great forces.

**Baroness Goldie:** I thank the right reverend Prelate, and I agree with him: history can be very instructive, and there is great wisdom in what he suggests, which has certainly been noted.

## Brexit: No Deal Question

2.52 pm

Asked by **Lord Robathan**

To ask Her Majesty's Government whether their policy towards withdrawal from the European Union remains that no deal is better than a bad deal.

**The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con):** My Lords, we do not want or expect a no-deal scenario. As a result of the significant progress made in negotiations, and the agreement reached at the March European Council on the implementation period, we remain confident that we will secure a mutually advantageous deal with the EU.

**Lord Robathan (Con):** My Lords, I find that answer reassuring. It must be to the mutual benefit and prosperity of both the United Kingdom and our friends and allies in the EU to have a proper deal, but could my noble friend illuminate me on one point? If there were to be some form of division between Northern Ireland

[LORD ROBATHAN]  
and Great Britain—be it by keeping Northern Ireland in the customs union or single market or whatever it might be—would that amount to a good deal or a bad deal?

**Lord Callanan:** The proposed backstop on Northern Ireland is the subject of intense negotiations at the moment. We remain committed to there being no hard border in Northern Ireland and we remain committed to the Belfast agreement, and we are negotiating with those two matters in mind.

**Baroness Ludford (LD):** My Lords, the leaked no-deal alternative to Chequers from the ERG amounts, in the words of the esteemed former Chancellor, George Osborne, to,

“a whole load of other batty ideas from the nether reaches of the Tory Right”,

coming out of the woodwork. He says that they include a “star wars” system and an,

“expeditionary force to retake the Falklands”—

although Argentina is supposedly one of our new trade friends. Can the Government still, with a straight face, give any credence to no deal?

**Lord Callanan:** I cannot comment on the document referred to by the noble Baroness because I have not read it. However, as I have said repeatedly in this House, we do not want no deal. We are negotiating to get a good deal, but a responsible Government will prepare for every eventuality, and we are preparing for no deal through the issuing of technical notices.

**Lord Garel-Jones (Con):** My Lords, while of course it is the case that at this stage no one knows what the outcome of these discussions will be, can the Minister confirm that, just as it was parliamentary statute which authorised the Brexit referendum, as the Supreme Court has ruled, whatever the outcome may be, it must be laid before Parliament?

**Lord Callanan:** Yes. The withdrawal agreement—about which we spent many a happy hour debating in this House—enshrined that in statute. When we have negotiated a deal, it will be put to a so-called meaningful vote in the House of Commons and it will also be debated in this House.

**Baroness Hayter of Kentish Town (Lab):** Many people in this House will be thinking about the D-day celebrations next year, and of course they will be the first since we will have withdrawn from the great lesson of the war which led to the setting up of the European Union.

If there was to be no deal, it is hard to know what would be the most fearful thing. Would it be that 2 million UK citizens living in the EU had lost their status? Would it be a hard border in the island of Ireland? Would it be the sudden VAT rules, rules of origin and tariff checks at the border? Perhaps it will be the faces of the Brexiteers who meant only to blow off the wheels, not crash the whole economy. The Government are saying that Chequers is the only game in town,

but they are throwing millions into preparing for no deal. Will the Minister take a message back to the Secretary of State that Chequers really has no chance of flying and that, by November, we have to have a deal that is acceptable both to Parliament and to our partners in the EU?

**Lord Callanan:** I can agree with the very last part of the statement made by the noble Baroness. Yes, we want a deal that is acceptable to Parliament and acceptable to our partners in the EU.

**Lord Lexden (Con):** My noble friend Lord Robathan referred to the possibility of a division between Northern Ireland and the rest of our country. Will the Minister confirm that under no circumstances—no circumstances—will such a division be permitted?

**Lord Callanan:** I thank my noble friend, but we have made it very clear to our EU partners that their version of the backstop, which would produce a customs border in the Irish Sea, is completely unacceptable to us. That is why the negotiations are still continuing on that matter.

**Lord Watts (Lab):** My Lords, the Minister says that it is unacceptable, but is it not the case that unless a deal is agreed with the European Union, that is exactly what could happen?

**Lord Callanan:** I can confirm that unless a deal with the EU is agreed, we will have no deal.

**Baroness Redfern (Con):** My Lords, deal or no deal, does the Minister agree that clamouring for a second referendum erodes the basis of democracy by suggesting that rule by majority is an insufficient condition for democratic legitimacy? Would that therefore lead to a third referendum, and a fourth to verify the third?

**Lord Callanan:** I agree with my noble friend that we have had a people’s vote and we are certainly not contemplating a second one. We are going to implement the result of the first referendum in a way that commands the support of this Parliament.

**Baroness Hussein-Ece (LD):** My Lords, the idea of voting eroding democracy is a very new concept. Can the Minister outline how he expects the public to have confidence when Ministers and other government representatives are advising the stockpiling of food and pharmaceuticals, thus causing alarm to many people, particularly those who are dependent on drugs that come through the EU?

**Lord Callanan:** We are not advising anyone to stockpile food. I think that the noble Baroness has misconstrued the situation. At the risk of repeating myself, we are negotiating hard for a deal. We expect a deal and we want a deal, but as a responsible Government, we need to prepare for the possibility of a no-deal scenario; namely, either that we cannot reach a deal with the European Union or, alternatively, that Parliament rejects

the deal we have negotiated. That is the responsible thing to do. The Liberal Democrats may wish to bury their heads in the sand, but we are taking action to ensure that we are well prepared.

**Lord Campbell-Savours (Lab):** My Lords, how does the Minister interpret the comments of Monsieur Barnier yesterday?

**Lord Callanan:** I interpret them in the same way that I interpret all comments made by Michel Barnier. Of course his comments of yesterday are welcome, but they need to be followed up with action. We have produced a proposal in the form of the Chequers proposal. We have set it out in a White Paper and we have transmitted it to our European partners. We are actively talking to other European Governments about it. We have compromised, but if there is to be an agreement, there now needs to be similar movement and compromise on the part of the EU. Actions will speak louder than words.

**Viscount Waverley (CB):** My Lords, I understand that the Prime Minister is against the idea of having EU customs officials on the UK side of the border. Will that affect the UK immigration officials working in Gare du Nord?

**Lord Callanan:** I do not want to go into the specifics of negotiations at the moment, but we are negotiating hard. Clearly, customs is an outstanding area where we need to reach agreement with the European Union. We are looking for pragmatic, sensible solutions.

**Lord Purvis of Tweed (LD):** My Lords, the Government's papers on preparing for a no-deal scenario stated that to avoid any disruption in trade, all existing trade agreements made under the aegis of the EU will have to be translated into UK law on exit day. Liam Fox said that a second after midnight next March, they will all be ready. Is that still the Government's position?

**Lord Callanan:** The Government's position is exactly what the Secretary of State for International Trade said.

## **Brexit: Europol** *Question*

3 pm

*Asked by Lord Cormack*

To ask Her Majesty's Government whether, following recent developments regarding the Salisbury incident, they will seek to ensure that the United Kingdom is able fully to contribute to Europol after 29 March 2019 and during any subsequent transition period.

**The Minister of State, Home Office (Baroness Williams of Trafford) (Con):** My Lords, the UK will continue to participate in Europol and other EU justice and home affairs agencies during the implementation period, and to make a full contribution to the operational work of the agency.

**Lord Cormack (Con):** My Lords, I must apologise for the fact that the words "and thereafter" did not appear in my Question, which was entirely my fault.

It is truly important that our arrangements with Europol last long beyond next March and any transition period. Does my noble friend not agree that the prime duty of any Government is the security of their people and that we need these arrangements with our European friends and neighbours as a very important ingredient in providing security for our people?

**Baroness Williams of Trafford:** I agree with my noble friend that the words "and beyond" are important. During the implementation period, we will be able to participate in existing EU JHA tools and measures. But, beyond that, we will separately seek to agree ongoing co-operation through future security partnerships. To that end, we have proposed a new coherent and legally binding agreement on internal security that protects mutually beneficial aspects of co-operation in this area and ensures that both the UK and the EU can continue to tackle fast-evolving security threats.

**Lord Soley (Lab):** The Government acknowledged in the withdrawal document that the European arrest warrant would no longer be available to the United Kingdom after 29 March next year. That means that people wanted for serious crimes, up to and including terrorism, will no longer be accessible by the UK, and vice versa for some European countries. What action do the Government intend to take to ensure that we can get people wanted for serious offences back here to the UK and, for the reverse procedure, to the countries that need them?

**Baroness Williams of Trafford:** The noble Lord is absolutely right that this facility continues to operate. To that end, the Commission has been very clear that it wants to continue co-operation on internal security, including extradition and Europol. I also point out that, at the recent press conference on 31 August, Michel Barnier recognised the progress in our discussions on security. Our focus now should be on trying to define an ambitious partnership.

**Lord Paddick (LD):** My Lords, a European arrest warrant has been issued for the two Russians suspected of being responsible for the Wiltshire poisonings. But Norway and Iceland, both of which are in the EU single market and the Schengen area, have been waiting for 13 years to be part of the European arrest warrant—and they are still waiting because they are not members of the EU. What chance does the UK have of retaining the EAW if we are outside the EU, the single market and the Schengen area?

**Baroness Williams of Trafford:** The noble Lord points out the issue of the two Russians. Of course, as well as an EAW an Interpol red notice was issued for those two people. The UK has made a significant contribution to Europol. It is important to note that in 2017 the UK was the highest contributor of data relating to serious and organised crime to Europol's analysis project. We are also in the top three member states that contribute intelligence each day to different databases in Europol, and the UK is driving or co-driving almost half of all EU law enforcement projects in the fight against serious and organised crime. That is a very good reason why we should continue.

**Lord Kirkhope of Harrogate (Con):** My Lords, I had the privilege some years ago of being the rapporteur in the European Parliament for joint investigation teams, which was supported very strongly by British staff who were key in Europol. Will my noble friend confirm that the importance of the 39 or 40 front-line staff of Europol will be taken into account in all our discussions, as will whether we will replicate our current operational agreements with third countries—17 in all—and whether we will continue to play a full part in the European Counter Terrorism Centre and European Cybercrime Centre organisations within Europol?

**Baroness Williams of Trafford:** The answer to that is yes—and, for Europol specifically, it means that the UK will keep its liaison bureau in The Hague and will have access to European systems and facilities on the same basis as it does now.

**Lord Rosser (Lab):** Can the Government give an assurance that, in the interests of national security, they would not recommend any deal on EU withdrawal to Parliament which did not sustain and protect the current levels of security arrangements and co-operation that are now available to us through our membership of the European Union?

**Baroness Williams of Trafford:** I do not think anyone would disagree with the noble Lord. Our ongoing security partnership should protect those shared law-enforcement and criminal justice operational capabilities. He and I have debated on the Data Protection Act, on the specific law-enforcement provisions, and, of course, on national security. It is incredibly important that we continue to co-operate, to the benefit of both the EU and the UK.

**Lord Watts (Lab):** My Lords, the German constitution bans the extradition of people outside the EU. How will the Government get over the problem that, after we have no deal, there will be no extraditions between ourselves and Germany?

**Baroness Williams of Trafford:** The noble Lord is absolutely right that there are specific provisions in Germany's constitution, which we will have to take a practical and pragmatic approach towards as we move forward.

## Trade Bill

### *Second Reading*

3.07 pm

*Moved by Baroness Fairhead*

That the Bill be now read a second time.

**The Minister of State, Department for International Trade (Baroness Fairhead) (Con):** My Lords, I am pleased to open this debate, with so many vastly experienced and distinguished Members on the list of speakers. I particularly look forward to hearing from my noble friend Lady Meyer, who is making her maiden speech today. I warmly welcome her to the House.

Let me start with some background. This Bill is fundamentally a pragmatic and, in most parts, technical Bill. It is about continuity and about certainty—continuity of the existing trade agreements that we already have through the EU, and the certainty that this gives to businesses and our trading partners. It may be a pragmatic Bill, but it is no less important for that. Before we sign any new trade agreement, we need to maintain the effects of our existing ones. Whatever the outcome of our negotiations with the EU, our current trading partners have made clear that they do not wish to lose access to our market—that of the fifth-biggest economy in the world—and nor do we to theirs.

Britain has always been a natural trading nation. We pioneered the global trade in mass manufactures at the start of the nineteenth century and globalised financial services towards the end. It is a deep part of our heritage, leaving its mark everywhere you go. Trade is more central to our economy now than it has ever been. In fact, it represents 60% of GDP, with exports making up 30% of that. It maintains jobs and touches almost every job up and down the country.

Of course, as we look to the future, we can be certain that the shape of the economy will change, just as it has in the past, whether it is from demographic shifts, artificial intelligence or anything else. Government has a duty to prepare the country for those changes. But one thing that we can be sure will not change is that trade will continue to be an important part of our economy and critical to the people of our country, which is why it is right that we now have a department dedicated solely to increasing international trade, and why we are supporting trade through our export strategy and our more than 200 recent ministerial visits from DIT alone overseas.

We can also be sure that the countries with which the EU has existing trade agreements will be a crucial part of that trade. Those agreements—the subject of this Bill—are with more than 40 non-EU countries. They represent 12% of our trade. We must ensure that we can replicate the effect of those agreements in UK law, with a transparent and timely process. Parliament, and especially this House, has a particularly crucial role here, because getting that right—the details, the technicalities, the practicalities—has always been where this House comes into its own. That is something this Government genuinely do value.

I am clear that this Bill has been improved by scrutiny in the other place. As a result of that input, the Government have made amendments to increase scrutiny, so that the Government would have to lay a report in Parliament setting out changes to existing trade agreements when they get transferred and use the affirmative resolution procedure where appropriate, not the negative; and by reducing the sunset period by two years. The amendments also give certainty that the new Trade Remedies Authority can be up and running on day one by letting us set up the TRA in shadow form without risking staff employment rights. They also iron out some technical consequences of machinery of government changes for the agreement on government procurement, so that we do not just have certainty, but are seen by our trading partners to have certainty.

So what, moving to the detail, does the Bill do? In short, the key elements are, first, as I have said, to seek the powers to ensure that we can implement existing continuity agreements with trading partners, both full free trade agreements and other agreements relating to trade. Secondly, it seeks the powers to ensure that we can become an independent member of the WTO's agreement on government procurement, so that UK businesses do not lose access to a £1.3 trillion market. Thirdly, it seeks powers to establish the Trade Remedies Authority, to protect domestic industries from unfair and damaging trade practices. Fourthly, it lets the Government gather and share information on trade.

On the first of these, the Bill provides for the legal power to continue the trade agreements that the EU currently has with third parties, such as those with South Korea and Canada. Of course, once we have left the EU, the Government will not require additional powers to continue the trade agreements themselves—the power to negotiate and sign treaties is a prerogative power and always has been. Agreements concerning trade are no different. International agreements, once signed, are then ratified subject to the process set out in the Constitutional Reform and Governance Act 2010 and laid in both Houses alongside an Explanatory Memorandum to give Parliament oversight.

This Bill instead concerns the domestic implementation of those continuity agreements, where domestic law is required. Again, in many cases, this will already be preserved through the withdrawal Act, but it is essential that we have the legal power to make such agreements operable under UK law. The Bill will make sure that they can be. We should remember that many of the agreements are ones that the UK itself pushed for as a member of the EU and that all of them are bringing jobs across the country.

From preliminary discussions, the Government are confident that other countries want to be able to continue these existing agreements. Many of these countries have already said as much publicly. We are the world's fifth-largest economy, its sixth-largest importer and its 10th-largest exporter, so even outside the European Union we will be one of the world's most significant markets in our own right.

The second function of the Bill is to allow the UK to implement the changes required so that we can remain a party to the Agreement on Government Procurement—known as the GPA. This agreement, covering 19 parties and 47 countries, operates under the structure of the World Trade Organization. Although we are a member of the World Trade Organization in our own right, our GPA membership is through the EU.

The Government already have the power to accede to the GPA, subject to the Constitutional Reform and Governance Act. The power in this Bill will allow the UK to make the necessary changes in domestic legislation to reflect that accession. Being in the GPA means letting businesses from overseas compete in some of our procurement markets on level terms with domestic firms, with guaranteed reciprocated access. Around one-quarter of UK procurement contracts are opened

up to foreign providers under both UK and EU rules—that is £68 billion—though in practice the vast majority are still won by British companies. In fact, only around 2.5% of the larger contracts go to foreign suppliers. In return, the Government get better value for money through more competitive tendering and our own businesses can sell into the world's largest public procurement markets. Last year, British firms won contracts abroad that secured thousands of jobs. As I said, the opportunity is estimated to be worth £1.3 trillion a year.

To be clear, there is no requirement, and it is certainly not the policy of this Government, to open up the NHS or any other public service to international private sector competition. Nor will the Government put our own businesses at a disadvantage. We currently apply GPA rules through our EU membership; this clause simply lets us continue with the status quo. Our market access offer to the GPA remains completely in line with what we currently offer as an EU member state. Our schedule will be replicated. Continuity and reassurance are what this clause of the Bill provides.

The UK will continue to decide, at its sole discretion, which services to open up to competition, not our trading partners. The Bill will allow us to make necessary changes to our domestic legislation to reflect our independent membership of the GPA. In addition, it will allow for further limited changes; for example, to account for other countries joining or leaving the GPA.

The Bill's third purpose is to let us set up a new public body, the Trade Remedies Authority, or TRA. This will allow the UK to investigate and, where appropriate, take action against unfair trading practices such as dumping and subsidies or unexpected surges in imports where they cause injury to UK industry, in line with WTO rules. This action usually takes the form of an increase in duty on imports of specific products; these are known as trade remedies measures. Such measures are key to ensuring an effective, rules-based system for international trade by levelling the playing field and restoring the competitive balance. They allow us to protect UK businesses and UK jobs.

Currently, the European Commission is responsible for undertaking trade remedies investigations and imposing measures on behalf of the UK. Once we are operating our own independent trade policy, that responsibility will be ours. That is why we have set up our own trade remedies framework, through the Taxation (Cross-border Trade) Bill, which noble Lords debated last week. This will ensure that the UK can continue to provide a safety net to domestic industries after the UK has left the EU. It is vital that this Government can continue to protect our businesses from unfair or injurious trading practices by other states.

**Lord Davies of Stamford (Lab):** Have the Government heard from any of the countries currently enjoying free trade agreements with the European Union, or do they know by any other channel that any of those countries are going to propose, or have proposed, any changes in the provisions of those treaties when they apply simply to the United Kingdom and the country concerned as a new, bilateral agreement?

**Baroness Fairhead:** I can confirm that we have had some positive discussions with each of those third-party trading countries. We will address this in the bulk of the debate and I will also address it in my closing speech. Was that helpful?

This is also why we have engaged extensively with UK industry in developing this function, through multiple round tables, ministerial meetings, technical discussions and site visits. After all, producers play a crucial role in our economy and jobs are at the heart of their communities. This Bill will set up the TRA as a new public body and provides for a governance structure designed to make sure that the TRA is independent and operates an objective investigation process. That is why we are setting it up as a non-departmental public body, to ensure that it has the appropriate degree of separation from government. This will also ensure that businesses have the assurance they need that their complaints will be treated fairly and impartially.

Finally, the Bill lets HMRC collect information about exporters and share export data with certain third-party organisations. We intend to ask companies and partnerships, through the tax returns they already submit, to provide information, on a voluntary basis, about whether they are an exporter of goods or services, or both. Having the correct data will enable government to make better policy and align assistance and resources to help our exporters. HMRC will be able to share information with the Trade Remedies Authority, to give it the evidence it needs for its independent investigations. HMRC will also be able to share information with the Department for International Trade, to support evidence-based policy-making. This data sharing will be subject to strict controls to maintain privacy and commercial confidentiality, including the criminal sanctions in the Commissioners of Revenue and Customs Act 2005. Those four things are what this Bill is about.

I would also like to clarify those areas the Bill does not cover. It is not about new free trade agreements that will come into effect in the future. The Bill does not give the Government powers in this area, nor would it be appropriate to do so. We do not yet know what those agreements will look like; nor can we, because until March next year our duty of sincere co-operation with the EU prevents us negotiating them. The Secretary of State recently set out the process for consultations on new free trade agreements, which I shall explain in further detail in a minute.

The Bill is not directly about Brexit. Of course, we would not have had the Bill if we were not leaving, but the Bill itself is not about whether or how we leave the European Union. Leaving the EU flows from the European Union (Notification of Withdrawal) Act 2017 and the European Union (Withdrawal) Act 2018, both already debated in this House. Whether this Bill passes makes no difference whatever to whether we leave the EU, when we leave the EU, or who gets what votes on the final deal. The nature of our withdrawal and our future relationship with the EU—hard, soft or any other form—will not be changed in any way via the measures in this Bill. Clearly, this Bill is happening because of Brexit—

**Lord Liddle (Lab):** Surely one of the main concerns of the manufacturing industry is what will happen to rules of origin in British trade agreements with countries such as South Korea, when the EU rule is that 55% of cars have to be manufactured domestically yet we manufacture only 40% of our content domestically. Surely this is highly relevant to Brexit and the economic damage that Brexit could cause to a sector of our economy on which 1 million jobs depend. Therefore, to say that the Bill has nothing to do with Brexit is very strange.

**Baroness Fairhead:** I did not say it was not happening because of Brexit. In fact, I was clear that the Bill is happening because of Brexit. But Brexit is not happening because of the Bill. It is a fine point but it is clear. There is the decision on Brexit and then this is about the four areas that I talked about. We will come on to rules of origin in the debate. It is a really complex and important area, and something that we are negotiating with both the EU and the third countries in the continuity agreements. I have little doubt that we will talk about this and I expect to cover it in my closing speech. If the noble Lord is happy with that, I will proceed.

Lastly, the Bill is not an attempt by the UK Executive to take power from Parliament, the devolved Administrations or anyone else—in fact, the opposite. On devolution, the Bill grants devolved Ministers the powers they need to implement existing trade agreements and procurement legislation, respecting their competence in these areas. It retains for the UK Government the powers they need—nothing more. We have also agreed changes to the Bill with the devolved Administrations, in the other place. We look forward to continued engagement with the devolved Administrations throughout the passage of the Bill and hope to work together to secure legislative consent Motions.

On wider public engagement, the Government have no desire to push through trade agreements without public support. Frankly, that is not in our interests. When Governments try to push through trade agreements, not only is it the wrong thing to do but it almost always backfires, as we saw with the Transatlantic Trade and Investment Partnership—TTIP. In any new free trade agreements, the Government will engage with the public right from the start. In June we published our engagement strategy for the pre-negotiation stage of future trade agreements. The comprehensive four-point plan includes open public consultations. We launched four online consultations on 20 July, open for 14 weeks. These ask for public feedback on potential free trade agreement negotiations with the United States, Australia and New Zealand. They also ask for views on the UK potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—CPTPP.

We also set out detail on UK-wide outreach events; detail on thematic and sectoral groups of stakeholder experts; and information on our intention to convene a strategic trade advisory group, consisting of experts from across the country from academia, trade unions, consumer groups and businesses from different sectors and of different sizes. That is just for the pre-negotiation stage. There will be more targeted engagement as we move forward. As I said, the Bill is about existing trade agreements. These agreements are already in

place. Maintaining their effects in UK law merely preserves the status quo and will not involve changes on the ground for businesses or consumers.

Finally, on the role of Parliament, as noble Lords will know, these trade agreements have already gone through the normal parliamentary scrutiny processes for EU legislation and have already been scrutinised by both Houses of Parliament. In any case, the power to implement continuity trade agreements under Clause 2(1) is exercisable only for three years from exit day—unless both Houses agree extensions. This is one of only seven delegated powers in the Bill and one of only two Henry VIII powers. The other Henry VIII power relates to HMRC data collection. This is also subject to the affirmative resolution procedure and is very narrowly defined, as requested by HMRC itself. All these delegated powers are necessary. It would be simply impossible to implement our continuity trade agreements or the GPA membership in the time available without them. We would also miss the opportunity to understand how best to help UK businesses by collecting export data. That is why the Government have requested them, and for that reason alone.

In conclusion, we are forging a new trade policy to make the most of the opportunities of Brexit but we need to get the practicalities right first. I look forward to hearing the views of all noble Lords today as we enter the detail of the Bill. I will listen carefully and seek to engage as fully as I possibly can, whether with groups, by party or with individuals, to ensure that proper scrutiny is given to the content and intent of the Bill. It is a necessary and pragmatic Bill. It is one that respects Parliament, respects the devolution settlement and puts in place a firm foundation for our future trade policy for the years to come. It is with that in mind that I commend this Bill to the House. I beg to move.

3.30 pm

**Lord Grantchester (Lab):** My Lords, I welcome the Minister to her first Bill in your Lordships' House and I look forward to the maiden speech of the noble Baroness, Lady Meyer. This Second Reading debate offers us an all-too-rare opportunity to consider in detail what should constitute the UK's future trade policy and what changes to our legislative structures, now and into the future, are required. At the moment there is still huge uncertainty about what relationship the UK will have with the European Union, or about how the Government think that our national trade policy will be built around that relationship. Certainty is what our business community needs.

As the Minister has just explained, the Government believe that all that is needed at this time is a technical Bill, aimed at facilitating our engagement with the government procurement agreement, establishing the Trade Remedies Authority and making sure that the UK can roll over the existing free-trade agreements negotiated by the EU with some 80 third-party countries. On the latter point, Japan and Chile have both indicated that they are not happy to simply roll over their agreements and George Hollingbery, a Minister at the Department for International Trade, said in evidence last week that,

"it is not an absolute given that we can get them all transitioned".

Is a technical Bill sufficient? What is our trade policy, and who operates and agrees it? What powers lie with the devolved Administrations and how are disputes to be resolved? What impact will these agreements have on ordinary people, on consumers, on companies and businesses up and down the country? How will our trading activities as a nation impact on third countries, particularly developing ones? These issues are still to be determined.

One of the most disappointing shortcomings in the Bill is that it proposes to restrict trade policy almost entirely to the UK Government. In doing so, it ignores the devolved authorities and largely bypasses Parliament. It has no engagement with civic society and, ultimately, fails to offer accountability or to offer opportunities to nations, regions or cities. Even if the right thing to do at this stage, given the massive uncertainties around Brexit, is nothing more than rolling over the trade deals that we currently enjoy as part of the EU, what happens if these trading partners ask to renegotiate? Is it possible that countries such as China and South Korea may wish to change the terms of the agreement when dealing with a market of 65 million people, when the original deal was premised on access to a much more diverse and remunerative market of over 500 million? We must make plans for how the UK will approach such challenges and take into account all the diverse viewpoints and outcomes.

On transparency, the Bill fails to guarantee the disclosure of any information relating to negotiations or to mandate consultation on continuity agreements, while essential scrutiny of secondary legislation is compromised in some of the most crucial areas. It offers few checks and balances—fewer, indeed than those the EU currently routinely guarantees for its trade deals to the European Union Parliament and civic society. It tries to set up the UK's trade policy as a simple continuation of where the EU has got to, but it ignores the growth in public interest in trade agreements.

The Bill also misses an opportunity to act as a framework for our future trade policy and set out the UK's pitch as an ethical trading nation right from the beginning. Trade policy should not be pursued only for self-interest but should also be used to shape a world that better reflects our ideals. I refer to advancing human rights, eliminating poverty, promoting sustainable development and reflecting the UK's concern for high environmental and welfare standards in production methods.

This gives me the opportunity to touch briefly on the issue of tariff rate quotas, which deal with the split quantity of certain goods within the overall EU allocation, which can be traded at reduced tariffs following our departure. A large share of such goods is related to agriculture, so the issue is central, not only to our economic prosperity but to the food we all eat. I am sure many will be aware of the disputes that have arisen as a result of nations such as Canada and the US claiming that plans to divide these quotas will disadvantage them. This is an issue that must be resolved, and it can be examined at later stages to allow the Government to best do so.

The Trade Bill should guarantee that even our continuity agreements promote these principles, and that our trade policy has its sights on goals beyond benefiting our own economy. I am sure the Minister

[LORD GRANTCHESTER]  
will offer assurances that our trade policy will be principled, but if her Government are serious about this commitment then they should enshrine these ideals in the statute book. The Bill also paves the way for the UK to participate in the government procurement agreement, and we welcome that. However, there is no detail in the Bill about what constraints, if any, will be placed by the UK on third-country companies bidding for UK public bodies contracts. We will be putting down amendments to scrutinise that and making suggestions for how procurement can be used to advance social objectives.

As the Minister said, the key proposal in the Bill is the establishment of the Trade Remedies Authority. Labour recognises that, provided it is set up properly, it is guaranteed independence from the Government and has the right powers to protect UK industries from unfair trading practices. I am sure the House is well aware of the dumping of Chinese steel, where the market has been flooded with goods being sold below the cost of production without profit, leading to dreadful consequences for the UK steel industry. Unfortunately China's dumping of steel is not an isolated case. Trade dumping has become a major feature of the international trading market. The House also needs only to look towards the aggressive and protectionist trade policies of President Trump to demonstrate the need for strong defences. This is a serious issue with serious ramifications for jobs and the economy. The TRA will need substantial resources if it is going to do the job required. We will be looking carefully at the structure proposed for it and how best to guarantee its independence.

Lastly, I come to the greatest missed opportunity: the chance to settle the question of whether the UK will negotiate a new customs union. One of the many myths peddled by this Government is that the UK is better off outside the customs union with the EU. Surely we can trust businesses to know what is best for them, and the clear majority of them say they are best off in a customs union with the EU. The reason is simple: a customs union could allow for frictionless trade with the EU and offers the best possible basis for dealing successfully with the Irish border issue. It could also pave the way for access to over 50 trade agreements with third countries. Together, these markets accounted for 62% of UK goods and services exports in 2016.

The country was encouraged by the Prime Minister's recent trip to Africa. We were all pleased to see efforts to expand into these markets. However, it is worth reminding the House that South Africa, the focus of the trip, already has an agreement with the EU, from which both South Africa and the UK greatly benefit. In addition, 34 of the least developed African countries already benefit from tariff- and quota-free access to the EU through the Everything But Arms policy. Nearly all African countries receive preferential access to EU markets. The Prime Minister is right to look to Africa and elsewhere for future trade, but a customs union with the EU is the best way to do so.

With Britain outside a customs union, there seems no remotely realistic scenario in which British businesses would find it easier to sell their goods and services abroad. This is for the simple reason that the UK

alone is unlikely to secure trade deals more effectively than it does in the EU. First, there is the question of capacity and experience. While the EU has more than 40 years' experience negotiating trade deals, the UK would be starting from scratch. Secondly, it is a question of negotiating power. While the EU can offer access to a huge market of more than 500 million people and extract large concessions in exchange, the UK can offer access to a market of merely 65 million people and will have to accept fewer concessions in return. A customs union with the UK at the front and centre is a solution for our future trading policy. This would allow us to broker new trade deals and expand markets through the joint bargaining power of the UK and the EU, while solving the Irish border question. A trading bloc is inherently more powerful than an isolated nation state.

It should be noted that services—on which the customs union has limited impact—must also be protected. We hope to provide for this issue during the later stages of this Bill. The enhanced equivalence provisions on services, set out in the Chequers proposals, are inadequate and erect significant barriers to trade.

Ultimately, this Bill is a missed opportunity to prepare the UK for a new chapter in our trading history. It betrays the principle of accountability and devolution which are so vital for any future trade policy. It creates a Trade Remedies Authority which will be woefully unprepared to fulfil its responsibilities. It misses the opportunity of mandating the Government to remain in a customs union with our major trading partner. The UK's trade policy should have both our nation's self-interest and the advancement of our ideals globally at its heart. Unfortunately, this Bill fails to prepare our nation to build a trading policy which can achieve any of this.

3.42 pm

**Lord Fox (LD):** My Lords, here we are again. Last term, playing to packed houses, we had the long-running debate on the EU (Withdrawal) Bill. Last week, for one night only, we had the Taxation (Cross-border Trade) Bill. Today, we start the third act in this tragedy.

