

## **UK Trade & Business Commission**

### **Devolution and Levelling Up – their place in the future UK trade deals**

Date: 6<sup>th</sup> April 2023

#### **Charles Rose**

Good morning, everyone and welcome to this session of the UK Trade and Business Commission, which brings together MPs from all nine Westminster parties, and all four nations of the UK. Since April 2021, the Commission has scrutinized UK government policy and new trade agreements and how they affect UK business, the economy, and the people. Today's session is focused on devolution and levelling up, words which we've all heard a lot about and we have three, very distinguished witnesses today and I would like to open by asking them to introduce themselves and starting with Stacey, then Billy and then Ludivine.

#### **Stacey Dingwall**

Thank you and thank you for the invitation to appear today. My name is Stacey Dingwall, I'm the Head of Policy at the Federation of Small Businesses in Scotland.

#### **Billy Melo Araujo**

Hi everyone, I'm Billy Melo Araujo, you don't have to pronounce that properly, Araujo will be fine. I'm the Senior Lecturer here at the School of Law, Queen's University, Belfast and researcher for the Centre for Inclusive Trade Policy.

#### **Charles Rose**

And Ludivine, can you tell us about yourself?

#### **Paul Norris**

I think Ludivine is having problems unmuting the link.

#### **Charles Rose**

Yeah, we seem to have a problem. I think we should just then move straight on to the first question. The way this works is that the Commissioners will ask questions and the witnesses will respond. The first question is with me, and it is in what ways does UK trade policy and devolution intersect and what approach has the government taken in addressing this intersection and if we can give this to Stacey to begin with, please?

**Stacey Dingwall**

Thank you. Yes, I suppose in terms of the UK government and the devolution settlement of Scotland, obviously regulation of international trade is reserved to the UK Parliament and government but kind of the modern trade agreements being what they are international trade obviously profoundly effects devolved policy areas and there's a wide range of non-devolved issues that affect people in business in Scotland. And therefore, the Scottish government is responsible for observing and implementing international obligations in devolved areas, including some of the most contentious areas of trade such as our agriculture and food standards. Sorry Charles, I think you're on mute.

**Charles Rose**

Sorry, Billy do you want to come in and come in on this?

**Billy Melo Araujo**

Yes sure. So, you know just to build on what Stacey was just mentioning, trade policy does overlap with devolved matters in a number of areas, whether it's agricultural support, procurement, agri-food standards but even other areas, you know new trade areas like culture, investment protection and environmental standards. Obviously in some of these areas these overlaps are unlikely to lead to significant conflicts. For example, with respect to FTAs in many of the areas I've just mentioned like, environmental standards, FT obligations tend to be quite minimal. But in other areas like agricultural support and procurement the overlap might be regulatory reforms at devolved level. So, for example, procurement is a good example of that. In terms of how the UK has tried to address these issues, it's established a number of processes, a number of legal instruments that are intended to address these intersections. Its established institutional structures, through the central government, and evolved authorities can cooperate and coordinate their actions. So, they've created an inter-ministerial group for trade, which meets on a quarterly basis to discuss various issues concerning trade negotiations. They recently developed a concordat for the WTO agreement on agriculture, which is focus on agricultural subsidies. So agricultural support. So, there's clearly been an attempt by the UK government to establish institutional structures through which dialogue between government and devolved authorities can occur. Although, there is a question as to whether these structures have been effective in practice, and we can get into that a bit later on if it's of interest to the Commission.

I would say as someone who works in Northern Ireland, it's important to mention that in relation to Northern Ireland, specifically, there was an additional dimension which is the Ireland/Northern Ireland protocol. And there are a number of areas where UK trade policy and more may come into conflict with obligations arrived in the Protocol. And again, I'm more than happy to discuss these areas in more detail if it's of interest. So when it comes to Northern Ireland, it's important to remember there are two dimensions at play, you know on one hand you have overlap between trade policy and devolved matters and on the other hand we have overlaps between trade policy and the Protocol which essentially covers the entire area of trade in goods regulation.

**Charles Rose**

Thank you, I see that Ludivine has been able to join us. And I wonder, if you could just tell us a little about yourself and perhaps then pick up on this question about the interconnection of trade policy and devolution.

**Ludivine Petetin**

Apologies, I had to switch laptops. So, I'm Ludivine Petetin, I'm a Reader at Cardiff University and I'm also part of the Centre for introducing trade policy, but today I'm representing the Trade Justice Wales, which is a network of civil society stakeholders and is coordinated between Fairtrade Wales and the team of us at Cardiff Universities Wales Governance Centre. And I've heard what the two previous speakers have said, and I completely agree with what they have said in terms of the crossover between trade policies and devolution. One aspect that we would like to mention here is how you know, how fast paced, you know, everything has been in terms of, you know, having those new free trade agreements and how this has impacted stakeholders and this is what I wanted to add to what has been discussed.

**Charles Rose**

Thank you very much just as a throw in, I mean, does this work? I mean, are there just a lot of inherent conflicts which are arresting the development of trade policy?

**Ludivine Petetin**

Does it work? We would say no, it hasn't really worked because it feels very much like, you know, the issue really is that the government's approach doesn't guarantee enough procedures that you would expect for the devolveds to input meaningfully into the decision-making process for trade policy and trade agreements more generally. So often it feels like the devolveds are being, you know, contacted including stakeholders after a specific trade agreement has been finalized and we have the feeling that this is making such the engagement rather meaningless as a result.

**Charles Rose**

Thank you. I think that sets the scene well. Can I pass the next question on to Stephen Kinsella, Stephen, can you come in?

**Stephen Kinsella**

Yeah, of course. And thank you Charles and thank you to our witnesses as well. I mean, obviously there's been, you know, we read a lot about the benefits to the UK as a whole of the fair trading agreements, but reflecting on the answers we just heard what I wondered was would you say that the fair trade agreements that have been concluded have really taken sufficient account of devolved interest? I mean, we heard I think a little bit about the structures and processes but they're in place really to deal with the consequences of the agreements but where it was clear at the outset that those FTAs were going to contain clauses that clearly touched on devolved matters, how would you say the particular needs of the devolved nations were reflected in the negotiations? When the UK went into the negotiating chamber, was it really taking account at that time of the specific needs of the devolved nations or not? And maybe start with Stacey and then Billy and Ludivine.

**Stacey Dingwall**

Thank you, Stephen. I suppose I don't work for the Scottish government; I can't speak on behalf of them, but I am aware that a number of letters have been sent from Ministers in Scotland to UK government particularly with regards to the New Zealand and Australia FTAs. And you know, all of these letters have noted the Scottish government's concerns about some of the agreements and how it would be damaging to, for instance, with the New Zealand agreement. There was concerns around what it would mean for Scottish farming as it would allow for much higher quantities of produce to come into the UK tariff-free, which the Scottish government believe will create a lack of level playing field between Scottish and New Zealand farmers. And in that letter, they noticed that this had been raised in previous correspondence before the deal was agreed. This letter was sent after it was agreed but obviously it hadn't been acknowledged at that time.

Aware that the Cabinet Secretary for Rural Affairs Mairi Gougeon had written in November 22 to DEFRA highlighting comments from one of the previous DEFRA Secretaries issues with the Australian FTA and this letter outlines her frustration that points raised by Scottish government during negotiations have not being taken on board and that failure to do so has resulted in a lack of protection for domestic producers within these agreements.

