

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

TRADE BILL

Third Sitting

Thursday 25 January 2018

(Morning)

CONTENTS

Programme order amended.
Examination of witnesses.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Monday 29 January 2018

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The Committee consisted of the following Members:

Chairs: † PHILIP DAVIES, JOAN RYAN, JAMES GRAY, SIR DAVID CRAUSBY

† Badenoch, Mrs Kemi (<i>Saffron Walden</i>) (Con)	† Rashid, Faisal (<i>Warrington South</i>) (Lab)
† Bardell, Hannah (<i>Livingston</i>) (SNP)	† Smith, Nick (<i>Blaenau Gwent</i>) (Lab)
† Brown, Alan (<i>Kilmarnock and Loudoun</i>) (SNP)	† Stewart, Iain (<i>Milton Keynes South</i>) (Con)
† Cummins, Judith (<i>Bradford South</i>) (Lab)	† Vickers, Martin (<i>Cleethorpes</i>) (Con)
† Esterson, Bill (<i>Sefton Central</i>) (Lab)	† Western, Matt (<i>Warwick and Leamington</i>) (Lab)
† Gardiner, Barry (<i>Brent North</i>) (Lab)	† Whittaker, Craig (<i>Lord Commissioner of Her Majesty's Treasury</i>)
† Hands, Greg (<i>Minister for Trade Policy</i>)	† Wood, Mike (<i>Dudley South</i>) (Con)
† Hughes, Eddie (<i>Walsall North</i>) (Con)	
† Keegan, Gillian (<i>Chichester</i>) (Con)	Kenneth Fox, <i>Committee Clerk</i>
† McMorrin, Anna (<i>Cardiff North</i>) (Lab)	
† Prisk, Mr Mark (<i>Hertford and Stortford</i>) (Con)	† attended the Committee
Pursglove, Tom (<i>Corby</i>) (Con)	

Witnesses

Gary Stephenson, Director of Global Regulatory and Quality Affairs, Devro plc, and Vice Chair, Food and Drink Federation Scotland

Sarah Dickson, Director (Global Affairs), Scotch Whisky Association

Elsbeth Macdonald, Deputy Chief Executive, Food Standards Scotland

Gordon MacIntyre-Kemp, Chief Executive, Business for Scotland

Jonathan Hindle, Chairman, British Furniture Confederation

David Scott, Senior Director, Tepnel Pharma Services at Hologic Ltd

Public Bill Committee

Thursday 25 January 2018

(Morning)

[PHILIP DAVIES *in the Chair*]

Trade Bill

11.30 am

Ordered.

That the Order of the Committee of 23rd January be amended by substituting “12.15” for “12.00” in the Table entry for 25th January. —(*Greg Hands.*)

Examination of Witnesses

Gary Stephenson, Sarah Dickson and Elspeth Macdonald gave evidence.

11.31 am

The Chair: I welcome our witnesses. Before calling the first Member to ask a question, I remind all Members that questions should be limited to matters within the scope of the Bill, and that we must stick to the timings in the programme order. We therefore have until 12.15 pm for this session. Will the witnesses please introduce themselves for the record?

Gary Stephenson: I am Gary Stephenson. I am the global regulatory affairs director for Devro, which is a collagen casing manufacturing company based in Scotland that exports to more than 100 markets. I am also chair of the Food and Drink Federation Scotland, which is a member-funded organisation that looks after manufacturers in Scotland. Its main focus is EU and UK regulatory influencing.

Sarah Dickson: I am Sarah Dickson. I am the international director at the Scotch Whisky Association. We represent 68 Scotch whisky manufacturers, producers and bottlers. Whisky is the UK’s largest food and drink export: whisky exports were worth £4 billion in 2016, and Her Majesty’s Revenue and Customs figures coming out soon should show an increase in that. We export to 180 different markets, and have done so for the past 150 years.

The Chair: We only need brief introductions. We do not need the full life story of every company.

Elspeth Macdonald: I am Elspeth Macdonald. I am the deputy chief executive of Food Standards Scotland.

The Chair: Thank you. I invite Barry Gardiner to begin the questions.

Barry Gardiner (Brent North) (Lab): Thank you, Mr Davies. May I wish everyone a very happy Burns day? So that our Welsh colleagues do not feel left out, I understand that it is also St Dwynwen’s day—I hope I pronounced that correctly—so let me say a very happy St Dwynwen’s day, too.

The Chair: You have the tie as well.

Barry Gardiner: Indeed.

Bill Esterson (Sefton Central) (Lab): What about the English?

Hon. Members: Ah!

The Chair: Order.

Q151 Barry Gardiner: Let me begin with Sarah Dickson. In your association’s view, does the Bill set out the consultation and scrutiny processes that you would like? Does it set out proper processes for the conduct of our international trade? Did the way the Government prosecuted the lead-up to the Bill—the way they took on board the representations of your industry and the wider business community—engender trust?

Sarah Dickson: For us, transparent and participative trade policy is really important. As an exporting organisation, we have been dealing with trade policy decisions in countries around the world for many years. We find that the best way to make trade policy is to involve people, consult them in that process and gather views, because you will find that some people will do better out of an agreement than others, and decisions will need to be made. Only by having a wide consultation on that and involving people in the process do you really get to a good outcome that it is then possible to implement and pass.

The Trade Bill as written at the moment—we do not know if there is more legislation to come—does not really cover that point in a statutory way. Of course, you do not have to consult and use statute to do that, but it concerns us that trade policy has been with the EU for many years and the UK has not done it. When it comes to having confidence—it is about confidence, rather than trust—in what the process is and when you would get input into that to have your say, we would be encouraged if we had more detail in a statutory instrument.

Q152 Barry Gardiner: Do you have that confidence yet?

Sarah Dickson: Not at the moment.

Gary Stephenson: I see the Bill as a sort of framework for future implementation of more specific regulations. I think the challenge is in the detail. If we look at key sectors such as animal-derived products, which represent 70% of the food exports from Scotland, there are some specifics there that will be required, on, say, animal health, protection and regulations in regard to which countries are permitted to export to different markets. There is registration for different markets. There are export health certificates and border inspection posts for imports of those materials. All that is fairly complex and detailed. We would hope that we would be consulted on any more specific legislation. It is difficult at this stage to say whether it is heading in the right direction or not. It depends on that ability to consult. There will need to be consultation in the devolved Governments, as well as with the UK.

Q153 Barry Gardiner: So to put that same final question, do you have confidence yet in the framework that the Government have set out?

Gary Stephenson: I am an optimist, so I would like to think that I have confidence that we would be engaged in consultation, yes.

Elsbeth Macdonald: From Food Standards Scotland's perspective, the part of the Bill that engages most with us relates to implementation of trade agreements going forward. If current trade agreements between the EU and third countries are carried over in their current form, that may not change matters significantly. If those trade agreements down the road start to change, or there is a desire or a wish to start to change them, the transparency on how that would happen is not yet evident. Overriding all of that, of course, in the devolved context, is the issue about the constraints in competence that the Bill would bring on Scottish Ministers and the Scottish Parliament, and therefore on ourselves, to be able to provide assurances to consumers in Scotland about standards, and assurance in relation to international trade.

Q154 Craig Whittaker (Calder Valley) (Con): I want to ask each of you whether you think that the Bill is sufficient to do what it needs to do, bearing in mind that it is not about future trade deals, but is about facilitating the carry-over of deals that are already in place?