Just now, the Minister set out the latest instalment in a programme of national self-harm. This Bill sits alongside the Government's plan to take a smooth-running customs system and swap it for the facilitated customs arrangement—an unworkable technological fudge of Heath Robinson complexity. As the Minister has already admitted, leaving the European Union puts at risk 40 trade agreements, accounting for around 12% of our exports. It is, in effect, throwing them into the air without any idea as to how they are going to come down. In around 200 days, at the end of March, something will emerge, but it will not be what we have today. Nobody in this House knows what it will be.

I welcome the Minister to her first Bill. I am optimistic that she understands the challenges that are presented to business. She knows that this badly thought-through legislation will seriously affect the country's economy. It will grow more slowly. Exports will be tied up much more and investment will slow. She understands the

effect this will have on productivity. My hope is that she, alongside other sensible Members on the Benches opposite, will eventually realise that this is a path we should not be going down.

It will not surprise your Lordships when I say that the Liberal Democrats regard the Bill as unnecessary because we should not be leaving the customs union in the first place. By leaving the customs union, the UK is abandoning not only the world's largest trading bloc but every free trade deal that the EU has negotiated with third countries.

The Liberal Democrats are champions of open markets and free trade, but we believe that the UK can negotiate better deals as a member of the huge EU bloc than it can as an individual country. That is why, all over the world, countries form blocs to negotiate trade agreements: they find it easier than doing it on their own. Being in the EU has not harmed other countries by preventing them from being acquisitive and getting their own deals. Germany has done very well, thank you, in international trade, despite the "huge impediment", as some people would have it, of being in the European Union.

As we have heard, Clause 2 is premised on the assumption that the UK can effectively copy and paste the terms of the trade deals that the EU has signed with those 40 other countries or groups of countries, so that they can fly, as are, at the end of March. This is just one of the many acts of faith that we have to put up with every day in this place. It just is not going to happen. Although some countries may be prepared to roll the deals over, many others will demand renegotiation and changes because the power arrangement has changed—it has shifted; they are in the driving seat.

Many countries are already stepping forward. Seven, including the USA, have already written to the UK to complain about how it proposes to divide agricultural quotas after Brexit. It is inevitable that they will seek to change the terms. The Government may try to believe that they can roll these deals over, and I look forward to the Minister's closing speech and her answer to the question of the noble Lord, Lord Davies of Stamford: what do you have in writing, what do you have that is real, other than a nod and a wink that this might be doable?

The Government are also trying to implement these deals by the back door. I know that the Minister talked about transparency, but the use of secondary legislation to implement these negotiated deals is not right. We need to involve Parliament more. The Government plan to comply with a trade deal by changing the law using statutory instruments. This has been improved thanks to the adoption of the Lib Dem amendment to switch to the affirmative procedure, and that is welcome, but it does not go far enough.

Although Parliament will get to ratify deals, it will not be involved or consulted in the process of delivering them—quite unlike what goes on in many other democracies, and certainly different from how things are handled in the European Union today. So much for taking back control: Parliament is ceding control over trade deals.

Future deals will have a significant impact on consumers and businesses. Although the Minister talked about them being rollover, temporary deals, we should

remember that they can be extended, so they could carry on for some time. They should not be used by the Government to participate in a race to the bottom in ethics and standards. I want to hear what the Government have to say about that.

Clause 2 must ensure that trade deals cannot be signed and endorsed unless they are consistent with all the UK's commitments to combat climate change, uphold food standards, promote sustainable development, defend labour laws, create a more equitable international order and defend human rights. These are all important parts of what make us the United Kingdom. To support that, an impact assessment is very important.

I turn briefly to plans for the facilitated customs agreement—I know that the Minister probably does not want to talk about it. It is important because it will be the mechanism by which trade will be delivered with our most important trade partners. This is the third attempt by the Government to come up with a frictionless replacement for a customs union, but that is an impossible dream. I do not think anybody really believes that the FCA will work, or that it is acceptable to the EU 27. However, just in case, and to understand how the Government are thinking on this, can the Minister explain how the following few issues will be dealt with: mutual recognition of standards; licensing arrangements; procurement rules; labelling; origin; IP law; environmental standards and employment legislation? All of these reflect on goods that are moving around in the European Union, some of which will have been facilitated to come into this country through the trade agreements being discussed today. How will goods be traced? How will standards be maintained? Referring back to last week's debate, how will the tariffs and duties be totted up and shared out across the European Union? This is just the tip of an incredibly complex iceberg which indicates how unworkable this solution is.

Because the Minister knows that the FCA is a non-starter, I am sure that she understands why your Lordships' House is so worried about the Northern Ireland issue, which was again revealed through Questions today. Brexiteers huff and puff and say that this is an exaggerated issue, but of course it is not. Nothing in this Bill, or its sister Bill debated last week, facilitates a border solution to maintain the Good Friday agreement. As I said last week, this Bill, and last week's, are the enemies of that agreement.

In winding up, I cannot help but remind the Minister that 29 March is around the corner, yet it is hard to detect a sense of urgency. Indeed I still see tendencies to obfuscate. For example, after this debate there is absolutely no sign of a committee stage. I had expected to return in October and find committees ready and waiting, but no. It is not on the programme so far; is it happening in mid-October, late October, or November? Perhaps the Minister or someone in government can help. Either way, if this Bill is so important, why are we not getting on with it? It seems to me, and others, that the Government are sitting in their own version of *David Copperfield* and waiting for something to turn up.

The Government cannot, at the moment, help business with what is going to happen and that is the central issue which concerns me as business spokesman for the Liberal Democrats. Decisions and investment have to be made, products developed, and marketing plans put in place.

[LORD FOX]

What can you tell those businesses, big and small, north, south, east and west across the United Kingdom? You cannot tell them anything. The people working for those businesses deserve answers. For their sake, if no one else's, please get on with this. Address the issues, step back, think again and hold on to what we have, because it is more valuable than what is on offer.

3.53 pm

**Lord Kakkar (CB):** My Lords, I thank the Minister for the thoughtful way in which she introduced her first Bill in this House. I remind noble Lords of my entry in the register of interests as chairman of University College London Partners and Business Ambassador for Healthcare and Life Sciences. I will confine my remarks to Clause 6 of the Bill, dealing with the question of the European medicines regulatory network.

The life sciences sector is hugely important to our country in terms of both the economy and the broader health of the nation. We are fortunate to be home to two of the world's top 10 pharmaceutical companies. There are some 5,000 businesses in the life sciences sector, employing some 235,000 people between them. The sector is worth some £68.5 billion a year to the economy. Over the last 20 years, the pharma industry has been a positive net contributor to our nation's trade surpluses.

As a result of the expertise in this country, the United Kingdom is the number one destination in the European Union for inward investment in the life sciences sector. Small and medium-sized enterprises—some 3,500 companies—have grown consistently since 2009 at a faster rate than the rest of the economy, and more than 500 of those small and medium-sized enterprises now actively export.

However, beyond the businesses involved in life sciences, the expertise in our country has resulted in both the development and sustaining of a broader ecosystem. That ecosystem includes four of the top 10 biomedical universities in the world and a series of other university departments, charities, and of course the National Health Service, which are seen as fundamental not only to this sector in our country but fundamental more broadly because of their global contribution.

In that context your Lordships' House, on Report of the EU withdrawal Bill on 18 April of this year, heard from my noble friend Lord Patel on an amendment that dealt with the question of clinical trials regulation. Inevitably, in such an important sector that so directly affects the lives of citizens across every European country, there is a degree of important regulation that attends the question of how the database—the research that justifies the introduction of new medicinal products—is conducted. In 2004, the European Union introduced the clinical trials directive. Regrettably, over time that was shown not to be achieving what was intended, and Her Majesty's Government, among others, led the way in ensuring a revision of that directive, which resulted in the clinical trials regulation of 2014.

When considering the withdrawal Bill, Her Majesty's Government rightly identified that, although the clinical trials regulation had indeed been passed by the European Union, it was yet to be fully adopted because there was a need to establish a central portal for the

accumulation of data associated with clinical trials that would be made available across all member states. As a result, the 2014 regulation could not be considered—certainly at the moment we were considering the withdrawal Bill—as retained EU law that would therefore be directly transposed into domestic legislation at the time we left the European Union. That is a very important point because the clinical trials directive has hindered clinical research, particularly in the United Kingdom. The new trials regulation overcomes those problems, and it could have left us in the situation where our country was left with the old directive on statute, governing the way that trials are conducted in the United Kingdom, while the new regulation providing a much better framework would not be, and therefore we would be left in a disadvantaged position.

The noble Baroness, Lady Goldie, when answering that amendment, which was ultimately withdrawn, gave the assurance that the elements of the clinical trials regulation that could be incorporated by Her Majesty's Government in domestic legislation would be incorporated to ensure that many of the disadvantages of the directive would be overcome, irrespective of what status the regulation had by way of retained legislation. However, there are two elements that the Government were not able to give an assurance about. The first was the participation of the United Kingdom in the clinical trial portal, which is vital if we are going to participate across the European Union in clinical research in future and vital for ensuring the competitiveness of the life sciences sector in terms of developments and innovations in our own country that could ultimately undergo rigorous clinical trial testing and then be adopted across a substantial market which has very high global standing. Clearly, Her Majesty's Government were keen for the United Kingdom to participate in that portal but were unable to give the assurance.

The second element was participation in the single assessment procedure that would result from the new clinical trials regulation, streamlining the way that applications for new medicinal and device products were considered by the European Union—which, again, is vital for market access. When the Trade Bill was considered by the other place, a contested amendment was introduced that resulted in Clause 6, which commits now for every effort to be made to ensure that the United Kingdom participates in the European medicines regulatory network. This is a network comprising the European Commission, each member state's own regulatory authority for medicinal products and the European Medicines Agency.

The Minister has said that this is principally a technical and pragmatic Bill, and therefore I have a couple of technical points to put to her. The first is this: does Her Majesty's Government believe that this clause and, therefore, the European medicines regulatory network, provide the vehicle by which they will be able to pursue the big questions they were unable to deal with in terms of considering the clinical trials regulation—that is, participation in the research portal and the question of participation in the single assessment procedure? Secondly, if this is to be the vehicle, can we be clear that the Government feel it is the mechanism by which they will now deliver on the commitment

they made on Report in the withdrawal Bill, which resulted in that particular amendment not being voted on?

Finally, I would like to understand a little more about how the Government propose to use this commitment to participation in the European medicines regulatory network to take forward broader opportunities for securing the life sciences base in our country.

4.01 pm

**Lord Lilley (Con):** My Lords, it is a great privilege to follow the noble Lord, Lord Kakkar, who has delivered the kind of well-informed speech that I, as a new boy, have looked forward to hearing in this House, and which is such an important feature of its contribution to the working of Parliament.

The Trade Bill is useful, workmanlike and necessary. I was tempted to add that it is crucially important, because I have a vested interest in emphasising the importance of trade Bills and trade deals. I am probably the only person in the Chamber—or rather, one of the few—who participated in negotiating a trade deal in the Uruguay round, which culminated in the creation of the World Trade Organization. I was also the Secretary of State for Trade and Industry who had to introduce the whole single market programme into our country, by introducing the legislation that made us part of the single market. At the time, I made speeches emphasising how immensely important these developments were and how dramatically they would change everything.

I am a scientist by training so, when I make a prediction, I subsequently look back to see whether it has come true. I have to say that it was hard to see a seismic change following either the Uruguay round or the single market. Since the single market was implemented, our exports to the European Union have grown at 1% per annum compound, which is not a huge deal though better than no growth at all. It is hard to see a dramatic change in our trade, or in the trade of the whole world, following the Uruguay round. I believe that both were important and valuable, but we should not exaggerate their importance. What drives trade is producing goods and services of a quality, and at a price, that other people want to buy. One can have the best trade deals in the world but, without that, one will not prosper. It depends far more on your domestic competitiveness, productivity, investment, training and skills, rather than the trade deals we negotiate. Yes, let us have good trade deals, but let us not imagine that they are the solution to our problems or will create a sudden, dramatic change—or that the loss of trade deals, though regrettable, would be the end of the world.

The Uruguay round halved the tariffs between developed countries on trade in goods. This means that future free trade agreements based on goods between developed countries are of limited value. The average tariff on trade in manufactured goods between developed countries is in low single figures, smaller than fluctuations in the exchange rate in a week or a month. Indeed, the tariffs are quite small compared with other factors too. There is merit in removing those tariffs but we should not think it is the be-all and end-all. Therefore, as far as goods are concerned, the

most valuable free trade agreements are with countries with highly protected markets—typically the fast-growing countries of Asia, Africa and Latin America. It would be wonderful if we could indeed join the CPTPP agreement, as the Government have indicated they want to do, as the first non-Asian member of that trade group.

More than 50% of the value added that Britain exports is in services, so trade deals that emphasise services are particularly important to us. Unfortunately, they are less important to the EU and, as a result, 90% of the trade deals that the EU has agreed have no significant benefits for services. Switzerland, for example, has its own trade deals, a third of which have a significant component of service-enhancing trade. We will be able to do the same if we are outside the EU, but as a member of the EU we have to go along with the lowest common denominator, which is not necessarily in accordance with our interests.

The Bill will enable us to novate the existing EU deals—covering some 70 countries, we are told—into UK law and take over our share of those agreements. That sounds a daunting task, and of course it is significant, but I understand that no country has said that it is unwilling to renegotiate or reapply deals with us. Even those who have said that they wish to exploit the opportunity to change the terms, as the noble Lord, Lord Fox, has suggested, will, I understand, in the interim continue on existing terms, as is allowed under WTO rules, while any revised agreement is being finalised.

It is not the case that trade will suddenly stop. In fact, most of the countries that I have visited—I have been to Australia and New Zealand and have talked to a number of other countries nearer to home—want, subsequent to rolling over those deals and once we have some spare negotiating capacity, to negotiate better, more comprehensive deals. There is the scope for that because the deals that we have at present are those negotiated by the EU, which had to get the unanimous agreement of all 28 countries, not all of which were in favour of free trade and all of which have the exceptions that they wanted to make. Therefore, those deals are less comprehensive and we will be able to say, “Those exceptions don’t matter to us because we don’t manufacture that sort of thing. We can make you a concession on that in return for concessions on other things”. Therefore, there is scope for improvement even there.

I understand that the bulk of these different agreements is carried out with very few countries. Seventy countries sounds daunting but half of all our trade with those 70 countries is with one of them—Switzerland—and 80% is with three or four of them: Switzerland, Korea and Norway; I forget the fourth. Therefore, as long as we prioritise those, we can deal with most of our trade very well. However, I do not think that we should neglect the smaller countries. I am the former chairman of the All-Party Parliamentary Group on Trade out of Poverty. It happened to be a personal interest of mine that we should open our markets—and keep our markets open—to the developing countries of Africa and elsewhere. All my talks with those countries indicate that they want that too and that they will not put

[LORD LILLEY]

obstacles in the way of novating the trade deals that they have with the EU into trade deals with us.

This debate, like many others, has given people the opportunity to spread what I call plausible myths: things that sound plausible but unfortunately are not true. The noble Lords, Lord Grantchester and Lord Fox, said that, as a member of a big unit like the EU, we will be able to negotiate better, faster and more-extensive agreements than we would as a country in our own right. That sounds very plausible but it is simply not true. A study of all the trade agreements negotiated in the last 20 years shows that the average speed at which they were negotiated was 28 months. If, however, you exclude multilateral deals—essentially those involving the EU—the remaining bilateral deals were negotiated in much less than two years. Australia found that, when it told its negotiators not to go for the perfect agreement, but for the best agreement that they could reach in 12 months, it got three agreements within 12 months—with, I think, Taiwan, South Korea and Japan. It is possible, therefore, to do it more speedily when you are not part of a big group.

It is possible to do it more comprehensively, too, because if the EU is negotiating as 28 countries, each country has things it wants reserved, and the country it is negotiating with says, “Well, if you do not include this, and that, we will not include everything either”. So the EU’s group agreements tend to be less comprehensive than bilateral agreements that would be possible with us. There could also be more such agreements. Switzerland—which does not seem to think it necessary for its just-in-time trade to be a member of a customs union—is able to negotiate its own trade agreements, and has one with China. Even Iceland has an agreement with China. The EU does not. Switzerland has agreements with countries with a collective GDP that is far greater than those of the countries with which the EU has negotiated agreements. The same is true of Chile.

I do not think we should allow ourselves to be misled by things which sound plausible but which, when we confront them with the facts, turn out not to be true.

4.11 pm

**Lord Hain (Lab):** My Lords, I, too, welcome the noble Baroness, Lady Meyer, who, I am sure, will recharge the flailing Brexiteer case in this House with her great eloquence.

This Bill could have huge significance for people’s jobs, people’s rights and the economy, because it illustrates how Brexit puts at risk not only our trade agreements with the other 27 member states of the EU, but agreements with around 70 so-called third countries around the world that collectively account for around two-thirds of the UK’s trade. In a no-deal scenario on exit day—which is enthusiastically advocated by many Brexiteers—we risk losing not only tariff-free access to the biggest single market in the world but the benefits of our participation in the EU agreements with these third countries.

It is also important that we debunk the Brexiteer myth that Britain will be freed to conquer new global trade markets if, and only if, we leave the single market and the customs union. Germany is in both, and its

biggest trading partner is China. There are absolutely no barriers within the EU preventing us getting a greater share of global trade.

A further problem, once the UK ceases to be regarded as EU territory, is that for the purposes of complex rules of origin which define when a product benefits from tariff-free quotas, UK component parts and products will no longer qualify. This could have a huge impact on UK trade, especially in sectors such as the automotive industry and aerospace, where complex supply chains currently operate freely within the EU.

All these difficulties are exemplified—noble Lords will not be surprised to hear me mention it again and again—in the case of the Irish border. InterTradeIreland’s report last March, *Cross Border Trade and Linkages*, found that the vast bulk of cross-border trade is accounted for by firms that trade simultaneously in both directions. Although these two-way traders amount to just 18% of firms, they account for over 60% of imports and 70% of exports. The data also shows that most cross-border trade occurs in intermediate inputs—components of final products—and highlights the considerable interconnectedness of cross-border supply chains on the island of Ireland.

In addition to being exposed to costs from customs duties and increased administration, two-way trade also risks disruption from delays, particularly where supply-chain links are concentrated in perishable food products such as milk. Milk tankers cross the Irish border about 33,000 times a year. Northern Ireland produces around 2.2 billion litres of milk a year, of which some 30% is processed in the Republic. Milk and dairy products move in both directions, sometimes several times. For example, cream from Northern Ireland milk is removed in Virginia, County Cavan, in Ireland and sent back to the Baileys Irish Cream plant in Mallusk, County Antrim, in Northern Ireland. We should not think of trade across the Irish border as being confined to the island; much of it is connected to global trade as well. For example, this complex cross-border supply chain underpins global exports in powdered milk products from the island of Ireland, north and south. It is exposed on two fronts by Brexit. First, in the event of a hard Brexit, the north-south milk trade would become unprofitable due to tariffs ranging from 40% to as much as 64% depending on fat content. The second concern is that when the UK exits the EU, it will no longer be included in EU export agreements. It could take a period of years to put new export agreements into place for key milk powder markets. What is supposed to happen in the meantime to those dairy farmers and the thousands of other jobs dependent on these supply chains? The Brexiteers have absolutely no idea.

And for those no-deal zealots, in July, Pascal Lamy, the former director-general of the World Trade Organization, described as “pie in the sky” the idea that there would be no border on the island of Ireland if there was no deal. Therefore, as Labour has rightly argued, a new comprehensive customs union with the European Union after Brexit is the best way to protect jobs and the economy, as well as avoiding a potentially disastrous hard border on the island of Ireland. That is what the TUC, the CBI and major businesses such as Jaguar Land Rover and National Grid want.

For the last 40 years, when trade deals have been negotiated by the EU on behalf of its members, scrutiny has been delivered through the European Parliament's Committee on International Trade and in the UK by the European Scrutiny Committee of the House of Commons. These mechanisms will no longer apply after Brexit. But surely trade negotiations must be transparent and open to scrutiny by stakeholders and the public. As things stand, these new arrangements with third countries which the Government call "continuity agreements" would be excluded from the Government's new arrangements, admittedly still lacking in detail, for structured engagement with stakeholders in relation to the new trade agreements announced by the Secretary of State for International Trade on 16 July.

My Labour colleagues in the Commons successfully argued that the Government's Bill as introduced was woefully deficient in that it accorded yet again a number of Henry VIII powers to Ministers but made no provision for parliamentary scrutiny, as takes place in other countries including Germany, New Zealand and Australia. Following an unprecedented campaign by trade unions, the trade justice movement and industry and consumer representatives, the Government, in fear of their own Back-Benchers, tabled amendments very late in the day addressing at least some of the issues. However, the Government simultaneously tabled an amendment that would allow Ministers to ignore these scrutiny provisions should they so choose. So much for taking back control. Furthermore, those provisions for enhanced parliamentary scrutiny did not extend to the clauses relating to the UK's future membership of the WTO's Government Procurement Agreement covered by the Bill. This is very worrying, as protections relating to public procurement need to be in place for public services such as the NHS and the public sector more generally in the UK. The Bill remains seriously deficient and still needs significant amendment to be made fit for purpose on these scrutiny issues.

I find it mind-boggling that, with the clock fast running right down, we still have absolutely no idea how, after Brexit, we will be trading with our biggest partner, Europe, or any other country outside. No wonder that investors and traders are giving up on the British economy and that Jacob Rees-Mogg has had to volunteer that we will be poorer for decades. He asserts that it is worth it because we will be free of Brussels: free, free, free at last, but poorer, poorer, poorer as well.

As they confirmed recently, Boris Johnson, David Davis, Liam Fox, Jacob Rees-Mogg, Iain Duncan Smith and the rest—and quite possibly the noble Lord, Lord Lillie—have no plan for their cherished Brexit. Meanwhile, government Ministers admit that we have no idea where we are going but we are going there anyway. What a way to run a country—no wonder the rest of the world thinks that reliable old Britain has gone barmy, with this Parliament a willing accomplice to what is rapidly becoming a national tragedy. The trade unions and others are providing a lead to rescue the country from this madness by demanding a people's vote on the final deal. I hope that we will all support that.

4.20 pm

**Baroness Meyer (Con) (Maiden Speech):** My Lords, it is a great honour and privilege to introduce myself to you today. I would like to thank noble Lords from all sides of the House, officials, staff members and the wonderful doorkeepers, all of whom have welcomed me into this House so warmly. I am particularly grateful to my sponsors, my noble friends Lady Jenkin of Kennington and Lord Black of Brentwood.

Even as I stand before you, I have to pinch myself that I am here. You see, my long journey to the Palace of Westminster began in Petrograd in 1917, 100 years ago, where my mother was born on the eve of the revolution. It was a long and winding road that brought my family and me, against all odds, from revolution-torn Russia to Brexit-torn Westminster. My mother's family came from the old Russian aristocracy. They fled the Bolsheviks. My grandfather, a tsarist officer, fought in the White army. In the end, destitute, they found refuge in Manchuria. After all kinds of trials and tribulations, my mother found herself a young woman in Hanoi. There, she married a French army officer but a year later, in 1945, he was killed fighting the Japanese. She was left alone, homeless and eight months pregnant with my half-sister, hiding from the Japanese in Saigon. The wheel of fate turned again. She was rescued by a French naval officer after he had survived a Japanese prisoner-of-war camp. They married and I am the result. When I think of my parents, I think of fortitude, suffering and survival. They were together for 60 years and set me a fine example. My mother died last year at the age of 100. My only regret is that neither of my parents is here to listen to me today.

My parents sent me to the French Lycée in South Kensington. I took my degree at the School of Slavonic and East European Studies and began my career in the City. I was one of the first women to be licensed as a commodity broker. Working in a hard-driving male environment in the 1980s certainly had its challenges but I survived and, though I do say so myself, I ended up becoming one of my firm's top producers. However, just like my parents and grandparents, I have lived a life full of peaks and troughs. Speaking before your Lordships today for the very first time is one of the highest peaks. It ranks with arriving in Washington in 1997 with my husband, Christopher, as he took up his post as ambassador only 24 hours after we married. What a honeymoon those five and a half years proved to be: we arrived with Monica Lewinsky and left with Saddam Hussein. In between, we also experienced the horrors of 9/11, which are to be remembered today.

No trough could have been deeper than when, in 1994, my children were illegally retained by their German father in Germany. During the next 10 years, despite the supposed international conventions, I saw my sons for a total of only 24 hours. To be separated from your children in this way is beyond a nightmare. I could not reach them, I constantly worried about them and, even today, I find it difficult to talk about. I was confronted by a merciless German legal system. I was buried under huge legal bills, and I ended up having to sell everything I had. I lost my job. I queued for unemployment benefits in Fulham Road, still unable to see my sons. I

[BARONESS MEYER]

know how it feels to be a victim of an injustice—I will never forget it. This is why the protection of children is a subject on which I will always want to speak.

Even in this nightmare, there have been some points of light. It drove me to set up a charity against child abduction, as I soon discovered that many other parents were in a similar predicament. I ran it for 19 years; we achieved quite a lot, not least thanks to the help of the police and the Home Office under Theresa May. It introduced me to politics, as I pressed my case and that of other parents with the White House, the US Congress, the Élysée, the French Senate, the Belgium Senate, and, of course, noble Lords and Members of the other place. On points of light, in the photographs of my introduction to this House, you will see my sons—now grown men—standing by me, smiling proudly, having come from Germany to see their mother's ceremony. My charitable work also took me to the European Commission and the Parliament in Brussels, where my experiences shaped my opinion of the European Union, just as my experiences in the Soviet Union in the early 1960s, when I went to visit my aunt in Moscow, made me realise the folly of the socialist dream and how lucky I was to be living in the United Kingdom.

I arrived in London as a French citizen of Franco-Russian blood. I quickly fell in love with this country—with its customs and respect for individual freedom and democracy. This is why I chose to become a British citizen. It was not forced upon me; it was not a requirement of my job, or of marriage. Though views may differ about France, I was not even fleeing a totalitarian regime. I felt I belonged here: British is what I wanted to be.

This background has given me a very particular view on the matters before us this afternoon in the Trade Bill, which I support because it lays the foundation of an independent trade policy. We should not let our divisions and differences of opinion over Europe get us down. This is democracy at work—a sign of self-confidence, and strength. We should face our future with the fortitude and optimism of our ancestors who, time without number, overcame the challenges that confront this nation. I say this to your Lordships as someone who is both a true Brit and a true European. Thank you.

4.28 pm

**Baroness Neville-Rolfe (Con):** My Lords, it is a great privilege to follow my noble friend, who has been a friend for nearly 20 years. We worked together on the charity she founded, now called Action Against Abduction. I know that all noble Lords will join me in extending to my noble friend Lady Meyer a very warm welcome, and thank her for her fascinating and emotional personal story.

The great strength of her contribution today has been to show her achievements nationally and internationally, especially in the area of children and families, for which she was duly honoured by Her Majesty the Queen. She brings experience, knowledge and good sense to your Lordships' House, and we very much look forward to her next contribution. She has an energy, vibrancy and charm that will warm the whole House.

I start my contribution to today's debate by referring to my interests in the register and by congratulating my noble friend Lady Fairhead on her opening speech. I liked her clear summary of the powers in the Bill and of the work already in hand. I will add a historical perspective. Trade is the linchpin of prosperity. It is a fascinating subject, from the trading of obsidian and flint during the stone age to the Hanseatic League, an alliance of trading cities in northern Europe—a precursor of the EU—running a trade monopoly between the 13th and 17th centuries.

Trade is disproportionately important economically, as we have heard. For example, there was a great trade collapse after the last financial crisis between the third quarter of 2008 and the second quarter of 2009. World GDP dropped by 1% and world trade by an amazing 10%. So, in view of the enduring importance of trade to the UK, the Government are right to want to prepare for a vibrant international trading future in the post-Brexit world.

I support the Bill and its speedy passage. It rightly seeks to provide continuity in our trade and investment relationships with third countries. It replicates the effect of existing EU preferential trade agreements and makes us a member of the government procurement agreement on our own account. The Bill passed by this House last week will deal with tariffs and customs matters, but this Bill will allow us to implement our non-tariff obligations. It does not look forward to new free trade agreements since, as the Secretary of State for International Trade helpfully made clear in his Statement on 16 July in another place, these will now be the subject of new primary legislation. This Bill is concerned with existing agreements, making it less contentious and very urgent as we need these to continue on Brexit day, transition or no transition.

I will touch on a few issues. I am known for my interest in impact assessments and I studied the one issued on this Bill as long ago as 11 September last year. The bad thing about it is that, understandably, it gives no figures on the impact on business, either static or dynamic, of future continued FTAs or procurement arrangements. The good thing about it is that it sets out a list of the existing third-country agreements that the UK will seek to continue. My noble friend Lord Lilley touched on these in his very perceptive speech.

What I found most interesting was that from this group, in 2015 Switzerland, the Iceland, Lichtenstein and Norway group, Canada, Turkey and Korea were our top five trading partners among those with FTAs. When I worked at Tesco I had something to do with the agreement with Korea. When it was being negotiated, the Korean Government were very helpful with my company's problems as an overseas investor. Keen to conclude the FTA, they shied away from discrimination against our business and that of others in a similar position. But, once the EU-Korea agreement was signed, our problems returned in spades. Indeed, Tesco has since sold the business to help restore its balance sheet. But, given the vibrancy of that business—called Homeplus in Korea—its contribution to the whole group on innovation and digital, and, looking at it the other way, the substantial amount of capital it received from us to build a leading Korean retailer, this seems very

sad. The lesson for today is the importance of looking beyond the here and now of a trade agreement to what happens afterwards and the need for good remedies and dispute resolution.

That brings me on to an area of the Trade Bill that I am interested in exploring—the Trade Remedies Authority. As my little example shows, the quality of this aspect of trade arrangements is very important. The EU's comparable body has some of the very best career officials, as I saw when I was a Business Minister in the EU Council. So we need a highly professional team looking after the UK's trade interests in the new world. I have to admit that I am somewhat doubtful about having a new authority separate from the trade department, partly because of the stringent financial controls on pay imposed on such bodies. However, that has been decided and we cannot delay the Bill.

The proposed body is of a very special type. Different considerations apply to it than apply to most, superficially comparable, bodies. In this case, having everyone inside the tent would not be a good idea. In particular, I would be very much against including stakeholders, whether from producing industries, trade unions or devolved Administrations, as members or non-executives of the new authority.

I was glad that the Commons voted against this concept. The investigation process should be run by people who are independent-minded and able to stand up to the various interests who will want to influence the outcome of something as delicate as a trade dispute. I am also pleased that the Government are planning to move some of the experienced staff that they have developed or recruited for the Department of Trade into the new authority.

Another area that is very important and on which I have had representations from the retail sector is how VAT will operate post Brexit and the sums involved. While it is strictly a tax issue and not for this House, I hope that the Minister will agree to find time to answer questions on this.

Finally, in response to the noble Lords, Lord Grantchester, Lord Fox and Lord Hain, perhaps I may offer a wider, fundamental observation. I voted remain in the referendum, because, on balance, I thought then that continued membership of the EU was the better option. However, it does not follow that, when we leave, people of my persuasion should consider the best outcome to be to remain as close as possible to the EU, via membership of the single market, customs union or whatever. Past support for remain implies no such conclusion.

We need to review the matter from first principles, covering such considerations as why the UK would profit from membership of an organisation whose rules are set by others. My point is simple: remainers who now advocate the closest possible ties with the EU need to argue their case and not assume that all who once agreed with them must accept the truth of their current proposition. Of course, if we stay in the customs union or the EEA, the powers in this Bill and the new authority will go largely unused, bringing home the extent to which that outcome would limit our influence on trade.

4.36 pm

**Baroness Kramer (LD):** My Lords, let me from these Benches join in the welcome extended to the noble Baroness, Lady Meyer. Sometimes in this House we have a Member who gets to their feet and speaks deeply from the heart; she did that today, and I hope that she will continue that passion into her future speeches.