Another thing, which is of considerable importance for Scotland, is geographical indications, as they protect the provenance of, you know, world-renowned products such as Scottish beef, Scottish salmon, and unfortunately, the UK government didn't secure recognition of agri-food GIs in its agreement with New Zealand. However, we know that the EU has now succeeded in gaining recognition of its agri-food GIs in its FTA so clearly the Scottish government have been clear that there is concerns, that their concerns and those of, you know, small businesses, other businesses in Scotland are not being recognized within these FTAs.

#### **Charles Rose**

Thank you. Billy, can we ask you to comment on this?

#### **Billy Melo Araujo**

Always happens. I forgot to unmute myself. So, I think what's important here is to distinguish between the process and the outcome of the negotiations because in terms of the process, the recent feedback, you get from devolved authorities is actually quite positive, at least with respect to FTA commitments that relate to the devolved matters. So, the devolved authorities, and that's both the Scotland government and the Welsh government and even in Northern Ireland with the civil service they've indicated that they've been in regular contact with central government authorities, whether it be DIT or DEFRA, in order to represent their interests and hear progress updates. And they've also had access to draft texts of chapters in devolved areas. So, these draft texts have been shared with devolved authorities throughout the negotiations. And there has been an opportunity to discuss these texts in the context of the Ministerial Forum, or at the bilateral Civil Service level. So, the feedback is generally quite positive.

Although it is worth noting that devolved authorities obviously are not present in the negotiations. And they were not consulted on the outcome of the negotiations themselves. The feedback unfortunately is not so positive when it comes to areas that are reserved matters. So here, the devolved authorities have been hugely critical of UK government's approach. So, Stacey mentioned all these issues, so I won't go over them again. But, you know, quite clearly there have been a lot of complaints concerning issues on market access in the agriculture sector, which are of huge economic importance for devolved regions and all the devolved authorities have said that they had no access to the text until after the negotiation was finalized, that they weren't given any explanation as to the

rationale to UK's negotiating position and that any engagement in these areas that's been extremely limited. So, there's a clear issue there. I don't know if you want me to get into the Protocol.

**Charles Rose**

Let's take it from that there's some disconnect between the people who are controlling the devolved matters and the willingness of the people who are dealing with the more local matters who as you presented are getting on with the task. But I would like to just ask Ludivine to come in and comment on this, please.

**Ludivine Petetin**

I would agree with what was said, but in particular what we have in Wales is the well-being of future generations act, which, you know, aims for us to have policy goals. And again, this isn't reflected into what is being decided, whether we look at the Australian deal, or the CPTPP that, you know, where we've seen this week in the news with the palm oil issues in Malaysia and potential deforestation, it doesn't fit with the well-being goals that we have here in Wales in terms of the healthier Wales, greener Wales etc, and here there is a gap between what we are aiming to do and the goals we have and how there is a lack of UK overall strategy in terms of, you know what policy does the government have when it comes to trade, what are the long-term goals or even medium term goes, we don't know and this is quite a big gap in terms of what it is that we want to achieve as a as a whole country. And I think this creates a disconnect in terms of what we want and, you know, in terms of goals and what the UK government wants, or maybe they don't know what they really want. Because what we see is how ad-hoc those, you know, the signature, the ratification of these trade agreements have been.

**Charles Rose**

Thank you, I think that raises important matters in relation to the pace at which things are being done and the reactivity rather reacting to opportunity as much as anything else. I think that covers that point. And I'm now going to ask the third question of the session and ask Tamara Cincik to take over please.

**Tamara Cincik**

That was pointing my finger to my son. He's next to me, I'm having to work for David Lloyds Finchley, so apologies to our evidence givers for the background noise I know is in the background here. My question is, how can the devolved nations promote trade and investment and what specific powers do they have to achieve this? Ludivine if I could start with you, please.

**Ludivine Petetin**

So, while international trade and international relations, are obviously reserved matters the Welsh government has the ability to promote trade and investment in multiple ways and in particular the Welsh government has since 2020, its own international strategy and within this specific strategy there are certain priorities, which include to increase Wales's trade presence in the EU, empowering Welsh organizations to access difficult to reach markets, grow exports, and so on. More specifically, Wales has 21 overseas offices, which enable those offices to kind of grow and promote trade, and

investment and the Welsh government also has planned for the rest of the year another seven trade missions. So, it is quite active. And as a result, also of this international trade strategy that the government has, there is also an export action plan for Wales. That's from 2020 with again the aim to support Welsh exporters whether they are existing or, you know new to the trade.

**Tamara Cincik**

Ludivine, before I go to other evidence givers, I just wanted to ask what your thoughts are. So, at Fashion Roundtable the organization I run, we've done a lot of work, looking at your Welsh wool industry and part of that was actually predicated on the work that the Commission did looking at the Australia trade deal. So, whilst it sounds fantastic that there are these trade deals, trips being made by the Welsh government, what are your thoughts on the reality for Welsh farmers, sheep farmers, for their product in this market?

**Ludivine Petetin**

As you said it's a niche market. I mean there is incredible willingness from the Welsh government to grow exports and you know, to sell the Welsh brand. And I think it's all about, a lot of it is going to be about the branding and how we can say that we sell high quality products, you know, with high animal and environmental standards and this is one key aspect that the Welsh government is really working very hard on in order to help producers and exporters.

**Tamara Cincik**

Thank you Ludivine. Stacey, if I can go to you with the original question not the Welsh part of it.

**Stacey Dingwall**

Thank you, I didn't have much to say on that one. And yes, I mean very similar to help in Scotland as to what Ludivine has outlined in Wales. We have a separate trade and export strategies and we have three enterprise agencies in Scotland as well as a dedicated agency, Scottish Development International, SDI which you know as the government's main vehicle for promoting investment into Scotland and also we have yes, we've obviously just had a change in our Minister's responsibilities but we do still have a Minister who has responsibility for trade in the Scottish government as well.

**Tamara Cincik**

I mean, because we're a bit quick I just wondered what your thoughts are for the Scottish farmers and the impacts of the Australia deal is going to have. Obviously, there is a huge market of Scottish sheep as well as Welsh sheep and it's an export opportunity for UK.

**Stacey Dingwall**

Yeah, definitely. So you know as I noted in answer to the previous question that appears to be one of the biggest issues that the Scottish government have raised our concerns over, the impact that is going to have on Farmers here in Scotland and the lack of meaningful dialogue that they had unfortunately while those negotiations were ongoing. So, it's clearly a concern.

**Tamara Cincik**

Thank you, Stacey, and Billy, please.

**Billy Melo Araujo**

Yeah, very much like Scotland and Wales, Northern Ireland has made an effort in terms of expanding its trade and investment promotion networks. For Northern Ireland, you know, these attempts have been sort of undermined by on the one hand the absence of a functioning executive to give Northern Ireland clear trade policy direction. And on the other hand, the uncertainty and stability surrounding the Protocol, right? So, for example, Invest Northern Ireland which is the economic development agency here in Northern Ireland identified from the outset a few years ago that dual market access to Northern Ireland under the Protocol was a clear selling point in terms of attracting inward investment. But until now they have not really been able to make that case effectively to investors because its uncertainty surrounding the Protocol and Northern Ireland's trade regime. And talking recently to people involved in trade and investment here in Northern Ireland, one thing that they tell me over and over again, is that the main positive of the Windsor Framework might not really be the potential for reduced checks on GB goods coming into Northern Ireland which is debatable but rather the promise of political stability which would, you know which it would bring to Northern Ireland and the economic opportunities associated with that.

I don't know if you want to meet answer the question on agriculture.

**Tamara Cincik**

Alright, I mean, it's clearly also pertinent to Northern Ireland. I'm sorry to seek my own question into the Commission but I'm interested to know your thoughts.