Gary Stephenson: It is difficult to tell with the Bill as it stands, because the devil is in the detail. There are 40-plus EU free trade agreements. Some are very small—economically they are not too important—but there are some very big free trade agreements within those. Clearly, we cannot do them all at once, and the key bit will be whether there is some sort of Government prioritisation of those agreements, perhaps from the standpoint of size of markets. There are some very big ones in there: Japan, Mexico, South Africa, South Korea, Ukraine, Turkey and Egypt are very large markets that are certainly important for UK-Scottish producers.

Q155 Craig Whittaker: If I may, though, the question was about this particular Bill and whether you think it will facilitate carry-over of those trade agreements set out in it.

Gary Stephenson: There is uncertainty, because of the transitional phase within those discussions. If we are in a transitional phase, we are out of the EU but we are still controlled by the customs requirements. It very much depends. If there is good will on both sides, then things should progress acceptably. If any of these markets want to change the agreement with the UK, that puts us in a difficult position, because we have certainly got a fairly weak position during the transition period, where we are bound not to agree any future agreement but are still tied to the European requirements, though we are outside the EU. I am not sure how that will be resolved, and it is not detailed in the legislation.

Sarah Dickson: We are probably in a slightly different position, in that we think this Bill has the basics that you would need to carry over existing agreements. Also, because of the time pressure, we could understand that with existing agreements there may not be time for the sort of consultation and other discussion that you would want with new agreements, or if these agreements were to be changed. For an existing agreement, where the terms are to all intents and purposes similar, we can see that this Bill has the basics to do that.

For new agreements, or agreements that were changing, as Gary has mentioned, you would need a much more detailed consultation process, with scrutiny, and that is

probably the bit of the legislation that it feels like the Trade Bill is missing. What happens with future deals or if deals change? How would that process work?

Q156 Craig Whittaker: Do you have a different view?

Elsbeth Macdonald: No. As I understand it, this Bill provides for the carry-over of those existing trade deals between the EU and other countries. I think there is also—

The Chair: Could you speak up, please?

Elsbeth Macdonald: Yes. This Bill provides for carry-over from existing trade agreements between the EU and third countries. I think that the European Union (Withdrawal) Bill has some influence on this process, too.

Q157 Bill Esterson: Gary Stephenson, in your 2016 annual report, you said:

“the proposed new international trading arrangements...may be on disadvantageous terms compared to the current conditions.” Could you say what your concerns are about the trade agreements covered in this Bill, and where you see the possibility of them being included on disadvantageous terms?

Gary Stephenson: I assume that refers more to the EU situation, in that in Scotland, a large proportion of our exports are to the EU, and we are clearly looking potentially at more challenging conditions from the standpoint of, “Will the UK be added to the EU list of approved countries?”, and registration of approved establishments. At the moment, it is probably the sheer volume of materials having to pass through customs and border inspection posts and so on that is likely to cause increased trading challenges, unless we get that right, and that is a critical piece.

Q158 Bill Esterson: I asked about a slightly different issue: the agreements being moved over to between the UK and the 40 or so partners.

Gary Stephenson: For the EU free trade agreements, I do not necessarily see them being as challenging. The only issue would be—take Korea. We used to export to Korea before the free trade agreement. The free trade agreement came in and basically removed the tariff, so the only difference, hopefully, would be that we are back to a tariff situation, which we did not have during the free trade agreement.

Q159 Bill Esterson: Sure. We had evidence on Tuesday that the EU will still have a say, or that it will be relevant to include the EU in discussions about the so-called roll-over—the move to corresponding agreements, as a different way of putting it. What is your take on that? Some deals are tripartite, rather than bipartite.

Gary Stephenson: I think the issue here is that the EU will still have a say in this. To what extent do we want to negotiate bilateral agreements with these free trade association countries? Or do we want a trilateral-type agreement, which would be a sort of joint EU-UK-third country negotiation?

Q160 Bill Esterson: What is your view, for this process?

Gary Stephenson: My view would be that a trilateral would be a better option, because you are not looking at changing anything.

Q161 Bill Esterson: Can I ask Elspeth Macdonald about tariff rate quotas? What concerns does your sector have about the potential changes to the UK's current share of TRQs and any changes to regulatory standards that would allow overseas producers to access UK markets as a result of a copy-and-paste approach to the existing free trade agreements?

Elspeth Macdonald: Certainly, in relation to regulatory standards—technical standards—for food, industry and consumers are generally fairly confident and satisfied with the standards in the current EU regulatory framework. Certainly, when we talk to businesses and the public about the regulatory standards governing the food that they eat, and the food that they buy and use in their businesses, in Scotland, there is a generally high degree of satisfaction with EU standards. Any changes in future that began to change those regulatory standards away from those that currently provide a high degree of public health protection and consumer protection would be of some concern.

Q162 Bill Esterson: On the tariff rate quotas, we have heard from other countries that they want not just the current level of quotas to be maintained between the EU and the UK, and the split that the UK Government have proposed, but additional quotas.

Elspeth Macdonald: My organisation's perspective on this is probably more around the non-tariff side. Certainly, businesses that we regulate in Scotland will be concerned to ensure that they have as little disruption as possible to their access to markets.

Q163 Bill Esterson: But what if one of the consequences of the negotiations to produce corresponding agreements was additional quotas that increased imports in your sector? Do you have a view on that?

Gary Stephenson: That is probably more in the food manufacturers' area, because how the tariff rate quota is divided up is obviously for negotiation between the UK and the EU. I know that the World Trade Organisation has some influence on how it is divided up. This is where the specific industry sector should be consulted on what it believes would be the fair quota. Any of us is probably not in a position to set out a position on any specific quota. Take lamb as an example: what is a suitable quota that the UK would take back from the EU? It is a complex area, and I think it is best to ask that question of the sector responsible.

Q164 Hannah Bardell (Livingston) (SNP): Happy Burns day to everyone, and I thank the witnesses for joining us today. Following on with the issue of cost, the meat sector is potentially looking at WTO tariffs on meat processors at 60%. If that is coupled with HMRC saying that 130,000 companies have never filled out a customs declaration, what impact, from a food and drink and meat processing perspective, do you think there will be on the sector, broadly and in terms of bureaucracy and staffing? Do you feel that adequate investigation and consultation has taken place?

Gary Stephenson: Wow, that is a big one. There are a number of elements to this. My company is in a fairly unique position in the food industry, in that we already import product into the EU, so we understand the complexities of that process. It is about whether the

region you are from is authorised on the EU legislation side. Is your business registered within the EU as a registered business to produce that product? Other countries have similar issues. The US has similar legislation, which requires overseas suppliers to be registered with the Food and Drug Administration.

There is an additional piece: the export health certificates, which are not needed for the EU at present, but will be. Each one of those costs the business. It is not just the cost of the certificates—the vet must come to inspect. Have we got enough vets in the UK to provide that service? That is an additional challenge.

Q165 Hannah Bardell: Can you talk specifically about the vets?

Gary Stephenson: Yes. Every single shipment requires a certificate, which we get from Carlisle, from the Animal and Plant Health Agency. You would have an official vet come in to sign that certificate. For example, in our case, if we need four times more certificates after Brexit than we are currently using, that is four times the cost. I am not saying that the vet would come four times more often, but he would certainly be in there twice as often, so you would be looking at twice the cost. Some businesses have not yet been exporting and will need an export health certificate. All this is going to be new for them. They are going to need a new certificate, and they are going to need to pay the vet to come and sign that certificate.