I have the great advantage of speaking in the middle of the batting order, so I can now select just a few topics on which to focus. I think that it will not surprise the Minister that I want to talk about rules of origin. She said that that she would address that issue in her summation. Unfortunately, it will be difficult to challenge her at that point in the discussion, so I hope that she will be comprehensive.

In the continuity FTAs that are to novate—as the noble Lord, Lord Lilley, phrased it—the 40 to 43 existing deals that the EU has with 70 countries, rules of origin become critical. As this House will know, the right to reduce a tariff to zero is in many cases dependent on the content of the good being exported. Local content has to reach a pre-agreed threshold. In the example often used, of the sale of automobiles to South Korea, the required local content threshold under the EU agreement with South Korea is 55%.

The UK is a major exporter of cars to South Korea. It has no difficulty using that definition of EU content in reaching the 55% threshold. However, the UK alone has content that is far lower. From reading speeches of Mike Hawes of the SMMT, which is basically the automobile trade association group, I understand that the core UK content is on average about 20%. Through various other mechanisms, that number can for some vehicles be raised to about 40%. To get to 55% or 60% is generally acknowledged to be impossible. The rationale for that is simple: it is economies of scale. Major manufacturers are not going to want to have multiple ball-bearing parts in every country from which they export; they are not going to want to replicate the construction of tyre wheels, or whatever else. It is the supply chain, collectively, that delivers that final product to the UK for onward export to Korea.

My understanding is that it would be very difficult to get a variance from that 55% to 60%, for the simplest of reasons: the benchmark is used in trade deal after trade deal across the globe, and many of those trade deals include a clause that says that if more favourable terms are offered to another country, then automatically that more favourable benchmark is included for each country that is engaged. You know that if the UK were able to get a benchmark reduced to 20%, for example, the EU would enjoy that, as would many other countries that have free trade deals with South Korea, so we create a problem. The answer that the Minister often gives is that we will have a triangulation system that allows the UK to treat EU content for these purposes as if it were UK content and vice versa. However, my understanding is that that would last only to the end of the transition period even under the Chequers agreement, and if there is no deal then there is no possibility that that arrangement will even be in place late on 29 March next year. Perhaps the Minister will take us through those various issues.

[BARONESS KRAMER]

I took a look at a very handy chart derived from world import-export tables—these are 2016 numbers—produced by a company called Absolute Strategy Research. That 55% to 60% benchmark is quite common for a wide variety of goods: we are not talking just about automobiles. It may be lower for some: there is an agreement in aerospace, for example, that there will be no benchmark. I looked at this and at UK content of its exports. In electrical equipment we just about get to 20%, in food products we are below 10%, in rubber and plastic products we are at just about 20% again, and in chemicals at just over 20%, so there is a very wide range of our exports in which we could not meet the local content benchmark in these free trade deals that we intend to novate. We could if we included other EU products, but that requires agreement with the EU and requires the EU to renegotiate every one of its existing free trade deals, because of course it has to make that adjustment as well.

I would really like some realistic comment from the Government, because I have a sense from my discussions that they think it will be an absolute no-brainer to get an agreement to bring the thresholds down to something like 20% or 30%, because Britain is Britain—that seems to be the logic, as far as I can see. For the reasons I have described, including the impact on trade deals all over the globe, I cannot see that that is likely. I certainly cannot see that it would ever happen without reciprocal giveaways. I shall give this House the example of Korea. The South Koreans basically said that if they were to change the threshold and allow EU content to be considered as local UK content, they would wish to do the same for Chinese products. As I understand it, the automotive industry in the UK has now said that if that door were opened, essentially it is the end of automobile production in the UK, because it would allow such a flow of cheap Chinese automobiles into the UK and it would be so damaging to our manufacturing that every investor would have to fundamentally reconsider. Spread this across industry sector after industry sector and we deserve a better answer.

I want to pick up one other issue around rules of origin. It is a point that I made in debate on the customs Bill, but that was such a truncated debate that it would be wrong not to make the point in this context as well. The noble Lord, Lord Lilley, said that tariffs are not really such a problem—they have been coming down all over the world, so it really does not matter if we do not have a zero-tariff regime: our competitors might have it but we can still do fine. But rules of origin have a huge non-tariff cost. The estimate given by the Government—perhaps the Minister will confirm it—is that a single certificate for rules of origin will cost £30 to produce. I have previously used the example of a small stationery supplier in Northern Ireland, who imports his goods from the Republic of Ireland—he has no choice; there is a wholesaler only in southern Ireland—and the shipment comes every week. The cost to him for that shipment would be £30 for the pencils, £30 for the white paper, £30 for the blue paper, £30 for the filing cabinet, £30 for the pens, and so on. The slightest difference creates the requirement for a new certificate of origin.

**Lord Lilley:** The Swiss have to fill in rules of origin on their trade with Europe, which constitutes 80% of their exports. They say that the overall cost of dealing with borders is about 0.1% of the value of trade. How does the noble Baroness make that tie in with the scare story she is currently retelling?

**Baroness Kramer:** This is not a scare story. I think the Government will be able to confirm the description that I have just given. I will make one, more general comment but I do not want to go on because of time. Different countries have different patterns of production and trade. Over the past 40 years the UK has integrated into a supply chain, just as the Northern Ireland economy has integrated across those borders. I cannot speak about the Swiss because I do not know that economy in detail. It requires detailed knowledge of the specific economies. We are part of a crochet, deeply embedded into it, just as many of the supply-chain countries are, with constant trading across borders within the EU.

Even under the Chequers proposal, rules of origin certificates are required on every good. I have talked before about the small company that sells party supplies across Europe. It would be £30 every time they sent out a shipment of cups, £30 for the plates, £30 for the paper napkins, £30 for the tablecloths—you can go on with those kinds of numbers and you quickly realise why for many companies this is a totally destructive additional cost, which changes the game completely. I ask the Minister: can we please have some comprehensive answers? Can we have the impact assessment of what this will do to our businesses as they are today—not the fictitious new businesses that may develop in the next 20 years which will abandon the kind of trade that I have described and specialise in something different, perhaps more along a Swiss pattern, but the real businesses that exist today, in which people have invested and by which people are employed?

**Lord Purvis of Tweed (LD):** My noble friend may be interested to learn, on the Swiss example, that the regulations associated with all agricultural, tradeable and industrial goods are fully aligned with the European Union, and Switzerland is part of the Schengen agreement, so for the movement of people and those agricultural and trade goods there are no necessary checks.

4.48 pm

**Lord Butler of Brockwell (CB):** My Lords, I am delighted to be the first Cross-Bencher to congratulate the noble Baroness, Lady Meyer, on her very moving and powerful maiden speech. I have previously known her as the wife of her husband. I knew some of the story she told us today, but not all of it. None of us can be in any doubt that the range and depth of the experiences that she described will enable her to contribute very powerfully to the business of this House.

I support the Second Reading of the Bill. Like the earlier withdrawal Bill, it is clearly necessary if the UK is to leave the European Union. As has been said, it will be an important first step if the UK, as a third country, is able to novate trading agreements that we already have as members of the EU. Of course, it will

be for the EU's trading partners individually to decide whether or not they want to make such arrangements with the UK. As the noble Lord, Lord Grantchester, said, that will not in every case be straightforward. The Secretary of State assures us that the auspices are good; we must hope that he is right.

However, there is the much larger question of trade with the EU countries themselves. I accept what the Minister said—that this Bill is not directly about trade with the EU—but the EU is such an essential part of UK trade that it is bound to be relevant to a Trade Bill. I hope that we can reach an agreement with the EU and believe that we must not be excessively dismayed by the reports of negative reactions from the EU negotiators to the Chequers proposals. As we all know, the EU has a habit of cobbling together an agreement at the 59th minute of the 11th hour. Nevertheless, we must be realistic about the consequences of failing to reach a deal.

In a recent article, Professor Ngaire Woods, the director of the Blavatnik School of Government at Oxford, pointed out that because world markets are becoming increasingly interdependent, other countries are consolidating their supply chains, not breaking them up. She made the point that three-quarters of world trade in goods consists of inputs to items finished elsewhere. For all countries, there is a premium on the ease of transmission of goods across borders. Half of current British exports are to the EU. I know that I do not have to give a lecture on these matters to the Minister, with whom I had the great pleasure of working during my brief foray into commercial life.

There is also the fundamental importance to the UK of exports of services. Here, I draw attention to my interests in the register. The Chequers proposals do not cover such exports but here again, mutual recognition of standards is as important as it is for goods. Of course, an agreement on these matters is important also for the EU, which is a reason for hoping that a deal will ultimately be done. But it is more important for us because trade with the EU is a more important part of our economy than trade with the UK is for its members, so we cannot afford to be light-hearted about the consequences of no deal or an inadequate deal. I know that the Government are not light-hearted about that but we have to ask ourselves whether, in the event of no deal or an inadequate deal, the advantages of leaving the EU still outweigh the disadvantages. Can we assert that a majority of the British people, in voting for Brexit, were in a position to take an informed view on this question? Of course, they could not have been because the terms of our future relationship were not known when the referendum took place—indeed, they are not known today.

I do not believe that it would be right or responsible for the British people to go over the cliff without being asked to make an informed choice when the terms of our future relationship with the EU are available. If an amendment to this Bill is tabled to provide for such a choice, I will again support it. I cannot accept the Prime Minister's response that providing the British people with an opportunity for an informed choice would be "a negation of democracy". On a matter of such importance, precisely the reverse is the case.

4.54 pm

**Lord Hamilton of Epsom (Con):** My Lords, I congratulate my noble friend Lady Meyer on her maiden speech, which was distinctly moving. I knew about the story, which I had read in the press, of the problems that she had in being reunited with her children as a result of German divorce laws—but I must say that to hear it again strikes dismay, and many other emotions, in the heart of any mother or indeed father in this country today. I wish I could say that it was only the German divorce laws that were depriving mothers of their children; I am afraid the state in this country as well has a role to play in that.

She described her White Russian grandparents, a persecuted minority who had to flee. She also said that she was standing up for Brexit in this House. She will not be persecuted but she will certainly be in a minority—a very small minority, I have to tell her, because for some reason there are serried ranks in your Lordships' House who think that the country made a very great mistake in voting to leave the EU and are not really reconciled, as we have heard from the noble Lord, Lord Butler, to the vote, which was a quite clear decision that made it absolutely clear to the country that we wanted to leave. This is strange, because I always think of the noble Lord as coming from what I call the mandarin class—people who have made the decision to dedicate their lives to politics but not to stand for election. Then someone makes a democratic vote—the country votes—and they say, "No, no, they've got it wrong". Suppose that we ignore the vote of the country. Where does that leave the people of this country?

**Lord Butler of Brockwell:** I am very grateful to the noble Lord for giving way—I intervene because he referred to me. I do not assert that the British people got it wrong. I assert that they were not in a position to make an informed choice—and that is what I now want to see happen.

**Lord Hamilton of Epsom:** I would point out to the noble Lord that you could make exactly the same point about the verdict of a general election. You could say that the people who won the election did not give the right information, ignored many vital issues and produced inaccuracies in their election addresses. Do you, on that basis, reverse the general election? If you do, you will find that people will be given no option but to take to the streets.

Actually I am rather heartened by the people contributing to this debate. Many of my noble friends who have arraigned us with their views do not seem to be speaking here today. Perhaps they have been somewhat discouraged by the lack of enthusiasm for the rebels in my party in the other place, who failed to uphold any of the amendments to what was then the European Union (Withdrawal) Bill—perhaps the stuffing has been knocked out of them.

This seems to be a very sensible Bill because it paves the way for transferring many of our trading arrangements. As my noble friend Lord Lilley pointed out, this is not a very complicated exercise because, of the countries that have free trade agreements with the EU, only about four, accounting for 80% of our exports, really matter in terms of the negotiations.

[LORD HAMILTON OF EPSOM]

The point was made by the Opposition Front Bench that some of these countries might want to alter the agreements. I have to say that I sincerely hope they do—but that does not mean that we do not transfer the agreements as they stand today on a cut-and-paste basis and then go back at a later date and negotiate a more wholehearted deal that will incorporate a lot more trade.

**Baroness Kramer:** I have a question for the noble Lord, which I hope might help. How does he propose we cut and paste rules of origin and local content? I find it a really interesting concept that we could do that.

**Lord Hamilton of Epsom:** The noble Baroness mentioned the question of origin, and I thought my noble friend Lord Lilley dealt with that. I do not think it is quite the problem that the noble Baroness seems to make it out to be. I do not see that there is going to be any great problem in transferring over the existing agreements. Indeed, there is tremendous good will from the countries involved that want to do this.

**Baroness Kramer:** My Lords—

**Lord Hamilton of Epsom:** I am not going to give way again. The noble Baroness cannot go on getting up; I have only a limited amount of time. It must be right that we sign up to the government procurement agreements as well, because they involve a lot more countries. This will make it easier for us to leave the EU without an agreement and resort to the WTO.

It is interesting that, during the progress of these negotiations, the whole idea of going to the WTO and having no deal on trade has been taken off the table. Let us face it: the Government had a very weak hand, and no deal was the only ace in that hand. It almost defies credibility that, at one point during the negotiations, it was taken off the table. Now there is a lot of preparation being done for no deal and for the WTO. This Bill will form part of the preparation.

The whole attitude of the EU has completely changed. There are a large number of manufacturers in the EU saying, “What does the WTO mean for us?”. What it means for German car manufacturers is a 10% tariff on all assembled cars they send to this country. Everybody says, “Oh, it’s a much smaller amount of trade for the EU than it is for us”—as the noble Lord, Lord Butler, did a moment ago. The eurozone sells us one and a half times as much as we sell to it, and the Germans sell twice as much in manufactured goods to us as we do to them. So it does impact on them. There was a moment when we were told that we were being the laggards of Europe and that our growth rates were falling. I agree that you cannot believe quarterly figures, but now our growth rates are up by a margin over those of the EU. So the EU is not in such a strong economic position that it can say, “For political reasons, to punish the British, we are going to have a really hard deal which means that we sell less to them than they do to us”.

Let us look at what has actually happened. It was not that long ago—before the election, I must admit—that the Prime Minister said that no deal was better than a bad deal. That was in the days when Nick Timothy

was her special adviser. As a result of the general election, he has gone. Now we have Olly Robbins instead, and we seem to be in the position where any deal is better than no deal. The result has been the Chequers agreement. In my opinion, this is a complete dog’s breakfast that could have been dreamed up only by a civil servant. Why have we moved away from the simplicity of a Canada free trade deal with serious additions? I do not understand why that was ever taken off the table and why we are in the nonsensical position that we are today. If this country is going to have a future, we want a clearly understood deal, based on Canada. That will get us out of the EU and trading as the Canadians intend to do in the future.

5.03 pm

**Lord Browne of Ladyton (Lab):** My Lords, since my introduction into your Lordships’ House, on each occasion when I have risen to speak from these Benches, I have endeavoured to find some point of common cause with the previous speaker—some point on which we can agree, or some way in which I can seamlessly weave myself into the debate. The noble Lord, Lord Hamilton, will appreciate that, on this occasion, I choose to divert myself from that and to take this opportunity to welcome the noble Baroness, Lady Meyer, to your Lordships’ House. I particularly congratulate her on her maiden speech. I was privileged to be here in person to listen to it. She has a compelling personal story. I have not practised law for some time but, when I did, I spent a lot of time trying to persuade judges of what was in the best interests of children. If she intends to use her opportunity as a Member of this House to do this, she can guarantee that I shall be behind her. I honestly think that people are much more likely to listen to her because she can translate her personal circumstances into a compelling argument, and I thank her for that.

In the third or fourth sentence of the Minister’s opening remarks, she said that the principle that guided the Bill—I think this is the phrase used by Liam Fox in the other place—was that of continuity. She suggested in her peroration that the purpose of the Bill is substantially to preserve the status quo. During the passage of the Bill through your Lordships’ House, to the extent that I can engage with it, I intend to test whether it in fact gives any bankable guarantee of continuity or whether it creates a series of opportunities, which I suspect that the Government will not resist, to do the opposite in some specific cases. I intend to use my time to identify some of them and ask some specific questions of the Government about their intentions.

I begin by going back to a point made by several speakers, including my noble friend Lord Grantchester and the noble Lord, Lord Fox. Indeed, before we even started on Second Reading, the noble Lord, Lord Purvis, asked the noble Lord, Lord Callanan, about this. My noble friend Lord Davies of Stamford also asked about this in his intervention. We are promised that, in summing up the debate, the noble Baroness will come back to address the issue of whether the Government can achieve what they set out to do, which is to roll over these trade deals in the time available in a way that generates continuity.

Whether the noble Lord, Lord Hamilton, likes it or not, third parties are involved, and that guarantees that we cannot just cut and paste these trade deals. First, the European Union has to take action and then the third-party countries have to agree. Some of these countries are required by their constitutions to ask their Parliaments whether they can agree to the novation of these trade deals; in some, the head of state has the equivalent of our prerogative power to do so; in others, it is relatively simple, and departments can do it.

This point was brought to my attention by press reporting over the weekend. I am thinking specifically of the report in the *Independent*—it may have been only online—on 8 September of an answer given to an FoI which revealed that, beyond trade, there are more than 750 such deals with at least 168 non-EU countries. They cover a wide variety of issues: airline services, nuclear safety, fisheries, agriculture and data sharing, over and above those that relate to trade, which we are specifically dealing with here.

I ask the Minister to address the specific question asked in the FoI: whether the Government have central information on the number of those agreements and whether information is held about their individual status—in other words, the degree to which a likely positive response from a third-party country had been gained by discussion and negotiation, principally by her department. I understand that, in answer to that question, Charles Marquand was told that the Government do not hold the information relevant to the request.

It was reported that none of these 168-odd countries have given clear agreement to roll over any deals, yet there is no date for asking them to do so. Given what the noble Lord, Lord Purvis, was told by the noble Lord, Lord Callanan, in Oral Questions—that these all have to be rolled over by 29 March—perhaps the Minister can confirm in her promised response to this debate that the Government do know how many third-party countries have promised or agreed to roll over agreements. Perhaps she can persuade your Lordships' House that the Government are confident that this information actually exists somewhere. Can she quantify the risk of loss of trade after Brexit if any of these countries refuse to roll over agreements or require significant changes to them?

I have a few minutes left in which to make a second point, which relates to geographic indications. No one who knows my history of representing a Scotch whisky constituency for 13 years will be surprised at this. In case I run out of time, I repeat to the Minister what the Scottish Whisky Association, which has briefed me on this issue, has asked me to put to her:

“If the UK does not agree to reciprocal protection, it risks the status of the UK's GIs”—

there are 86 of them and a lot of rural economies utterly depend on them—

“in the EU and globally with those countries that have trade agreements with the EU”.

I make this point because the Minister of State for Trade Policy went to the Scottish Parliament on 5 September to give evidence to its Finance and Constitution Committee. He told it specifically—it is in the *Official Report*—that the Government do not agree with the European Union's position on geographic indicators because they consider it to be a barrier to

free trade. That suggests to me that the Government intend to undermine many of these geographic indicators. That would be a very significant detriment to many rural communities, particularly in Scotland.

I have taken up too much of my time in making these two points. At later stages of the passage of the Bill, I also want to engage the Government about devolution issues. Again, Ministers went to the Scottish Parliament and said some really interesting things about that.

5.13 pm

**Baroness Jones of Moulsecoomb (GP):** My Lords, it is a pleasure to follow the reasonable and well-reasoned comments from the noble Lord, Lord Browne. I am not sure if it is the convention, but I welcome the noble Baroness, Lady Meyer, who has left the Chamber, as the first Green to do so. I am of course the only Green, which is a source of great sadness to me and, I am sure, to many Members of your Lordships' House. I take issue with the rather rude and disagreeable comments about Brexiters from the noble Lord, Lord Hamilton. I voted leave, but I had no idea that this Government would make such a hash of it, so I will be voting against almost everything that the Government bring forward unless they listen carefully to the debates and arguments in this House.

I used to be an archaeologist so I have a little experience of trade 5,000 to 10,000 years ago. My knowledge is not that much more outdated than that of the Government. The Trade Bill sounds rather like an attempt to continue with 20th-century arrangements, which are based on ideas from the 18th and 19th centuries. Of course, if that is not going far back enough in history, some of the measures here are more 16th-century—the Henry VIII powers that Ministers are trying to grab for themselves yet again.

The Government try to tell us that this is simply business as usual, but we all know that that just is not true, and that this legislation will have far-reaching impacts in economic, democratic and constitutional areas. It is therefore for us to talk sense to the Government and hope that they will listen. Trade deals are no longer just about removing tariff barriers between countries. Modern trade deals can change vast areas of public policy, such as food standards, environmental protections, working conditions and the privatisation of public services. A trade deal can make huge changes to our hard-won rights and protections, yet the Government want a blank cheque to trade away those rights if they feel it is appropriate, without parliamentary scrutiny or approval. Obviously I am going over some areas that have been mentioned already, but I will say it differently—and, quite honestly, these things need repeating. The Government frame this Bill as simply the rolling over of existing deals, but there is nothing on the face of the Bill to stop their powers applying to renegotiated or even entirely new trade deals.

We have been told, time and again, that Brexit is about taking back control, that Parliament will once again be sovereign, and that the UK Supreme Court will be the ultimate arbiter of legal disputes. But the provisions in the Bill will undermine that. Any control taken back from the EU will be jealously guarded by Ministers and shielded from scrutiny by this Parliament.

[BARONESS JONES OF MOULSECOOMB]

This arrangement will hold the powers outside of the supervision of the Supreme Court, too, which is already limited in its capacity to question the exercise of royal prerogative. If things were not bad enough, many modern trade deals create supranational legal bodies—so-called investor-state dispute mechanisms—whereby corporations and lobbyists can take national Governments to secretive courts for the crime of hurting their profits. The idea that we are taking back control is clearly laughable. The Government appear to be seizing power on behalf of international capitalism at the expense of workers and the environment. The simple truth is that we are losing control with the Bill, and I fear for our democracy if it goes through. Ministers will have the power to change primary legislation to meet the demands of any dictator who chooses to intervene. Whether it is Putin, Xi Jinping or Donald Trump, anyone could negotiate with Liam Fox, who is desperate for some high-value deals, and I do not trust him not to sell us out while he tries to outfox Mr Art of the Deal.

To put all this in perspective, let us compare the scrutiny arrangements in the Bill with those of some of our trading partners. The United States, the European Union, New Zealand and Canada all have some degree of public and parliamentary scrutiny which exceeds the proposals in front of us. In the United States, negotiating texts are reviewed by a body of representatives, and Congress has both a power of amendment and a binding vote on the final agreement. In the EU, the European Parliament is consulted throughout, and MEPs get a binding ratification vote on the final agreement. In contrast, our Parliament will have little say and zero power; even the so-called undemocratic EU will be more democratic than us, which is very embarrassing. Parliament will be on its knees, begging for scraps from the Government, while our counterparts in other countries can be said to be running the show. Trade justice campaigners have told me that they always thought the EU system was flawed and undemocratic, but the proposals in the Bill have managed to concoct something even worse. This is not what anyone meant by “taking back control”.

My big worry is not just the procedural and democratic argument; I am extremely worried about the massive changes that could be made to some important laws. We already know, for example, that the US is pushing for us to reduce our food standards to allow it to import food that would currently be deemed unsafe and probably plain yucky by British consumers. We hear a lot about chlorinated chickens, but in fact the unsanitary, diseased conditions of American mass farming are the scary part rather than the chlorine, which is designed to make the meat safe to eat, so we should be glad that American chickens are chlorinated. Just one statistic: someone eating food in the United States is 10 times more likely to contract food poisoning and other food-borne illnesses than if they were eating in the UK. We can be sure that people like Donald Trump will insist that we lower our standards and flood the market with American goods, if we want a trade deal. It cannot be left to Ministers alone to wave goodbye to our food standards and safety; it is Parliament that passed these laws, and Parliament should take them away.

Of course, different departments could pursue completely different objectives: the Department for Environment, Food and Rural Affairs might have one idea about trade while the department for trade is negotiating the complete opposite. We must make sure that protections are in this Bill to ensure that our standards and rights are protected, and that all departments negotiating trade deals are clear that these protections are not up for grabs.

We have an opportunity here to rethink what trade means and what trade deals are. Trade does not have to be a race to the bottom; it can be used as a way to work with other countries to create good jobs and improve living standards. Instead of working together to bargain away workers’ rights and environmental protections, we could make deals in which we agree collectively to strengthen our standards and take them to new heights. It is possible to be ethical about these things and to shape policy for good; we should be setting our sights rather higher. Much of Britain’s wealth was created by plundering and exploitation of the global south; we have to move away from that mindset with our modern approach to trade. We can demonstrate global leadership by championing fairer trade and rising standards, not just free trade.

From a green point of view, there is absolutely no point in continuing with trade for trade’s sake. Global thinking is that trade is incredibly important but, where something can be produced and consumed locally, we should aim for that; it will have less environmental impact both globally and locally. Food is also much healthier when we get it locally rather than have it shipped in. A noble Lord mentioned earlier how there is lots of exchange—milk, for example, goes backwards and forwards across borders. Why on earth does that happen? We should think more locally. I would like to see the Government do more to encourage local and regional trade and I hope to hear from the Minister about any ideas that the Government have.

The proceedings around the EU withdrawal Bill proved that there is a lot of concern with the way things are going. I look forward to working with other noble Lords to help make this legislation fit for purpose but, unless significant changes are made, I will vote against the Bill.

5.22 pm

**Baroness McIntosh of Pickering (Con):** My Lords, I am delighted to follow the noble Baroness. I refer to my interests in the register, particularly the work I do with the Dispensing Doctors’ Association. I welcome the Minister to her ministerial position. I also add my congratulations to my noble friend Lady Meyer on her excellent speech and welcome her to the House. Like her, I have a mother born outside of the United Kingdom—my mother came from Denmark. I warn my noble friend the Minister that I will be focusing on a number of issues where I think Denmark is doing particularly well.

The Trade Bill is appropriate, as Britain is a trading nation. We are liberal and outward-looking and the UK has benefited from our membership of the European Union since 1973. Through our membership of the EU, as the Minister said earlier, we benefit from wider

trade agreements and, most recently, from economic partnership agreements with third countries. The Trade Bill is to be welcomed as putting arrangements in place for our leaving the EU and becoming, effectively, a third country. However, the provisions of the Bill before us today relate to internal aspects only, rolling over the provisions of existing free trade agreements into our law. As the noble Lord, Lord Browne of Ladyton, mentioned, there is an external aspect where the agreement of a third country needs to be sought on the subject of a free trade agreement—or possibly of the EU if it is a mixed agreement. I urge the Minister to continue to keep the House informed in regard to these matters.

We must also have regard to the sheer timescale of negotiating and concluding even the simplest of free trade agreements. As we leave, we are giving up access to 440 million remaining consumers in the EU, as well as access to an additional 47 countries through the EU free trade agreements, so there are dangers in over-emphasising the opportunities of these new trading relationships.

I welcome the commitment in Clause 6 to continuing to participate in the European medicines regulatory network, but questions remain over the free movement of medicines, medical devices and UK participation in European clinical trials, as referred to by the noble Lord, Lord Kakkar. The EU has been our most important trading partner and clearly has other benefits, such as close cultural ties and geographic proximity, so the costs of trading with our EU partners are clearly substantially lower than if we were to trade with, say, the US, Japan, Korea, Australia and New Zealand, as well as such trade being more sustainable and less damaging to the environment.

The challenges of seeking new trading arrangements must be clearly understood. There is the possibility of protectionism and, as the noble Baroness, Lady Jones, referred to, hormone-produced beef and chlorine-rinsed chicken, as well as food insecurity and potential disruptions in the event of a trade dispute. The size of these new markets and their distance from us means that they will not easily fill the void left by our previous trade with our existing EU partners.

Under World Trade Organization terms, the most challenging aspect is the rules of origin, as a number of noble Lords have mentioned. I take the example of the humble sausage. The contents of each sausage will, more likely than not, emanate from more than one country, with a multiplicity of ingredients in each. Every individual product would have to be identified and its source confirmed before a nomenclature and potential tariff could be agreed. However, as with all aspects of trade, it is often the potential non-tariff barriers that cause the greatest threats.

There are concerns over the regulatory powers set out in the Bill. I would prefer that as a general rule no power to make policy decisions should be vested in the Government without proper parliamentary scrutiny being in place. I would go further and propose that Parliament be given the formal power to approve trade agreements, as well as the power to approve the UK's negotiating position and the final text of each agreement.

Farmers have had to meet the highest possible standards of food safety, animal health and hygiene in producing our food, and they have been proud to do so. It would be singularly inappropriate for deals to be sought with countries such as the US, Argentina and Brazil that do not meet the criteria that our farmers currently have to meet. Most producers, whether of food, farming or manufactured goods, welcome the broad thrust of the Chequers plan and, in particular, the fact that there will be an acceptance of a common rulebook to ensure a smooth transition as we exit on 29 March next year so that our goods will still be accepted into the EU. Anything less would be a travesty. Producers and consumers alike need to know that there will be continuity of supply, as well as high standards of production, in what has become a very sophisticated integrated supply chain between us and our existing EU partners.

I should like to take Denmark as an example. With a population of only 6 million, it punches way above its weight in exporting its foodstuffs. Largely through the work of industry and a particularly strong co-operative movement, with some limited government support, Denmark has a strong export showing to China and other far-flung places of meat, dairy and other food products, even while remaining a full member of the EU. I am mindful of the fact that our main export, above all—this will delight the noble Lord, Lord Browne of Ladyton—is whisky. Britain recently appointed an agricultural attaché to China, since when our agricultural exports have been boosted to the benefit of companies such as Karro, whose food plant was formerly the Malton bacon factory in North Yorkshire, which now proudly exports to China pigs' trotters and other pig parts for which there is no home market.

Our agricultural attaché is financed mostly by industry, with only a modest contribution from the Government. This is a model shown to have brought results and should be rolled out in other countries too. The Food and Drink Federation calls for in-market specialists in priority markets, identified—in addition to China—as the USA, India, Japan and the UAE. Figures provided by the Food and Drink Federation show how UK food and drink exports have played catch-up with our EU partners, with our exports to China increasing by 94% between 2015 and 2017, due no doubt to the work of the agricultural attaché as well as the strong growth of the Chinese consumer market.

Danish exports of food and drink to China in 2017 were still substantially greater than ours, as were their exports to Japan. Growth of UK food and drink sales to Japan, at 10%, lags behind growth of food and drink exports from Ireland, Spain and Germany, as well as from Denmark. So there is clearly great potential for future growth in exports for the food, drink and farming sectors. We did not, however, have to leave the European Union to achieve it.

The Agriculture and Horticulture Development Board levies a statutory fund of about £60 million each year from farmers, growers and others. It is currently under review and needs to build on its role in promoting exports. I hope that this will be cautiously considered, so as not to damage our growing export market. The Minister may not be aware that there is growing concern

[BARONESS McINTOSH OF PICKERING]

over the position of organic farmers post Brexit, when their niche market may be lost because they will have to renegotiate recognition and certification from scratch.

The trade remedies and dispute resolution mechanisms raise questions about problems arising from the relationship between this Bill and the customs Bill. One issue of which the Minister may be aware relates to bricks and ceramics, which face potentially unfair competition from unsustainable sources in developing countries, and reduced exports—with an effect on domestic production—arising from the recent Trump tariffs and the retaliatory measures from China.

In conclusion, whatever happens with the process of this Bill we must beware of cutting our producers off from their main existing export markets in the EU. The potential impact of no deal could be catastrophic for farming and the food and drink industry. I am firmly of the view that the Chequers paper sets us on a direction of travel that could take us to a safe haven, such as the EEA or EFTA, by forging a bespoke customs union with them, while carrying on with negotiations and keeping our longer-term trading options open. I hope the House will give the Bill a fair wind.

5.33 pm

**Lord Adonis (Lab):** My Lords, the noble Baroness, Lady McIntosh, has just spoken powerfully about the benefits of expert sectoral attachés at our embassies, and I am sure that the Minister will be taking her suggestions seriously.