**Billy Melo Araujo**

Yeah, I think for Northern Ireland the concern would be that Northern Irish farmers would be undercut, right? So, the concern was that the TIQs compared to what the EU have been expanded significantly. And so, there is a fear in Northern Ireland that Northern Irish businesses will not be able to sell the products in GB because they'll be undercut by Australian products.

**Tamara Cincik**

Thank you very much. I defer back to the chair now, thank you.

**Charles Rose**

Thanks Tamara. The next question is about trade negotiations and we're going to ask Claire Hanna to take this up.

**Claire Hanna**

Thank you very much Charles. And I wanted to look at the integration, the engagement of devolved administrations in those in those negotiations and trade arrangements and not particularly thinking of just Northern Ireland, ignore the accent, but to what extent have the devolveds been involved in shaping trade agreements. And is there anything the UK can learn from how other countries incorporate some regional and devolved administrations in how they're addressing trade? I don't know who would like to start there? Go for it. Yeah, thank you.

**Billy Melo Araujo**

Yes, I'll go first. So well, devolved governments have not been involved in trade negotiations, you know, if you understand involvement in terms of your opportunity to be physically present negotiating. So, their ability to shape a negotiation, relies really on their ability to access those in central government involved in those negotiations and access relevant information. And on this, the record is quite mixed, right? So, for example, when it comes to setting of the mandate of negotiations UK's practice has been to publish strategic policy papers but the involvement of the devolved authorities in shaping those negotiating objectives has been extremely limited, right? So, there's no explicit role for devolved beyond being invited to submit inputs alongside other stakeholders. In the conduct of trade negotiations there were initially complaints that the devolved authorities were not given access to negotiating documents that have affected devolved matters or given significant updates on the progress of negotiations. That seems to have changed now though the criticism remains with respect to those areas which are reserved matters where there's very little information being exchanged.

So obviously there are plenty of models you can take inspiration from, whether you look at the Canadian model, for example, which is usually set as the model, or the German model, federalism where the land can actually have access to trade negotiating. What I will say about that is that we need to be careful about using these models as templates that can be replicated within the UK because the UK system of devolution is very different to Federal systems, right? Because the devolved authorities do not really have the legal protections of having clear competencies where central government can't step in and override the wishes of devolved authorities. That's not the case here in the UK, so one of the reasons why Canadian provinces have so much leverage in the area of trade policy is because they have the exclusive power to implement international trade obligations. And if they don't like the outcome of the trade negotiation, they simply won't implement it in their jurisdiction, so that meant that the Canadian government had huge incentives to give provinces a real say in shaping trade negotiations. So that they could have a buy in, that doesn't exist here in the UK. So, we need to find ways of making those systems work in our system. So, for example, one of the things I've asked for consistently, I've called for consistently is to put things inter-governmental frameworks of cooperation on a statutory footing so that the UK government is subject to legal obligation to consult with the devolved authorities.

**Claire Hanna**

Stacey from a small business perspective I suppose, and the different regional and national needs has there been an appropriate level of engagement do you think?

**Stacey Dingwall**



In terms of government involving us directly?

**Claire Hanna**

Yeah, I suppose the devolveds being able to articulate the needs of businesses in their region and feel that they have been heard in trade discussions.

**Stacey Dingwall**

Yes, I mean that is mainly, so we have a team in Westminster, so we had our International Affairs department so that has mainly been facilitated through that team and the DIT. So, I attended earlier this year there was a session in Edinburgh with the US Administration that the DIT had organized so it was held in Edinburgh, so I got to attend that and there were Scottish small businesses able to participate in that day. The only thing I would note is the Scottish government wasn't invited to take part so there were no representatives from the actual devolved government, but we were certainly involved to participate in that. So that was welcomed by us.

**Claire Hanna**

Ludivine anything I suppose either from a Welsh perspective or more broadly to add?

**Ludivine Petetin**

In terms of what was said, I completely agree with what the previous two speakers have said, there has been a big change within the new IGR structures and in particular, you know with the new inter-ministerial standing groups, on trade Net Zero, climate change and environment. So, this is very positive we feel here in Wales, but the issue as clearly said, is that it still feels like a top-down approach, rather than meaningful engagement and input from the devolveds. And you know as I said before, although there is increased cooperation, texts have been shared and teams are talking and, you know, there is representation from Wales, although often limited to one representative on those various groups, it feels like it's not meaningful enough and leads to very few concrete outcomes that would represent Welsh interests.

And I do agree with Billy in terms of using other countries as, you know, as an example that we could follow but what I would say that, you know, that in terms of Canada, we could use it as a cautionary tale, I think. Although the provinces have more powers as Billy said when it came to SITA [ph 0:29:40.9], the EU had a really, was very anxious when it came to ratifying SITA because of the reluctance of the of the provinces and I think here that if the devolved nations start being more and more unhappy with the decisions that are being taken centrally, it may mean that other countries talking with the UK government may have may have some alarm bells ringing. Of course, as Billy said, it's not, you know, it's not, we're not Canada and the UK government can compel the devolved nations to implement, you know it could still create some issues down the line.

**Claire Hanna**

OK, thank you very much. A large degree of consensus there and plenty of room for improvement. Thank you very much and back to you Chair.

**Charles Rose**

Thank you, I think that's shown us how different legal structures impact on these negotiations and the difference between the federal and the devolved was actually clearly drawn, thank you very much. We'll move onto the fifth question which is again with Tamara and please over to you Tamara.

**Tamara Cincik**

In devolved regions how do stakeholders allocate their trade policy effort between the devolved and national governments, is this an opportunity for extra burden. Now Billy, I think there's going to be an added nuance to that, so I'd like to start with you first.

**Billy Melo Araujo**

Yes, can you hear me? So, I think I'm not sure to what extent the other speakers will agree with me on this and actually I will defer to them because I think that they know a lot more about stakeholder engagement than I do. So, in my work generally speaking I think given the UK's trade policy framework is very much in its infancy, I think the UK has actually done a decent job of establishing structures that allow stakeholders to influence trade policy, so there is, and we're talking about it from an institutional perspective and also comparative compared to what other countries are doing. So, there is engagement, the pre-negotiation phases, but also throughout the process, which is quite important, including implementation of trade agreements. So for example Queen's, my employer, we're a member of the Domestic Advisory Group set up by the Department of International Trade to monitor the implementation of the trade and sustainable development chapters of the FTAs and there's a real openness there from DIT to hear views and to hear constructive criticisms of how these trade agreements have been implemented in practice. But obviously with respect to Northern Ireland you know so much of the oxygen has been taken by the Protocol, so much of the focus has been on the Protocol rather than the UK's wider trade policy, and in that context of the Protocol actually Northern Ireland stakeholders have had a considerable influence, especially business and industry representatives. So, if we see for example the proposals in the Windsor Framework many of them reflect the [inaudible 0:33:02.9] played by businesses over the past two or three years.

Also, we've seen discussions concerning the lack of democratic legitimacy surrounding the Protocol and that's played a part in amplifying the voice and influence of Northern Ireland's stakeholders. So, the challenge really for Northern Ireland here is hopefully moving forward you know post-Windsor Framework whether that platform that they've gained, whether they can leverage that to amplify Northern Ireland's force in the UK's wider trade policy framework.

**Tamara Cincik**

Thank you, Billy. Stacey?

**Stacey Dingwall**

Yes so obviously I can only speak on behalf of how we do things at FSB and our experience, so as I mentioned we're lucky enough to have policy teams in each of the devolved nations as well as one in Westminster and I'm aware that our international team at Westminster as I said with regards to the DUSA talks for example worked very close with DIT and there was a very open and ongoing dialogue

with the team there. As I said they've involved us in all of the kind of specific days that they've had allocated to talks in terms of the US, mentioned there was a day here in Edinburgh earlier in the year so there was an opportunity for me to be involved because that was taking place in Scotland, so I would say that the relationship between DIT and our particular organisation has been an open one.