The additional piece involves shipping agents and border inspection posts. If you are using a shipping agent to export your product, in order to get all the paperwork right and so on, that is going to cost you. As you mentioned, most businesses have not exported in a way that requires customs declarations and so on, so that is an additional cost to businesses that they are probably not very aware of. I cannot give an exact figure for how much more, but it is an extra cost.

Q166 Hannah Bardell: Is there not also a risk, given that we have 40 free trade agreements with 60 countries through the EU, that if we have not done all those bilaterals—with the greatest will in the world, it seems incredible that we would manage to do so, unless the Government have some magic up their sleeves—there will be additional bureaucracy with those individual countries? We have inspectors in each of those countries already inspecting products. Elspeth, can you talk about that?

The Chair: I remind witnesses to speak up. Some of those at the back are finding it difficult to hear. Please speak up as best you can.

Elspeth Macdonald: Gary makes some really valid points about the increased burdens and bureaucracy for business, but it is also important to be reminded that the additional level of checking and assurance that may be required in future is also likely to have a significant impact on local authorities, for example. They have an important function in providing assurance about standards and compliance with legislation in food businesses that export to other countries. There is absolutely the potential for a significant impact of a new requirement for veterinary checks and so on, but also, should more checks be needed in future than now, there could be significant impacts on local authorities.

Sarah Dickson: From a Scotch whisky perspective, we may not need the vets, but we benefit from the tariff reductions, the intellectual property protection and the non-tariff barriers given to us by the agreements. About 10% of our exports go to a country covered by an EU free trade agreement. One thing that we have been talking to Department for International Trade officials about is how business can help. We would be more than happy to see if there is any contribution we can make to make sure these agreements are carried over.

Gary Stephenson: There is an additional piece from Elspeth's comments. Currently, importing countries' manufacturing sites are visited by an EU vet to assess their suitability and whether they are meeting European standards. When we are outside the EU, that will become a UK responsibility. We do not have the resources available today to conduct those checks.

Q167 Hannah Bardell: On the protections, Sarah, we are all aware of the geographical indicators and their vital importance across different sectors, particularly for Scotch. What would be the impact if we lost our geographical indication?

Sarah Dickson: I am working on the basis that, because we will have the carrying over of all EU legislation into the UK, we will not lose the GI and an intellectual property system will be there to protect protected names such as Scotch whisky. We use it in all markets all over the world to make sure that people do not copy our product and produce lookey-likey fakes and that kind of thing. That is very important to our industry. We are working on the basis that that comes across lock, stock and barrel.

The Chair: We have a maximum of 20 minutes left and at least six people still wanting to ask questions. If we have short questions and concise answers, we can get as many people in to ask a question as is possible.

Iain Stewart (Milton Keynes South) (Con): Before I ask my question, can I just point out an important error in some of the official documents? Whisky is spelled with an "e" on some of the documents, and that is a very different product from Scotch whisky. On Burns night, I thought it was appropriate to point that out.

Barry Gardiner: The Government cannot be trusted.

Q168 Iain Stewart: I would like to get a sense from the witnesses of what the impact would be on the food and drinks sector, particularly in Scotland, if this Bill did not happen and we left the EU without the carry-over of the existing EU free trade agreements. Have you quantified the value of transferring over what we already have into our domestic legislation?

Sarah Dickson: For us, 10% of our exports go to those countries and benefit from them. I cannot give you an overall figure, but obviously, if you are not paying the tariff, you are not paying the tariff and you do not have that cost. It would make a difference to about 10% of our exports, and our exports were £4 billion in 2016.

Elspeth Macdonald: I do not have figures in front of me, but I think the document the Scottish Government published recently, "Scotland's Place in Europe", about business, jobs and the economy, touched on exactly those issues and put some economic analysis around some of that in terms of trade.

Gary Stephenson: All I can say is that I think about 37% of exports of food from Scotland are to non-EU countries, but we have not quantified exactly what the impact would be and how much of that is going to countries with a free trade agreement. I cannot give an exact answer, but it will have an impact.

Q169 Matt Western (Warwick and Leamington) (Lab): My question relates to non-tariff measures, which you have all spoken about in varying ways; of course there are food standards, phytosanitary standards and so on. What level of consultation do you think is appropriate for the Government to carry out with the sectors affected, prior to any negotiation on those provisions?

Gary Stephenson: There has to be deep consultation. The people with the expertise are the ones shipping the products, so they need to be consulted in detail on those provisions, which are very specific. You mentioned phytosanitary; obviously seed potatoes are a big product for Scotland, and they are highly dependent on phytosanitary requirements.

Matt Western: Potatoes are?

Gary Stephenson: Yes.

Sarah Dickson: Our experience is that we are often the ones working with the EU to draft the provisions on whatever it might be—labelling, or other requirements that would be needed for a mutual recognition—so we currently work closely with the EU negotiators to provide them with the advice and support that they need.

Elspeth Macdonald: There is a more fundamental issue from my perspective. There are specific exemptions from reservation through the Scotland Act that make it a devolved function for technical standards to be set in relation to food. There is a fundamental question above: it is about not just the Government, but Governments having those discussions with businesses.

Q170 Alan Brown (Kilmarnock and Loudoun) (SNP): I have a two-part question, if that is okay, Chair. Gary, coming back to tariff-rate quotas, you suggested that different sectors should be able to have input. Do you have any concerns about devolved Administrations and their need for input, and about how, even if tariff-rate quotas are agreed via subdivision, those quotas will be allocated to the different nations in the UK?

Gary Stephenson: I think it is critical, particularly looking at some sectors, that the devolved Governments consult with sectors, and that there is a unified approach. This is too important to get parochial about. It is an important issue for the whole UK, but there is a higher impact in some sectors, particularly in Scotland and Wales; I am thinking of hill farming products and that type of thing.

Q171 Alan Brown: Does that mean that we need greater clarity on how that will work?

Gary Stephenson: It would help.

Q172 Alan Brown: I have one more, Chair, if that is okay. Elspeth, I believe that you have come out as backing the Scottish and Welsh Governments' decisions to withhold a legislative consent motion. Will you outline your concerns and say what you would like changed in the Bill to alleviate those concerns?

Elsbeth Macdonald: The principal issue with the Bill that causes us great difficulties is the way in which it constrains the ability of the Scottish Parliament and Scottish Ministers, and consequently our ability, to act and regulate in ways that are considered appropriate for businesses and the public in Scotland. The fundamental issue is essentially the same as in the case of the constraints imposed through the European Union (Withdrawal) Bill; it is a similar matter of high principle that overarches the Bills.

Q173 Anna McMorrin (Cardiff North) (Lab): May I return to geographical indications and EU rules? Sarah Dickson, can you tell us a little more about your concerns on this? What if, for example, South Korea raised objections on geographical indications in a new trade agreement?

Sarah Dickson: When the EU negotiates a trade agreement, it always looks to protect geographical indications. It does that in different ways. Not every agreement has exactly the same provisions, but it is always what they call an offensive interest of the EU to make sure that geographical names are protected. Where we think that an agreement with that intellectual property protection—that is basically what a geographical indication gives us—does not exist anymore, we will have to find other means, which means spending time and resources trying to work the country's system. All countries, via their TRIPS—trade-related aspects of intellectual property rights—agreement, should have intellectual property; it is just that the easiest, clearest way to do this is through a free trade agreement.

We have already started work, in countries where there is an EU trade agreement, on making sure that we double up, so to speak, and work through the Government system to try to make sure that there is no intellectual property gap.