I make no apology for returning to the critical issue of Northern Ireland, following on from my speech on the Taxation (Cross-border Trade) Bill last week. Ireland is the Achilles heel of Brexit, because it cannot be squared with the prosperity and flourishing of Ireland, because of the impediments it will impose on trade within Ireland and between Ireland and Great Britain. The crucial thing to understand about this, as I now appreciate only too well from successive visits to Belfast and Dublin in recent months, is that as an island off an island, Ireland's trade is overwhelmingly centred on, or routed through, Great Britain. Some 14% of Ireland's trade is directly with Great Britain, while 85% of Ireland's EU freight trade is routed through British ports.

The issue we and Ireland face, therefore, has two critical dimensions. The first is the extent of the trade between us and the damage we will inflict on Ireland if we unilaterally erect barriers to that trade. The second is the impact on the fragile peace and stability of Northern Ireland, which, even 20 years after the Good Friday agreement, is in a state of crisis, with no Assembly or Executive for 600 days and the constant threat of re-entering a spiral of civil disturbance or worse. These two issues are interrelated, since nothing contributes to peace more than prosperity, and nothing undermines prosperity more than civil unrest, uncertainty and an absence of democratic institutions able to deliver for the people.

Since I spoke last week the position has worsened, because of the incredibly inflammatory remarks by Boris Johnson, Mrs May's Foreign Secretary until two months ago, about her Brexit policy being a "suicide vest". Leaving aside the nauseating attention-seeking

tone of that metaphor, it is important to understand that Mr Johnson was referring to the backstop provision for Northern Ireland. As an irresponsible hard Brexiter, Mr Johnson has long been opposed to the backstop by which EU law and the EU's trade regime will continue in Northern Ireland if there is any question of a hard Brexit requiring border infrastructure after the implementation period in 2020.

Mr Johnson's reason is simple: the backstop imperils Brexit itself. This is in fact true. The problem is that anything else imperils the Good Friday agreement and threatens to provoke paramilitary activity in Northern Ireland—which is precisely why the Prime Minister agreed to the backstop last December, as a key element of any withdrawal agreement between the United Kingdom and the European Union this autumn.

I know that the Minister will totally dissociate herself from the "suicide vest" remark—but will she say what the Government's current position on the backstop is, given that the Prime Minister herself said in Belfast, shortly after Mr Johnson's destabilising resignation, that she no longer favoured a backstop that had force in European law or was not time-limited?

I have two other vital questions for the Minister about the Government's post-Brexit trade and customs policy on Ireland. First, can she say how Section 10 of the European Union (Withdrawal) Act relates to the Irish backstop? My specific point is that if there is no deal, there is no backstop—so, by definition, on 29 March 2019 there will be a hard border and customs tariff arrangements between Ireland and Northern Ireland. I do not see how this, or any weakening of the backstop, is compatible with Section 10 of the European Union (Withdrawal) Act, which noble Lords will recall—because we inserted it into the Act—provides that a Minister of the Crown must act,

"in a way that is compatible with the terms of the Northern Ireland Act 1998".

The same provision—Section 10 of the European Union (Withdrawal) Act—also specifically prohibits the Government from agreeing to,

"create or facilitate border arrangements between Northern Ireland and the Republic of Ireland after exit day which feature physical infrastructure, including border posts, or checks and controls, that did not exist before exit day and are not in accordance with an agreement between the United Kingdom and the EU".

I ask the Minister, therefore, whether Section 10 prohibits no deal, or a weakening of the previously agreed backstop in relation to Northern Ireland?

As a further consequence of the crisis in the Conservative Party this summer, following the Chequers declaration on Brexit policy in July, the Government have gone significantly further than Section 10 in respect of provisions relating to Ireland. We now also have Section 55 of the Taxation (Cross-border Trade) Act that we enacted only last week, which was inserted as an amendment in the House of Commons by Mr Jacob Rees-Mogg. Section 55 of the latest Act states:

"It shall be unlawful for Her Majesty's Government to enter into arrangements under which Northern Ireland forms part of a separate customs territory to Great Britain".

This gives rise to an obvious and huge question that I will now also put to the Minister. If under Section 10 of the European Union (Withdrawal) Act a no-deal

Brexit or any Brexit without a backstop is illegal in respect of Northern Ireland, and given that Section 55 of the Taxation (Cross-border) Trade Act states that it is not legally permissible to have different customs arrangements between Northern Ireland and Great Britain, does it not logically and necessarily follow that a no-deal Brexit, or any hard Brexit that is inconsistent with the Northern Ireland backstop and the Good Friday agreement, is illegal not only in Northern Ireland but across the whole of the United Kingdom?

I would be grateful if the Minister would respond to these two questions, either verbally at the end of the debate or in writing as soon as possible. Given the gravity of the issues at stake, it may be that she will want to give me a full response in writing. I should also say that I am taking other eminent legal advice on these vital questions. In conclusion, it looks to me as if the Irish Achilles heel of Brexit might be about to go gangrenous—and the force of the Brexit laws already enacted by Parliament might well be the cause.

5.41 pm

**Viscount Waverley (CB):** My Lords, the breaking news today is that Monsieur Barnier, the EU negotiator, may have blinked. Also, the Governor of the Bank of England, Mark Carney, has agreed to stay on. Being reluctant but optimistic on Brexit, this portends well. In the circumstances, this Trade Bill is a necessary piece in the Brexit jigsaw.

A question to start, however, is this: will this Trade Bill survive the environment in which it must serve or will it require amending once the conditions under which we are leaving the European Union are known? It would appear that the architects of the Brexit vision did not anticipate the complexity of the negotiations in addition to the unfolding contagion in important emerging markets together with trade tariffs distorting globalisation, all of which could become centre-stage challenges. Those are insecure foundations on which to build a secure future.

The noble Lord, Lord Lilley, who is not in his place, did make some substantive points about renegotiating trade agreements; nevertheless, the Government have to shoulder the consequences of their policies and actions. History will judge whether the architects of Brexit made a fundamental error of judgment by looking to the future through blinkered vision, along with a negotiating flaw of not being sensitive to the unsurprising strength of opinion across the Channel that could possibly haunt us further. Time will tell, and shortly at that. At this late stage we must be flexible, opportunistic and respectfully Machiavellian. All that said, we are where we are—but where are we? We must either wrap up what was started or change tack, decisively searching for an assured future. As Cicero said, “Where there’s life, there’s hope”, so in that we may take some comfort.

There are many aspects to this Bill, but I will focus my central remarks on a cornerstone of our economy: financial services. The Bill represents a building block, and it needs to do so. It is inconceivable that the EU 27 would allow as important a sector as financial services to remain fully offshore. Brexit may indeed mean Brexit, but Brexit also means consequences. Post-Brexit

pressure will undoubtedly grow on the City of London and other centres around the United Kingdom. The European Central Bank is already implementing its location to the continent in mandatory stages. The combination of principle and the possibility of rich pickings will place further sustained pressure on the financial services sector. The list of annual rankings of international financial centres is published today or tomorrow. Let us keep an eye on how London fares both now and in subsequent years, having mostly maintained its position at number one up to now.

The financial services sector is on the move and we must be diligent and keep abreast of that. The likes of Frankfurt, Paris, Toronto, Tokyo, Seoul, Astana and Moscow along with others are the founding members of the newly established World Alliance of International Financial Centres, to be headquartered in Frankfurt and incorporated under Belgian law. Currently, London has observer status only. The Minister may wish to become acquainted with this alliance.

Then there is China’s increasing influence in Europe and the world at large. As in times past when the pound was superseded by the dollar, so a potential parallel yuan could become a base currency for the changing face of global geo-economics, which the likes of Ankara, Tehran and others might find increasingly appealing. China’s impact is growing. It is delivering west-bound the infrastructure that supports economic growth and the development of the old Silk Road. The UK has experience of and proven ability in supporting and promoting infrastructure development. Together we can advance east-bound, thus increasing trade and connectivity, improving quality of life and reducing the cost of living. In the first five years since the belt and road initiative was announced, 103 countries worldwide have signed 118 agreements with China. China is delivering west-bound the infrastructure that supports economic growth and development along the old Silk Road route and far beyond. The UK’s expertise is considered to be well placed, with useful experience in supporting and promoting that infrastructure development.

But corporate partnership in the spirit of local content is fundamental and I would urge UK players to seek out co-operation agreements with local players of merit, wherever the trillions of dollars are going to be unfolded. Many countries and regions along the belt and road have considered integrating the initiative with their own development programmes—including Mongolia’s Prairie Road, Kazakhstan’s Nurly Zhol, and the Eurasian Economic Union—with Pakistan having high expectations, together with the EU’s Juncker investment plan. The belt and road initiative has been incorporated into the documents of many international mechanisms including the UN, the G20 and the Asia-Pacific Economic Cooperation.

The US-China trade war is not close to being resolved and its impact is already being experienced in Asia, particularly in those countries that have existing good trade relations with China such as South Korea and Singapore. UK trade with these countries has had an upward trend during the last years and is likely to be impacted as these countries get caught in the crossfire. China warned yesterday that it will take countermeasures

[VISCOUNT WAVERLEY]

if the United States escalates the trade war. The United Kingdom needs to take a holistic approach. Technological advancement makes access to any financial centre easy. This is a good time to look to the future and fully understand and respect the importance of partnerships. As Amina Turgulova, head of global markets at the Astana International Financial Centre in Kazakhstan reminded me just this morning, while London will always be an attractive destination with many opportunities, there must be a clear and innovative development plan based on partnership. It follows that it is imperative that we build strategic links with other capital markets. Linkages and partnerships are paramount. The London Stock Exchange Group is working on links with the Shanghai Stock Exchange, and the London Metal Exchange belongs to the Hong Kong exchange.

There is a real necessity for a regulatory framework to adjust to changes; this will distinguish the leading financial centres from the rest. No less a body than TheCityUK is calling for the UK to make the most of the once-in-a-generation opportunity to recalibrate and repurpose its trade and investment policy to benefit the wider economy once it leaves the EU. I commend its thinking to the Government and refer the Minister and her team to its report of January 2017, entitled *Future UK Trade and Investment Policy*. TheCityUK's latest report of 30 August 2018, entitled *A UK-EU association agreement and future UK free trade agreements*, in effect builds on last year's report by going further into the detail of the issues that will concern financial and related professional services. I share many of its conclusions.

The potential presented by deals that focus on regulatory coherence and co-operation, as well as next-generation international trade and investment agreements, would not only strengthen London's position as the leading global financial centre but bring new growth opportunities to key financial centres across the country. Trade policy is useful ammunition in the tool box; equally, it serves as a carrot. I absolutely recognise the importance of trade, which is vital to allowing people to work their way out of poverty, supporting job creation, value addition and clean industrialisation. A message to the world at large is that trade is as critical to us as it is to others. The Government should ensure, however, that equivalent levels of market access are accorded. The Minister referred to reciprocal access.

Agreements with implications such as these for consumers, businesses, development and human rights, to which should be added the scourge of corruption, should have maximum scrutiny. As I understand it, it is suggested that the replication of some FTAs and EPAs is the way forward. I can see the benefits, but does this approach merely store up problems for the future and need to be challenged? Scrutiny and approval of all agreements on the overseas front should become mandatory. I anticipated a shake of the Minister's head. Her opening remarks served as a comfort to a degree. However, although I am broadly supportive of much that is before us, I request that the Government reflect on the benefits of scrutiny and participation by allowing a framework that covers consultation with stakeholders. I was enthused by the reference to public support.

We need a more formal system of accountability, definition of the devolved Administrations' role, full debate, approval by both Houses—including a dedicated committee—and parliamentary scrutiny in the process proposed. I recognise that this requires a seismic change but our country's future should centre on change to prepare for tomorrow's world. The role of Parliament in approval and ratification processes for international trade agreements—enshrining the Ponsonby rule, whereby international treaties have to be laid before Parliament 21 days before ratification—should be embraced unequivocally. The Government's performance in ratification timelines is, if I may choose my word carefully, precarious. This needs attention.

5.52 pm

**Lord Risby (Con):** My Lords, it is a great pleasure to follow the noble Viscount, who always speaks clearly and directly. It also gives me great pleasure to add my congratulations to my noble friend Lady Meyer, whom I have known for many years. She brings efficiency, competence and great humanity, as shown in her speech, and I know that all those characteristics will be well represented in her contributions to your Lordships' House.

It is a personal pleasure to add some comments on the Trade Bill. For some years, I have been one of the Prime Minister's trade envoys, trying to help British businesses with commercial opportunities abroad. I pay tribute to my fellow trade envoys in both Houses of Parliament, across all parties, who do this voluntarily but with much enthusiasm and, in many instances, considerable success.

I also applaud the Secretary of State for International Trade for his incredible energy and dedication to the task at hand. I can only hope that whatever vitamin pill he takes is made in Britain. He has a strong ministerial team, not least in my noble friend, who brings such immense experience to her role. Her department offers such help and professionalism to me and my fellow trade envoys.

We should remind ourselves of the Bill's objectives, which are not complicated: to keep important trading partners that currently have relationships with us via the European Union; to collect and share information, where there is certainly much more work to be done because it is imperfect at the moment; to enable us to defend our commercial and industrial sector from inappropriate trading practices; and, most importantly, to establish powers to move from having current trade agreements via the EU to dealing with them ourselves, given that trade policy has been an exclusive EU competence.

Sitting, as I do, on two of your Lordships' EU committees, we have heard repeatedly, and passionately at times, about the need for British business and our business partners abroad to have a sense of continuity and order during and after the Brexit process. This is all inextricably intertwined. In addition to these key elements of our economic life and prosperity post Brexit, it is crucial that we stand out as a beacon of free, unimpeded trade, upon which historically we have thrived and in which we have been a role model. Although President Trump may have highlighted perceived unfairness and lack of balance in bilateral or multilateral trade architecture, there is a great danger of a destructive,

tit-for-tat approach developing. That could seriously undermine the world economy, which has in some measure been sustained by much more open markets over the years as well as low interest rates and generous liquidity.

One of our greatest challenges in this age is the problem of migratory flows from poorer countries. It is so obvious that any attempts further to restrain free international trade would most seriously affect the poorest people on our planet. In this context, I welcome the strong links developing between us and the WTO.

This country has an enviable reputation for transparency and has led the charge against bribery and corruption, whether direct or indirect, which regrettably influences commercial decisions in some countries. However, I should add that, in my role in trade promotion, our firm commitments and tough laws to preclude this are much appreciated and commented on by Governments seeking to tackle this corrosive activity.

One element of our departure from the EU is our participation at present in the Agreement on Government Procurement. It is crucial that we maintain access to global public procurement markets, so I welcome our involvement in and intention to join the GPA after we leave the EU. As many of your Lordships will know, government procurement is a substantial part of the business profile of many of our actual and potential markets.

For some years, I have been the deputy chairman of the Small Business Bureau, trying to encourage a suitable tax and regulatory framework for the sector. However, it is a fair generalisation to say that our economy has been very consumer driven. I express my admiration for and appreciation of the Government's real attempts to stimulate the small and medium-sized businesses in our country into getting involved in overseas trade activity. Many of our European neighbours have moved on much more successfully than we have in changing the culture of export promotion, particularly with respect to the SME group.

In this context, I want to touch on my personal experience as a trade envoy. In the past few months, we have signed contracts in Algeria, the country of my particular responsibility, to the tune of about \$1 billion, mostly in the energy sector but also in the defence sector. This followed a trade show held last year in Algiers, organised largely by our embassy there, where numerous small, superb, defence-related British companies showed their brilliant range of activity.

My final observation is on the role of securing business in situ. Last month, in Cape Town, the Prime Minister announced the most welcome new partnership for Africa, an additional £4 billion programme for UK investment in African countries that will pave the way for £4 billion of private sector financing. That includes £3.5 billion through the Government's development finance institution, the CDC, and an African investment summit, set to take place next year. This is very important in the context of what we are trying to do to explore new markets.

The House should be very grateful to my noble friend Lady McIntosh for pointing out the importance and efficacy of having specialists—in agricultural products in this case—attached to our embassies. However, I wish to be blunt: the trade promotion grind is often

done at a local level. The Prime Minister talked about our national interest. In my view, it is patently absurd that the Foreign Office budget is less than 1/10th of our overseas aid budget. Indeed, the Department for International Trade's budget is a quarter of that of the Foreign Office. It is totally disproportionate.

Particularly in countries which are quite statist, a number of our fiercely competitive European neighbours have established chambers of commerce or invested in a whole range of skilled, local employees, often fanning out and securing business in their particular countries by talking to governors or key business people. The digging out of investment opportunities by people in situ will be a critical part of the architecture of our winning export business in the future, particularly in the new regime which we will have.

I conclude by saying that there are huge challenges which face us post Brexit and I want to acknowledge the key role, which I greatly admire, of those who are involved in this activity, particularly in our posts abroad. It has to be recognised, as part of the topography of trade promotion abroad, that they are appropriately resourced to enable us to compete effectively, which is in all our interests whatever our attitude is to Brexit, and to ensure our capacity to trade successfully in the future.

6 pm

**Lord Taverne (LD):** My Lords, I intend to speak about Clause 15 of the Bill, which says that, "This part"—that is, the provisions on interpretation and extent—

"comes into force on the day on which this Act is passed. ... The remaining provisions of this Act"—

which is the bulk of this Bill—

"come into force on such day as a Minister of the Crown may by regulations made by statutory instrument appoint".

But if there is no Brexit, no Minister will appoint a day and the Bill will never take effect.

I believe that no Brexit is a very real possibility. Why? First, the odds are that there will be no deal. Despite the recent conciliatory words of Monsieur Barnier, none of the proposals that the Government have put forward for avoiding a hard Irish border is credible. This has been convincingly demonstrated in speech after speech in our recent debates, and again today by the speeches made by the noble Lords, Lord Hain and Lord Adonis.

The Government will therefore be forced to fall back on the backstop agreement, which they solemnly pledged last December to put into statutory form as an essential step to move to the next stage of the negotiations. The backstop agreement, as the noble Lord, Lord Adonis, has stated, means that Northern Ireland will continue to remain in the EU's single market and customs union without a hard border, but it means that the border will be in the Irish Sea. Thus, one part of the United Kingdom will be in the customs union and single market while the rest is not. Mrs May, despite her solemn pledge, says this will never be acceptable—one can see why not—but no backstop means, in effect, no deal.

There are other potential deal breakers. The same problem arises in the negotiations about a free trade deal between Britain and the EU. Again, there is a

[LORD TAVERNE]

need for a frictionless border, but trade negotiations between the UK and the European Union at present have not offered any viable solution that is acceptable to the EU 27 or that has proved workable anywhere.

So what sort of trade deal will prove negotiable? No deal, it is generally agreed—except by the denizens of another world who belong to the ERG—would be a disaster. But there is no reason why no deal is inevitable if negotiations break down, because Parliament has been promised a meaningful vote and can, and almost certainly will, reject no deal.

What then? What will be the alternative? To tell the Government to negotiate a better deal is mission impossible, especially after their chaotic record of incompetent negotiation. A general election, leaving aside the complications of overcoming the rule of five-year Parliaments, will hardly be seen by the Government as an attractive option after the last one.

At the same time, there has been a surge of support for letting the people have the final say. Early this year, only 10% favoured a new referendum; now, it has overwhelming support among the trade unions and, as polls show, among Labour voters. In my view, it is likely to become official Labour policy at some stage. Polls also show that it has majority support among the public generally, not least because the politicians cannot agree among themselves. There has also been a major shift in public opinion about Brexit. The last poll showed as much as 59% for remain against 41% for leave, and there is a lot more bad news about Brexit in the pipeline, which is bound to have an influence on MPs' votes. A new people's vote is the obvious and likely solution.

The only meaningful choice in a new referendum would be between no deal and remain. It would not be a re-run of the last and would not show a disrespect for the people's verdict, because the facts have changed. This time, we would know, or certainly have a much clearer idea, of what Brexit means. In a democracy, people must be allowed to change their minds, if it is clear they want to. I believe that the result of a new referendum will be to stop Brexit, but the remain campaign will have to be a very different one and show that it understands the reason why so many voted leave.

Nowhere has the effect of Brexit and the positive case for our membership of the European Union been put more eloquently and persuasively than in a recent booklet by Will Hutton and the noble Lord, Lord Adonis. It is a small booklet called *Saving Britain*. It gives good reasons why, despite all the sorts of eloquence and insights we have had displayed in this debate, today's debate will prove irrelevant because Clause 15 will never take effect.

It is very important that industry recognises that there is a real possibility of no Brexit, both here and abroad, and that they think again before they take too many irreversible decisions which are so damaging to the European Union as well as Britain.

6.07 pm

**Lord Tugendhat (Con):** My Lords, I will begin with three preliminary remarks. First, like others, I congratulate my noble friend Lady Meyer on her maiden speech.

All of us bring the experience of our previous lives to our role in this House and her experience has been particularly unusual and hard. All of us will benefit from the insights she will bring to our debates.

Secondly, I support my noble friend Lord Risby in what he said about the Foreign Office. The corollary of leaving the European Union must certainly be to reverse the squeeze that has been so consistently put on the Foreign Office's finances and manpower over the years. We will have a much greater need for embassies and for trade missions in the future as we will not be able to rely on the European Union's support.

Thirdly, I congratulate the Minister on her introduction to this debate. Having listened to the very authoritative way in which she introduced the Bill, I think we can look forward to a much greater degree of engagement between the Front Bench and the House on this Bill than was the case on what was then the European Union (Withdrawal) Bill. That is very important because the nature of some of the amendments that will no doubt be moved on this Bill is that they may appear technical and arcane but they have very far-reaching consequences. It requires the Minister to have a real command of the subject and an ability to think on her feet to be able to handle these in a constructive way, and to carry the House with her.

I have one further point to make about amendments. It would be wrong to refight the battles decided during the passage of the withdrawal Bill. I voted for most of the amendments carried against the will of the Government and I wish that the House of Commons had supported them. But it did not and, once we have asked the House of Commons to think a second time and it has, one has to accept the result, and it would be wrong to bring those issues back on this Bill.

As I listened to the Minister's confident exposition and her expectation that the Government will have everything in place for continuation of the existing FTAs and EPAs for Brexit day, I could not help thinking of what her Secretary of State, Liam Fox, said in July 2017 about doing a deal with the EU. As many Members will remember, he said:

"The free trade agreement that we will have to do",  
with the EU,

"should be one of the easiest in human history".

He then admitted that it might not be so easy in practice because politics gets in the way. He was right about the politics but, even so, he was devastatingly underestimating the problems of doing a deal with the EU.

While I certainly support the Government's aim of seeking to achieve the greatest amount of certainty, continuity and stability in our trade and investment relationships for our businesses, citizens and trading partners, I cannot help feeling that it will be miraculous if, by the time we are due to leave the EU, all those matters have been wrapped up. It would be very surprising indeed if difficulties did not arise. Both the noble Lord, Lord Grantchester, from the Labour Front Bench and the noble Lord, Lord Fox, put very relevant questions to the Minister on this matter. I hope that she will be able to deal satisfactorily with what they said.

Then there is the question raised by the noble Lord, Lord Butler of Brockwell, about what will happen if there is no deal. What will happen then? Is not the subject that we are talking about now, the FTAs and EPAs, yet another instance of where the country is unprepared for such an outcome? The result, if that does happen, will be considerable uncertainty for the businesses and citizens it is the Government's objective to protect. In saying this I am not criticising the Government. I recognise that they are doing all they can to bring about a deal that will preserve jobs and employment. It is a very difficult task and I fully support the Prime Minister's approach. But it is a criticism of those—largely, I am sorry to say, in my own party—who are putting up barriers to compromise and trying to thwart negotiations for ideological reasons in the belief that failure will promote their personal ambitions. This is a very real danger. I did not agree with my very good friend, the noble Lord, Lord Taverne, when he said that he did not think there would be a Brexit. Sadly, there most likely will be one, but it is important that the terms should be as good as we can get, and I fear that those who are trying to sabotage what the Prime Minister is doing are doing a great disservice to the country.

On the whole, those people, and indeed some others, say that we should not fear a no deal and a crash-out because we will be able to rely on WTO rules. I will put two points to the Minister on this subject. First, what assessment has the Department of Trade made of the effect of the United States' unwillingness to make an appointment to the WTO disputes arbitration body? Am I not right in thinking that there is a considerable danger that by the end of this year that body will not be quorate? If we are relying on WTO rules, which some people seem to think is such a good idea, what is the Department of Trade's assessment of the nature of the problems that will arise if the disputes arbitration body is unable to function?

Secondly, what assessment has the Minister's department made of the suggestion recently put forward by President Trump that the United States might withdraw from the WTO? I know that President Trump makes many suggestions and does not fulfil all the things he says—but, none the less, if we are to put our trust in the WTO, it is slightly concerning that the President of the United States, the largest trading country in the world, is contemplating the possibility of withdrawing from that organisation. I wonder what discussions Her Majesty's Government have had with the United States Government on this subject. I should be very grateful if my noble friend could tell us what has been happening on that front as well.

6.16 pm

**Lord Monks (Lab):** My Lords, 2018 is the 150th anniversary of the TUC. In a debate yesterday the congress came close to expressing no confidence in the Government's conduct of the negotiations with the EU so far and edged rather reluctantly towards supporting a popular vote on the outcome of the talks. Why did it do that? It is because the trade unions are worried: worried about the impact on jobs and rights after Brexit, the byzantine complications of the

Chequers proposals, and our country crashing out of the EU with no deal and becoming distanced from our biggest trading partners, with no customs union and no single market.

To hear some Brexiters talk, British business can survive cut off from obligations to the EU. But pause for a moment: what is British business nowadays? The UK has been unique among the world's largest economies in having permitted extensive foreign ownership of what might be termed the commanding heights of the economy, with many companies in sectors such as cars, energy, utilities, aerospace, transport, investment banking and many others under ultimate foreign control. All this risks our open economy, which is particularly vulnerable to disruptive actions by companies rethinking their locations for research and production. I have never understood why the nationalists among the Brexiters have paid so little attention to the extent of foreign ownership of UK businesses.

Of course, in the past we have certainly welcomed inward investment. We would not have a large car industry without it. Much of it resulted from our membership of the EU single market as companies rushed to get in. But take that away—I hope everyone will recognise that there is a huge risk involved, unless the future trade issues are agreed amicably and quickly. While we wait for the Brexiters' plan, their alternative, we know that it is likely to focus on tax cuts, deregulation, competing in the bargain basement and not raising our sights to compete on investment, innovation and productivity with the best. It is a sorry prospectus and I am glad that the Prime Minister has resisted it to date.

In my time in Brussels as secretary of the European Trade Union Confederation, I was involved in the EU trade negotiations on the South Korea free trade agreement, TTIP and the Canada deal. In each of these negotiations, we managed to insert a trade union role and voice into the processes. Our aim always was to replicate features of the EU single market in those deals, so that there was a measure of social and environmental protection in them. We succeeded in the South Korea agreement. Having listened to the noble Baroness, Lady Neville-Rolfe, speak about her experience with Tesco, it may be that we should revisit that, but, at the time, we thought that we had succeeded. We thought that we had succeeded, too, in the Canada case. We did not succeed with the Americans in relation to TTIP, which is one reason why it ran into such heavy bombardment on both sides of the Atlantic. I note what the Minister said earlier, but we are concerned that this trade union influence and role might not be continued or replicated in the new UK arrangements. I am interested in her response to the following question: will the Bill include measures which can reassure stakeholders that they will be engaged and involved as fully as possible in future trade negotiations? What is the Government's reaction to the call from the TUC, the CBI and the International Chamber of Commerce for such engagement of trade unions, employers, civil society and the devolved authorities in trade policy?

I am suspicious that some of the countries with which the EU has negotiated trade deals that we would hope to roll over would welcome this opportunity

[LORD MONKS]

to jettison measures concerned with social and perhaps environmental regulation. The Conservative Party has had a long aversion to the social dimension of the EU single market—remember the opt-out in the Maastricht treaty? Can the Minister assure us that, as the Government seek to roll over existing trade deals and conclude new arrangements with the countries concerned, they will not jettison the social and environmental features? One way of helping with this would be to include trade union and other stakeholder representation among the non-executive members of the Trade Remedies Authority. I ask the Government for an assurance on this point, too.

Similarly, the Bill needs to make provision in trade deals for the protection of fundamental worker rights as enshrined not just in ILO core conventions but in its decent work agenda, which is rather more ambitious. I hope, too, that proper respect is shown for public services such as the NHS. We cannot allow them to be swamped by private companies pleading that a free trade arrangement permits them to challenge the continued existence of public services, with allegations that their monopoly is not subject to market pressures and so on. That was a certainly a huge problem with TTIP.

In the recently published document, *Framework for the UK-EU Partnership: Open and Fair Competition*, the Government state that the UK proposes committing to high levels of social and employment protections through a non-regression commitment, which is welcome, but they go on to use the phrase, “on domestic labour standards”. What does “domestic” mean? Does it mean the EU social acquis—the 60 or so EU directives on employment which the UK has absorbed? Does it mean that the working time directive and its provision for four weeks’ paid holiday a year are to be protected? Or does it mean just that employment laws generated domestically will not be interfered with? Can we have the Government’s assurance that it means the former and that we will continue to mirror the measures in the EU’s social and employment programmes? I hope that the Minister can clear that up during the passage of the Bill through this House and look forward to her responses.

6.24 pm

**Lord Dykes (CB):** My Lords, it is a great pleasure to follow the noble Lord, Lord Monks, and once again to acknowledge the value of someone coming to this House with such experience of a particular sector, representing as he does modern enlightenment in trade unionism and its respectable and necessary role in modern economic society. One recalls all the work that he did along with famous people such as Jacques Delors, Michel Rocard and others in Britain gradually to change the minds of trade union members and officials in this country about our membership of the EU, which was a fantastic achievement.

Although she is not here at the moment, I want to add my congratulations to those offered to the noble Baroness, Lady Meyer, for her riveting and devastatingly moving maiden speech. I have not met her before nor heard her speak, but I was so struck by it that I think that she will be an immensely valuable Member of this

House. I happen to have the pleasure of knowing her husband, with whom I had a few words beyond the Bar of the House earlier. I am glad to see that he has at long last begun to recover from that most awful attack that he suffered in Victoria station. I am sure that we wish both of them well.

Debates such as this always please me in the sense that, as usual, in the civilised House of Lords, the significant pro-European majority comes out, with speeches that imply that they would much prefer to stay in the EU. I entirely agree. Why leave? There is no reason to leave at all. That is not to disrespect the result of the referendum of 23 June 2016. However, others have taken a different view, and the contributions have been many and varied. Although he is not here now, I want to praise in particular the noble Lord, Lord Adonis, for his unstinting work on behalf of the good cause of Europe.

We have all been aided and abetted by the excellent documents on this Bill provided by House of Lords officials. While it is a necessary, technical Bill in the sense of our having to be ready if there were to be a Brexit—I understand the Minister’s utterances in that regard—none the less I always feel in these debates like Ian McEwan apparently still does, who said at the beginning of the whole ghastly process, “No, this can’t be happening. It’s just a dream. I’m only dreaming it. When I wake up in the morning, everything will be all right”. I think that, quite rightly, he still says exactly the same thing.

I was particularly pleased to receive the excellent NFU briefing on these complicated matters. It is anxious to make sure that UK food production standards, which have been maintained under the EU membership system, will continue if the worst were to happen—which I hope it will not.

I declare a personal interest as an officer of the Food and Drink Manufacturing All-Party Group. Submissions from Food and Drink Federation officials remind us that this is the largest single manufacturing sector, with many and variegated items in it. We have huge food and drink exports to all over the world. There has been a big increase in exports to the EU and the rest of the world in the last period. Those are important sectoral interests that have to be maintained.

It was interesting to hear it implied by some in the debate that it may be okay to go to WTO rules. I was grateful for some remarks about that made recently in the press by a leading expert on how the WTO works. He wrote:

“However, since representing ourselves as a single country against 163 others yields less influence than being represented by the largest single market on the planet, the UK parliament nominated the EU to represent us at the WTO. As the UK is the third largest member of the EU28—after Germany and France—the country punches above its weight inside the Union and therefore is also over-represented at the WTO—as things stand”.