**Tamara Cincik**

I thought I was unmuted, sorry apologies. Ludivine?

**Ludivine Petetin**

So, I would like to make a remark first in terms of thinking about stakeholders in Wales. So Wales is largely made of SMOs, so micro, small and medium organisations and this impacts directly on you know the approach of stakeholders so the policy and in the negotiations and this is very challenging for the Welsh stakeholders to engage properly because of resource limitation issues also around capacity and upskilling challenge and this is something we have been looking at. Now one of the issues when you think about this is what it comes down to in terms of the limitations of resources, there is a difficulty with duplication here, do you talk to the devolved authorities or do you talk to the national authorities, because the two are very different. If you talk to let's, say Welsh Government then yes, they have a more open approach to trade, but they lack power. Or do you go to the UK Government who has the power but then lacks transparency and input is rather meaningless. So here there is, it's a bit of an opportunity and a burden to have both devolved and national governments looking at trade policy from a resource perspective. And you know it can be quite burdensome and costly for organisations here because they have to make a choice, they can't attend very often it can be four meetings, looking at the Welsh Parliament, the Welsh Government, the UK Parliament and then the UK Government, so you know we are talking about considerable amount of time being spent when those organisations have very limited resources. So, you know it needs to change, this is what we gathered from the stakeholders.

**Tamara Cincik**

I think that's a very interesting point because what it raises is the fact that the resources in terms of the public affairs and policy making are predicated towards larger organisations and I've definitely seen that as a direction of travel through Brexit and beyond that the expectation is that you're going to feed in a lot of evidence all the time consistently which takes up a lot of resources which are finite, particularly if you are dealing with micro and small businesses, that's a really valid point, thank you for sharing your responses to the question. I'll defer back to the Chair.

**Charles Rose**

It's interesting this because it seems that it's just how things have turned out, how the dice have fallen rather than there being any design or any structure which enables say the changes which we've just talked about come through. Does anybody have anything further to add on that? Particularly the process of change in this or how things evolved?

**Ludivine Petetin**

I would agree that everything that the UK Government has done is targeting bigger organisations which means smaller organisations are struggling. From talking to stakeholders across Wales, we haven't seen any organisation, small, medium organisation actually having a full member of staff entirely dedicated to trade, so it's something that is done on the side of something else and this is obviously impacting how much input there can be from those organisations.

**Charles Rose**

Yes, it's a big resourcing issue. Any further comments? OK, let's move on, the next question is with Stephen Kinsella, and it talks about satisfaction with trade agreements, Stephen.

**Stephen Kinsella**

Yes, thank you Charles and Stacey I'll come to you first and then I'll respond. I guess I'm alone amongst panel members here being really rather perplexed that in the UK we don't seem to have been drawing on the experiences and expertise that clearly exists in the devolved nations. We've focused a lot on ...

**Charles Rose**

There's a huge echo on me, does everybody else have the same? Is there anything we can do technically because Stephen's question is being lost a bit?

**Stephen Kinsella**

I've muted and unmuted again, is it still there? That's strange, I didn't have it before so is somebody else unmuted at the moment? Not that I can see. Charles, is the problem still there?

**Charles Rose**

Yes, I'm still here. Would it be better if I read the question?

**Stephen Kinsella**

It might be actually; I can't see what's causing it. It didn't happen on my earlier question so.

**Charles Rose**

Let me read the question because this is very difficult to discern the words and I'm sorry about that Stephen. How satisfied have devolved governments and stakeholders been with the outcomes of trade negotiations to date? Additionally, what mechanisms should the UK Government establish to ensure that appropriate procedures are in place to address any disputes that may arise between the devolved nations in Westminster in the context of trade negotiations? Could we take that to Billy first?

**Billy Melo Araujo**

Yes, thank you. So there have been a few concerns that keep coming up, I mean it's still very early days in terms of the UK's trade policy and negotiation of trade agreements so we'll probably have to wait until we see a few more trade agreements to get a full sense of the level of satisfaction, with satisfaction of devolved authorities. But certainly, devolveds have been fairly consistent in terms of voicing their concerns that the UK has not adequately protected sensitive sectors in devolved regions, specifically the agricultural sector. So, all have complained that the TRQs in for example the UK-Australia and New Zealand FTA represent a significant threat to the agricultural sector. So for example the beef [inaudible 0:41:59.1] in the UK-Australia FTA, it said 35,000 tons in the first year which is almost ten times, tenfold increase in Australia's pre-existing TRQ, sheep quotas doubled, doubled Australia's access on the first year, so the major fear is that Australian and beef and sheep could undercut UK producers and as I said before for Northern Ireland reduce its market share in GB and GB being its biggest market. So again, sorry I'm going to bring it back to Northern Ireland, for Northern Ireland the issues are concerns which are very important, there are fears that concerning how these FTAs will undermine UK internal market by increasing bias to trade between GB and Northern Ireland. Right so if Australian goods are coming into GB without paying any tariffs these goods are likely to be subject to EU tariffs when they are being moved into Northern Ireland. So, in effect every time UK signs a new FTA especially with countries that do not have FTAs with the UK is knowingly increasing GB to Northern Ireland [inaudible 0:43:05.2] and that will be the case even if the Windsor Framework enters into force.

Thirdly there have also been criticisms levelled at UK's approach to impact assessments, which do not explicitly take into account the impacts arising from the Protocol on Ireland-Northern Ireland and regional impacts of FTAs. So, I would say those are the main issues so far.

Oh, in terms of resolving disputes sorry I forgot that. So, the disputes occur at two levels, there is a tend to resolve those disputes amicably at the portfolio level and if that doesn't work then it's escalated to the JMC. I think the dispute resolution mechanism as it exists has plenty going for it, while it's designed to provide space for discussion and amicable resolution. The criticisms that have been levelled at it are mostly targeted at the latter stages of the procedure where the joint ministerial committee when it's in dispute resolution mode is usually chaired by UK Government Ministers, even if the UK Government is simultaneously party to the dispute, right. And that's a feature that seems to be completely at odds with normal dispute resolution practice, so a more fair and equitable system would be one where disputes are chaired by an impartial and independent panel of other [inaudible 0:44:36.4] which is not the case right now.

**Charles Rose**

Stephen, I understand that you're now back on and I wonder if there's anything that you want to do to steer the direction of this questioning or respond to Billy and questions that you want for the two remaining witnesses?

**Stephen Kinsella**

Is the echo still here for you?

**Charles Rose**

No.

**Stephen Kinsella**

No, OK I don't know what that was then. Yeah I suppose when I introduced it I started by saying that I was just a bit perplexed listening to the evidence so far that we seem not to really be drawing on all the experience and expertise that exists in the devolved nations and it's frankly puzzling to me that we haven't done that in the negotiations, but obviously this question was looking forward and was asking what mechanisms you might like to see established to try to deal with some of the problems and focusing particularly on stakeholders which is why I'd been addressing it initially to Stacey. The other thing I would say at this session I mean normally at this point in a session I'm being told by the Chair to ask you to answer in about 30 seconds, unusually you've been so crisp and focused in your responses that we're actually ahead of time, so but there is scope here for you to be a little bit more expansive if you want to do so about you know what are the reasons that would explain the current levels of satisfaction or dissatisfaction and can they be addressed institutionally. Is it an institutional problem, is it about mechanisms or is it about something much more fundamental that we have to grapple and I know that's a very big question Stacey but as this question particularly referenced stakeholders and I think it is the interests of stakeholders more widely that we're interesting in hearing, maybe you'd like to go first.