Q174 Anna McMorrin: Are you concerned that there could be a compromise on the definition of whisky, for example, in future trade agreements?

Sarah Dickson: Looking at future trade agreements, I would hope not, because I would assume that the UK Government would give the same priority to protecting its geographical indications, like Scotch whisky.

Q175 Faisal Rashid (Warrington South) (Lab): May I ask Ms Dickson a question about the process for engagement on trade policy through the EU's market access strategy, and the market access advisory committee? How do those compare with the frameworks in place for engagement with the UK Government?

Sarah Dickson: I think the engagement with the UK Government is the missing piece of the puzzle, but we assume that it will happen at some point, and that we will have more detail on it. The market access advisory committee is a great way for us, the industry, to feed in our views formally to all the member states. We regularly attend it. It has a spirit-specific working group that we are able to contribute to. It feels very much like a partnership. We explain the problems we face in markets around the world and the EU then works out how it can respond to that. It has to prioritise, but because you have all the sectors contributing in that way and it is quite an open, transparent process, you know that you are at least being listened to and included in its strategies.

Q176 Faisal Rashid: That is very useful; thank you very much. In your experience, do ad hoc mechanisms for stakeholder engagement work or do they need to be structured by statute?

Sarah Dickson: We would feel more confident at the moment to have that laid out formally by the Government, in terms of what they are planning to do and how it will work. Ad hoc can work where you have developed personal relationships. We used to know everybody who did trade policy in the British Government, but that is not true anymore. Now there are 500, 600 or 700 people across Government doing it. When there used to be 40, it was much easier. As that grows and changes, having a very clear structure, so we know how to feed in and when and how, would be very helpful for us.

Q177 Faisal Rashid: Excellent. That is very useful. To Ms Macdonald, in your opinion will it be possible, as the Government claim, to simply copy and paste the existing agreements without any substantial changes and without the need for consultation and scrutiny? Surely that has not been possible in the case of Switzerland, Norway and Turkey.

Elsbeth Macdonald: I do not think I am equipped to answer that question. It is almost more of a legal question, in terms of how the Bill would apply.

Q178 Faisal Rashid: The question is, do you think that it is possible to copy and paste existing agreements without any scrutiny, if changes are being made?

Elsbeth Macdonald: Certainly, in terms of being able to provide the public with assurances that the trading relationships that the UK will have in future when it leaves the EU will provide the same degree of public confidence and public health protection, scrutiny is critically important.

Faisal Rashid: Mr Stephenson, can you comment on that?

Gary Stephenson: I was going to jump in there anyway. It is an optimistic view that it is just a lift and shift. If you go for trilateralism, you are more likely to get there; if you go for bilateral agreements, you are more likely to get some differences.

Faisal Rashid: Thank you. That is very useful.

Q179 Judith Cummins (Bradford South) (Lab): This is a question for Ms Dickson. The Scotch Whisky Association has set out a framework for consultation set in statute through a UK trade policy advisory network. Could you explain what that proposal is?

Sarah Dickson: It would be very similar to what the US does. It has cleared advisers. When you are into a negotiation, I know one thing that this House has talked about before is how you talk about a negotiation while it is ongoing and how you consult on those provisions without revealing what is a moving target. What the US does is to have cleared advisers in statute; they are people it is able to talk to to work out how to make a success of a provision within a negotiation. We can see that there might be a role for legislation in this area, where you want to be able to talk to people on a formal basis about what is essentially a Government-to-Government discussion.

Q180 Judith Cummins: What principles should the system of consultation and engagement with stakeholders follow, in your opinion? Does the current Bill embody those principles?

Sarah Dickson: We believe that the more open and transparent trade policy is, the better. That means wide consultation. So we are not just talking about business in this—you need a wide range of stakeholders involved. We think you will need to define what that looks like, because there are going to be time limits and speed limits in doing the negotiations when you are trying to get something achieved. The wider and more comprehensive you can make that, the easier it will then be to pass and implement afterwards. We think it is very important that those principles are part of UK trade policy going forward.

Q181 Judith Cummins: Can I quickly return to geographical indications and ask Ms Macdonald a question? Given the ambiguity of the Government's position to ensure that GIs are awarded to UK producers in trade agreements—they did not list a single one in the comprehensive economic and trade agreement—what are your concerns about the representation of your interests in trade agreements?

Elsbeth Macdonald: Our interests in terms of geographical indications are that consumers know what they are buying and that, whatever system is in place—the Government's stated intention is that things will be the same after exit—people can have confidence that products are not being misdescribed in terms of their geographic origin. There is confidence in the current system because it is a robust and well-regulated system that is set out in statute. Our particular interests are ensuring that, when businesses trade and when people buy products that are advertised and described in a particular way, those claims, whether they are about origin or anything else, are accurate.

Q182 Barry Gardiner: I want to marry up two things that Mr Stephenson and Ms Dickson said. I was struck by your phrase, Mr Stephenson, that there will be no “lift and shift”. In that context, looking at the way the existing agreements have to be transposed into corresponding agreements, I wonder whether you might comment on the Government's ability to do that, given their red lines with the Norwegian agreement and the Turkish agreement. One of those currently involves the European economic area and free movement of people, and the other involves the customs union.

I want to marry that up with what you said, Ms Dickson, about the roll-over of terms. When you were asked about South Korea, you did not actually narrate the history of your association's difficulty with South Korea, which of course was very resistant to the geographical indicator when you presented it on behalf of the Scotch Whisky Association. Do you think there is a possibility that South Korea might use this opportunity to reverse the progress that was made? There is one question for each of you.

Sarah Dickson: I would love to be in the head of the South Korean Government and to know quite where they will take this process. The conversation between the EU, the UK and the South Korean Government will have to be for them. Is it impossible that third

countries might try to use this opportunity to reopen agreements? It is not impossible, but I hope that is not the case. When the UK has left the EU and is having its own bilateral trade policy conversations with third countries, we will undoubtedly get into these conversations about what they might want to change.

Q183 Barry Gardiner: Why would the South Koreans not use this opportunity, while we are under pressure to do things within a limited timescale, to negotiate better terms, as they see them? They tried very hard to negotiate those terms with the EU in the first place, did they not?

Sarah Dickson: The flipside is what South Korean businesses are saying to them about the benefits they gain from the trade deal. That is the judgment in all trade deals: who is benefiting, how much they are benefiting, and whether the things they do not benefit from outweigh the benefits they get. As I said, that is really a judgment for the South Korean Government. That is partly why we are trying to protect our GIs as best we can in addition to agreements.

Gary Stephenson: I will build on that. You are exactly right: there is an opportunity for them to renegotiate, and the UK, given the set-up it will be in, will be in a weaker position to defend against that. It would be ideal if the transition were just an extension of article 50, but we know it will not be. We will be out of the EU and trying to negotiate in a transitional period in which we are not supposed to be negotiating and are not supposed to have a final agreement, we want to get things delivered on time, and we do not have all the necessary resources. How do we prioritise everything? I think there are a lot of things rolled into your scepticism, but I share that scepticism.

The Chair: Order. That brings us to the end of the time for questions. May I thank the witnesses, on behalf of the Committee, for your evidence? We are very grateful.

Examination of Witnesses

Gordon MacIntyre-Kemp, Jonathan Hindle and David Scott gave evidence.

12.16 pm

The Chair: I remind everyone that we have until 1 o'clock at the latest for this session.