Giving that up and going into all the expense, tariffs, rules and regulations of the WTO would be a nightmare for this country after that experience led by the combined EU effort. One can understand why the Prime Minister really does not want to leave all aspects of our EU membership and has now reached an extraordinary state of acceptance of things, which of course causes

huge headaches for the strong and often hysterical Brexiteers, particularly in the other House—we know some of the famous names.

The noble Baroness, Lady McIntosh, who is not here now, referred to what Denmark was doing. The Danish newspaper, *Jyllands-Posten*, wrote recently that, while the UK is not shy about proclaiming its soon-to-be-regained “freedom”—by which, I mean this Government—it is simultaneously begging the EU to continue co-operation on 60 different policy areas. The article points out that the UK wants to maintain a semi-strong relationship with the EU rather than completely burning all its bridges; this is particularly clear when one looks at the UK Government’s White Paper. Apart from some exceptions, the UK Government wish to maintain the close relationship as well as the benefits that EU co-operation provides.

*Jyllands-Posten* points out that the term “common rulebook” is mentioned 44 times where the UK is proposing a set of common rules covering the EU and the UK. In contrast, the word “sovereignty”—what an old-fashioned word nowadays, in an interdependent world where we all work together—is mentioned only 11 times. This is surprising considering that Prime Minister May emphasises that Brexit is about regaining control and sovereignty. On the home front, Brexit is spoken of as an event that will allow the UK to determine its own destiny. It is thought-provoking that the UK has concluded that there is much more in the EU it wishes to embrace than to get rid of.

The fact remains that this is the continuing nightmare—the tragedy—that this Government have inflicted upon the country, without any authority from Parliament in terms of numerical support and other background factors. The 8 June election came two years after the previous one. It is interesting that people say we cannot have another vote of the people so soon after the previous one—although it would not be connected with the previous one, the result of which we still respect. The public were so disgruntled with their own socioeconomic weaknesses, as a result of government austerity, that that is the way they voted, for all sorts of reasons, in an advisory-only referendum, giving an opinion. Now we see that Mrs May lost her mandate completely in the 8 June election—she had only a shaky one before. She thought she was going to triumph; it did not happen: Parliament refused to give that mandate. That is the reality that I hope the Labour Party will at long last build on, and come out strongly in favour of what is needed to save this country from total perdition.

6.31 pm

**Lord Cooper of Windrush (Con):** My Lords, I start by echoing and warmly endorsing the many words of praise for the maiden speech of my noble friend Lady Meyer. I do not think I was the only person in the House with tears in my eyes hearing her extraordinary story: she will make a tremendous contribution to the House, I am sure.

Since 24 June 2016 dawned, the fundamental question hanging over the Brexit debate has been, to paraphrase Metternich’s comment on the death of Talleyrand, “What did they mean by that?” On what terms did the narrow majority in favour of the UK leaving the

European Union want us to deliver that? What were, if you like, the people’s red lines? Issues within this Bill go to the heart of that question. Many of those who support Brexit have changed their answer to that question considerably over the last two years; attitudes have hardened as the confident pre-referendum assertions have collapsed; things that many of them were in favour of, or at least open to, in June 2016 are now seen as red lines by many of the same people. It is obvious that not all the 17 million people who voted to leave the EU did so for identical reasons, or with the same aspirations in mind, but some hopes and some assumptions were shared by most, so what can we discern about the key outcomes that people were hoping for?

An opinion poll earlier this year asked people to think back to the EU referendum campaign and to list, without prompting, all the arguments they remember being made in favour of Brexit by the leave campaign and its supporters. The argument for Brexit that is by far the most strongly recalled is £350 million a week extra for the NHS. The second is cutting EU immigration. The third is stopping sending billions of pounds a year to Brussels. Those three, which we may or may not think are likely to appear as a product of Brexit, are far ahead of anything else. Far behind—recalled by just 12%, fewer than one in eight people—is new trade deals with other countries. Most people do not even remember that having been made as an argument in favour. Other polling reveals that in as much as trade was a factor at all in voters’ minds, their dominant focus was, rightly, on ensuring that we sustain our EU trade, not the pursuit, which so enchants Brexit dreamers now, of theoretical future trading opportunities with mostly much smaller and much more distant economies.

During the campaign itself, the remain campaign’s private polling tracked the public’s view on what the most likely end state would be if the country did indeed vote to leave the EU. Consistently, about one person in four thought that if the UK voted to leave the EU we would in fact end up not leaving. They thought the EU would panic and come back and offer us a much better deal, and that we would end up accepting it and staying in. Another group had a completely contrary perception, which was that if the majority did vote for Brexit we would leave the EU, the single market and the customs union, and lose the benefits of being in the EU, such as they were. That was the expectation of less than 20% of the electorate. Four voters out of five did not think that voting for Brexit and getting Brexit would result in us leaving the single market and the customs union and risking or forfeiting the trading terms that we have with the EU now. Most voters had come to a completely different expectation. They concluded from the referendum campaign and the arguments that they heard playing out that if Vote Leave were to win, the UK would leave the EU, but it would agree and keep access to the single market and the customs union, and keep many of the benefits of membership. More than half the country believed that that would be the outcome, and nearly two-thirds of the key swing voters whose final decision on that question determined the result.

There has been a lot of polling on what the UK’s priorities and red lines should be in negotiations, and the extent to which trade with the EU should or

[LORD COOPER OF WINDRUSH]  
 should not be a priority over other things. The point is that most people voting in that referendum in June 2016 had been persuaded that we would never have to face these trade-offs at all. In focus group discussions, of which we did dozens, where people discuss these issues in greater depth, trade with the EU was virtually the only benefit that most people could think of from being in the EU, but they were keen to retain it and they were clear about its significance for our economy.

More than 60% of the electorate, and about 70% of the key swing-voter group, thought that even if the UK did leave the single market we would still get some kind of different free trade agreement with very similar benefits that would be essentially almost the same as being in the single market and the customs union, and that we would be able to do so without having to accept free movement of people and without having to pay into the EU budget. Most people thought that because they had been told it repeatedly. They believed it because they had also been told repeatedly that the EU needed us more than we needed it. That was the basic false logic from which flowed the conclusion that we could somehow have our cake and eat it.

It was, of course, a fantasy all along. Liam Fox's confident prediction of historically easy trade deals, which my noble friend Lord Tugendhat referred to, was wrong. Michael Gove's reassurance that,

"we hold all the cards and we can choose the path we want",  
 was completely wrong. Boris Johnson's promise that,  
 "there will continue to be free trade, and access to the single market",

after Brexit was quickly withdrawn as a view which he now defines as treason. The Brexit Secretary tells us that in a no-deal scenario, for which the Government are preparing, there will be adequate food. If they had put that on the side of the bus we would not be in this situation now.

The leave campaign had the option, of course, of making the case to the British people for leaving the single market and the customs union, sacrificing free and open trade with the EU in pursuit of their vision of vague new trading deals on the other side of the world, but they did not make that case. A few individuals might have alluded to it but others said precisely the opposite. It was not the message of the leave campaign. It is not what most people heard. It is not the Brexit that most people voted for. Most people certainly hoped that Brexit would bring real change in some respects in this country but they assumed that in terms of trade we would stay in the single market and the customs union, or something very close to it. That is the outcome that I still strongly support and I urge other noble Lords to do the same.

6.40 pm

**Baroness Falkner of Margravine (LD):** My Lords, I welcome the noble Baroness, Lady Meyer, to the House. As she knows from our personal interactions, and after her fabulous contribution today, she will find friends right across the Chamber. I have had chats with her since she arrived here but it was good to hear from her formally in the Chamber.

Turning to the forceful arguments advanced by the noble Lords, Lord Risby and Lord Tugendhat, regarding resources for the Foreign and Commonwealth Office as we go forward, I would go further and suggest to the Minister—whom I welcome to her first Bill—that she tells her colleagues that the logic of the UK's future trade relations requires that we amalgamate the Foreign Office and the Department for International Trade, as the Australians and, indeed, the Canadians do. They have been doing this on their own for a very long time and they know how to do it.

The Minister will be pleased to hear that I broadly support the Bill and, given the generalities that she has heard around the Chamber today, that I will confine my remarks to the detail of the Bill itself. It is a wholly necessary piece of legislation to keep the show on the road as we prepare to leave the EU. Continuity will be fundamental to ensuring that we get the best for the British economy.

It is good that the Government improved the Bill in the Commons; for example, the change in the duration of sunset clauses, which the Minister mentioned in her opening remarks, and the reassurances of parliamentary scrutiny. I find the Bill in rather better shape than some others that have made their way to the Lords in recent times. However, the argument in the Commons that the Government should emulate the European Parliament's powers in the provisions of the Bill is flawed, and they should resist those sorts of moves here if it comes to it. Although there are elements of the scrutiny of trade negotiations where the European Parliament does a very good job, there are others where it is effectively a *sui generis* institution: it reflects the weight and strength of national groups. For those of us observing TTIP, when we hoped that it would go through, it was evident that the trade preferences and political priorities of certain countries prevailed, while those of others did not. It was not a level playing field and some countries were disadvantaged by that. It was hardly a negotiation that delivered for all 28. Although the EP attempted to improve it, it seems just as well that it did not go forward in the way it was likely to.

Clause 3 concerns parliamentary scrutiny. I note the debates in the other place on enhancing scrutiny. I have similar aspirations for what we do with the Bill in this Chamber. I have no doubt that we will see debates along those lines and amendments of those sorts moved here and I look forward to debating them. But when it comes to parliamentary approval of the negotiating mandate, as well as the requirement for the Government to publish their negotiating text at the end of each round of negotiations, I urge against this level of micromanagement. In trade negotiations, both sides have red lines but these are not necessarily disclosed as they form part of the give and take of the negotiation itself. I cannot see how giving Parliament, in effect, control of the negotiation would lead to a more optimal result in that regard.

I welcome the improvements to parliamentary scrutiny in Clause 4 but it is not entirely clear to me why the clause was deemed necessary given the concessions made in Clauses 2 and 3. I know that the Minister is required to lay a report as soon as possible after the trade agreement is ratified to explain why it was not

possible to do so before ratification but perhaps we might be given an indication of the cases that are so exceptional that *ex post facto* reports would be deemed necessary. This exceptional cases clause seems to slightly contradict the powers that the Minister has.

Turning to the Trade Remedies Authority, paragraph 2(2) of Schedule 4 restricts the total number of members of the authority to nine. This appears unduly restrictive. Perhaps the Minister will tell us why the Government have settled on a firm figure rather than having a range, such as nine to 12. One can foresee situations where, over time, in a complex, multisectoral, comprehensive future agreement taking several years, it might be helpful to expand the membership of the TRA to bring on board those with specific and particular skills, to build flexibility into the body's governance. In paragraph 2(4) the Government are rather more flexible about how they define good governance. It states:

“The Secretary of State and the Chair must ensure, so far as practicable, that the number of non-executive members is at all times greater than the number of executive members”.

That seems rather too tentative. If the Trade Remedies Authority is to be accountable, as it should be, the number of non-executives should always exceed the number of executive members. I hope the Government will look again at that in Committee. If the restriction in paragraph 2(2) was resolved, it is likely that the issue in paragraph 2(4) of the balance between executive and non-executive members would conflict. I look forward to the Government's response in that regard.

I will conclude on a general point. I see this as a necessary Bill to prepare the ground for Britain's withdrawal from the EU. Here in the Lords we have a duty to improve it and I have no doubt that we will. The European Union (Withdrawal) Act is now behind us and we need to move forward to put in place machinery in government and Parliament to ensure continuity and build on the UK's interests as an open, globally significant trading nation, building on a philosophy articulated by Adam Smith and David Ricardo more than 250 years ago. We know how to trade, we know how to make things that other people want, and we know how to work with others to make multilateral institutions fairer and more effective. I have no doubt that we will face significant challenges in the period immediately following our exit from EU arrangements, but I also remain open to new opportunities for trade with new partners—and, more importantly, in new sectors—as the global economy changes and evolves, as it is doing, with phenomenal speed. The challenge still awaits us but for now we need to get on with the Bill.

6.48 pm

**Baroness Hooper (Con):** My Lords, this has been a most illuminating debate. As most speakers have said, clarity and certainty are what is most needed for business, investment and the future prosperity of this country. My noble friend the Minister gave us an outline of what is intended with great clarity. Indeed, I do not envy the task facing my noble friend of winding up a debate which has been very wide-ranging, has included a remarkable maiden speech, and has attempted in some cases to make what she described in her

introduction as a “technical Bill” to give the UK Government “the powers they need—nothing more” into something far more comprehensive and complicated.

I am not going to follow the example of the noble Baroness, Lady Falkner, in going through the clauses of the Bill, because I wish to focus on aspects of the trade opportunities. I shall use as an example Latin America, a region with which I am familiar and which, incidentally, has a combined population of well over 500 million—rather comparable to that of the European Union itself. Latin America comprises 20 republics and has huge and important natural resources and tremendous good will towards the United Kingdom because of the historic support we gave to their independence movements over 200 years ago. Many of them also have enviable GDP growth, although I recognise that, at the moment, some have rather acute political and economic problems.

The European Union already has trade agreements with Mexico, central America, Colombia and Chile, all of which will be candidates for the rollover procedure that my noble friend the Minister explained at the outset. I think it was the noble Lord, Lord Grantchester, who suggested that Chile has already expressed the wish to do more than just roll over, and that may well be the case for other countries in Latin America as well. There is also the possibility that the long-awaited European Union-Mercosur agreement will be concluded before March next year. Indeed, it is hoped that it will be concluded before the elections in Brazil in October. The Mercosur countries are, of course, Brazil, Argentina, Uruguay and Paraguay—in all of which the United Kingdom already has a presence, but where there is plenty of scope for improvement. In addition, there is the potential for a future agreement with the Alianza del Pacifico countries: Mexico, Colombia, Peru and Chile.

It must be remembered that in these cases we will have to negotiate with the trade blocs as a whole and not with the individual countries, as we might prefer to do. We may prefer to choose or cherry pick—however noble Lords wish to describe it—but that may come as a surprise to some people. These countries are committed to trading as a bloc, in much the same way as we have been within the European Union. I am happy to say that a good start has been made with the appointment of a trade commissioner to Latin America, Jo Crellin, who is currently based in São Paulo and working on a trade plan for the region. In addition, the Prime Minister has appointed special trade envoys to Mexico, Brazil and Panama, along with one to Colombia, Peru and Chile combined. My noble friend Lord Risby gave us a very good account of the value of such voluntary appointments. There has also been an increase in ministerial visits to the region, and many countries in Latin America see Brexit as an opportunity to increase their trade with the United Kingdom as it looks beyond its traditional partners. All that sounds very hopeful.

Can my noble friend reassure me, however, that when the time comes to get up and go, her department will have adequate qualified staff, with adequate language skills, to enter into negotiations once this framework Bill is in place and, indeed, once we know whether we

[BARONESS HOOPER]

will have a transitional period during which to sort ourselves out? Much as we all appreciate the efforts of our ambassadors and diplomats, which have already been referred to, a lot more will be needed. As a matter of interest, is it intended to redeploy the Brits currently working in the trade team in Brussels for this purpose?

When the time comes to enter into these bilateral trade deals, on which the Government are placing so many hopes for a post-Brexit Britain, I trust there will be a strong focus on some areas that have already been mentioned, including health and medicine and agriculture. But there is also the education sector and the energy sector, especially renewables. Indeed, the Prime Minister announced a strategy today for more clean energy, with electric cars, increased battery storage facilities and all the research that is involved in that. These will be important areas to move forward in and, as focus areas, would provide opportunities for reciprocal trade and investment with Latin American countries.

Like others who have spoken in this debate, I wish to make it clear that I voted to remain in the European Union in the referendum. I would very much prefer to feel that we had the clout of a group of like-minded countries with which to negotiate, and with which to insist on the ethical, environmental and other social policy standards that we have developed within the European Union, but I hope and trust that those will continue to be applied by our negotiators in the future. In spite of that, I believe now that we must all make every effort to make the best of going it alone. It is in that spirit that I wish the Bill a fair wind.

6.56 pm

**Baroness Henig (Lab):** My Lords, first, I add my congratulations to our new colleague the noble Baroness, Lady Meyer, on her riveting maiden speech. I look forward to hearing her future contributions in this House.

I wish to speak to Part 1 of the Bill. We are repeatedly told by those keenest to pursue our departure from the EU that our ability to make our own future trade deals is one of the most significant opportunities that Brexit will bring us. Given the importance of the issue, it must therefore follow that they and the Government will welcome keen and effective scrutiny, and recognise that the collective experience of this House will be extremely useful in helping to illuminate and improve not just this Bill but, I hope, also our future trade policy. Unfortunately, I have to tell the House that in the two years since the formation of the Department for International Trade, we have heard virtually nothing about its priorities or policies. Recently, there has been a consultation on new bilateral trade negotiations with the United States, New Zealand and Australia, but we have not been told what the Government hope to achieve by prioritising these countries. We have seen Answers to Parliamentary Questions that provide little detail on either our proposed trade policy or on the progress of the talks that we are having to replicate the existing trade agreements covered by this Bill.

The avoidance of any real scrutiny of the UK's trade negotiations reached new heights when Cabinet Minister Liam Fox appeared before the International

Trade Select Committee in the other place on 11 July. In relation to ongoing UK negotiations at Geneva to re-establish independent WTO schedules, he told the committee that,

“negotiations are going quite well ... people do understand our position ... Of course, the problem is not with the United Kingdom”, by which he presumably meant to imply that the problem was with the EU. Two weeks later, when the UK's schedules were formally submitted, correspondents in Geneva cited a number of countries which were in fact going to lodge objections to the existing treaties because, in the process of transfer, they wanted to change one or more provisions. That must surely have been known at the start of July but Parliament was not told. On this evidence, can we trust the Government to provide honest information to Parliament?

If we in Parliament cannot trust the Government, imagine what business and civil society will think. In the case of businesses, we are talking about changes to their access to other markets in potentially as little as six months' time. All we have heard from Ministers is that discussions are progressing well and that no countries have raised objections. On the evidence of the information provided regarding WTO negotiations, there is no way that businesses can rely on such assurances. Surely we want our businesses to be as well briefed and prepared for the future as possible.

The Government should be equally concerned about the impact of secrecy on civil society. Four years ago I was a member of the EU sub-committee examining the EU-US trade agreement, TTIP. It caused considerable controversy, not least because people objected to its being negotiated in secret. In our final report we judged that,

“insofar as a public debate on the TTIP exists, EU member states are losing it”.

What lessons have the Government learned from that? Few in this House would wish to repeat the experience—say, for example, with a US-UK trade deal being negotiated behind closed doors, which potentially, through some of its food provisions or trade dispute resolution clauses, could render any other trade agreement toxic. This is indeed what nearly happened in the EU when TTIP nearly endangered the EU's trade deal with Canada.

The Secretary of State has been making speeches about the need to support trade agreements, calling in aid on occasion the work of David Ricardo. With respect to Liam Fox, it has been aptly said that he should perhaps tell us more about how the UK will beat the challenges of the 21st century rather than those of the 19th. These 21st-century challenges are those of policy, trust and communication, and to date—and indeed in the Bill—I fear that the Government have comprehensively failed to meet them. On policy, we have yet to see the Government communicate in any way what objective they would like to achieve in future trade negotiations and agreements. This relates to the existing trade agreements as well as to those to be concluded in future.

We have heard many experts, and Members of the House today, say that UK manufactured goods may not be eligible for tariff preferences in these replicated trade deals because trading partners will not accept

the continuation of existing rules of origin once the focus is the UK, not the whole EU. Can the Minister give us an update on the Government's progress on this matter, given the importance of this issue to companies here and now? It is equally important to understand what the Government would like to protect. For example, we have a verbal promise that our food standards will not be changed, but as far as I can see there is nothing to stop the Trade Bill being used to make such changes. Would it not be reasonable for our farmers to have that commitment written in legislation?

That leads us on to the crucial question of trust. As I have already pointed out, the Government have not yet done enough to create a position where we can trust assurances that Ministers will lay meaningful reports before Parliament stating the difference between the trade agreement previously and the proposed new one. That is why I believe we will need to consider amendments in Committee to ensure effective scrutiny. For example, I suggest the Government might commit to the report being produced or audited independently, perhaps by a committee of this House or of the other place or by an arm's-length body. This simply echoes the kind of best practice that exists at this moment across the EU, and I am sure we would not want to depart from such practice or to lower existing standards of scrutiny in relation to the negotiation of trade agreements. Good communication lies at the heart of trade policy. Ultimately, Parliament has to hold the Government to account on this. The Secretary of State's commitment on 16 July to keep Parliament closely involved with regular ministerial Statements and updates is welcome but not in any way sufficient, either for us to provide scrutiny or to give reassurances to businesses and individuals who will seek details from us as to exactly how they are going to be affected.

It is crucial that the Government should commit to providing Parliament and indeed the devolved Administrations with an update of all the negotiations covered by the Bill on a regular basis, which is to say perhaps three times a year. I do not believe that that is too much to ask. It would ensure that we were able properly and effectively to provide scrutiny and add our expertise to the Government's efforts. There are Members of this House who know very well that negotiations even to replicate agreements can be very difficult. There are Members who appreciate that agreements with the likes of Norway and Turkey, for example, will be difficult to replicate without the UK maintaining a close relationship with the EU. I would like the Government to acknowledge that. How will these agreements be dealt with, and how will the challenges they pose be overcome? I will not hold my breath while I wait for an answer, but this is precisely why we need to consider an amendment along these lines in Committee.

The Government are currently treating Parliament and, I fear, business and civil society as the enemy in trade policy, who should be given as little information as possible. This approach is dangerous and counterproductive. Businesses, federations, trade unions, pressure groups and individuals all need to know what is being negotiated on their behalf and they need to be able to contribute meaningfully to the process, as indeed the Minister said in her opening remarks. I absolutely agree with her that people need to be consulted

and to know what is going on. I hope that in Committee we can look to facilitate that process. After all, taking back control has to apply to them and to Parliament, not just to the Government.

I believe we need to start to create some consensus around the sort of trade deals that we want to conclude in future. That is so important after everything that has been happening recently. If we fail to create consensus, we will surely face an uphill battle to create a country that is open to trade and exporting successfully.

7.06 pm

**Lord Astor of Hever (Con):** My Lords, I support the Government's objectives with the Bill. I also congratulate my noble friend Lady Meyer on her exceptional maiden speech.

This Bill is the necessary first step towards establishing ourselves as an independent trading nation, but we must now make the necessary changes to face up to the challenges post Brexit and to make the most of the trading opportunities in future. The DIT must be appropriately resourced; it is still a very poor relation compared to some other Whitehall departments. The mechanics have been changed in Whitehall, but often not abroad. I agree with my noble friend Lord Risby on the issue of resources being disproportionate at the moment. It cannot be right that there is a ratio of 10 DfID personnel to only one from the DIT in Africa. DfID has more personnel in Kenya than the DIT has in the whole of Africa, yet it is the DIT that is creating the wealth for our country, and I believe that we stand a better chance of lifting people out of poverty by trading with them and helping them to develop.

To make a success of exports and inward investment post Brexit, we must ensure that DIT trade promotion and the FCO teams in the embassies overseas work collectively and constructively together. They are on the same team, and they should be working together to support UK interests and to help to strengthen our economy. I have been very fortunate, as the Prime Minister's trade envoy to Oman and formerly as a Minister, in my dealings with that country. At all times, from the excellent ambassadors down, the whole team at the embassy has been joined up. Like my noble friend Lord Risby, the embassy has had some huge export successes on both the military and civilian side. However, in some other countries there are internal conflicts within embassies. On very rare occasions, an ambassador or high commissioner has little interest in furthering Britain's international trade interests.

Human rights are of course an important aspect of the FCO's agenda, and that must be continued. But it must be done subtly. An ambassador who has chastised a foreign Government for their supposed human rights failings will often have caused huge offence to that host Government, so he or she cannot expect a warm reception the next day when accompanying a British company pushing for a huge export order in that country. That country would have good reason to feel aggrieved. Nevertheless, the human rights issue must not be neglected.

What is to be done in the very few cases when this does cause problems? Will the area trade commissioners be able to step in to ensure that trade interests do not

[LORD ASTOR OF HEVER]  
suffer in that country? Most ambassadors who do their job well will have nothing to fear. I hope that the trade commissioners will not only express their opinion about the effectiveness of DIT staff in the region but will have an input into an ambassador's or high commissioner's annual report on the DIT staff in his embassy. I would be grateful if the Minister could confirm that this is the case.

7.10 pm

**Lord Kerr of Kinlochard (CB):** My Lords, it is a pleasure to follow the noble Lord, Lord Astor, who spoke so warmly of my old service, and to take part in this debate, introduced so clearly and convincingly by the Minister.

There is absolutely no doubt that, if we leave the European Union in March next year—something about which I am becoming increasingly doubtful—we need to have a Bill of this kind on the statute book. As the noble Baroness, Lady Henig, reminded us, there is a lot to be done on the detail in this Bill: the balance it strikes between the Executive and the legislature; future roles of and relationships between industrial, social, environmental, consumer and trade policies, and how transparent it should all be. In Part 2 of the Bill, I hope we shall look at the devolution aspects in relation to the Trade Remedies Authority. The noble Lord, Lord Browne of Ladyton, drew our attention to this. A threat that is seen as not particularly substantive UK-wide, could be seen as significant in a devolved part of the country.

I think we shall spend quite a long time in Committee. For reasons that escape me at the moment, we are about to be sent away on holiday. It is clear from this debate that we should take advantage of our last chance before the October European Council—which was meant to be decisive—to tell the Government what we think about deal, no deal, what it might take to get a deal and what no deal would mean for our country. I shall try to go into that territory too. I shall cover almost exactly the same themes as were addressed by the noble Lord, Lord Hamilton, in his typically splendid, rambunctious speech, although I may address them in slightly different terms. There is nothing between me and the noble Lord but a fundamental disagreement.

On no deal, I am not always sure that those of us who claim that it would be perfectly fine if we were to trade with the world and have the EU trade with us on WTO terms, understand what WTO terms would mean. I exempt the noble Lord, Lord Hamilton, from this criticism. The WTO's guiding principle—the most favoured nation principle—means that, in the absence of any agreed bilateral or multilateral free trade agreement covering substantially all trade, WTO members must offer the same terms to all fellow members. Without an EU-UK free trade agreement covering substantially all trade, the EU could not offer us terms better than it was ready to offer everyone. This is what WTO terms means. It means tariffs, queues at Calais, UK supply chain disruption and queues at Dover because the trucks have to go in both directions. I am talking only of the effect of the EU being on WTO terms in relation to us, whatever we do.

What would we do? Take the United States. In the absence of a UK-US free trade agreement covering substantially all trade—and the President is not exactly rooting for trade liberalisation—any specific concessions that Dr Fox were to offer the Americans in order to try to open up their market, he would have to offer to all third countries. This would seem to be some way down the road, if ever. These are the WTO rules. Concessions outside FTAs, covering substantially all trade, have to be *erga omnes*. I have not heard Mr Gove explaining this recently to UK farmers.

Going to WTO rules would mean a major economic shock. Some would say that it might be salutary. Professor Minford is all for it. Perhaps the noble Lord, Lord Hamilton, is too—I do not know. Gardeners in the Cotswolds would come much cheaper if the car factories in Swindon and Oxford were to close. The Bullingdon boys would be just fine. They could carry on giggling about two-thirds of diddly squat. The country would not be fine. WTO rules, in the absence of a free trade agreement with the EU, would hit our producers and exporters. We would have left the world's largest single market and seen it obliged, by WTO rules, to act against our exports. In the absence of the full rollover of and continuing participation in the EU's 40-odd free trade agreements with third countries, or newer, successor free trade agreements with all 40, WTO rules would mean that we would have to allow wider market access. If we allowed it for a particular import from one country, we would have to allow it for that import from all. Professor Minford would love it. He wants the end of all tariffs, quotas and duties. UK farmers and manufacturers would not. Prices would undoubtedly fall, but so would employment, growth and revenue.

I might be accused of setting up a straw man. The 27 have said all along that they would like to have tariff-free trade with us. It has been in all their texts. I believe they mean it. They have said all along—or for more than a year—that they would be ready to offer us a Canada-type free trade agreement. I believe they mean that too. This assumes that there is a deal. If there is no deal, there is no free trade agreement. Why? Twenty-eight member state Prime Ministers, including our own, have defined the deal. They agree that it means a framework declaration about the future, although I fear this is increasingly likely to be alarmingly vague and aspirational. It also means a treaty covering citizens' rights, the money we owe, a backstop solution to the Irish border problem and a transition period.

If Mr Rees-Mogg, Mr Johnson and their friends have their way; if we renege on the Prime Minister's December commitment to pay the £39 billion we agreed we owed; and if we ignore Section 10 of the EU (Withdrawal) Act—recalled by the noble Lord, Lord Adonis—and renege on the Prime Minister's commitment to find an acceptable backstop in Ireland, ensuring the Irish border stays open, there will be no treaty. The EU will see us in court. They will want their money back. There will be no UK-EU FTA, but tariffs at Calais. There will be no EU co-operation on rollover deals on the third-country free trade agreements and the division of quotas, and there will be no transition period, but a cliff edge in less than 200 days'

time. It is not a straw man. It is a clear and present danger because it is the consequence of what Mr Johnson is advocating, even if he does not understand that.

Actually, I think the money question is settled. I was alarmed by what the noble Lord, Lord Callanan, said at our Dispatch Box this afternoon, but I was fortunate enough to run it past the Chancellor of the Exchequer in a committee upstairs and was reassured by his reaction. He confirmed that, in the event of no deal, the United Kingdom would honour its legal obligations. I never thought that we would default. We never have.

The crux is the Irish border issue. Mr Johnson complains that it is the tail wagging the Brexit dog. Mr Rees-Mogg cheerfully talks about going back to the way the border was—or, rather, was not—controlled during the Troubles. Brexiteers dare to say that the Belfast agreement, the Good Friday agreement, has run its course. I find that shaming. It is certainly not the view of the other 27 Governments. I do not believe it is the view of our Government. It is an international agreement, so the others are entitled to have a view. In my view, that is not how anyone in this House sees it. It seems to me that we all stand by what the Prime Minister has been saying about the Good Friday agreement.

If there is no secure backstop, I do not believe that there will be a withdrawal treaty or a free trade agreement. My Brussels friends tell me that there has been no sign of the backstop deadlock breaking. Mrs May rejected the 27's proposal. Her counterproposal, the Chequers idea of a customs partnership—with all imports at all UK ports to be examined, segregated and taxed differentially and then tracked to their ultimate UK or EU destination—looked pretty implausible from the start. The implausible became the impossible when the Government accepted the ERG amendments on the customs Bill, so purporting to require the other 27 to impose the same complex dual system on their ports, clogging them up and increasing their costs. Of course they will not, and the Government must have known that. Mr Barnier has certainly said it.

What is our next trick? I see only one workable solution. It would be warmly welcomed by UK industry, commerce and inward investors. The CBI and the TUC have both called for it. The Opposition parties all favour it, and this House voted for it in April by a majority of 123. The solution—or nine tenths of the solution—to the problem of the Irish border is for the UK to negotiate a customs union with the European Union. I very much hope that in addition to all the technical improvements that I am sure we will make to the Bill, we will add to it a provision requiring the Government to do just that. I hope that it will have the support of the noble Lord, Lord Tugendhat, as it did last time.

Without a credible Irish backstop—a commitment to a customs union would be the most credible—I do not believe that there will be a withdrawal treaty. Without a withdrawal treaty, there will not be a free trade agreement any time soon and we will be thrown back on WTO terms which, as I have tried to explain, will certainly mean an economic shock. Whether one

sees that as a good or bad thing is a matter of judgment. I think it is a very bad thing. It is imminent, because no treaty means no transition period.

I cannot believe that our Government would be so irresponsible as to propose a no-deal Brexit, or this Parliament so irresponsible as to permit it. I do not see the charlatans being allowed to run the show. Rather, I foresee an Article 50 extension and an exercise in democracy to establish the will of the people—the informed will of the people—when the outcome of the present negotiation, at last defining the choice before them, is clear.