**Stacey Dingwall**

Yes, certainly thank you Stephen. Yes I suppose for an organisation like FSB who are politically neutral you know that obviously there'd be a concern that the issues are being driven by political differences between governments which you know is obviously a concern for us because our key focus is making sure that these things work for small businesses and remove barriers to trade that they experience which is why FSB is supportive of government trying to establish these trade agreements, but there just seems to be a real lack of ability to meaningfully communicate between the two governments in terms of this issue unfortunately, so our concern is obviously the impact that has on our members and the whole economy in Scotland.

**Stephen Kinsella**

And is that because as FSB as a gathering of stakeholders, are you forced to go through government and local government, is there anything else you can do, do you think, to influence other than going through the institutional mechanism?

**Stacey Dingwall**

No, I think our main route is through the institutional mechanisms in terms of this particular policy area.

**Stephen Kinsella**

And obviously I was off for a short time, so I missed part of the response but Billy I know obviously you in particular have written on this, that you've come out with some suggestions as to what could be done in terms of mechanisms or approaches to the extent that you didn't address it while I was off is there anything you would like to add to that? What would your ... we often say what would

your two or three points be if you could say to Government now, what would you do, what should we be doing better?

**Stacey Dingwall**

In terms of collaboration with devolved governments or overall?

**Stephen Kinsella**

Overall, and then to Billy.

**Stacey Dingwall**

In terms of overall yes we have, so we recently published for instance a report on customs and how issues around that might be made better for small businesses, but I mean a longstanding ask of FSB at a UK level as well as devolved is just for meaningful consultation with stakeholders to make sure that all views are heard, we need negotiators to hear from businesses of all sizes and all parts of the UK and for central government to communicate clearly with the devolved administrations about the process of negotiations. The second thing is that we have long asked for SME issues to be dealt with explicitly in FTAs, we have welcomed the UK Government's commitment to include dedicated SME chapters or provisions within FTAs, post-agreement we also need further action to help businesses actually make use of these FTAs. Businesses don't always make full use of the preferential terms that are available to them which is why support and awareness raising initiatives are really important and need to be tailored according to the needs of local audiences. And finally I would just say that the devolved administrations deliver export support which is in addition to central government initiatives and we really need government to work closely with export support which is delivered by the devolved administrations to make sure that this content is delivered, is tailored to local audiences, particularly when it comes to as I mentioned previously region and nation specific agri-food products for example, it's really important that these things are tailored to local audiences.

**Charles Rose**

I wonder if we could ask Ludivine about satisfaction levels in Wales in particular?

**Ludivine Petetin**

Thank you. In Wales civil society organisations have been very critical of the approach, as mentioned in terms of you know farming, but also climate change commitments and whether the new trade deals actually deliver on the climate change commitments being made. Another important aspect that I believe hasn't been mentioned is ISDS and how could this impact the UK as a whole. In terms of mechanisms what organisations would like to see is more of different loading, so to avoid further issues down the line, and one of the ways would be to have obviously further changes to IGR mechanisms and that those decisions are being based on consent and approval of the devolveds, so we have a consensus based approach to IGR mechanisms, rather than having the existing mechanisms that we know.

Of course, another aspect that perhaps could be improved is in terms of the advisory groups that exist, so the STAGs and the TAGs that are in place now. It's felt that they could be used more

purposefully and if they could be meaningful feedback loops in particular for organisations, and a good example that the UK Government could use is actually the Welsh Government Trade Policy Advisory Group which is very inclusive, very open and you know is open to policy change as well. One last point is in relation to the memorandum of understanding on devolution, the concordat on international relations, these need to be looked at because they were agreed when the UK obviously was a member of the EU, the UK didn't have powers to have its own trade policies and of course now we have, it's a completely different context that we have and what the organisations want is substantive policy input being placed into future memoranda or concordats.

**Charles Rose**

Thank you. Stephen, have you got any more on this question?

**Stephen Kinsella**

No, that was fine Charles, I was assuming you would take back the chair now.

**Charles Rose**

OK fine. Thank you, I think this has been really most interesting and most illuminating and we now come to one of our stock questions of the Commission which is to ask each of our witnesses, what are the three key policy recommendations which you have for the UK Government regarding the devolved nations and international trade? Can we start off with you Stacey?

**Stacey Dingwall**

Thank you, I would probably just refer to my previous answer there to Stephen, those are FSB's main asks with regards to meaningful collaboration and recognition of SMEs within the negotiation of FTAs.

**Charles Rose**

Thank you, there's nothing else from the Scottish side?

**Stacey Dingwall**

No, just communication, that is the main thing.

**Charles Rose**

It sounds as though communication is a theme which has gone through the whole of this session. People understanding what it is they're attempting to do. Good. OK, Billy can we go to you?

**Billy Melo Araujo**



Yeah, so this is going to sound a bit strange coming from a lawyer, but I think what the UK needs more than anything is to embrace a mindset when carrying out an inclusive and cooperative approach to trade policy making. It isn't just something that you can see in the devolved authorities and other stakeholders, it's not just a favour, it's something that presents clear benefits. Benefits in terms of enhancing the democratic legitimacy of trade agreements, of trade policy, because increased involvement from devolved authorities will lead to increased buy-in from those authorities, but also benefits in terms of policy outcomes because devolveds are through experience they are better placed to understand the potential impact and interaction between trade policy and devolved markets.

Now, so giving devolveds authority [inaudible 0:54:47.8] trade policy should mean impacting the trade policy outcomes with UK as a whole, are better and better reflect the interests in the UK and all of its constituent parts. Now in terms of specific policy recommendation firstly any system into government cooperation needs to be put on a statutory footing, with clear legally binding procedural obligations and rights to access information. And the system of cooperation and information sharing should be extended to devolved parliaments, I think we haven't mentioned devolved parliaments yet, but I think they are a missing piece of this discussion, devolved parliaments, devolved assemblies have essentially no say in scrutinising trade agreements. Secondly, it's very important that we are pointing to the fact that thinking that trade agreements are processes that start with negotiations and end with ratification. Trade agreements these days are living agreements, increasingly these trade agreements are establishing joint bodies and committees to which implementation issues are addressed, in which parties explore regulatory cooperation opportunities, devolved authorities and stakeholders should be part of that conversation.

And finally, I'm going to stay on brand and mention Northern Ireland, right from a Northern Ireland perspective the UK Government should start carrying out and publish impact assessments which examine the impact of FTAs on Northern Ireland. In relation to the Protocol. And this would allow UK to engage in these negotiations and future negotiations with a better understanding of the potential conflicts between FTAs and the Protocol. And allow to identify areas where such conflicts could be minimised, and this has economic but also political repercussions which are very important points and I wanted to end with that, thank you.

**Charles Rose**

Thanks, and Ludivine, could you comment on this too?

**Ludivine Petetin**

So, thank you very much.

**Charles Rose**

What are your three recommendations?

**Ludivine Petetin**

So, some of them will echo what has just been discussed. So, talking to civil society organisations across Wales, so there are three key policy recommendations are the following, so the first one is the establishment of a trade policy and to develop an overarching trade policy with long-term goals, it's

something I discussed in previous questions, this needs addressing. What is it that the UK Government wants to achieve. Why are we signing all those trade agreements very ad-hoc, what are the long-term goals, what is the strategy? The organisations would like to see that. And how, of course, this reflects in particular the wellbeing of future generations for all Welsh stakeholders.