Mike Wood (Dudley South) (Con): I declare an interest as a vice-chair of the all-party parliamentary furniture industry group, for which the British Furniture Confederation provides the secretariat.

The Chair: Thank you. Would the witnesses introduce themselves for the record, starting from our left?

David Scott: I am David Scott, senior director of Tephel Pharma Services.

Jonathan Hindle: I am Jonathan Hindle, chairman of the British Furniture Confederation—coming from the industry.

Gordon MacIntyre-Kemp: I am Gordon MacIntyre-Kemp, chief executive of Business for Scotland.

The Chair: Can I also ask the witnesses to speak up? We seem a long way away back here. I invite Barry Gardiner to begin.

Q184 Barry Gardiner: I seek your thoughts on what seems to be an increasingly complex part of international trade agreements. As we have seen with Canada, negotiating partners are increasingly demanding that any potential difficulties with implementation, when devolved competence matters may be involved, are dealt with up front—for example, in the Canadian situation, the provinces were engaged right at the beginning of the process—and that there are assurances that the final agreed text of any agreement may be delivered. With that being the case, what is your view on the important role of consultation prior to agreements? Do you believe that the Bill sets out a suitable framework for such consultation? In addition, what would the implications be if the devolved Administrations had some measure of consent reserve that implied a veto on the implementation of our internationally agreed obligations? That is quite a complex question in two or three parts, but your response will be of considerable interest to the Committee.

Jonathan Hindle: I certainly do not feel qualified to be commenting on devolved Administrations—it is not part of my remit or where our industry is particularly clustered, so I do not feel qualified to answer that. I defer to the two gentlemen beside me, who probably know more.

David Scott: I am not convinced I am able to answer either, but the consultation is definitely a good thing. There is a voice that needs to be heard and various parties look for representation, not necessarily to veto anything, but certainly to ensure that the best interests of all parts of the UK are represented.

Gordon MacIntyre-Kemp: Business for Scotland was founded in 1996 to campaign for devolution and to set up the Scottish Parliament, so protecting the powers of devolution is one of our key remits. It is an area we have been investigating. This is one part of the whole Brexit process. The European Union (Withdrawal) Bill centralises about 100 Europe-influenced powers in Whitehall after Brexit, even though many of those cross over with the responsibilities of the devolved Parliaments and Assemblies. The deadline to amend clause 11 of the withdrawal Bill was missed, and that means we are sitting here without proper protections in place. The Trade Bill seems to suggest that it puts the power to act almost unilaterally in the hands of a single Minister—a single Minister who has what has been labelled a “hard Brexit agenda”—without clear protections on the public right to consult, scrutinise or stop trade deals.

At best, that means that a great deal of confusion remains over how trade negotiations will be handled where they overlap with the devolved Assemblies and Parliaments, and that is damaging to business. At worst, it looks like a deliberate attempt to delay the transfer of EU-held powers in particular to the devolved Parliaments until after the UK Government has had free rein to agree deals that you could say run roughshod over the devolution agreements that currently exist in these islands.

To give a key example, if we are going to do an instant trade deal, which we want to do with the Americans and which has to be the highest priority, the Transatlantic Trade and Investment Partnership is a great guide to what we can do with them. It is quite progressed; the

key reason that TTIP did not make progress in the EU was that the EU wanted to put in protections to allow Governments to maintain public services such as the NHS, and our NHS is something that the United States is very likely to want to have access to.

I do not know much about trade negotiations, but I was trained in negotiation by a FTSE 100 company and by an American top 500 company, and the very first rule of negotiation is, “Make sure the person you’re negotiating with has the ability to say yes to the deal you’re presenting.” If we have devolved Parliaments who have control over the NHS, the Americans will look at that and say, “Well, you don’t have the ability to agree a trade deal with us,” so devolution is ipso facto incompatible with rapid trade deals, especially done under a World Trade Organisation agreement. I see that as being a problem and potentially creating constitutional issues not just in Scotland, but particularly in Northern Ireland.

Barry Gardiner: Thank you. That was an extremely interesting response, and I am sure one that will help our deliberations this afternoon, when we come to the first set of amendments. You have raised a number of very serious constitutional questions. It may be that the Minister has clear answers to them, but I think we will all be keen to hear what they are.

Q185 Martin Vickers (Cleethorpes) (Con): Mr Scott, in the notes we have been provided with, there is a section titled “Your views on the Bill”. It says that you recognise that

“the government is committed to maintaining the existing trade relationships, effectively preserving the status quo.”

You go on to say:

“It therefore seems that there is the potential to spend a significant amount of time, effort and expense to deconstruct the current processes”

and introduce a new process to bring us back to the same place. The way I read them, those two statements are somewhat contradictory. Surely what we are looking at in the Bill is the provision to ease that transition to provide the status quo?

David Scott: From my perspective—I speak for my company, which has 60 individuals in Scotland working in the pharma services sector—there are established regulations and ways in which we currently work with the European Union and with global pharmaceutical companies. The Bill would suggest that, while we seek to maintain those, we reserve the right to deconstruct them and come back to the same position. That is how I read it; I may be wrong, and I do apologise if I have misconstrued that. It is important, from my business perspective, that we maintain our relationship as it currently is, because that is a major way in which we trade with European countries on behalf of the pharmaceutical industry.

Q186 Martin Vickers: But if changes were required, surely you would want to be a part of that? It is perfectly possible that we could construct a better system.

David Scott: I appreciate that, but I do not believe that we can. I think the current system works in the best interests of the UK. The Medicines and Healthcare Products Regulatory Agency is regarded as a powerhouse

within the regulatory sphere. If we tried to set up a secondary or different regulatory system, it would not be to the benefit of the UK in terms of how we operate in the global marketplace for some pharma services.

Q187 Bill Esterson: Gordon MacIntyre-Kemp, can I come back very briefly to the question that you were answering from Barry Gardiner? You said that devolution was incompatible with the production of rapid trade deals. Does that also apply to what this Bill is attempting to do by creating corresponding agreements to the current EU free trade agreements?

Gordon MacIntyre-Kemp: Yes, and I think there is a great deal of confusion around it. I do not believe that there is sufficient clarity in the Bill about what is defined as a free trade agreement, for instance. If you do a deal with a nation that has multiple elements including an element of free trade, does that mean that the Minister would have full powers to do a deal that runs contrary to or overruns devolved powers? What is a specific trade deal? That needs to be defined, so as to limit the scope of the regulatory powers being granted by the Bill. A lot more clarity needs to come through in terms of the legal writing of it.

Q188 Bill Esterson: This is a question for all three of you. We have just been asking about consultation with devolved Governments. What about consultation with business, particularly sectors such as pharmaceuticals, chemicals and medical supplies, on non-tariff measures? What do you believe should be the consultation before a negotiation takes place, particularly on the provisions of the Bill, with the creation of corresponding agreements?

David Scott: From my perspective, it would be good to engage with Life Sciences Scotland, the industry leadership group there, to understand the concerns and any wishes likely to be put forward. There is also the Scottish Lifesciences Association. There are a number of bodies in Scotland that should be spoken to and asked to come provide evidence from that perspective, so you can get a wider perspective on how Scotland's life sciences community feels, not just in pharma and chemical but in animal health and across the broad remit of research and all these sorts of things, and get some information from the whole body of Scotland that is representative of the wishes of industry and business from that perspective.