I must remind the noble Lord, Lord Hamilton, who is sadly not here, that the polls show that a majority across the country now believes that there should be such a poll. So, as in Whitehall in the distant past, I still stand with the noble Lord, Lord Butler. Meanwhile, of course, I do not oppose the Bill, although, like the noble Lord, Lord Taverne, I very much hope that events will render it otiose.

7.24 pm

**Lord Horam (Con):** My Lords, my knowledge of European politics and institutions is obviously much less extensive than that of the noble Lord, Lord Kerr of Kinlochard, but I remember that, when I was Science Minister in the Major Government in the 1990s, I went to a meeting of European Science Ministers to hear presentations from eastern European countries—they were not then part of the European Union, of course—as to why we should give them a lot of money; they were rather short at the time. I noticed my Danish colleague—the Science Minister from Denmark—making ticks after every speech. I asked him what he was doing and he showed me his note. It read: “Goethe 4, Molière 2, Shakespeare 10”. Those were the languages which the Ministers from the eastern European powers were using to make their case to us. Even then, in the 1990s, English had almost become the lingua franca of the European Union, much to the chagrin of the French.

It is rather sad that just at the point when that is indisputable, we are leaving the European Union. I still regard that as a fundamental error and regret it very much. However, as the noble Baroness, Lady Hooper, said, we are where we are. We have the Bill in front of us. As others have said, the Minister presented it clearly. An important part among the four elements that constitute it is that it gives the Government power to collect data from exporters for the purposes of trade promotion. Heavens, that is needed. As the Minister said, as a nation we have been great traders, but our performance in recent years has been extremely poor. Only 11% of companies in this country do any exporting at all: 89% do not export outside the United Kingdom.

The Minister made the point that we are the 10th-largest exporting nation in the world. Yes, but about 10 years ago, we were the fifth-largest. In the past 10 years, we have been overtaken by South Korea, France, Italy and the Netherlands, and Belgium, Canada and Mexico are snapping at our heels. This is a major cause of our continuing trade deficit. We have never had a surplus, apart from two years, in the past 15 years. Those trade deficits are getting worse. The only way we

[LORD HORAM]

balance it is to sell off our assets—as Harold Macmillan might have said, selling the family silver. That cannot go on for ever and is very dangerous in many respects.

Brexit will make this worse, at least in the short term, because you always do more trade with your neighbours than with distant countries for obvious reasons. If there is any disruption to that, we will suffer. I am glad that the noble Lord, Lord Lilley, made the point that trade deals are no panacea in this area. Trade deals are not that important. He made the point that it is really trade in goods and services and having the right kind of goods and services that matters. Therefore, in or out of the European Union, export success will require hard work over a long period: more companies involved in exporting and investing overseas in existing markets and new ones, forming long-term relationships, which will really count.

I therefore welcome the one good thing which has come out of Brexit, which is a dedicated Department for International Trade, with all the elements in one pair of hands. They are good hands: I am grateful that the Minister comes with her interesting and important experience, as did her predecessor. One thing that the House of Lords can contribute to the Government is people with real experience of business—much greater, I suspect than we have in the other place.

I also take the point made by the noble Lord, Lord Risby, that this needs to be properly resourced. The killer facts which he spelled out about the relationship between the overseas aid budget, the Foreign Office and the Department for International Trade must be looked at. That must be remedied because it is completely out of kilter. The trade promotion aspect of the Bill is very important and I wish the Government and my colleagues well on all of that.

Finally, I will say a brief word about Brexit itself. The people have spoken and it is the Government's job to deliver on Brexit as competently as possible. I totally accept that a lot of time has been wasted, though it is not entirely surprising given the strong feelings involved. We now, belatedly, have the Chequers proposals. I flag up the report from the External Affairs Sub-Committee of your Lordships' European Union Committee—of which my noble friend Lord Risby and I are members—which will come out in 10 days' time, more or less the same day as the Salzburg meeting. It goes into the customs aspect of this and is well worth a read, as many House of Lords Select Committee reports are.

The Government's Chequers proposals are, without question, hideously complex. They have received a very poor initial reception both in the UK and, more importantly, in Europe. However, pushing aside for the moment the politics of the matter—difficult to do, I agree—they have very considerable merits in terms of trade in goods. The proposals deliver frictionless trade; there are no tariffs, cumbersome customs controls or rules of origin. There is no halt in the just-in-time arrangements which we have come to rely on in this country for the manufacture of motor cars and so forth. There is no hit on inflation because there are no tariffs and, in that respect, little disruption to trade in Ireland. Although they are not liked by hard-liners on the Brexiteer side or the relentless remainers on the

other, that may be an advantage, given that the vote was 52% to 48%. People on all sides, whatever their opinion, should begin to realise that there comes a time when you have to compromise. If we expect Brussels to compromise and we have to too, people in the UK should begin to realise that they have to do it as well.

Latterly I have noticed that Brussels has begun to change its tone. I agree that it is only a change in tone, not in the content, and that is therefore less good, but the dogmatic legalism which my colleague Mr Raab pointed out is less obvious. There is a sense of a more pragmatic political approach. I agree with my noble friend Lord Tugendhat that it would be almost miraculous if some sort of agreement came in the way that we hope. Many, many hurdles have to be overcome, but it can be done and I hope it is. If the Prime Minister does achieve an agreement along these lines, it would be a great triumph for her and would deserve support from inside Parliament as well as outside.

7.32 pm

**Lord Liddle:** My Lords, speaking as one of what the noble Lord, Lord Hamilton, so kindly described as the unreconciled, I do not like this Bill. It is an unnecessary Bill in pursuit of a foolhardy objective of having an independent trade policy, which is not actually required by EU withdrawal. Far from being technical and pragmatic, as the noble Baroness, Lady Fairhead, said in her introduction, it is actually a matter of ideological choice. It is a very bad choice to pursue this independent trade policy because the most obvious way of cutting the Gordian knot of frictionless borders and the Northern Ireland problem is for us to stay members of the customs union. I hope that, in Committee, the House will return to the question of the customs union and the European Economic Area. I was interested in what the noble Lord, Lord Cooper, said about public opinion and the public's expectations of what Brexit would mean. The pursuit of an independent trade policy comes very low in the public's priorities. Safeguarding our trade through membership of the customs union and single market is much higher.

This is a very misguided Bill, and I do not believe that the Government have presented any kind of evidence for the benefits of the UK having an independent trade policy. Could the Minister tell the House what research work the Department for International Trade has done on this question? If it has done research papers, why have they not been published? What are the gains that we believe we would achieve as a result of being able to conduct our own trade agreements as opposed to retaining the benefits of the single market which we are clearly on the point of losing?

The case for this independent trade policy is weak, and I have heard two arguments that for me completely destroyed the case. The first was a lecture by Sir Martin Donnelly, who was Liam Fox's Permanent Secretary, in which he demolished the Government's arguments for the policy, point by point. He ended up with the wonderful line that it was like forgoing a three-course dinner for a packet of crisps. That is what I believe it to be. The second was in this House when, on 18 April this year, we heard the most wonderful speech from the noble Lord, Lord Patten of Barnes.

He took the Government apart on this question. I recommend that every Member of this House should read it. On all these Brexit questions, the Government have always completely failed to provide any rebuttal of serious intellectual arguments made against these ideological policies.

The Government have an aspiration for an independent trade policy but, beyond that, they are very confused. There is tremendous tension on the question of what we are trying to do. Are we prepared to sacrifice standards in order to get trade agreements with countries such as the United States? Michael Gove says we are not. So what sort of trade agreement are we going to be able to negotiate with the United States? In the Brussels negotiations on the withdrawal agreement, the Government are hanging out against the protection of geographical indications—the Scotch whisky-type thing—precisely because they know that that kind of protection is the sort of thing that the US trade negotiators would be going for straightaway, as soon as we tried to negotiate an agreement with them. I have a local worry about this. Cumberland sausage is about to suffer; it is going to be sacrificed on the ideology of this Government's commitment to an independent trade policy. What a disgrace.

Another serious point is the one about rules of origin, which I raised with the noble Baroness, Lady Fairhead, in her clear introductory speech. I have not heard any satisfactory answer from a Minister on how this problem is going to be dealt with in the rollover of existing EU trade agreements. The very serious problem that gets in the way is this business of trying to pretend we are still in the EU when we are not, yet being able to negotiate our own deals because we are not in it. Yet, in order to have the rules of origin provision, we have to pretend that we still are. This is the total confusion of the Government's approach to these negotiations.

The noble Lord, Lord Lilley, made a good attempt to justify the independent trade policy, but I rather agree with the noble Lord, Lord Horam, that the key question is competitiveness rather than trade deals. You have to ask yourself the question: if the EU is such an obstacle in its trade agreements to British success in export markets, why are the French and Germans beating us around the world hands down? It is not because of the EU but because we have fundamental problems of competitiveness that we have to address. On the argument about Switzerland, as I understand it, the Swiss have been unable to get any services provisions in their negotiations with China, and the argument that small countries are able to negotiate big deals is simply wrong about the modern world. When President Juncker of the Commission went to see Donald Trump, he managed to get him to back off from imposing industrial tariffs on the European Union. Why? Because the European Union is a very big market, and Trump thought that it was much better politics to have a go at China.

What we have here is basically an ideological obsession, which I am afraid is delusional, and I wish that the Government would abandon it so that we could have a soft Brexit around which a national consensus could be established.

7.41 pm

**Viscount Trenchard (Con):** My Lords, I thank the Minister for her clear and well-presented introduction to this debate. I also add my congratulations to my noble friend Lady Meyer on her most interesting and moving maiden speech. Like her, I have also lived and worked in Brussels and, like her, my feelings about the European Union were affected by my experience. I also strongly support what my noble friends Lord Risby and Lord Tugendhat said about the crucial need to protect and restore as far as possible the Foreign Office budget.

Last week, we had an opportunity to debate the customs Bill, which, as a money Bill, did not provide your Lordships with an opportunity to try to improve it. Your Lordships strongly rejected the regret Motion moved by the noble Baroness, Lady Kramer, on behalf of the Liberal Democrats, which sought to ensure that the UK would remain a member of the customs union and the single market. As the House is well aware, to remain in either would effectively prevent the country regaining the authority to make its own laws in this Parliament and would leave it powerless to negotiate new trade deals and resume our natural role and destiny as a free trading nation with an influential voice in the WTO and other international institutions.

The Trade Bill is absolutely necessary, whether we reach agreement with the EU on something like the Chequers proposals, negotiate a Canada-plus-type free trade agreement with the EU, or leave the EU without agreement and trade under WTO rules. Its purpose is to provide continuity in our current trading relationships with some 40 agreements with around 70 countries. If an implementation period with the EU is agreed, this should not be too difficult, but in the event that we leave without a deal, the Government will be under serious time pressure to roll over all those agreements in the time available.

Still, it should be remembered that our trade under these agreements covers only 12% of our total trade, and I imagine that a small number of those agreements account for a large majority of this. Can the Minister say how many of these agreements need to be rolled over in order to protect, say, 80% of our total trade under those agreements, and is she confident that we can achieve this in the event of leaving without a deal—in other words, move to trading with the EU under WTO rules as we do at present for all our non-EU trade? My noble friend Lord Lilley has mostly answered that by saying that over half of this trade is covered by Switzerland, Norway and a couple of other countries.

Those who seek to ensure that we remain as closely tied as possible to EU regulation in order to protect our existing trade, even to the extent of making us very unattractive as a new potential trade partner, are wrong, because they seek to protect the status quo, good and bad bits alike, and do not recognise the upside potential of being free once more as an independent nation to enter into new bilateral and multilateral trade agreements. They are also wrong because they seriously overestimate the threat to our existing trade.

I was encouraged to read in the Chequers proposals that the Government seek “potentially” to accede to the Comprehensive and Progressive Trans-Pacific Partnership,

[VISCOUNT TRENCHARD]

although the inclusion of the word “potentially” sounds alarm bells. Does the Minister agree that the degree of continued alignment with EU rules and regulations, especially the proposed subordination to a common rulebook, makes it questionable that we would be acceptable to the other members of the CPTPP as a partner? If under Chequers we are unable to take advantage of opportunities such as this, it negates the benefits of leaving the EU.

I doubt that the CPTPP countries would be willing to contemplate a restricted form of membership covering services but not goods. As Policy Exchange’s excellent paper *Trading Tigers* explains,

“comprehensive liberalisation across goods as well as services and investment”,

is,

“one of the core unifying principles”,

on which the partnership is founded. The CPTPP is not a customs union, and members are free to set their own external tariffs. Neither does it have,

“a common set of regulatory standards but seeks to harmonize regulations for those standards members have agreed to”,

harmonise. It therefore does not involve integration at the depth of the EU single market. Six of its members are Commonwealth countries, including Australia, New Zealand and Canada. It also includes Japan, whose Government have already expressed support for the UK’s accession. When fully implemented, it will eliminate 98% of tariffs among its members. It achieves more than most bilateral FTAs and much more than what the WTO has been able to achieve.

I am not sure whether the Government are planning to novate or enter into bilateral FTAs with countries such as Australia and Japan first and then later consider entering into multilateral partnerships such as CPTPP. Would it not be much easier and quicker just to apply to accede to CPTPP at a stroke? That would give 11 for the price of one, as it is not necessary also to have separate bilateral FTAs with each member. Besides, it might be 15 for the price of one, as four other countries have indicated that they wish to join soon. It is important to push ahead now with exploratory discussions with CPTPP member countries, and the fact that we were doing so would encourage the EU to be more reasonable in its approach to the UK. The UK’s accession to CPTPP might also encourage the United States to reconsider its decision not to join. It is also notable that Canada’s trade agreement with the EU, CETA, does not prevent its accession to CPTPP, which gives confidence that the UK’s accession would not be incompatible with a Canada-style deal with the EU.

As a result of an amendment to the Bill supported by another place, the Bill somewhat strangely deals specifically with the UK’s future relationship with the EU solely in the medicines sector. If full participation in the European medicines regulatory network is achieved as part of our withdrawal agreement, it will mean that the UK will be bound to follow evolving EU rules in this sector without any direct control over the formulation of those rules. As I mentioned during the debate on

the customs Bill, I think this may well act as a disincentive to investment in the UK by international pharmaceutical companies.

I lived and worked in Japan for 11 years and continue to visit regularly. During my visit to that country in July, I met the CEO of a major pharmaceutical company which has made significant investments in research and development in this country. I have known him for over 40 years. He told me that, while he did not initially welcome Brexit, he was now looking for the upside of the UK’s escaping from the very bureaucratic EU regulation covering the sector. His company has invested a considerable amount in its “Plan B”, by changing its corporate structure and framework to ensure that it can continue to supply medicines in the UK and EU after Brexit, as it does now. He told me he believes that, whatever happens, the UK will continue to be the best country in the world in which to conduct pharmaceutical R&D and to innovate new treatments.

He expects that a future UK regulatory framework, while appropriately protecting patients from exposure to potentially harmful new products, could provide a more supportive regulatory regime, which will not give excessive weight to the precautionary principle when this is not supported by facts. It seems to me that he and others who think the same way will be disappointed if the UK does not institute its own independent medicines approvals mechanisms. Obviously, products developed for export to the EU will have to continue to comply with the letter of EU rules, but that need not unnecessarily impede our adopting a less restrictive, more innovation-supportive regime to develop products for the domestic market and for the wider world.

The noble Lord, Lord Grantchester, said that a trade bloc, in its ability to negotiate trade deals, is more powerful than an individual nation state. I cannot agree with the noble Lord. Rather, I wholly agree with my noble friend Lord Lilley, who clearly explained why it is so much easier as a single country to negotiate an FTA. I add that, in most EU trade agreements, the benefit accruing to the UK is proportionately much lower than for all other EU countries. I support the Bill and trust that your Lordships will not seek to obstruct it.

7.52 pm

**Lord Wigley (PC):** My Lords, I am delighted to follow the noble Viscount, Lord Trenchard, although I cannot possibly agree with him on most of what he said, particularly not on his last comments about medical products. I invite him to reconsider very carefully what he said about the precautionary principle not being overused where facts were not available. Surely the whole point of having a precautionary principle is to deal with cases where the facts are not always available, as a means of making sure in such cases. My real fear is that deregulation is going to drive us down this road and leave vulnerable people exposed. I also congratulate the noble Baroness, Lady Meyer, on her moving maiden speech, which I think was very well received in the House.

I can understand the logic of the Bill before us tonight, but it is a sideshow compared with the main issue, as outlined so clinically by the noble Lord, Lord Kerr. As noble Lords might expect, I shall be looking from the

viewpoint of industry, business and consumers in Wales, as well as in the context of the powers of devolved Administrations. As I understand it, the Scottish Government recommended against giving legislative consent to the Bill, and the Welsh Labour Government said that amendments would be needed before they could recommend legislative consent. Government amendments to the Bill made in the House of Commons reduced the restrictions on devolved Ministers' use of the relevant powers but did not address all the concerns raised by both the Scottish and the Welsh Governments. I noted from the Minister's opening comments that the Government are willing to conduct further discussions with the devolved Governments. I very much hope that the House can be kept informed of progress on this, as was requested by the noble Baroness, Lady Henig, a few moments ago.

In this context, I seek an assurance from the Minister that nothing in the Bill will restrict the Welsh Government from maximising the extent to which their procurement policies encourage expenditure to go to suppliers in Wales, within the context of the existing EU guidelines. This is so that the Government's expenditure in Wales can help to support the Welsh economy—something which has been done very effectively over the last 10 years. I also flag up the issue touched on by the noble Lord, Lord Browne of Ladyton, in relation to geographic labelling, which other colleagues also mentioned, including Scotch whisky, Welsh lamb and Cumberland sausages. I hope there will not be any question of these being actively discouraged as labels by the UK Government. The issue is already a hot potato in Wales, as was shown in the Royal Welsh Show in Builth in July, when it became a very controversial issue indeed. It is undoubtedly a matter that will cause rancour, and—I suggest to the Government—unnecessarily so.

Notwithstanding the comments of the noble Lord, Lord Tugendhat, I suspect that many colleagues on all sides might wish to ask the House of Commons to consider again an amendment requiring the Government to seek to remain in the customs union with the EU if it cannot negotiate a frictionless free trade area. I note that attempts to secure this in the Commons were defeated by a majority of only six votes, and that was after a considerable amount of arm-twisting. If the Government insist on pulling us out of the single market and customs union, their action will scrap existing free trade deals with over 50 countries outside the EU, as well as endangering our trade with the 27 member states themselves. That, of course, is what this Bill is all about.

Trade with third countries with which we have free trade agreements arising from our membership of the European customs union account for almost £140 billion of UK trade. If we were to lose, even for a transitional period, any significant proportion of that trade, it would have a major effect on the UK economy. In moving Second Reading, the Minister claimed that the Bill will simply translate those deals into domestic legislation. However, the Bill's Delegated Powers Memorandum describes the process of,

“transitioning EU-partner country trade deals into UK domestic law”,

as “uncharted territory”. Furthermore, the Bill's own Explanatory Notes admit that:

“It may also be necessary to substantively amend the text of the previous EU agreements ... so that the new agreements can work in a UK legal context”.

We are reliant on the immediate co-operation of 50 nations with which we have existing deals if those deals are to continue. That is something that the Secretary of State and his chief negotiator, Crawford Falconer, admitted in oral evidence, which they gave to the International Trade Committee on 1 November last year, to be matters on which they have been unable to secure guarantees. I understand that we still do not have cast-iron guarantees on those matters. Will the Minister tell the House what evidence she has that this has changed since last November? And in doing so, will she indicate whether the public consultations launched by the International Trade Secretary, Liam Fox, on 18 July, on potential future trade deals the UK might seek with the US and New Zealand, have proven to be fruitful in any way?

It seems to me that President Trump is blowing hot and cold on the promise of a trade deal with the UK in the wake of the Chequers declaration, and that this bodes badly for any assumption of an automatic endorsement on rollover agreements from such unreliable partners. I also ask the Minister, in this context, to address the issue of New Zealand's opposition to the EU and UK's proposal to split tariff rate quotas on lamb, which is clearly a matter of huge significance in Wales. In leaving the EU, the UK will have to separate its tariff rate quotas from the EU, and its new schedules would be subject to approval by all WTO members. New Zealand might well choose to block such approval.

I now return to the implications of this Bill for the devolution settlements in Wales. It seems to me that the Government are indeed ignoring the existing pattern of devolved powers and the engagement of devolved Administrations in helping to formulate new trade agreements. The Welsh Government have a responsibility for the economic development of Wales; they receive financial assistance from the EU for that purpose. The success of Welsh agriculture and industry in exporting its products is fundamental to the well-being of the Welsh economy. The Welsh Government have, over the past 19 years, undertaken a wide range of initiatives to boost Welsh exports for the benefit of both our own economy in Wales and that of the UK, and they have of course done so most often in partnership with the UK Government. We need to build on that, and in the post-Brexit world we need to harness all such resources. The UK Government should be seeking a new and ambitious role for the devolved Administrations that will ensure that they have a real say over important issues that impinge on their responsibilities. If the UK is a union of equals, the Government should really start to understand this.

Time is squeezing and I point out only that over the last year consideration has been given, in the context of securing some understanding between the devolved Administrations and the UK Government, to the need for the existing Joint Ministerial Committee to be overhauled and rebuilt into a statutory UK Council of Ministers covering the various aspects of policy for

[LORD WIGLEY]

which agreement between all four UK Administrations is required. In my opinion, any future trade deals should require statutory endorsement by the devolved Administrations, and in this context there should clearly be Welsh and Scottish representation on the new UK Trade Remedies Authority.

The degree of wishful thinking on which this Bill is based beggars belief. I hope only that the Government will face reality: they cannot expect to have all rollover trade links in place by 29 March next year, less than seven months away, and, in a panic to achieve that wholly artificial and unnecessary deadline, they will sell out on myriad issues in order to get nominal trade deals in place in time. This is not the way to conduct international trade agreements. In considering the Bill in detail in Committee, this House should do its utmost to force the Government to face up to the folly of a rushed Brexit and, more than anything, enable the other place to think again on the central issues of an ongoing customs union relationship with our European partners, which would make this Bill totally unnecessary.

8.01 pm

**Lord Cavendish of Furness (Con):** My Lords, however much I disagree with the noble Lord, it is always a pleasure to listen to him and I admire enormously his commitment.

I thank and congratulate my noble friend the Minister on her elegant opening speech explaining to the House the purpose of the Bill. It is a technical Bill, in my view. I recognise that it is important and I wish it safe passage, but I will leave it to others better qualified than me to comment in detail on its contents.

I have grown accustomed to addressing your Lordships as part of a minority whose members believe, as I do, with some passion that it is in the best interests of this and future generations that my country is out of the European Union. However, today's debate is about trade and I share with others a burning interest in the subject. Although I believe that becoming once more a self-governing country trumps all other considerations, I also say with absolute conviction that, with or without a deal, Britain will prosper mightily outside the EU, and I shall give your Lordships my reasons for saying so.

I speak today as a minority in one other respect. I have listened patiently over many months, and even years, to lectures about trade from the large cohort of people who lay claim—many with some justice—to having made significant contributions to Britain's trading performance. However, for the most part, these very clever people have never traded so much as a brass button in their long and distinguished careers. That they make a contribution is beyond doubt, but it is one, I venture to suggest, that should be kept in perspective. As with previous debates, the mandarin class told us all how the country was not clever enough to understand the issues, and I will come back to that in a moment.

Meanwhile, I declare an interest. Although I relinquished chairmanship of my family's business, I remain involved, and details of my interests appear in the register.

The SME sector, to which my family business belongs, accounts for some 90% or more of UK businesses. It is a sector that has difficulty in making its voice heard; we are usually too busy to go to those seminars and conferences so well attended by officials. Personally, I have traded goods and services for more than half a century and have operated in a huge array of markets around the world, including some quite challenging ones—at least, I remember thinking as I was trying to secure an important export order that being kidnapped at gunpoint in a South American jungle was a little out of the ordinary. I succeeded in securing it, as it happens.

I agree with my noble friend Lord Risby that the role of our ambassadors is hugely important. Looking back over some years, from my perspective a good ambassador meant that you did trade, certainly in Latin America, and a bad one meant that you did not. It was as simple as that.

My main point, however, is that the endless and often tedious debate about trade deals tends to obscure the fact that there would be no trade without British companies being able to produce goods and services that overseas customers want to buy at prices they can afford—a point made very forcefully by my noble friend Lord Lilley. To those who wag their fingers at me and say ad nauseam that business needs certainty, I shall respond as gently as I can and tell them that they are talking tosh. Conceivably there are some big tier 1 companies that, without fail, and without much effort, receive a monthly order from Her Majesty's Government and operate at negligible risk, but never—literally never—in my working life have I woken up to certainty; nor have I wanted to. Certainty is not a feature of normal commercial life.

I have made the point before that I find little evidence that the Government and their official class place much value on the SME sector. Regulation, high taxation—much of it stealthy—and a generally hostile environment among the numerous public bodies that impact on our lives combine to erode margins and discourage investment. My own family business recently deferred—perhaps indefinitely—a £13 million local investment that only a few years ago would certainly have gone ahead. That may sound like small beer but if others do likewise as real returns diminish and risks increase, then I fear for the future.

However, that is as nothing compared with the hostility that the SME sector faces from EU institutions. Brussels plays host to tens of thousands of lobbyists paid for by big business. Their job is to influence officials so that regulation is framed to benefit their companies and, more importantly, harm their smaller competitors. Lobbyists become especially active and vindictive when they spy a small competitor coming over the horizon. I have personal experience of that and I am pleased to put on the record that, after a seven-year battle, we fought off a significant fiscal injustice with the valuable support of Her Majesty's Treasury.

We all understand and accept the need for regulation. However, I can think of no regulation that does not entail cost, and that cost will always fall disproportionately on the smaller enterprise. It will also curtail innovation unless the burden is kept to a minimum.

In economic terms, the real benefit will accrue to Britain outside the EU from policies of free trade. History teaches us that this path is not always painless—and I do not expect this one to be—but it is always successful where the political will exists to see it through. Precisely because the European Union is a protectionist organisation, one of the great benefits of leaving it is that the consumer—that person whose cause is so rarely championed in Brussels—will be substantially rewarded by not having the common external tariff. Benefits will ultimately flow from abandoning the indefensible CAP and the morally loathsome fishery policies.

Another advantage for trade will be escaping from the corruption that is endemic in the EU. In 2014, the Commission reckoned that corruption cost the EU €129 billion—not far short of the EU's annual budget. The promised update from the Commission never materialised. However, a study commissioned in 2016 found that those costs might be as high as €990 billion—that is, eight times higher than previous estimates. I have not invented those figures; they were commissioned by the European Parliament. Therefore, it can hardly come as a surprise to hear Mr Drago Kos, chairman of the OECD working group on bribery, say:

“It is obvious that the fight against corruption has never been a priority for the EU”.

EU officials lecture us interminably about the importance of rules while, without blinking, driving a coach and horses through their own rulebook whenever it suits them. If you add to that the squalid scandal of the recent promotion of Mr Martin Selmayr, I wonder whether there is any limit to the Commission's bad practice, which does not fall short of that of the worst kind of banana republic.

The party opposite, not being the party of government, is entitled to the luxury of not having to explain too precisely its policies. Given that a large number of its supporters voted to leave and given its manifesto commitment, I think it is time we had a clearer idea of where it stands. I have asked over the years whether the Labour Party cares about the inhuman impact of the EU on real people, and I shall probably address these questions particularly to the noble Lord, Lord Grantchester, who brought up the human qualities of the EU. Do its members care, I wonder, as professed internationalists, about the Europe-wide astronomical levels of youth unemployment or the fate of the Greeks? Does the impact of the common external tariff on the poorest in our society bother them at all, with a tax of between 18% and 20% on clothes, footwear and food? Are they concerned about the protectionism implicit in a customs union that damages poor developing countries? Finally, do they look at the EU and not see the huge risk of remaining in that dreadfully flawed construct, that lurches from crisis to crisis studiously ignoring the suffering of its citizenry? No, I fear that the party has morphed from a movement that once championed the poor and the vulnerable into a smug, self-satisfied elite that feels most comfortable talking to itself inside the borders of the M25.

More generally, given that this House is so strongly remain, I wonder if noble Lords ever reflect on the strange fact that this is probably the first time in modern history when the expression “Peers and people”

has lost its meaning: gone for ever, I fear, is the public perception that the House of Lords is on the side of the people. Aside from the class—and the individuals within it—that benefits from EU largesse, and socialists who love to redistribute our hard-earned cash without needing to account for it, I remain utterly baffled why normally sensible people should want to bind themselves to the midden of corruption and venality that is the modern EU.

The people understand, as we all do, that the consequence of unaccountable power is not sometimes a car crash: it is always a car crash. They understand, as we all do, that uncontrolled corruption has appalling social and political consequences, and its chief victims are always the poor and vulnerable. I hope that they understand, as most of us do, that the rule of law that evolved in this country over 1,000 years, and was exported successfully to the rest of the English-speaking world, has held citizens in good stead and guaranteed their freedom. The institutions of the EU have become terminally infected with all the most pernicious viruses that one associates with rotten self-serving governance. The country voted for a new and glorious dawn. It understood perfectly what it was voting for. It is not just time that we left: our departure is long overdue.

8.11 pm

**Lord Livermore (Lab):** My Lords, it is a privilege to speak in this debate with so many who are expert in this field. It is a pleasure to follow the noble Lord, Lord Cavendish of Furness, although I do not think that I agree with anything that he said. I also join other noble Lords in congratulating the noble Baroness, Lady Meyer, on her powerful and fascinating maiden speech.

I will concentrate my remarks on the provisions in this Bill to implement an independent trade policy, and to transition the existing trade agreements between the EU and third countries. I will focus on these provisions because they neatly encapsulate the futility of the Brexit process, which involves recklessly dismantling all the benefits that we currently enjoy, with the promise of a better—but as yet unspecified—replacement at some distant point in the future, only for us to end up in a far worse position than we started with.

When this Bill was debated in the House of Commons—and this point was repeated by the Minister in her opening speech—the International Trade Secretary, Liam Fox, said that it was about,

“continuing what we have at the present time”.—[*Official Report*, Commons, 9/1/18; col. 210.]

What then, we might ask, is the point of it? Why are we expending huge amounts of time and energy? Why are we setting ourselves red lines for the negotiations that are proving impossible to reconcile with each other, and threaten to scupper the chances of any exit deal at all, with the hope only of continuing what we have now? Surely such effort is worthwhile only if we end up with more trade than we had before?

As the noble Lord, Lord Cooper, made clear in his speech, the point is certainly not to honour the referendum result. Only 12% of the public even recall independent trade deals ever being mentioned in the course of the referendum campaign. The fear must surely be that

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once again theological obsession is being allowed to take precedence over the economic well-being of our country. As my noble friend Lord Browne of Ladyton argued earlier, the central question must surely be: is the goal of simply maintaining what we have now itself realistic?

Noble Lords will know that the UK is currently party to more than 40 EU trade agreements covering more than 80 third countries. Indeed, the EU has trade deals in place with more countries than the US, China and Australia combined. These third-country trade deals amount to 15% of the UK's total trade, over and above the trade we do with the EU.

The Government have acknowledged that transitioning these existing trade agreements will not be a matter simply of rolling them over, but they have not yet explained how they will be replicated. Other countries will need to agree to transition their existing agreements without asking for substantive changes, otherwise the UK will need to renegotiate many, or possibly all, of these agreements before we leave the EU.

At last year's Conservative Party conference, Liam Fox said:

"Well believe me, we'll have up to 40"—  
free trade agreements"—  
"ready for one second after midnight in March 2019".

I would be very grateful if the Minister could confirm, when she responds to this debate, whether the Government remain confident of achieving this commitment, on this timescale, and update us on how many third countries have so far agreed to roll over their existing trade agreements on the exact same basis as now.