The second one will be meaningful engagement and consultation, and this means in particular timely transparent and inclusive decision-making process. So again, echoing what has been said. And what in particular what was felt by organisations is having better data available online to inform the different organisations. And the third one is to have a holistic approach towards first the analysis but also second the impact of trade agreements, so that we actually take into account the environment and social dimensions of trade and in particular thinking about health, labour and human rights. And this is something that the organisations really would like to see going back to impact assessments, as Billy mentioned but slightly different.

**Charles Rose**

Thank you very much, I think this has been a really excellent session, we've uncovered a lot of issues which the Commission will take and report on. I want to just in the last couple of seconds, is there anything else that any of the witnesses would like us to carry away from this session? No. Well with that I'd actually like to thank our witnesses very much, thank you for being so clear, so precise in your answers and I'm sure we all look forward to meeting you again. Thank you.

Right, that brings us right up against the time and we're going to move onto the levelling up, has anybody got any comments before we start the next panel? No, shall we just go on? Right OK. Good. Jennifer, do we have the other witnesses in, the new witnesses?

**Jennifer Watson**

Yes, everyone is here ready to start.

**Charles Rose**

Good, OK so I'm just going to go straight in, is that OK Jen?

**Jennifer Watson**

Yeah, go for it.

**Charles Rose**

Thanks, good. Welcome to the UK Trade and Business Commission and second session of the day where we've going to discuss the levelling up and its impact on trade and this morning, we've got three excellent witnesses who I will ask to introduce themselves. If we could start with Paul and then Emma and then Graeme. Paul?

**Paul Swinney**

Good morning, everybody, I'm Paul Swinney, I head up the research team at the Think-tank Centre for Cities that looks at the geography of the UK economy.

**Charles Rose**

Thank you. Emma?

**Emma Degg**

I'm Emma Degg, I'm the Chief Executive of the North-West Business Leadership Team, so we're a group of cross sectoral large business leaders with substantial interests in the north-west.

**Charles Rose**

And Graeme?

**Graeme Atherton**

I'm Graeme Atherton, I'm at the Centre for Inequality and Levelling Up at the University of West London, we're a research centre that focuses on policy issues related to inequality, levelling up, both regional and non-regional issues as well.

**Charles Rose**

Thank you very much. Let's go straight into the questions and the first question is with Geoff Mackey, Geoff come in.

**Geoff Mackey**

Thank you very much Chair, good morning, everyone. How does trade policy and the levelling up agenda intersect and what approach has Government taken in addressing this intersection? So, no challenge to start with. Graeme, could we start with you please?

**Graeme Atherton**

Sure Geoff, yeah well, I guess you could describe the relationship as kind of pretty tangential really. I mean if you look at the missions, the 12 missions associated with levelling up only really two of them, the first two, one looking at pay and productivity, one looking at R&D really are kind of engaged with trade in any way. If you think about the funding that's related to levelling up, we've done an analysis of the overall funding associated with levelling up, but the Government states is associated with levelling up, it's not that clear to be fair because there's a levelling up fund, but there is other funding streams which the Government has associated with levelling up, which come to around £12 billion. Of that £12 billion you've probably got about, a small amount around, fundamentally related to freeports but that relates to around £300 million out of £12 billion and

most of the rest of it is related to domestic related issues. So, you haven't got that close connection. And the final issue is that there hasn't been really that infrastructure developed to support levelling up from the Government's point of view. There was in the White Paper the suggestion there would be a series of advisory groups involving stakeholders from the private sector, civil society, etc, to engage and move levelling up forward. Of course, that would be an opportunity perhaps to engage with issues like trade, however that hasn't transpired as of yet. So, my view from our analysis is that it hasn't been a close relationship or a tangential one if at best at the moment.

**Geoff Mackey**

Thanks very much Graeme. Emma with a North-West filter on it, is the intersection any better from your perspective? Is it moving?

**Emma Degg**

Always good to answer questions from you Geoff given you know more about the North-West than I do, but anyway here we go! So the first thing I'd say and it's not a criticism of the Commission but it applies to everything really, the North-West's exports are worth more than any devolved nation and that's the case for a lot of regions, so when you're looking at place-based trade policy there's something actually about not looking at England as a homogenous whole either frankly, so some of this isn't how do we use trade to level up, it's how do we make sure that trade doesn't level us down because it's a really important part of our economy. A lot of it as you well know is around manufacturing, chemicals, advanced materials and so on, so the potential impact is significant. And though it's happened in parts and I think DIT have been making attempts, actually the new mayoral authorities and the new growth deals, trade has been a bit tangential as well and that matters in two directions and I was really interested catching the end of the previous witnesses, without those discussions and embedded relationships trade policy is not being influenced properly by what's actually happening on the ground and where the opportunities are. And without the right capacity on the ground actually businesses can't be supported in what's a much more complex environment. So, if you look at the levelling up funds, as Paul just said, they're there but the capacity isn't, and DIT have moved their trade advisors back into the centre and out of places. So, there's a big capacity issue happening at the moment.

**Geoff Mackey**

Thanks very much Emma. Paul, would you like to pick up some of the threads in that one regarding the intersection between levelling up and trade please?

**Paul Swinney**

Yeah, I maybe have a slightly different view to the other two participants in that I don't think we should expect that there are very strong parallels or inter-linkages between the two. I think if the UK has got to go out and strike trade deals some of those will have a geography to their impact, but we should be thinking about what relationships does the UK economy need in order to allow companies from across the country to access the markets that they need to access. What levelling up should be trying to do instead I think is thinking about why aren't there enough companies who will trade abroad in certain parts of the country and how do we go about trying to change that. Now that isn't necessarily about trading relationships, although clearly having good trading relationships with

different parts of the World will help facilitate that, but it's more about what are the barriers that are stopping these exporting companies not going to parts of the North-West or parts of the North-East or parts of Scotland in the way that they do clearly go and locate in parts of the Greater South-East. And so, it's a slightly different challenge about how you get those companies there in the first place, as opposed to then what is the relationship with the rest of the World, that I think levelling up should be trying to focus on. The White Paper sort of hints towards that but clearly, we haven't had a great deal of progress since then to actually see that turn into action.

**Geoff Mackey**

That's a really helpful start, thank you very much. Chair back to you please.

**Charles Rose**

Thanks very much Geoff. I'm now going to turn to Alan Winters who's got the next two questions and Alan, I'll just ask you to take it up from here.

**Alan Winters**

Yes, thank you very much Charles and thanks to the witnesses for coming. I mean I guess I'm continuing in a sense along the same theme as Geoff introduced but do you think the Government takes sort of adequate notice of regional issues and inequalities when it is thinking about its trade policy, developing policies and you know if not I mean what suggestions would you like to make? Emma, why don't we start with you?

**Emma Degg**

I'm sorry really to echo some of that previous question, so the Northern Powerhouse partnership working with the mayoral authorities and the 11 former LEPs [ph 1:07:53.4] for the North developed what we were looking for out of trade policy, identified the key areas where we thought that there were going to be opportunities and where actually places could work together. And to come back to Paul's point if I may, place does matter in this actually in terms of building the sort of scale you need to be able to put a proposition to investors and without that intelligence and joining up that's not going to happen. And at the moment there simply isn't enough discussion going on and that does come down to what is available on the ground to identify that and there was a lot more, we see ERDF coming to an end and that is really having a damaging impact on business support, on business engagement, not just in terms of public sector structures but our universities as well. So, in some respects Government can identify what is required but without that knitting together ... no business is going to be able to take opportunity of that.

**Alan Winters**

OK thank you. Paul?

**Paul Swinney**

So, this is going to come across as being a little bit flippant but it's not, our view is that if the Government really did think about that we wouldn't have left the Single Market.