Jonathan Hindle: I do not have a particular Scottish perspective on this. Generally speaking, the furnishing and furniture industry is keen to achieve what I am hearing from a lot of other industries: stability and consistency, equivalence and mutual recognition across the process. We are keen to advocate dialogue wherever we can have it to achieve that transition as smoothly as possible.

Q189 Bill Esterson: What are your concerns about consistency?

Jonathan Hindle: I cannot say that our industry is concerned at the moment that there will not be consistency; in everything that we are reading, we are told that attempts are being made to make that transition as smooth as possible. We do not currently endure any significant issues. There are some issues with policing and surveillance of some of the standards that we have mutually agreed; that is a current scenario and a problem

now. I am hoping that the formation of the Trade Remedies Authority will allow for some more robust investment in policing and surveillance of the standards where we currently endure problems, but I would not say that we are suffering from dumping in the fullest sense of its description in this context, although we are a very substantial net importer. There is a big trade gap that we as a nation endure in our industry.

Gordon MacIntyre-Kemp: You have raised an important point. Business for Scotland represents mainly small and medium-sized enterprises in Scotland. We surveyed 758 businesses and asked for their opinions on how the trade deals in Brexit have been processed and handled. There were 199,000 employees, half of the companies exported, and 41% had at least one non-UK-born EU national on their staff. We found that only 8% of Scottish business owners trusted the UK Government to deliver a deal that works best for Scottish business. Interestingly enough, 76.81% to 77% thought that calling a halt to Brexit would be beneficial to the Scottish economy. I think you have got an issue there: business does not really understand what is going on and there is a great deal of uncertainty. There is more uncertainty and more negativity towards Brexit in Scotland because Scotland voted to remain, and therefore there is less confidence in business as a direct result of that; so you will see that follow through.

I think the period between the point where we are still talking about deals and the point where we can actually start looking at trade deals has to be used for a massive consultation exercise with all the sorts of bodies that David mentioned before, but right across the UK. If we are going to do that we need to be preparing for it now. We need to be talking about it now. We need to be saying, "How are we actually going to deliver this?" Business for Scotland will be able to help, from a Scottish perspective, as much as we possibly can.

Q190 Bill Esterson: Again, when you are talking about trade deals, remember that the Bill is about the creation of corresponding deals. You are applying what you say to the provisions of the Bill as much as anything else.

Gordon MacIntyre-Kemp: Yes.

David Scott: Can I echo that? I think uncertainty is a killer at this point, specifically for my customers, whom I trade with on a global basis. They have a global supply chain and have to make contingency plans to ensure that whatever medicines they make are available to patients. Those contingency plans cannot wait until the eleventh hour or the last minute of any negotiations of any sort. I can tell you that they are starting to put those contingency plans in place now, and that they will have a massive effect on companies such as mine, and companies across the UK that support pharmaceutical R&D and the development and release of products on to the European market.

Q191 Hannah Bardell: Thank you for attending, and happy Burns day.

Perhaps I can start with you, David, and pick up on what has been said about confusion. The way I read your comments was that you were talking about concerns about legislative change under the Bill, and the ability to make changes in primary legislation. As we know, the Law Society of Scotland has raised issues concerning

[*Hannah Bardell*]

the timescale that that might mean for your organisation and sector. Could you talk about that a bit? Also, I notice from your photograph that you are MHRA and Food and Drug Administration approved. On the impact of leaving, and potential disjoint—we have already lost the European Medicines Agency to Amsterdam—can you talk about the impact on your sector and company?

David Scott: Yes, the potential impact is massive. The whole of the medicines regulation is about harmonisation and working under one single set of standards, which are beneficial and mean that the speed to market of life-saving medicines is reduced. If we try to come up with a different set of regulations or way of working, and have duplication of effort, which is what would happen under the current proposal if we became a third country outside the EEA, pharma will look at us and think, “Is the market big enough?”

We are now a net exporter of pharmaceuticals into the European Union and have a trade surplus. We want to avoid anything that puts us into a deficit. If we cannot get some harmonisation and cannot stick with the current harmonisation, I am concerned that we will lose our reputation—or not our reputation, because the MHRA is one of the best in the world, as far as I am concerned, but the ability to get joined-up connectedness. That would have a massive impact on my industry and my company, without question. I would then be forced, contingency-wise, to say “What do I do? I can’t serve some of my customers’ needs in a different regulatory system.” It is a massive thing for us.

Q192 Hannah Bardell: Gordon MacIntyre-Kemp, I know that you did a survey recently that said businesses—your members—did not have faith in the UK Government to act on their behalf. Can you talk about the findings of that survey? You mentioned some of the concerns earlier. The definition of free trade agreements was mentioned by the Law Society of Scotland in its briefing. We know from history some of the challenges and impacts on Scotland, for example on fishing, from trade being negotiated on Scotland’s behalf. Can you talk a bit about the importance of the Scottish Government and business having a say and an active role in those trade deals?

Gordon MacIntyre-Kemp: For sure. In the survey we did, we did not just want to survey our members; we surveyed companies across Scotland. The feedback was surprising to us as an organisation. We had sensed that Scottish business was not happy with how this was being handled, but we have some quotes from non-members of Business for Scotland. A director of a FTSE 100 company said:

“When the virtually inevitable car crash happens the Scottish end of the business will most probably be moved to Europe which is a crying shame as the expertise at home is unsurpassed in our market segment. However with no likelihood of stability it will be a logical step to move.”

A director of a New York stock exchange limited company with 800 employees in Scotland said:

“Stop now and ask the people, do they want to continue with this process, knowing what they know now?”

A director of a UK bank left a pithy statement. He just said: “Absolute bloody shambles.” That was the sort of feedback we were getting. Some 79% want a second EU referendum after the deal is done.

In terms of the Trade Bill itself, what I am finding is that Scottish business is not engaging with the detail of Bills such as this. The information they are being asked to understand is so confusing that the only answer they have psychologically is to keep their heads down and hope that it will all be okay. That is why I suggested that through the whole process there has to be a lot more consultation.

In terms of fisheries, food standards and health, which I mentioned before, there are lots of areas where promises have been made. There are issues around tariffs and protections. For instance, I was told during one debate that it is far better to do a trade deal with India because it is so big and so on, but the wages in manufacturing in India are about 79p an hour, and we are approaching £8 an hour here. If a trade deal is done that opens up markets without the right level of consent from devolved Parliaments and industry groups, that will not be a trade deal but a bonfire of manufacturing in the United Kingdom. There have to be checks and balances in that. Multiple sectors will have to feed that in, because if we do not know that, we are going to be signing trade deals that will have unforeseen consequences, and I think that will be very damaging to the UK economy.

Q193 Hannah Bardell: I have just one final question for Jonathan on control over standards. I understand that standards are one of the key aspects for the furniture industry and the manufacturing of furniture, particularly in respect of fire retardancy and flammability. There have been many stories in the press over the years on the dangers of not maintaining those standards. What are your feelings on what the Bill does and the potential impact of leaving the European Committee for Standardisation? What are the threats or, indeed, the opportunities?

Jonathan Hindle: We have made recommendations to the Department for Business, Energy and Industrial Strategy for some updating of and amendments to the flammability regulations in particular. On a more broad basis, I understand that the British Standards Institution is looking to remain a member of the European Committee for Standardisation and the European Committee for Electrotechnical Standardisation, for example, to keep that continuity. That is what the industry is looking for. By and large, those standards, if they remain in place, are adequate. It is our ability to police, surveil and properly address transgressions that has much more been the issue for the industry. A plethora of products are making their way into the country that do not meet our stringent standards.