In reality, renegotiation will be complicated because of rules of origin, clauses tied to service sectors and investment flows, mutual recognition and tariff rate quotas. It will take only one of those 40 countries to renegotiate their existing agreement to our detriment for us to be in a worse position than we are now as a member of the EU. Furthermore, if we were to leave the EU with no deal, Britain would be the only country in the world which did not have a single trade agreement with anyone else. In fact, I might be wrong. I believe that there are two countries in the world that trade only on WTO terms: Venezuela and Yemen. Quite an ambition for a country such as ours.

This Bill is necessary only because of the Government's decision to leave the customs union and the single market—a decision taken without first undertaking any economic analysis of the consequences. With Europe on our doorstep, the UK's current annual trade with countries in the customs unions is £466 billion. It is estimated that leaving the customs union would cost the UK £25 billion every year, and leaving the single market some £45 billion. New tariffs alone would cost UK exporters £4.5 billion a year. HMRC has estimated that new customs checks would increase the cost of imported goods to businesses and consumers by 24%. The National Audit Office estimates that the number of customs declarations each year will increase from 55 million to 255 million and that UK-based companies will have to comply with far higher levels of bureaucracy and additional costs. To take just one example, Honda, which is based in Swindon, receives 2 million components

every day thanks to the free and frictionless movement of goods. Outside the customs union, to store the minimum nine days-worth of components on site, it would need to build the third-largest building on earth, measuring 300,000 square metres—the size of 42 football pitches. The Government have repeatedly committed to delivering a future trading relationship with the EU that has the "exact same benefits" as we currently enjoy, yet they have no realistic, viable or acceptable proposal to do so.

The Cabinet spent several months of valuable negotiating time arguing over either a streamlined customs agreement or a customs partnership, neither of which was actually workable and both of which had already been rejected by our negotiating partners. When the Prime Minister chose between the two, it prompted the resignation of her Brexit Secretary and her Foreign Secretary, and it was promptly and predictably shot down by the EU. We now have the spectacle of the Government unable to save their Chequers proposals but without any credible strategy to put in their place, while the more extreme Brexiters in the European Research Group have abandoned publishing their alternative plans for fear that they could be "too easily ridiculed".

We have frequently been told that the great prize of Brexit is the ability to strike free trade deals with new countries. Presumably for Brexit to be worthwhile, the new trade deals would, at a minimum, replace the trade with the EU that by the Government's own admission would be lost by leaving the customs union and the single market. Yet many of the countries cited as targets for new trade deals barely compare to the nearly 50% of our trade that is currently with the EU. Australia accounts for just 1.7% of our trade, India 1.7%, Indonesia 0.2% and New Zealand 0.2%. According to analysis by the National Institute of Economic and Social Research, the estimated increase in UK trade from free trade agreements with Australia, Brazil, Canada, India, Indonesia, New Zealand and the US combined would be less than 5%.

By contrast, leaving the single market would see a reduction in UK trade of between 22% and 30%. Even the Government's own analysis shows that new free trade deals will add only between 0.2% and 0.7% to UK GDP, compared with their own estimate of a 5% reduction in GDP from leaving the single market. Moreover, the long-term benefits of a free trade deal with the US, their most prized goal, are estimated by the Government to be worth just 0.1% to 0.3% of GDP. As my noble friend Lord Liddle pointed out, Sir Martin Donnelly, former Permanent Secretary at the Department for International Trade, has said that leaving the single market and the customs union to seek new trade deals is like,

"giving up a three-course meal now for the promise of a packet of crisps in the future".

These economic effects are to say nothing of the practical difficulties. New agreements will take many years to negotiate, with huge trade-offs and large countries holding the whip hand in negotiations. Third countries will not be in a position to even start negotiations until they know what the UK's future trading relationship with the EU will be, which currently looks several years away. Agreeing an independent status at the WTO will

not be straightforward, with the US, Canada and Brazil already raising concerns. In talks with the US, negotiators will demand that the UK lowers its environmental and food standards and accepts products such as hormone-treated beef and chlorinated chicken, while US healthcare companies will lobby for the right to bid for NHS contracts. What is more, all this relies on dealing with President Trump, who is yet to show himself as an advocate of mutually beneficial trading relationships.

It is clear that transitioning existing trade agreements on the same beneficial terms we currently enjoy cannot be taken for granted. It is also clear that new trade deals with other countries will not remotely come close to making up for our lost trade with the EU, the largest free trade area in the world. The reality is that this Bill will reduce UK trade, not increase it or even maintain it. On trade, as with so much of Brexit, the damage will be huge, the benefits illusory and the reality so very different from the promise. The case for giving not only Parliament but the people a meaningful vote on the final deal is ever more compelling.

8.21 pm

**Lord Lansley (Con):** My Lords, it is a pleasure to follow the noble Lord, Lord Livermore, not least because I did find occasion to agree with him on certain points. I was particularly pleased that he reiterated the metaphor used by the noble Lord, Lord Liddle, because those of us who are gathered here at the moment are all giving up our three-course dinners for the purpose of Brexit.

I join with others in congratulating my noble friend Lady Meyer on her maiden speech. The character of what she had to say, her heritage, experience and proven values all demonstrate what a valuable addition she will be to our debates and to the House. I should like to add from my own point of view that this is the first occasion on which I have spoken this year. My medical treatment made it very difficult for me to participate in debates until now, so I am particularly grateful to colleagues for their many kindnesses over that period. I want to put on the record that this House is a very good place for looking after people. Lastly, I draw attention to my entry in the register of interests, in this instance my co-chairmanship of the UK-Japan 21st Century Group. Six parliamentarians from this House and the other place were in Japan the weekend before last for the annual conference of the group, so perhaps I may return to the issue of Japan. I agree with much of what my noble friend Lord Trenchard had to say; he understands Japan extremely well.

My noble friend Lady Fairhead gave us an excellent introduction to the Bill, and she spoke very well back in December in our previous debate on trade policy. I agree with her that the Bill is necessary to ensure continuity. There is a frustration, made perfectly clear by the noble Lord, Lord Livermore, at the effort that is having to be expended to maintain the status quo. This is part of that effort. However, in this instance, if we go down the path of Brexit—especially if we do not have a withdrawal agreement in place at the end of March next year—the need to have this Bill in place is obvious to all.

Few noble Lords have mentioned the Trade Remedies Authority. It is important that a shadow TRA is in place, even if there is an implementation period and the European Commission continues to exercise those responsibilities during that period. Many years ago, I was responsible for the generalised scheme of preferences in the chemical industry at the DTI and anti-dumping cases. I know that the degree of knowledge one has to acquire of not only the trade environment but the industry to which those remedies are to be applied—internationally, too—is not acquired quickly. It is the product of long and sometimes exhausting work. Getting a Trade Remedies Authority up and running is a priority for us, even if it takes the best part of two years before it is imposing remedies.

My main point concerns the customs union. I will not repeat what was said by the noble Lord, Lord Kerr of Kinlochard—he said it better than I could and I agree substantially with him—but I want to come back to the customs union, which I voted for in the withdrawal agreement legislation. My noble friend Lord Tugendhat said that we asked the Commons to think again and it did, but answered that it did not endorse this point. Of course, the other place was not strong-armed into it, as I think somebody said. I know colleagues there who supported this matter, a significant number of whom did not support that amendment because they supported the Chequers deal and wanted it to go ahead. In a nutshell, if we could get everything that the Government are looking for in the Chequers deal, including no rules of origin, frictionless trade and diagonal cumulation—meaning that in the free trade agreements, local content in the UK is treated as EU content and vice versa—we would be pretty close to what we genuinely need. That is the beauty of the Chequers deal. If the EU sign up to it, all will be well and good. But it may not, and the point at which it may not because it regards the deal as trespassing on too many of its red lines is the point at which colleagues in the other place will have to reconsider whether we should be in the customs union or out, on a no-deal basis. That is a different question, on which they should be asked to think again. Frankly, I suspect that during the passage of this legislation we will have the opportunity and occasion to reconsider the issue in broadly those terms.

As my noble friend Lord Trenchard said on Japan, it is very clear that we should be moving through a sequence and grandfathering the EU-Japan agreement. People are asking whether Japan will do it; the answer is yes, because it does not think that the agreement is long term. It is very pleased about and supportive of us joining the CPTPP, which offers us some advantages. For example, the e-commerce provisions in the TPP 11 agreement significantly benefit our strong digital market offer, relative to what is in the EU-Japan agreement, so there is a reason to transition to that multilateral agreement. As part of talking about our future trade policy, we should look for such opportunities, specifically multilateral trade arrangements. There is a reason why President Trump likes bilateral agreements: in a world of purely bilateral agreements, might is right, and more often than not, he will win on a straight bilateral trade negotiation because of the sheer weight of his economy. Frankly, that is why we

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are in the EU: to give us the weight in trade negotiations to counterbalance the United States, and now China. He fights those battles thinking that he still has the weight to do so. We should not allow him to go down the path of bilateralism and dismantling WTO machinery, as referred to by my noble friend Lord Tugendhat. That is what he aims to do and we must frustrate him by being advocates of multilateral agreements across the globe.

I have two final points. First, supporting the WTO also means reforming it, which we have not talked about. Perhaps we will be able to introduce some of these issues in debating the Bill. We should be very clear: the WTO should do more on e-commerce, mutual recognition of standards on an international basis—as President Obama set out to do in 2012, although he did not get very far—and developing the General Agreement on Trade in Services, which it is in our interest to push through in that forum. As my noble friend Lord Tugendhat said, we should make sure that the dispute settlement works because at the moment, that is the one bit of the WTO that everybody has to rely on more than anything else and the Americans are trying to dismantle it.

Secondly, I will not reiterate everything that has been said about trade promotion and export support, but FTAs are only as good as the use we make of them.

Many points have been made by my noble friends Lord Lilley, Lord Horam and Lord Cavendish, and others, about the necessity of supporting export promotion. It is not just about government; it is about industry's capacity to do it. When I was deputy director-general at the British Chambers of Commerce, we introduced the active exporting scheme and ran the Export Marketing Research Scheme. The trade bodies and the chamber of commerce movement could—and should—come in and support the Government internationally. Look at the Handelskammern in Germany and what they are able to do in support of German industries. I encourage us also, in debating this important and necessary Bill, to talk about how we can develop our international trade policy and export promotion effort.

8.30 pm

**Lord Hannay of Chiswick (CB):** My Lords, it is a great pleasure to follow the noble Lord, Lord Lansley. It is good news that he is back playing an active role in our debates. I say that all the more so because I agree with a large amount of what he just said, but that is not the only reason. The only point I make on what he said is that I think a link with the CPTPP—the Pacific grouping—is of great importance, but it is much more likely to be achieved by the European Union in a more successful way. That is why I support the idea that we should stay within a customs union and negotiate with that objective.

A great deal of the Bill is highly technical and process-driven. The Minister made an excellent effort to persuade us that that was all that it was about, which is not the case, but those aspects require careful scrutiny, and perhaps amendment in Committee and on Report. I intend to focus my remarks today on the

broad political thrust of the Bill, which is the imperative view of the Government that this country must have an independent trade policy outside the EU and its customs union—within which this House voted to remain, I recall, as others have done, by a three-figure majority when the issue was discussed in another context.

The contention of those who supported Brexit in the referendum campaign—it since remains the Government's view—is that an independent trade policy is absolutely vital and that it will be good news for the United Kingdom. Outside the EU and its customs union, Britain, they say, will emerge on to the sunlit uplands of a free trading world, freed of the shackles of the EU's trade policy with prosperity assured. Negotiating trade deals around the world would be easy as pie—that is what the Secretary of State for International Trade told us, although his assurances were slightly undermined by the fact that he has never negotiated a trade agreement. If only that picture were true the Government would have a case, but it is not. It is, frankly, false.

First, take the EU's trade policy. It is, of course, not perfect and it has some protectionist features which need to be changed. That is what the EU was attempting to do in the Doha multilateral trade negotiations and in the TTIP negotiations with the US; the EU was not responsible for the failure of either. When the EU was founded, it did have a pretty protectionist trade policy but, over the decades, that policy has been progressively liberalised, not least by the leadership of a whole succession of British Trade Policy Commissioners: Lord Soames, for whom I worked, Lord Brittan, the noble Lord, Lord Mandelson, and the noble Baroness, Lady Ashton. Britain, as a member state, was at the forefront of that liberalisation campaign with great success. Now, the results of that campaign, in the form of the European Union's trade policy, are being denigrated, belittled and cast off. Nor is the EU and its trade policy in any way the only important point. After all, we export only about one-third of the amount that Germany does to China. That is not because we are shackled by the EU but because we are not quite as competitive as the Germans. That will not be solved by leaving the EU or by negotiating separate trade agreements.

There is then the still-growing network of bilateral trade deals that are an integral part of the EU's trade policy and its customs union: most recently the agreement with Japan, but also those with South Korea—where our exports have hugely increased since that agreement came into effect—Turkey, Chile, Colombia, Mexico, the 50 or so African, Caribbean and Pacific associates, and the countries of eastern Europe, the Mediterranean and the Caucasus. There are negotiations now under way with Mercosur, which hopefully will lead to a successful conclusion, and with Australia and New Zealand. Are we going to do better than those deals that are being handed to us on a plate? Will we do more for developing countries than the EU's "Anything but Arms" policy? I rather doubt it.

How about those sunlit uplands? Well, the sun is not shining up there any more, as President Trump rampages through the international trade commitments that the United States has, mistakenly believing that

trade wars are easy to win and that trade between nations needs to be bilaterally balanced. This is the very antithesis of this Government's trade policy, yet the US seems to be the jewel in the crown when it comes to our negotiating independently. Some hope.

Then there is China, which has negotiated free trade deals such as the one it did with Switzerland, which gave China tariff free access to the Swiss market straightaway and told the Swiss that, with a bit of luck, in 20 years' time they might get something like that.

**Lord Lilley:** The noble Lord said in 20 years' time. Actually, the Swiss deal with China reduces tariffs by two percentage points a year. The high tariffs are 18%, so in nine years they will all be gone. They are already half way through. Where are we, in our membership of the European Union, in the process of getting free trade with China?

**Lord Hannay of Chiswick:** That remains to be seen, of course. If we were in a customs union, I have no doubt that the issue of freeing up trade between the European Union and China would become a very important point—and, since the Chinese are now being sucked into a trade war with the United States, they might take a rather different view of a free trade agreement with the European Union than they have in the past. I do not know. All I can say is that they are more likely to do so if what they are offered is access to a 500 million single market, with the UK in a customs union with it, rather than what they have at the moment.

Then what will we say to India and Brazil, for example, which undoubtedly will raise with us issues about the visa burden on their students, businessmen and researchers? It is obviously desirable that we should have agreements with Australia and New Zealand, but what will that mean for our producers of sheepmeat and beef, who are already at risk of being struck by the loss of their continental European markets if all does not go well with our negotiations with the EU. What will we say to that?

One day, I hope, when President Trump's memorial library is being constructed—there will not be many books in it, I imagine—the world will resume the search for multilateral and plurilateral trade agreements to remove tariffs and non-tariff barriers to trade. What role will we play in such negotiations as an independent actor with our own trade policy? I can give noble Lords a clue: a very modest one, is the honest answer. I was a very junior member of the negotiating team in the Kennedy round, which was the last occasion on which the UK operated independently before it joined the European Communities. We were in a much stronger position then than we are now. Our share of world trade was much greater and we had a stronger economy on the whole compared with other people. However, even then, in the 1960s, the deals were cut between the US, Japan and the European Community. In future, it will be between the US, China, the European Union, Japan and India. Of course, we will be there on the margins, our eye glued to the keyhole, saying, "Me, too", when they reach an agreement, but our role will be that of a watcher and not, as we are at the moment,

an actor. So the case for an independent trade policy does not stack up. It is a chimera and a mirage, doomed to disappoint.

Of course, if we were to remain in the customs union, we would need to raise some quite important issues with the EU to ensure that we had a proper consultative role in shaping its trade policy and that any trade deals negotiated by the EU applied fully to all members of the customs union, including the UK, and did not require separate negotiation. But how can we find out whether these possibilities are even faintly viable if we are not ready to ask for them to be put on the table and to discuss what the reaction of the other side would be? Since this would greatly help the problems of Northern Ireland, I suspect that it would be pretty positive.

The other day, I heard a representative of one of the think tanks that supports Brexit and an independent trade policy, the IEA, say, quite clearly, that an independent trade policy is "the only prize" remaining from Brexit. But is it a prize? I very much doubt it.

8.41 pm

**Lord Elton (Con):** My Lords, your Lordships are weary and so am I, so I shall be short. As far as possible, I shall restrict myself to the structure of the Bill and its purposes, and not the great field of foreign policy and philosophy in which it is being fought out.

I begin with pleasure in congratulating the noble Baroness, Lady Meyer, on a most remarkable maiden speech. I suspect from what she told us that she will bring to this House a bigger measure of both patience and wisdom than most of us are able to offer. I also welcome my noble friend Lady Fairhead to the Front Bench and to her first Bill, an experience in relation to which she has my great sympathies—I remember being in the same situation many years ago. I should also welcome my noble friend Lord Lansley in breaking his silence in such a welcome manner this evening.

The Bill has four functions, all of which are necessary. Our job is to see whether they are effective or can be made more so. In Part 1, the particularly sensitive area seems to be the devolved authorities. I hope that my noble friend the Minister will give us a little more detail than we have had so far. I am interested particularly in the effect of the absence of any Northern Ireland Assembly and how that will bear on proceedings where its existence is assumed in the Bill. I would like to know more also about Scotland's reluctance to give its approval to the Bill. I realise that it does not have a veto, but, on the other hand, there is a political price to pay if it is not listened to.

On Clause 6, I am happy to rely almost exclusively on the advice of the noble Lord, Lord Kakkar, who is expert in that area.

I am interested also, as is the noble Lord, Lord Kerr of Kinlochard, in the balance between Parliament and Executive as it is affected by Clause 4, which gives Ministers an exemption from parliamentary supervision. Paragraph 46 of the department's memorandum on delegated powers states:

"There will be textual changes to current agreements that ensure future operability. There could be consolidation of agreements. The power is broad enough to allow implementation of substantial amendments, including new obligations".

[LORD ELTON]

It seems to me that we need to look very carefully at that exemption, and I look forward to my noble friend's explanation of their necessity.

On Part 2, concerning the TRA, along with the noble Baroness, Lady Falkner of Margravine—I am always glad of an opportunity to agree with somebody in the Liberal Democrat Party—I think we need to look closely at the composition, membership and powers of the TRA.

On HMRC and data, I am no expert on information and my only view is that data is, at the moment, a highly sensitive subject and its control is not entirely understood.

The position from which I start is that I am anxious to improve the Bill, I regard it as necessary and therefore I wholeheartedly support my noble friend on the Front Bench in getting it on to the statute book—if possible, in a slightly better form.

8.45 pm

**Lord Whitty (Lab):** My Lords, the Minister has been rightly commended for her comprehensive, elegant and precise introduction to the Bill: it was, indeed, a good introduction. However, she did not disguise—indeed, she did not attempt to disguise—that the Bill is very limited in its application and in its relevance to the kind of questions that are being asked out there as to what our future trade position is going to be.

Like many other noble Lords, I have had to absent myself from the Chamber for much of this debate, but I have taken part in two other important, relevant debates. I have been upstairs with your Lordships' Select Committee, which is finalising its report on customs arrangements. That report will fall on Ministers' desks, and the rest of our desks, in a few days' time and it asks a huge number of questions about what the future customs arrangements are going to be, none of which is answered by the Bill.

Then, just now, I was at a reception for the manufacturing sector, for electronics and electrical manufacturers who are asking a lot of detailed questions about how their trade is going to be affected post Brexit, none of which, again, can be answered by the Bill. That is disappointing because, if noble Lords cast their minds back a few months, just post the Lancaster House speech there was an announcement that we were going to have eight Brexit Bills, two of which would be a trade Bill and a customs Bill, which, between them, would describe the whole new golden age of global Britain and its trading place in the world. I fear that this Bill, even taken together with the Bill we considered last week and were not allowed to amend, goes nowhere near giving any answers to the people who are actually doing trade or who wish to trade with us as to what Britain's position will be.

I will restrain myself, like the noble Lord, Lord Elton, and try to concentrate on what is actually in the Bill, rather than what is not in it. I shall start with the provisions on the rollover of agreements that the EU currently has with third parties. This sounds simple, but it is not a straightforward situation. Not only will we have to get the agreement of those third parties, we will also have to make sure that that the provisions of

it do not alienate the EU, and it will also eventually have to be endorsed by the WTO. None of those is straightforward. We heard from my noble friend Lord Grantchester that already there have been objections to the rollover in relation to tariff quotas from Japan—one of the biggest agreements that the EU has, and a new one—and from Chile, and I am sure that other countries will be the same. We know that, in the WTO context, the independent rescheduling of the UK tariffs is being objected to by some of those very people we would expect to be having agreements with: both those third parties that are in an arrangement with the EU, such as Japan, and others such as Brazil and Australia. This is not a straightforward arrangement, and the fact that the Bill provides for the legal implementation of it is all very well and good but it does not actually reflect the trading and negotiating reality.

My second point is rather different. The Bill does not at all address the wider issues of trade negotiations. Clause 1 signs us up to the Agreement on Government Procurement, which is a good thing, in principle, and straightforward. But the other issues that exist in world trade agreements these days are more value laden and have actually caused major agreements such as TTIP to fall flat on their face in the end. These issues include: the rights of workers and ILO conventions; human rights generally; how we implement and reflect within trade agreements the Paris commitments on climate change; food standards; animal welfare; the protection of endangered species—we were debating the Ivory Bill only this week; and the protection of our public services. No doubt the noble Lord, Lord Cavendish, and others will say that the raising of these issues is part of the protectionist mode of the EU and actually you should leave all these extraneous things out of trade agreements, but that is not the politics of trade these days—or of our country. We have developed those things through the EU and they should find an important place in any modern agreement. Yet the Bill, which purports to be the basis of a new determinant for trade policy, does not reflect that at all.

Another area that is only partially touched on in the Bill—the noble Lord, Lord Kakkar, referred to it earlier and it was the subject of an amendment that was carried in another place against the wishes of the Government—is the reference to the medicines agency and the medicines network. I hope that we can build positively on the amendment, but it ignores the fact that even in the transition period, and certainly beyond it, the UK's future association with so many agencies of the EU is not addressed anywhere in the Bill, not even in relation to the rollover treaties. This is vital for so many areas, but the Bill makes no mention even of those areas that the Prime Minister herself has picked out, such as aviation and chemicals, and our future relationship with those agencies, let alone the food standards and animal welfare agencies, which are vital to both our trade and our agricultural sector.

Clause 4 provides for the Trade Remedies Authority. I welcome the commitment to establishing that early on. My sub-committee of the EU Select Committee did a report on state aid post Brexit in which we recognised the need to establish such a body. I am a bit worried about how its composition is described. Although I do agree on occasion with the noble Baroness,

Lady Neville-Rolfe, I rather take the opposite view that leaving the appointments entirely to the Secretary of State without any constraint regarding the sectors, concerns and expertise that should be covered by that agency is not helpful to its positive development.

It was also clear in our report—the noble Lord, Lord Lansley, was already a member of my committee at that point—that the Trade Remedies Authority will deal with only one aspect of future trading problems relating to state aid and procurement. Where there are problems such as dumping, unfair procurement practices or unfair state aid, it is not only the trading partner's behaviour you have to address but your own. How we are going to deal with the provisions of state aid within our own country in the light of Brexit and the different roles of local authorities and public bodies is an important part of it. That role will be handed to the CMA. It is the congruent part of how we are going to approach state aid in our trade arrangements, yet the role and powers of the CMA are not in the Bill; nor, as far as I am aware, have they yet been spelled out by the Government in any other piece of legislation.

I will touch briefly on the devolved Administrations. The early reference to the devolved Administrations is more inhibiting than empowering. But in relation to state aid, you also have to take account of the role of the devolved Administrations, both in how they implement actions against other countries and how we administer state aid internally within the UK. None of that is covered by the Bill.

Limited though the Bill is, it is too limited and it needs to address some of these problems. I hope that the Minister and her colleagues can address them in the course of debates on the Bill, because there will be amendments brought forward and questions answered. She said in her opening remarks that the Bill was about detailed practicalities and technicalities. My colleagues—who I have left having a drink downstairs—from the electronic and electrical manufacturers of Europe, as well as of Britain, want to know some of the details of those practicalities. This Bill will not tell them.

I end on the same inadequacy with which I ended my remarks on the other Bill last week: the inadequacy of the provision for parliamentary scrutiny. Although this Bill provides for a report to Parliament, and for the statutory instruments to follow, that is at the end of the process when the Government have negotiated with other parties, whether those are rollover countries or others. We need a system of trade scrutiny within this Parliament at least equivalent to that which the European Parliament has had on our behalf for the last 40 years, and that which Australia, Canada and the United States have within their own parliamentary systems. This House and this mother of Parliaments should insist on nothing less.

8.56 pm

**Lord True (Con):** My Lords, it is a pleasure yet again to follow the noble Lord, Lord Whitty. I like to think it is because we are under T and W but perhaps it is because I am rising from the graveyard to fill the final Back-Bench slot in what has been an excellent debate. I am sorry that my noble friend Lady Meyer is not here but I think we all agree that it was graced by her moving and brilliant maiden speech.

I support the Bill and congratulate my noble friend the Minister on the way in which she introduced it. The Bill is needed to maintain smooth trading arrangements for this country outside the EU, which is where the British people have voted to be. We should get on with it. Yes, of course scrutiny and revision are our job but we should not be using them as a stage for the kind of wrecking tactics that failed in the other place, by tacking on a customs union or a second referendum—although having heard some of the contributions today, I rather fear that we are heading that way.

I would like to highlight one salient truth of the Brexit debate: the decisive, and I would submit shameful, role of the Labour Party in the fight to subvert the referendum verdict. At the last election, Labour promised its electors in the north of England and the Midlands that it would honour the referendum result: that we would come out of the single market, have control of immigration, end EU interference in our laws and leave the customs union. Since then, in vote after vote, Labour has dishonoured the promises it gave the British people. It signalled yet again today from the Front Bench that it wants to use this Bill to keep Britain in the customs union which it promised to take us out of. It has provided the compliant troops in both Houses for the schemes and devices of those who wish to reverse the referendum result. In this, as in so much else, Mr Corbyn's Labour Party simply cannot be trusted and everyone who voted for Brexit should mark this fact. There would have been no problem in any vote to implement Brexit in either House if Labour had not voted to stop it. A factional thirst for power has consistently been put before the democratic duty not to renege on promises given to the British people.

For all the words of gloom we have heard today—and we have heard many—I submit that on Brexit, we have nothing to fear but fear itself. Project Fear proved a total failure. Do your Lordships remember threats to pensions, the warnings of slumps, mass unemployment and the flight of capital from the City? People saw through it; Project Fear was fantasy. Now, in place of Project Fear, outside this House, we have Project Panic: claims that after 29 March planes will stop flying, trade will halt, food supplies will run out and the Army will be on the streets—fantasy, my Lords. In whose interest is it exactly to stop trade, the flow of French food or German car parts into the UK? Mr Macron—sorry, should I call him “Monsieur”, or “Monsieur Le Président”? If French vegetables were rotting in Calais, Monsieur Le Président would soon hear the rumbles of French farmers' tractors coming down the Champs-Élysées. It will not happen under any model for Brexit unless a malevolent hand wills it to happen.

Last week, sadly, I attended the funeral of my only brother, who was a victim of an unpleasant cancer. Recently some of the authors of Project Panic have talked of cancer victims dying because supplies of medicines and isotopes would be blocked after 29 March. Who precisely would block them? Do those who spin these kinds of things have any conception of the anguish they cause patients and their families? Do they care? Such pedlars of panic, in my most generous estimation, are jackals.

[LORD TRUE]

I repeat: we have nothing to fear but fear itself. Outside the EU, Britain can be the country that I demonstrated for as a young man: a trading nation open to the world, confident in its future, competitive, innovative, job-creating, a champion of free trade and a beacon to the world of civility, culture and common sense.

Today we have heard several more attacks on those who argue for Brexit; indeed, we were described as “denizens of another world”—and that was one of the kindest things said. We have heard many pleas that even now, we must stay in the EU. I must respond to that. I declare an interest as a part-time resident of Italy for 40 years—and one, frankly, without an ounce of fear that even under a WTO deal, the carabinieri would come knocking at my door. That is another fantasy of Project Fear.

When in Italy, I contemplate the catastrophic failure of the European project and the euro project that was piled on top of the previously widely accepted EEC. I see 600,000 to 700,000 illegal immigrants, most of them fit young men with iPhones and designer clothes, many begging in the streets from Italians who have lost their entire life’s work in the 2016 earthquake. I see 31% of young people without a job. I see a country that has barely grown since it entered the euro. I see a country that has lost 16% of its industrial production since it entered the euro. I see a country where 158,000 small businesses have closed in the last eight years. That is the monstrous toll of the amoral euro project, not just in Italy but across the Mediterranean.

I see a country that, when it votes in politicians who want to control immigration and change some of these things, first faces a failed coup to impose a Government of pro-EU austerity technocrats and then, when they are seen off, is told by a German EU Commissioner, “The markets will teach Italians how to vote”. That is the behaviour and the language not of partners but of masters.

I see a country where the EU promises to help with illegal immigration but delivers nothing but lectures, where criticism of the Commission is declared inadmissible and Monsieur Le Président turns back 50,000 immigrants at the French border and fraternally declares himself the principal opponent of the elected Government of a neighbouring country. I see a country where politicians who step outside the tent of the overweening EU elite and talk about problems that really confront ordinary people are condemned as extremists or populists. The problem that some cannot stomach in Italy, Austria, Hungary, Poland or Britain is that these so-called populists are popular and Brussels is not. Tens of millions of people voted for them. Precisely who elected the Brussels elite, or, come to that—I hate to say it—their useful allies in this House? Whatever else we think in this debate, we should dispose of the canard that, inside the EU, all is joy and strength and outside is doom and despair. Things may well be well, as we heard, in Denmark, but there is something rotten in the state of the European Union.

We face a historic choice between a free and fast-moving economy in a fast-changing world, or taking our rulebook from an organisation where what is once agreed can

never be changed and anything new takes months or years to agree. It is a choice between free trade and lower prices, and tracking the part of the world which has seen the lowest growth in the last generation. A clear way forward was once offered—a free trade deal on the Canada model. I wish it had been grasped then and I hope it will be pursued now. Whatever route we choose, we need this Bill, which my noble friend has so excellently presented. We should speed it on its way, fast.

9.05 pm

**Lord Purvis of Tweed:** My Lords, with all the travails afflicting Italy, they should be relieved that they can rely on the sunny optimism of the noble Lord, Lord True, to see them through in the future. I am perhaps in the same pickle as the noble Lord, Lord Browne of Ladyton, who could not find any common cause with his previous speaker, the noble Lord, Lord Hamilton. I shall take a trick out of his book and find something positive to say by congratulating the noble Baroness, Lady Meyer, on a wonderful maiden speech. I see she is back in her place.

It seemed easier a year ago, when Liam Fox suggested at the Conservative Party conference—reportedly to cheers from activists—that it would be a breeze to get all the existing EU trade agreements in place before Brexit in March. He said,

“believe me, we will have up to 40 ready for one second after midnight in March 2019”.

The Trade Secretary added:

“All these faint hearts saying we cannot do it—it’s absolute rubbish”.

I have never considered the noble Lord, Lord Tugendhat, to be a faint heart, but the term he used was “miraculous”. I think that that is more accurate. Perhaps Dr Fox, on the Marr programme 10 days ago, showed himself a little faint-hearted. When asked if he stood by what he said then, he replied:

“That remains our aim. Of course a lot of countries are waiting to see exactly what that relationship will be with the European Union”.

Well, they are not the only ones. However, the noble Lord, Lord Callanan, seemed to be back on track for the second-after-midnight position during Questions today.