**Charles Rose**

I think that's felt in many chairs here but carry on.

**Paul Swinney**

So, if you want to take that very broad level the answer is no. I mean I think it comes back to though, first what are we talking about in terms of trade policy, I think maybe we're at a little bit cross-purpose in terms of the three contributions so far. My view is that we are talking about trading relationships we have with other countries, that's different to investment into the UK and related with different, and it's probably different to some degree around business support etc, that's how I'm framing this anyway. I mean beyond that, so hold that in your minds, beyond the point about the European Single Market, I don't think there has been any particular reflection of UK Government about how this might play out across the country when they've gone to strike deals with different parts of the World, some of that maybe they should think about, you know if there are particular parts, particularly say around auto manufacture where there are going to be some very specific implications on not having a deal that is maybe something they should reflect on. But I do think more generally this is a position about what is good for the UK economy and then therefore what are the types of deal you should be striking, which will involve geography in part, but I don't think that should be the driving factor. I think the bigger issue here is about why not having exporting companies in certain parts of the country, what does that then mean from a levelling up policy or whatever it is that the Government wants to put a label on that point about trying to improve certain parts of the country. And that's a sort of related but separate question. It feels to me that there are a number of parts of the country that haven't got those companies in place in sufficient numbers in the first place to access the benefits if we did strike deals with other parts of the World, and it's thinking about those things as two related but different elements.

**Alan Winters**

Thanks very much. Graeme?

**Graeme Atherton**

I agree with Paul, Paul has been alluding to it, it's the fact that obviously there are infrastructural issues regarding what leads to economic growth in terms of that combination of skills and infrastructure and soft development as well is crucial, but I guess the original question I mean I suppose you have, to answer it you have to look at the trade policies developed so far and at the moment the extent to which within those trade policies appears to be any reference to inequality or regional differences and again that appears to be some but there's room for further development. We look at the CPTPP accession negotiations we're beginning at the moment into the Indo-Pacific and Canada, Mexico region, that's at the moment when we got into some discussions about becoming part of that trading area and you see there in that paper there's some references to regional inequality impacts across the country by region, not just by devolved nation. But there's an indication then that there's a kind of feeling that there is a regional dimension to trade in that

negotiation, the question is, is that enough? The question is, should there be a greater element of concern data-led input into such a trade agreement and going forward should that be the case? Would argue that there should be and there's no evidence of that being undertaken which at the moment that is there's something there but there appears to be more because of course, there is that data available, it looks at trade differences and imports and exports and actually particular sectoral trade flow by below regional level down to ILT4 level, at 40 and even lower than that, so we've got some of the data now. I mean one of the questions before, do we have the data that allows us to start formulating these agreements and thinking about implications of policy, we do have some of that there even though it's quite experimental. So, there's opportunities for greater engagement if we took that forward.

### **Alan Winters**

OK thanks. If I may I'd like to sort of specialise the question a little bit and then sort of come round again. I mean so imagine the Government listen hard to you and it says yeah we understand that we've got to build infrastructure, we've got to build education and we need to set up conditions in which firms will establish over a broader geography in the UK, but you know get real, it's ten years, 15 years. In the meantime would you say stop striking trade deals that put agriculture and older manufacturing under pressure because in a sense places aren't ready to adjust, or would you say no, no carry on doing that, that's the sort of ... as Mrs Thatcher would've said, that's the incentive actually to get these new things established. So, in a sense, you know imagine the long term is basically taken care of, would you say just be very careful over the short-term with trade agreements and other bits of trade policy? So let me go round again, but let's go in the same order, Emma.

### **Emma Degg**

Absolutely. So, and frankly it's not one thing or the other really, so we've got 9,000 businesses in the North-West trade with the US and that's before any trade policy, so some of that trade just happens right, so it's not that there's a huge ... you know the figures better than I do, it's not like there's a huge opportunity from doing that. Again coming back to the question, if the question is can you use it to level up, that's actually about making economic advantage from doing so and one of our problems up here is low rates of productivity and there is a clear relationship between businesses who trade and businesses who innovate and leadership and all of those other things. So, there is no point striking trade deals that you can't then secure back down to do those other things which is why the business support point does matter. We are seeing local chambers who can no longer advise their local businesses because the questions coming in are so much more complicated than they were before, so are having to refer into specialist centres with all of that cost. So, we're losing ground actually and there are a number of businesses, again you will have taken evidence on this, who are just saying actually this is too hard and we don't want to do it. So actually, moving backwards. So some of this is completely agree with you, secure the position, stop looking for bright shiny, and let's look in a sensible way at how we can build a trading infrastructure and that is going to involve I think the metro mayors certainly, the new devolved structures to be able to do this properly rather than just talk about it. So, I don't know if that answered the question, but I agree.

### **Alan Winters**

Yes, it does, I think it's a very complicated issue, it will take us a lifetime to sort it, but yes, thank you. Paul?

**Paul Swinney**

I think we should be doing that assessment to understand the impact and whether actually it is concentrated in certain parts of the country or not and there is then a secondary question about whether we still feel that is sensible economic policy to go ahead. I don't think we shouldn't be doing these sorts of things because it's perceived to go against levelling up and you know if we was to take the Thatcher-style approach which is all of this is the old, it needs to be flushed out and we need to bring in the new, if that's the policy that the Government of the day wants to go ahead with and can argue that ... well, let's put it another way, that is maybe something that sits on the other side of the argument that we need to balance up against well what impact will it have in certain parts of the country. I think ultimately protecting certain parts of the country, and I know you're not saying this because you were short-term but if we continue to protect certain parts of the country from wider economic forces so they don't adjust it will ultimately mean that adjustment when it does come along is much harder when it comes along and you could argue that's happened through the 60s and 70s into the 80s as well, so it is that balance. We can't say we're not gonna do this simply because it doesn't go against some sort of levelling up objectives, but we should be doing an assessment, so we feel we are making a measured approach as to why we're doing what we're doing, rather than not making the assessment at all.

**Alan Winters**

Thank you. Graeme?

**Graeme Atherton**

Yeah, I agree with a measured approach, I think the issue is we've all brought it back to levelling up overall and I mean we've seen this a little bit I think with the Government's approach to levelling up is that they've set a series of medium-term missions. Missions which you know you might think different missions but nobody would dispute the validity of those that are there, but at the same time not paying attention to what's happening at the moment, i.e. the cost of living crisis, there's no anti-poverty strategy and the short-term problems people face on a day to day basis, which just makes longer term achievement of goals related to levelling up literally impossible. You've got a similar parallel here as well, unless you're careful then whatever goals you want to put in place to take forward for new areas of trade which can lead to greater productivity, better gains, etc, unless you're mindful of the disruption caused regarding short-term change you can't take advantage of that, because you leave like your skills base, you cause short-term economic issues, not just ... political issues as well which can lead then to policy change as well because you've left certain communities and other bereft of any form of a future, unless there's adaptation, unless there is a structured way [inaudible 1:18:36.1] because again levelling up you know we're talking regional terms here but levelling up is not really regional terms, it's community terms, you know you're not talking about the North-West being poor or them being rich, it doesn't really mean that much because there are parts of London exceptionally poor, parts of the North-West that are very well off. So, when you're really talking about these issues of region you're talking about much smaller levels of plays and sometimes they generally get into. That's an issue for trade as well because we talk about trade and stuff like capacity and we talk about how we negotiate and develop, policies for trade which address inequality etc and levelling up. We talk about things at a sort of macro level when actually things are very, very much reality of a micro level where inequality is concerned.