Q194 Hannah Bardell: Is there an issue that if we lose the ability to monitor that, we could be looking at substandard products?

Jonathan Hindle: That would be a big concern for the industry. It already is under the current regime, and we are looking for improvements.

David Scott: To Gordon’s point specifically, there is a complexity here that we do not really understand. As you said, my company knew nothing about the Trade Bill or these sorts of things until we were asked to look into this. We focus on our bits. I think that Gordon is absolutely right: if we put in a trade Bill, there will be unforeseen consequences for certain sectors that you cannot foresee at this point in time.

Part of that is the safety element. Regulated drugs are there for a reason. If we start to loosen those regulations to make trade easier, then we open ourselves up to all sorts of problems, in terms of the fitness for purpose of the products that are brought into this country for use by patients.

Q195 Craig Whittaker: I have two questions, if I may. First, I just want to ask David a question. You said earlier that it would be a disaster if the pharmaceutical industry did not operate under the same regulatory framework as Europe—that would be a disaster for pharmaceuticals in this country. Correct me if I heard wrongly. However, is it not true that no matter what country you want to deal with, as an industry you have to comply with the regulation of whatever country you are dealing with anyway? So why on earth would you, as an industry, put yourself at risk anyway and not comply with EU regulations, whether we were in or out of the EU?

David Scott: We would always want to comply with the highest standards of good manufacturing practices—GMP—for the pharmaceutical industry. What we do not want is to see any easing-up of the requirements of that to make trade easier with other parties. That is what I was trying to say. We need to be part of a harmonised system that works on a global basis, because if we have our own system then it becomes much more—not difficult to trade with us or to get things regulated, but we would set up an extra set of barriers. Currently, 60% of all medicines that are used in Europe are released from the UK.

Q196 Craig Whittaker: So there is absolutely no reason why you as an industry would not conform to that regulation anyway, and consequently this is not really a trade issue.

David Scott: No, absolutely—it is not a trade issue. We would continue to work to the highest standards, but I would be concerned that things being imported into the UK might not meet the same standards as we would look to use ourselves.

Q197 Craig Whittaker: Which is a different thing all together. Gordon, may I just ask you a question? I fully understand your nationalistic views on why we should or should not be in the EU; like everybody, we are all entitled to our view and of course voted whichever way we felt at the time. For the purposes of today, though, that is not what we are here to talk about; what we are here to talk about, of course, is the Bill that we are considering. The Bill is a facilitating Bill for the current trade agreements that have already gone through a process of transparency through the EU system. My question to you is this: for the purposes of that and that alone, would it be fair to say that this Bill does exactly what is on the tin?

Gordon MacIntyre-Kemp: The Bill itself does not supply sufficient detail to be safe to pass, in my view. The evidence that I am offering is not based on any nationalistic principles; in fact, I think Brexit is also a nationalistic principle, but that is not what we are here to talk about, as you say.

There is one particular thing about standards, in that it is not really defined which ethics and standards will constrain trade Bills. You talked about pharmacy.

I worked for Scottish Enterprise for many years and led a mission out to the States to look at poultry processing over there, and chlorine-washed chicken is one of the issues. Everyone was focusing on the fact that there was going to be chlorine-washed chicken as though that is a bad thing. Actually, it is not that bad a thing; it is just that their process is completely different.

If you wash chicken at the end of the process with chlorine, then you do not actually have to have all the high standards in every single process right through, until you get to the point that you have finished. You have then got a product that is a lot less expensive to create. If that is allowed to be imported into the United Kingdom, it will destroy poultry jobs, and therefore we have to think about this question: “Does this Bill actually have sufficient protections to mean that the unforeseen consequences will stop the loss of jobs in the UK as a result of the free hand that has been given?” I do not think it will.

Q198 Craig Whittaker: Just for clarity, I do not understand what you mean by “free hand”. The Bills that we are talking about transferring over have already gone through all the European processes for identifying Bills. This is purely a Bill to enable the Government, when we leave the EU, to put into law what is already in law.

Gordon MacIntyre-Kemp: Except the wording of one of the points—I am sorry, but I do not have it in front of me—is that the Minister and the devolved Administrations will have the ability to act, where appropriate. That gives a huge free hand without the right level of scrutiny and professional input. That in itself is the danger of the Bill. That is very specific to this Bill, and the point is about what it allows and how it can be read.

Q199 Craig Whittaker: If I may, Chair, I have one final question: do you understand how the statutory instrument process works?

Gordon MacIntyre-Kemp: I understand that this is largely about rewriting—or, if you like, cutting and pasting—from European rules into British law, but elements of the Bill are ill-defined and could, like the Henry VIII powers, direct too much power—

Q200 Craig Whittaker: So let me ask the question again: do you understand what these so-called Henry VIII powers are and how they work?

Gordon MacIntyre-Kemp: Inasmuch as I have read about them and have written newspaper articles about them, but I am not a lawyer, if that is what you are getting at. Am I able to give you a complete legal run-down of them? No, but I do not think you would have the time if I were able to.

Q201 Craig Whittaker: I understand that, but what I am trying to establish, Gordon, is this. You mentioned the Henry VIII powers—the SI process—and you are saying that it is not transparent enough. However, I am asking whether you understand that process so that you can make a judgment call about whether it is or is not transparent enough.

Gordon MacIntyre-Kemp: Yes, I do.

Q202 Faisal Rashid: As you are probably aware, the Bill does not make provision for the involvement of Parliament or others in the scoping negotiations or any ratification of new trade agreements. What provisions do you think it should make on future free trade agreements?

Jonathan Hindle: A very quick answer from the furniture industry point of view is that we would want to see as much scrutiny as possible. You referred to parliamentary scrutiny; whether that is the most effective form of scrutiny is another matter. We would certainly want the TRA to be made up of appropriate individuals to provide good-quality scrutiny.

Q203 Faisal Rashid: The Government always said that they would set out a major consultation mechanism for new free trade agreements. Do you not think that that should be provided for in the Bill?

David Scott: As I said at the start, consultation is absolutely essential. You have to start with the industries and then bring it to yourselves from that point of view. If it being in the Bill would force that to happen, I would certainly say that that is a good thing from my perspective. I guess that what we do not want is one or two people making a decision for the populous.

Gordon MacIntyre-Kemp: Very quickly, that was my point in response to Mr Esterson's question. Yes, it should be in the Bill.

Q204 Faisal Rashid: Are you aware of any consultation system in any other country that we can adopt as a starting point?

Gordon MacIntyre-Kemp: I am not an expert on other nations. For almost all my life, we have been in the EU. We did not need to study what other people did. We are just making it hard for ourselves now.

Q205 Mike Wood: Mr MacIntyre-Kemp, you spoke about your concern that the Bill is not clear on the Government's powers to conclude trade deals, and you talked about chlorinated chicken from the United States. I just want to check that you understand that the Bill is perfectly clear that it would not give any powers to the Government to conclude any trade deal with the United States, regardless of whether it included any type of chicken.

Gordon MacIntyre-Kemp: You are talking specifically about it not allowing anyone to do a deal to do with chicken, but I was using that as an example to point out that the actual wording of the Bill seems to allow a significant amount of power in one particular place and to not have sufficient levels of consultation. Basically, afterwards, it would indeed be applicable across many different sectors, food being one of them.

Q206 Mike Wood: Just to go back to my point, it does not allow any type of deal containing anything for the United States.