As the noble Lord, Lord Browne, and others have said in this debate, we are expecting the Minister, in her summing up, to clarify how many countries have confirmed, in writing, to the UK Government that there is agreement in principle to ratify agreements before March 2019, and on what terms. If they have not, what are they asking of us? This information should be with the Government. If it is not, it is extremely alarming. If it is, the Government need to tell the House and the best opportunity would be for the Minister to do so when she sums up.

Time is nearly up. Businesses cannot wait any longer. I told the House before the Recess that our pharmaceutical industry was starting to stockpile because there was no clarity on what customs arrangements would be. As the industry has said, it is estimated to take 10 years for the technological side of any new customs arrangements to be in place and operational. The Government have rolled over and rubbed out one of

their previous red lines, of being distinct and separate from the European Medicines Agency, thereby ultimately now accepting the jurisdiction of the European Court of Justice by taking its rules and having no say in the making of them. Irrationally, they cannot see the case for other regulatory bodies critical to UK trade. As the noble Lord, Lord Whitty, asked, why is this the case? What is the Government's position as to why they are not in this Bill?

The trade association EURIS, which represents thousands of British businesses and £148 billion of UK trade, together with the independent UK Trade Policy Observatory, has published a survey just today, showing that 83% of British industrial product manufacturers support continued regulatory alignment in order to remain competitive in a global market. Respondents overwhelmingly say that they see no benefit in moving away from the EU regulatory system for industrial and manufactured products. The report states:

“UK companies told the survey that their supply chains have already been disrupted by post-referendum currency changes and that EU27 companies have started to select non-UK suppliers amidst the ongoing uncertainty of post-Brexit arrangements”.

It added:

“It is not a choice of exporting to Europe or the rest of the world. If we become less competitive in the EU we will be less competitive in other international markets. The UK Government's target to develop stronger trading relationships with other non-EU countries is a positive move, but this can only be achieved if we maintain a strong alignment with EU regulations and supply chains”.

That is an industry response to the position of the noble Lord, Lord Lilley, who is not in his place for the winding-up speeches. Perhaps, as he did this afternoon, he has nipped out to be in Committee Room 9 to share a desk with Boris Johnson, if the BBC reporting is accurate. It is telling that one of the first to speak up for the Government left this debate to be with Jacob Rees-Mogg and Boris Johnson, when they said this afternoon that the Chequers position, which the Minister supports, is now worse than the status quo of staying in the European Union. I wonder what the Minister's response to that will be.

The Bill is all about disruption, or the futile attempts to prevent or minimise it. The UK has a trading relationship or is in discussion for one, over and above WTO base rules, with 143 countries. In addition to the single market with the EU 27, we have an FTA with 36 countries, with a further 46 where the agreement is provisionally applied. Agreements with eight countries are pending ratification, and five are being updated. With a further 21 countries, negotiations are ongoing or paused, and we have had a role in all those discussions.

This cannot possibly, by any stretch of the imagination, be called a cut-and-paste job simply to put it into UK law. For the noble Lord, Lord Lilley, to indicate that that would be a straightforward process is a flight of fantasy. The agreements in place are also indefinite. I hope that the Minister will be able to answer this, too. Are we asking them to ratify an indefinite deal but also telling them that it will last for only three years unless we renew it? Can she confirm that she has stated that to all of our partners? What of those likely to mature into force after next March but during the implementation period?

It is now incumbent on the Government to publish what they have told each of those countries and let Parliament know. If we rollover those deals and then deviate from them—because we will be part of a common rulebook, as is the Government's position, but from which the Government say we will be able to deviate—we will, by definition, deviate from all the agreements that we will have rolled over because we are adopting the existing EPA or FTA components. Parliament cannot possibly approve any of those agreements with confidence when we do not know what our customs or non-tariff regulations will be.

I take just one example: food and plant health imports from South Africa, where the Government say that we are having constructive discussions. If we are part of a common rulebook, importing a vegetable product from South Africa requires 13 sets of regulations out of 43, from warehousing to labelling and exports. All are under the jurisdiction of the CJEU, which will define whether they are being met. A third country will go to that court if it thinks that we are not satisfying those criteria. I hope that the Government can be clear on the relationship between their position on a common rulebook and their view on rolling over the agreements.

Some of the EPAs which we have said we shall be rolling over include ongoing discussions on services. Are we also committed to run a parallel process on those services, because they are currently part of the discussion that the EU is having on them? The SADC EPA agreement includes a joint council and proposals for structures and a framework. What is the Government's position on rollover agreements and joint framework arrangements to discuss them?

A government statement recently promoted the rollover for the South African customs union agreement, representing 0.7% of all UK trade—less than one-quarter of what we export to Belgium. No. 10 spun that as the first new trade agreement that is now going to be in place for after Brexit. However, the SACU Ministers said that they welcomed the UK's intention to avoid disruption for its trading partners as it withdraws from the European Union. If you study the fine print, it states that we are committed to having the agreement in place in the event of no deal. It is not even necessarily going to be in place if there is an agreement on the withdrawal.

This leads on to why Parliament needs to have an enhanced position in the scrutiny of it. Under the existing EU arrangements, a mandate would have been sought and secured by the Commission from the Council to enter any of these discussions and then published for Parliament to see. A public scoping exercise would have been carried out and published and Parliament would have been able to see that too. This Bill and the Government's proposals, not just for the rollover agreements but also for other trade agreements, will afford this Parliament fewer opportunities to provide scrutiny than the European Parliament currently does to the Commission and the Council.

In her opening remarks, the Minister said that the Bill was about transparency and heralded consultation. As preparation for this debate, I was enthused to go on to the DIT website and complete the consultation for

[LORD PURVIS OF TWEED]  
the United States. I filled it in as an individual business from Scotland, potentially concerned about the impact there may be for Scottish farmers on beef products et cetera. I was asked my age and ethnicity and where I lived; that was all fine. The first question was:

“What concerns, if any, do you have about a free trade agreement (or related trade talks) with the United States, and why?”

I filled in a simple response. It then asked:

“Which of these areas of a free trade agreement best describe the concerns that you have outlined above?”

I clicked: “Products, Standards, regulation and certification”, because of the concerns, mentioned by other noble Lords, about animal products, environmental regulations, health and safety et cetera. In order to provide feedback, as the Minister said, I was expecting to see what the current discussions were, what the terms were, and what was being outlined with America. What turned out to be the final question then came up, asking:

“Is there anything else that you would want to say about the UK’s future trade relationship with the United States?”

That was it. I do not think that that is sufficient consultation with the public, so I am submitting my comments in *Hansard* instead.

Why does this matter? It matters because one of the key elements of the discussions with the United States and with Europe is the equivalence of how we see and interpret these regulations. They are core to any of the discussions. Do we consider equivalence with the European Union, as the White Paper has said, or see equivalence in the United States’ regulations, as it has asked us to do? As the noble Baronesses, Lady McIntosh and Lady Jones, said, we will not be able to do both.

On issues concerning devolution, there needs to be much greater clarity—in paragraph 3 of Schedule 1 and paragraph 9 of Schedule 2—on devolved Ministers having to consult Ministers of the Crown. What happens if Ministers of the Crown disagree? When there are joint actions with devolved Administrations, UK Ministers cannot act alone without the approval of devolved Ministers. What if they refuse? We need to know more about the Government’s intentions for the operation of a UK single market. You cannot separate that from any of the trade agreements either.

The noble Baroness, Lady Neville-Rolfe, may have built up her hopes about Liam Fox stating that we can rely on passing this Bill because any future trade agreements will require primary legislation, so Parliament will have a much greater voice. I will quote from what Dr Fox actually told the House of Commons. He said that the Government would,

“bring forward a bespoke piece of primary legislation when required for each new future trade agreement that requires changes to legislation and where there are no existing powers”.—[*Official Report*, Commons, 16/7/18; col. 42.]

Therefore, by implication, if a new trade agreement does not need changes to legislation, or if those changes can be made using existing powers, Parliament is bypassed. That is simply not acceptable. This is why the International Chamber of Commerce told a meeting that I chaired last week that the Government are

proposing a 19th-century approach for approving trade agreements in a 21st-century trading environment. That is why the Bill will have to be scrutinised and, most likely, amended in Committee.

A trade policy for the 21st century for a truly global Britain would be based on zero tariffs to our largest and nearest trading partners and be an open market to those who share our high values; based on combined regulations where we have a say in how they are made and shape them for the economic and new trade challenges and opportunities of the future, such as e-commerce and technology; and based on principles of openness and fairness, especially for the least-developed countries that we trade with. This was at the heart of the commission that I chaired with the Nigerian Trade Minister for the All-Party Group on Trade Out of Poverty. A truly global Britain would use that group of trade partners to help us negotiate free trade with partners further afield, with no trading cost to our businesses, to take advantage of the growth potential of non-EU countries. Therefore, a truly global Britain would see that the Bill necessarily has to be changed in order ultimately for us to meet those kinds of “Global Britain” requirements—which is to continue to be part of the European Union customs union and, if necessary, to give the British people the option of the right to make the decision that we remain a truly global Britain in a customs union based upon open principles, transparency and accountability. That is sorely lacking in what is currently offered.

9.20 pm

**Lord Stevenson of Balmacara (Lab):** My Lords, I thank the Minister for the many meetings and discussions we have had in the rather extended period while we waited for the Bill to come into your Lordships’ House. We have learned a lot about each other’s positions, as was reflected by her speech today—rather annoyingly, because she anticipated some of the things that I might have said later. But that has been useful in building up a relationship, particularly as she comes new to the job of taking a Bill through the House. I also congratulate her, as other noble Lords have, on the clarity of her introduction; it is rare to have such a clear exposition of a Bill, and it was helpful to the debate that followed.

I join other noble Lords in congratulating the noble Baroness, Lady Meyer, on her maiden speech. She shared with us some dark and difficult moments on a long journey of great interest, and I look forward to hearing more of her contributions as she builds on her career in this House as well as on her previous life.

This has been a good debate, except, as was picked up by the noble Lord, Lord Purvis, for a slight deterioration towards the end of the speeches from the Back Benches. I was sorry to hear that. I do not think that we earned any of the disapprobation levelled at us by the noble Lord, Lord True, and it did not seem to fit in with the generally engaged debate and discussions we have had. Nevertheless, he has the right to make his own speeches as he wishes, and we must learn from them and move forward as best we can. But this debate has been enhanced by contributions from former Secretaries of State, former Ministers and officials who have worked in trade, and envoys who have had

experience in the real world; they have brought their experience to bear in the comments they made, and we have all learned a little from that.

The Minister talked warmly about this House's skills and ability to scrutinise Bills, and I share her view on that. It is therefore something of a surprise, as the noble Lord, Lord Fox, noted in his introductory speech, that while we know about the business through to 21 October 2018, no dates have yet been suggested for Committee. One wonders whether in fact it will proceed; at the present rate, it is unlikely to be ready for Royal Assent until perhaps the end of December 2018, which seems rather late and does not quite fit with the urgency that was expressed about certain aspects of it.

The Minister tried to persuade us that this was not a Brexit Bill and that it raised no issues about the timing or the content of any withdrawal agreement that might be emerging from the current negotiations. But the House, by a ratio of about 4:1, as I made it, has taken a contrary view. Indeed, thanks to the interesting contribution by the noble Lord, Lord Cooper of Windrush, and other noble Lords, I feel much better informed about where we are in the post-Chequers situation. Indeed—although it might have been concealed by my strictly temporary face covering—I allowed myself a small smile of satisfaction at the thought that we might as a country be coming to our collective senses and finding a way through the muddle we are now in. The Government might wish to reflect on why they have misjudged the view of the House on this issue. I suggest that there is more than a grain of truth in the comments made by my noble friend Lord Liddle. His assessment was that it stemmed from the feeling that the Government's current position on Brexit, and on trade in particular, is economically illiterate and quite probably politically unsustainable.

Let us roll back for a moment and use the benefit of history to review where we are. Many Members of your Lordships' House will remember that the Cobden-Chevalier Treaty was signed with France in 1860, marking the world's first free trade agreement. A Back-Bench supporter of the treaty told the House of Commons that it would both advance the prosperity of our country and benefit peace and happiness. His point, of course, was that trade is a tool, not limited to promoting self-interest but also uniting and shaping our world. "Prescient" is a great word for that; he certainly seemed to know what was coming.

In the following century and a half, no agreement has in my view better demonstrated this principle than the European Union. It has brought nations together into sustained peace and, at the same time, offered and delivered economic prosperity: security, peace and prosperity are a pretty potent mix. Yet, as the UK's departure from the EU looms, our Government are preparing for a trade policy that shies away from that proven principle. They do not welcome calls to allow civic society, trade bodies, trade unions and consumers to feed into negotiations; they have not worked out how to engage properly with the devolved Administrations, the English regions and our great cities.

Ministers are trying to claim that this Bill is nothing more than a technical measure. But the questions raised today go far further, getting to the heart of

what we are as a nation and how we engage with the world. What will be the basis of our trade policy? Who will operate it and how will it be agreed? How will it impact on ordinary people in the UK and outside?

Assuming that there will be a Committee stage, we will be laying amendments in the hope of improving this Bill. The way the government procurement agreement will work in practice, how to ensure protection for our high-quality services, labour and environmental standards, and how we will preserve our human rights protections must all be tested and made clearer in the Bill. At the same time, we have to make sure that UK firms can compete for the procurement on offer in signatory countries on a fair and equitable basis.

We need to strengthen the independence and integrity of the TRA, the Trade Remedies Authority. The model here is surely the CMA and the Information Commissioner's Office, or even Ofcom. It is not, and certainly cannot be, simply another non-departmental public body under the control—or under the thumb, perhaps—of the Secretary of State; it needs resources to be guaranteed on the face of the Bill.

Recognising the calls from all around the UK for a proper, open, transparent and inclusive system, under the control of Parliament but engaging with the devolved Administrations, we need a system, perhaps a Joint Committee of both Houses, for setting up a trade policy, agreeing a mandate, receiving information on the progress of free trade agreements, and making recommendations to Parliament, for Parliament to decide, on whether or not to accept the proposed deal.

The noble Lord, Lord Whitty, was right to spell out the many issues that now need to be included in a modern free trade agreement. This sparks the thought that we are talking at present about rolling over, without question or scrutiny, something like 40 free trade agreements. Some could happen during a period when these issues are not at the forefront of negotiations, or they could fail, as the recent CETA agreement does, to do justice to human rights or other issues; surely this makes the case for proper scrutiny. The Government have begun to move on this issue, but they need to go much further, including continuation deals as well as any new ones. We need to spend some time on tariff rate quotas, as mentioned by my noble friend Lord Grantchester. GIs were raised, as were state aid rules and, more generally, how we protect UK businesses and raise productivity in the United Kingdom as a result of all this work, which was a key point raised by many people.

Finally, we need to return to the question of a customs union. I agree, for the reasons given by the noble Lord, Lord Lansley, with the argument for looking again at this. I add one additional point: there are very few successful customs unions in the world, and very few with the depth, breadth and strength of the EU. I think the evidence is there to make it absolutely clear that there is no remotely realistic scenario under which businesses in the UK outside such a customs union would be in a better trading position than if the UK stays inside. Our businesses will suffer outside a customs union and it will be far more difficult for them to sell their goods abroad.

[LORD STEVENSON OF BALMACARA]

The noble Baroness, Lady Neville-Rolfe, made the point clearly that trade is the way to prosperity. We have to make sure that, whatever we do, laser like, we focus on that. Put simply, a stand-alone UK is extremely unlikely to secure a more effective trade deal than one struck while we are within the EU. Whether or not we have zero tariffs, non-tariff barriers to trade and their impact on our services—the golden egg of our economy—will destroy the UK economy and reduce living standards. I look forward to the debates that are to follow.

9.29 pm

**Baroness Fairhead:** My Lords, I am grateful for the insightful contributions from across the whole House to this evening's excellent and wide-ranging debate. We are fortunate to have heard so many well-articulated, informed and expert contributions from noble Lords with considerable interest in and experience of trade issues, including my noble friends Lord Lilley, Lord Tugendhat, Lord Cavendish of Furness, Lord Trenchard, Lord Lansley, Lord Horam and Lady Neville-Rolfe. I loved the point that customers need to want to buy what we make or buy our services.

The debate was also well informed by our trade envoys, my noble friends Lord Risby and Lord Astor of Hever. We are well served by trade envoys across this House. The noble Viscount, Lord Waverley, focused in particular on services, and the noble Lord, Lord Kerr of Kinlochard, has extensive knowledge of this area. This considerable experience will be invaluable in helping us to put in place an effective independent trade policy after we leave the EU. I also thank the noble Lords, Lord Stevenson of Balmacara and Lord Purvis of Tweed, for the very active engagement that we had before this debate.

I confess that I join the horde of instant admirers of my noble friend Lady Meyer, and I am delighted to welcome her. She made an exceptional and utterly compelling maiden speech, and I have no doubt that this House will benefit greatly from her unique experience, her vibrancy and her tireless work against injustice. I am grateful for her recognition of the importance of the Bill and for supporting its speedy passage—and I loved her assertion that she is a true Brit and a true European.

I am pleased to have heard support for the Bill from a number of other noble Lords, including the noble Baroness, Lady Falkner of Margravine, and the noble Lord, Lord Butler of Brockwell. I am grateful also to my noble friends Lady Hooper, Lord Astor of Hever, Lord Cavendish of Furness, Lord Lansley, Lord Elton and Lord True for their support.

A number of issues have been raised in this thoughtful debate and I will try to cover as many as I can. I may not be able to respond to each point, but of course my door is open.

I am aware that many noble Lords hold strong views about the wider Brexit issues. As I mentioned in my opening remarks, that is not for this Bill, so I will try to focus primarily on your Lordships' questions that have direct application to the Bill, and I will put them in the following blocks: continuity; the GPA;

readiness for no deal; standards, including on medicines; devolution; the TRA; the World Trade Organization; and the Northern Ireland border situation.

The Bill is about providing continuity. That is our overriding objective and clear ambition, and I welcome the support expressed by many noble Lords for the importance of maintaining the effects of the agreements which we currently benefit from as a member of the EU. Almost no one who contributed to the International Trade Committee's inquiry into continuity suggested that that objective was wrong. I also welcome the suggestion from my noble friend Lady McIntosh of Pickering about the practices in Denmark. I promise to pick those up with her at an early stage.

As well as having the legal power to provide for the continuity of existing agreements, we must also agree to do so with our trading partners. This point was raised by several noble Lords, including the noble Lords, Lord Grantchester, Lord Browne of Ladyton and Lord Fox, as well as my noble friend Lord Tugendhat. The Government's aim is supported by our partner countries, whose own businesses and people will benefit from keeping the arrangements in place. We have had positive discussions with our trading partners about how best to continue these agreements. That is why we agreed that our continuity programme is a technical exercise, not an opportunity to renegotiate terms.

Of course, it is not surprising that some can see ways in which the agreements might be improved when we are no longer a member of the EU. But our partner countries agree with us that it makes practical sense, in the first place, to provide continuity. The negotiations are in different phases, but I can reassure the noble Lord, Lord Fox, and the noble Lord, Lord Browne of Ladyton, who raised concerns. One example is Canada, which has agreed that our bilateral trade and investment relationship will continue to go from strength to strength, has welcomed the approach to provide continuity during the implementation period and envisages a swift transition to a new bilateral arrangement once the implementation period has passed.

We are confident of securing continuity during the implementation period, under the terms of the draft withdrawal agreement. However, we of course continue to prepare across government—this is a cross-government initiative, with the FCO, DIT and DfID all working on these agreements—for a range of possible scenarios to maintain continuity, including one in which we do not reach an agreement with the EU on withdrawal.

Many noble Lords, including the noble Baroness, Lady Kramer, the noble Lord, Lord Liddle, and my noble friend Lady McIntosh of Pickering, raised the important area of rules of origin. In the debate today we have heard many detailed points. Rules of origin are a vital and very complex part of most trade agreements. Noble Lords raised detailed, technical questions that are difficult to cover fully in this debate.

We are, however, confident that we will be able to put in place provisions relating to rules of origin in our continuity agreements. They will seek to achieve maximum continuity for exporters in the UK and in our partner countries, who will continue to benefit from preferential trading terms. During the implementation period we will operate as if we were in the EU.

The rules of origin in each agreement are a matter for agreement between the parties, including the EU and third countries. A number of noble Lords talked about diagonal accumulation, whereby we act as if we were part of the EU.

On a point raised by the noble Baroness, Lady Kramer, on rules of origin—

**Lord Liddle:** Is diagonal accumulation envisaged as applying during the implementation period, or as continuing after the implementation period? And what is the basis for the Minister's confidence that our trading partners will agree to it?

**Baroness Fairhead:** Clearly, this is subject to negotiation. During the implementation period we will act as if we were in the EU and be treated as such. Diagonal accumulation is about agreeing with a third country that it will accept the UK beyond the implementation period. That was the point about rules of origin raised by the noble Baroness, Lady Kramer. I am happy to reassure noble Lords that it is common in trade agreements for the signatory countries to agree to allow accumulation of content with other countries. The approval of those other countries is not required, so the EU does not have a veto over what we can agree with our partner countries.

The subject of geographical indications, GIs, was raised by the noble Lord, Lord Browne of Ladyton, and the noble Lord, Lord Liddle. I can again reassure the House that the UK will be establishing its own geographical indications scheme after exit, through the European Union (Withdrawal) Act 2018. This will be in line with, and indeed above, the requirements of the WTO agreement on trade-related aspects of intellectual property. I appreciate how important Scotch whisky and GIs are to Scotland. The new framework will provide a clear and simple set of rules and continuous protection for geographical indications in the UK.

**Lord Liddle:** My Lords—

**Noble Lords:** Order. Not again.

**Lord Liddle:** These are very, very important and key—

**Baroness Fairhead:** We are working with the devolved Administrations and stakeholders to ensure that this future scheme takes account of the interests of all producers from the regions of the UK. Finally, in relation to the rest of the world, we are ensuring that the continuity agreements that we transition will fully protect UK GIs.

I turn now to the points made by noble Lords about scrutiny of the use of the GPA. The noble Lords, Lord Hain and Lord Grantchester, said that there is no ability to scrutinise the GPA. I disagree, but let me clarify that. The power in Clause 1 enables changes to be made to domestic procurement regulations in order to reflect the UK's independent membership rather than membership through the EU, but in order to exercise this power, our accession will first have to be accepted by Parliament through the CRaG procedure. That is why the power is subject to the negative procedure—because Parliament will have had the

opportunity to scrutinise the GPA before the powers in Clause 1 are exercised. The schedules to that have already been shared with the ITC and we would expect CRaG by the end of 2018 or early 2019. In order for the UK to accede quickly to the GPA after ratification, this Bill is necessary to avoid any loss of legally guaranteed market access for UK businesses.

My noble friends Lord Hamilton of Epsom and Lord Risby asked about the GPA and whether we must accede or lose our access. The truth is that we must accede or we will lose our access, so to provide continuity for UK businesses, we are already working on a timeline which sees the UK accede to the GPA as an independent member in time for EU exit, regardless of whether we have a deal.

I turn to readiness and the question of no deal, which was raised by many noble Lords, including the noble Lords, Lord Butler of Brockwell, Lord Taverne and Lord Purvis of Tweed. I have to confirm that it is absolutely not the Government's plan to leave without a deal. Our plan A is to secure an agreement with the implementation period. We are confident of securing continuity for our existing trade agreements and indeed securing agreements to the implementation period under the draft withdrawal agreement. A number of noble Lords talked about resources. What I can say in response to my noble friends Lady Hooper, Lord Horam and Lord Astor of Hever is that the Department for International Trade is already recruiting staff to support the trade negotiations. We have recruited approximately 600 staff, who have made significant progress. I hope that that and the fact that we are closely focused on this issue meets the appeal of noble Lords to get on with it.

However, we need to continue to prepare for a range of potential scenarios if we do not reach such an agreement with the EU. In so doing, we will seek to bring into force the bilateral agreements with partner countries from day one. The powers in this Bill are an essential element in that process. We are actively engaged with partner countries. As one noble Lord mentioned, my honourable friend George Hollingbery, the Minister for Trade Policy, has said that it is clearly a challenge. There is no doubt that the timing is very tight but it is still our aim to maintain the effect of those agreements even if there is no deal on 29 March 2019.

**Lord Purvis of Tweed:** I am grateful to the Minister for giving way. The noble Lord, Lord Callanan, told the Chamber in response to my Question to him earlier today that it was still the Government's position that they will all be in place one second after midnight on 29 March 2019, as the Secretary of State Dr Fox has already said. The Minister has said that this is a challenging timetable but that it is still the Government's aim. Will she inform the House how many countries have currently stated to the Government in writing that they are willing to accede to that timetable? There will be a long gap between the Second Reading and the Committee stage of this Bill; in fact, we do not know when the Committee stage is going to be taken. Given that, between now and then will she also commit to providing written information in the Library on whether any of those commitments are provided to the Government between now and the Committee stage?

**Baroness Fairhead:** I can confirm that we are still aiming to have them in the case of a no deal so that they can be signed. That is our clear aim, but the timing is tight. I can write to the noble Lord; I was actually going to do so, in detail, before Committee. I can say that conversations are ongoing. The noble Lord referred to statements from South Africa, some of which said that they supported it even in the case of no deal, which I think that statement was about.

The issue of our approach to future free trade agreements was raised by a number of noble Lords, including the noble Lord, Lord Monks, the noble Baronesses, Lady Henig and Lady Jones of Moulsecoomb, and my noble friends Lady McIntosh of Pickering and Lady Hooper. I understand the desire to discuss such issues—they are important—but it is worth reminding ourselves that we propose a very different approach for those future agreements. We want to consult and involve a wide range of stakeholders and others before we decide how best to proceed. Once we have left, we will establish appropriate mechanisms to scrutinise future free trade agreements. As mentioned by the noble Lord, Lord Purvis of Tweed, the Secretary of State has already announced that the Government will bring forward bespoke primary legislation, if required, for each future trade agreement. He also committed to keeping Parliament updated in negotiations through the provision of statements and updates to the ITSC. This is in addition to our commitment to engage more widely. The aim is to be transparent and inclusive. Our 14-week consultation is ongoing, as many noble Lords discussed, and will feed into the government process. We aim to ensure that both Houses have adequate time and ability to scrutinise. The Government will set out in due course how we will proceed.

I want to address specifically a question asked by the noble Lord, Lord Monks, about trade union involvement. As the Secretary of State announced on 18 July, the consultations launched by the Government on future trade agreements provide one of a number of means by which trade unions can have their say on the government approach.

I touched on parliamentary scrutiny in my opening remarks. I want to cover the issue of how we may use the reporting exemption in Clause 4, as raised by the noble Baroness, Lady Falkner of Margravine. We do not plan actively to use the exemption. However, it is right that the Government prepare for a range of scenarios to ensure that we can deliver continuity. In exceptional circumstances, the Government must reserve the right to ratify agreements before they lay a report on the changes. This reflects a similar position in the Constitutional Reform and Governance Act that has never been used.

The noble Lords, Lord Grantchester, Lord Fox, Lord Monks and Lord Whitty, and the noble Baronesses, Lady Jones of Moulsecoomb and Lady Henig, raised the issue of standards. It is clear that future trade policy must work for UK consumers and businesses. High standards are what our domestic and global customers demand and that is what we should provide. I am pleased to have this opportunity to provide reassurance that the Government are committed to upholding the high standards that this country is rightly proud of. Not only that, we want to champion

standards as a world leader. The noble Lord also mentioned that free trade automatically leads to a lowering of standards. I invite noble Lords to look at the EU trade agreement with Canada, CETA, which makes it clear that the lowering of standards is not an option.

I turn now to the European Medicines Agency. Life sciences are a critical part of our nation's strength. The noble Lord, Lord Kakkar, raised a particular issue on which I have a detailed response. We made clear that we want to provide noble Lords with the strongest possible reassurance on our commitment to implement the CTR. If it comes into force during the implementation period, as is currently expected, it will apply to the UK. If not, we will take certain steps. I will write to the noble Lord with more detail on that and I will place a copy in the Library.

The noble Lords, Lord Kerr, Lord Grantchester and Lord Wigley, and my noble friend Lord Elton raised the issue of the devolved nations. The UK Government want all parts of the UK to support the Bill. We have been clear from the Bill's introduction that on the elements of this legislation, namely relating to Clauses 1 and 2, we want to engage the legislative consent process. We are working with the devolved Administrations and have made significant strides through amendments tabled in the other place. I reiterate the Government's commitment to continue to engage with the devolved Administrations, and I remain confident that we will reach a position which the devolved Administrations can support.

On our independent trade policy and the independent Trade Remedies Authority, I am grateful to the noble Baroness, Lady Falkner of Margravine, and my noble friends Lady McIntosh of Pickering and Lord Elton, who expressed recognition of the vital importance of putting in place an effective and independent Trade Remedies Authority. I listened with interest to the view of the noble Lord, Lord Hannay of Chiswick, on the prospects for the UK's independent trade policy. I do not share his views and I think we need to have this TRA to be able to support our independent trade authority.

The noble Lords, Lord Monks and Lord Whitty, questioned why we could not have individuals with particular expertise on the board. My noble friend Lady Neville-Rolfe stated the opposite. We believe that it is vital that board appointees are not beholden—or perceived to be beholden—to the groups whose interests they represent, otherwise it could undermine their independence. We are committed to staffing the TRA board with the appropriate range of background and experience. On the sort of experience and specification, we have consulted the Scottish and Welsh Governments on the job description and the person specification for the Trade Remedies Authority chair, ahead of launching the recruitment campaign. Appointments will be made on merit alone.

I welcome the interest expressed by the noble Baroness, Lady Falkner of Margravine, in ensuring that the TRA is set up and staffed appropriately. We have restricted it to a maximum of nine members to ensure that the senior membership can be resourced flexibly in response to business needs. It is broadly consistent with an arm's-length body of that size.

My noble friend Lord Tugendhat raised the issue of WTO membership and the recent policy towards that body. The President has said that he wants to see the WTO modernised. At the G20 we have started this discussion, and the recent EU-US discussions included an agreement to co-operate on WTO reforms.

Finally, the noble Lords, Lord Hain and Lord Adonis, as well as my noble friend Lady McIntosh of Pickering raised the Northern Ireland border. This is crucial: the Prime Minister has been clear that we need to respect the Belfast agreement—there will be no hard border—and the constitutional integrity of Northern Ireland. She has rejected the backstop proposed by the EU—these are ongoing negotiations.

**Lord Adonis:** My Lords—

**Baroness Fairhead:** I am just coming to the noble Lord's question. The noble Lord asked some very specific questions and I will write to him and take up his kind offer.

**Baroness Kramer:** My Lords, I have just looked up the WTO rules and I believe that the Minister will find that she unintentionally misspoke. May we talk afterwards, or could she write to me with the accurate information?

**Baroness Fairhead:** I am happy to follow that up with the noble Baroness. If I misspoke, I apologise, but I will happily meet with her and follow up afterwards.

I have tried my best in going over 20 minutes to address as many points as I can. I appreciate that there

are a number of questions that I have not been able to cover and I undertake to write to noble Lords in detail ahead of Committee.

**Lord Hannay of Chiswick:** I thank the Minister for allowing me to speak before she sits down. It is very helpful. Could she clarify the point on Northern Ireland and the interrelationship of WTO rules? If there is no deal—and I accept that that is not the Government's first choice—then, under WTO rules, we will have no alternative but to place tariffs on imports from the south to the north at the border if we do not want to have zero tariffs to the whole world. Is that the case?

**Baroness Fairhead:** If there is no deal, that would be correct. Clearly there are other options for what to do with tariffs, but that is a correct statement in the limited definition that the noble Lord gave.

Of course, I am happy to meet with any of your Lordships to discuss these matters further and I look forward to the opportunity for more detailed discussions in Committee. A cliff edge in our trading arrangement is in no one's interest—that is something on which I think we can all agree. The Trade Bill takes a sensible, responsible, reasonable step to prevent this. It places continuity at the heart of our approach, to the benefit of customers, consumers, business and individuals across the UK. I beg to move.

*Bill read a second time and committed to a Committee of the Whole House.*

*House adjourned at 9.56 pm.*





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