Gordon MacIntyre-Kemp: In my opinion, what it allows is too free a hand post-Brexit to do deals without the right level of consultation. Sorry if that has not been clear, but I have said it four or five times.

Q207 Mike Wood: I do not know whether I am not making this clear. You seem not to be quite answering the question. You do understand that this Bill covers only those countries with which the European Union

currently has a trade deal, which does not include the United States? There is nothing in the Bill that would give the Government any powers to conclude any trade deal with the United States.

Gordon MacIntyre-Kemp: Right. I understand what you mean now.

Q208 Alan Brown: I have a question for David. Looking forward, as well as establishing the trade agreements that the Bill is meant to carry over, am I correct in thinking that your industry has an understanding of the licensing arrangements that will be put in place with the EU, and the research and access to labour issues that need to progress as well to give the industry an overall view?

David Scott: Absolutely. I would refer you to the Industry Leadership Group position paper written by Dave Tudor, the chair of the Industry Leadership Group for Life Sciences Scotland. There are four key points. One is regulation, which we have talked about already: maintenance of regulation on a harmonised basis. There is trade and supply, which we are obviously talking about today. Access to talent is a key thing. In Scotland, we are a diverse community. Research and development are best done using a diverse set of people, so that freedom of movement and the ability to attract people not just into Scotland but into the UK is fundamental for us. That is not to downplay our abilities, but a mix of different people helps us bring the best ideas to the table.

Again, from a Scottish point of view, we have a heritage of innovation in the medical sciences that we are very proud of, and we want to continue to use our talent base and other talent to help us achieve that.

Q209 Alan Brown: March 2019 is looming fast. In what kind of timescale does the industry need to see the other arrangements that you are looking for clarity on?

David Scott: In my opinion, we are too late. People are starting to put processes in place and to make contingencies. We need some clarity on the issue as soon as possible.

Q210 Alan Brown: On access to labour, I assume that you would agree that perhaps some immigration arrangements need to be agreed on a sectoral basis. Would there also be merit in Scotland being able to control its own immigration?

David Scott: Again, as much clarity as possible on that is good. I have some European nationals who work for me. They are concerned about their position and whether or not they will continue to work for me as we go forward. As soon as we can get clarity on that, an agreement would be fantastic. If that were within the powers of the Scottish Government, I would welcome it, but it is about understanding as quickly as possible how to get clarity so that we can allay the fears of our own people and go out to our customer base to allay their fears and stop any potential actions before they happen.

Alan Brown: Does anyone else want to add to that?

Jonathan Hindle: The furniture industry has a similar exposure to migrant workers. We have a high degree of Polish migrant workers in the industry, particularly with sewing and upholstery skills. The unknown quantities about all of this have meant that some of them are

leaving, so there is concern in the industry to provide some clarity, once again, about how we would deal with migrant issues for industry.

Gordon MacIntyre-Kemp: Again, some of our members have expressed concerns. In particular, highland hotels are saying that 65% to 70% of their staff during the summer are EU nationals and so on. There are significant issues in Scotland. I think that this shows, in terms of the overall remain vote, that immigration is seen radically differently in Scotland in terms of an opportunity to engineer the age of our society and bring skills to Scotland.

Q211 Matt Western: I have a quick question for Mr MacIntyre-Kemp. The very first line of the Bill says that the Bill is to

“Make provision about the implementation of international trade agreements”.

To elaborate on the point you were making earlier, what do you understand that to mean?

Gordon MacIntyre-Kemp: What do I understand the “international trade agreements” to be?

Q212 Matt Western: Yes. Do you think that is exclusive or—

Gordon MacIntyre-Kemp: Sorry. What do I understand “international trade agreements” to mean? They are basically agreements between countries that facilitate trade, such as TTIP and CETA and so on, and they have significant impacts on the different sectors, in terms of what sectors are opened up to particular trade deals. Now, regarding the EU, it already has trade deals with South Korea, Canada and so on. I think that is kind of basic.

However, there could be difficulties if there is not an exact definition in the Bill of what a trade deal is; I refer to evidence from legal experts on this issue, as well. It could mean that deals that are not specifically seen as trade deals can come under the remit of the Bill.

Q213 Matt Western: Right. So you see this as being fairly open? I think that is what you are saying.

Gordon MacIntyre-Kemp: More open than it possibly should be; not as restrictive as it—

Matt Western: It could be open?

Gordon MacIntyre-Kemp: Yes. It could be seen that way. I am just asking for it to be tightened up a little bit.

Q214 Matt Western: I have a question for Mr Hindle, just in relation to the British Furniture Confederation. I want to explore rules of origin and the complexity of supply chains. I have a particular manufacturer in my area; I know that a lot of its components come from Europe and a lot come from the UK. I just want to explore something. If our European content is no longer under the same rule of origin, what impact do you think that will have on future trading relationships for these companies or for us in markets other than Europe?

Jonathan Hindle: Fairly limited, inasmuch as when most people look for certificates of origin in tendering processes and evidence of supply chain in that regard, they ask for either an EU reference or a UK reference. If we were to devolve to a UK reference as a source of

origin, it would carry equal weight in the minds of those in the particular markets that I am familiar with who often require that evidence.

Regarding the quantities coming out of the EU versus the UK, normally we are asked to make a judgment on a split and err towards the country of origin being where the majority of the material originates or where the bulk of the manufacture occurs. There are some guidelines that we tend to follow, along those lines. I am not hearing any concerns from our industry that that will present any problems. We continue to adhere to the current remit for declaring origin.

Q215 Matt Western: So you do not think that if, say, there was 60% of material from Germany or Scandinavian countries going into the components of British manufactured furniture, that would be an issue for your members?

Jonathan Hindle: Offhand, I cannot see it impacting the ability to trade effectively, or our competitiveness, or how we are perceived in any way; no, I cannot see that and I am not getting anything from our industry, as we poll it, to suggest any specific concerns on that particular point.

Of course, we have all the problems that we have had with a weak currency and all the inflationary impact that that has had, because most of our industry relies for a large part of its materials on continental Europe and elsewhere in the world. Weak sterling has had an impact and countered, if you like, the benefits that we might otherwise have enjoyed as an exporter from having a weaker currency on the other hand. It has been a double-edged sword in that regard.

Q216 Matt Western: Finally, would you very much like your sector to be involved in any TRA?

Jonathan Hindle: Very much so, yes. We would certainly welcome having someone on that TRA that understands our sector and all the nuances and complexities that have been alluded to—absolutely.

Q217 Barry Gardiner: Very briefly, Mr MacIntyre-Kemp, I understood your example about chlorinated chicken not to be because you did not realise that this Bill was not about doing a trade deal with America, but to be talking about the need for the devolved Administrations to be involved in determining what are in those trade agreements, because of the way in which they may impact upon the implementation of what are devolved competencies. Do you believe—and do you believe that it is the Scottish Government’s position—that there should not only be consultation but consent at that level for the trade agreements before they are implemented?

Gordon MacIntyre-Kemp: Yes, exactly, and as food safety is a devolved issue in Scotland—

The Chair: Order. I apologise to the hon. Member, but we have come to the end of the time allotted to the Committee for questions. May I thank the witnesses on behalf of the Committee for your evidence today? The Committee will meet again at 2 o’clock this afternoon in Committee Room 12.

Ordered, That further consideration be now adjourned.—(Craig Whittaker.)

1pm

Adjourned till this day at Two o’clock.