**Alan Winters**



OK, thanks. I mean I think we're hearing a sort of variety of views in here. Let me move on to formally I guess my second question but again it's all part of the same story. Again, I think you know let's assume, let's just pretend you know the story is sort of sorted out for 15 years from now, the question is getting from here to there. Can you suggest ways in which trade agreements could be altered to take account of these regional stresses that they might create or perhaps regional inequalities in the sense that a trade deal might favour region grossly over the rest? In a sense going back to saying here we are with this set of inequalities, we think eventually we're going to get around them but in the meantime what would you suggest so far as sort of actual things within trade policy, no-go areas, areas to stress? Paul, might I start with you?

**Paul Swinney**

A very interesting question. My first reflection is probably not, I mean we're trying to think about how to get certain parts of the country to play a bigger role in the national economy and how we're going to get them to reinvent their economies to make them more productive and make them more successful and having trade policy which is bent towards them which probably reflects their existing industrial structure ultimately is not going to help them, because it is about trying to get this reinvention. What that means is that I think we are, for me it's about trying to separate the two policies out, that levelling up is trying to achieve one thing, to get this in a certain position that they can then make maximum benefit from having open trading relationships with other parts of the World, rather than necessarily trying to tweak trade policy the other way.

To put that in another way, I mean if we were to say that there is a deal to be done around financial services let's say, one argument could be well we're not going to take that up because that's not good for levelling up and that would be ludicrous to do that. Really what we need to be doing is having certainly Manchester, Birmingham and Glasgow being in a position that they are hubs to a much greater extent to what they are currently of high value service exporting activities, and then we want a trade deal in place that allows them to then benefit from a trading relationship that is involved, that is about tradeable services.

**Alan Winters**

Thanks very much, very clear. Graeme?

**Graeme Atherton**

Yes, and I think if you're going to have such trading arrangements that can reflect inequality or adjust inequality in this term then I think you need to bring closer how you develop your trading agreements, how you develop your policy related to inequality, like we said at the beginning. I mean if you're serious about doing this you know at the moment you know the two things are entirely separate, they are led by different departments, they have different sets of experts if you like involved, and some organisations often involved, so there is a relationship between the two things. If you're serious about really being concerned about how trade will impact upon inequality and an extent to which you grapple the question of whether certain areas should be allowed to continue with industries that perhaps are in decline or supported to be [inaudible 1:22:48.5] improving then you need to bring these two things closer together. So if there's a Government, you're going back then to a macro question not just at the regional level but at the national government level, you know how, what's level of, you know levelling up was meant to be of course an approach that would embrace, move across all [inaudible 1:23:05.6] a cross-governmental approach but I guess in that

was a vision it would also involve international trade to an extent yes, to an extent probably less so, but that needs to [inaudible 1:23:15.5].

**Alan Winters**

Thank you. Emma?

**Emma Degg**

At the risk of repeating really, the way that you can bring those things together is in place through units of government that can put a ten-to-15-year long skill strategy alongside investment strategy and alongside infrastructure and connecting communities that are furthest from opportunity to those that have. Some of this is about data and intelligence, you know a professional financial services deal hugely benefits Liverpool, Manchester, Leeds, Chester, other places, and there's presumption that those sorts of deals only benefit the city and it's not the case. There's something around impact assessments around any trade deal being done so things have to be considered. So if you look for example at freedom of movement it's costing us huge opportunities at the moment because the pool of skilled people to come is much lower, actually salaries are lower outside London so if you set bars and barriers at a certain level that's appropriate for London and the South-East they're not for the North and at the moment those things don't have to be considered as part of any sort of Government policy. I sit on the UK2070 Commission and one of the things we have looked at is could you actually in the same way as you have environmental impact assessments across policy, or equality impact assessments across policy, can you actually have levelling up or place-based impact assessments across everything and in that way those things have at least to be considered and before deals are signed or done ministers and the civil service need to be aware of what that impact is going to be. So, it'll never happen but it would be a nice thing to do.

**Alan Winters**

Well thank you very much, it's a magnificently complicated problems that academics like me love, but it's a really interesting set of answers, thank you very much. Back to Charles.

**Charles Rose**

Thanks Alan. The next question is maybe it's a bit about picking winners, but it goes to Geoff Mackey to ask about specific sectors. Geoff?

**Geoff Mackey**

Thanks very much Charles. Emma, could we pick up on the threads of what you've just started with because it's really, really interesting. I mean given some of the work you've been involved with and indeed in the North-West, are there any specific sectors the UK Government should focus on for inward investment to help with this agenda and just picking up your last throwaway remark, any suggestion as to policy changes we should consider?

**Emma Degg**

It's a region answer Geoff, isn't it? So first of all I think there is always a danger of a presumption again I apologise if you're not close to a place or a sector that we have sunrise sectors, sunset sectors and that you pick the new shiny, so tech, finance, net zero, all of those things is really easy to get a hearing for. We have just been through a period as a country where we surely know that actually some of our foundation industries, chemicals and so on, are actually really important to the long-term health of our economy and where we have some real opportunities in terms of globally competitive technologies I'd suggest. So, from advanced materials through to actually glass making, really important. We nearly got ourselves into a complete state during Covid because of a lack of glass production, and we see some of our most interesting companies who are increasing their trading opportunities and actually seeing foreign investment coming in from those sectors. But I just don't think there's a way of doing that through a national lens. I also really worry about every place saying, you know going for the same sectors and it's never that obvious, it's always subsets of. So I would suggest that what we need is a national industrial strategy that is built from the bottom up, that is informed by regional data, by regional economic growth and trade policy and where government doesn't, of any shade by the way because they're always all guilty of it, doesn't chose to pick winners for places but builds it the other way round.

But again, I would do that place-based assessment Geoff because particularly in terms of skills that's what's causing us real problems at the moment.

**Geoff Mackey**

Thanks Emma, so really to summarise, a plan would be nice.

**Emma Degg**

A plan, a bit of a strategy, one that we stick with for say 15 years, that would be lovely yeah.

**Geoff Mackey**

What a thought! Paul, going back to the thought as to a plan, you've already made mention of different sectors and Charles has mentioned choosing winners, any comment to that, is there specific sectors from your opinion we should focus on?

**Paul Swinney**

Was that aimed at me sorry Geoff?

**Geoff Mackey**

Yes please.

**Paul Swinney**

Yes, just to clarify so you're talking about from an inward investment perspective now rather than a trade perspective.

**Geoff Mackey**

Yes, I'm talking about inward investment.

**Paul Swinney**

Right, cool. I would say I don't think it will be the priority in terms of where I think the challenges are. So, the question I think we should be asking ourselves is why is it that high skilled exporting businesses are not locating in certain parts of the country, and with anything about why do they locate where they do, so they principally go to the Greater South-East, well why is that? Well, the Greater South-East offers access, access to lots of high skilled workers first one, and then secondly particularly within the city centres in the Greater South-East and London especially, access to a network of other knowledge-based businesses, so that's telling you something about city centres in particular being very, very important. These companies self-select if they're going there despite the cost of doing so because we also know that the rents are really high in those parts of the country and yet they're still doing it. So, there's something about paying for access that they're looking for. Now you go further North, and you pick out particular places and you see that they're not getting in a lot of high skilled exporting companies because they're not offering access to lots of high skilled workers and not offering access to this network of knowledge-based businesses. They are though however successful at attracting in exporting type activities but lower skilled type activities, why is that? Because they offer access to lots of workers, particularly in their cities but they're lower skilled, enough access to lots of cheap land. High skilled exporters will pay premium for land, lower skilled exporters won't because they don't get the benefit of it. And you then see this splitting out of economic activity across the country as a result of that. Now this doesn't just happen between sectors, it doesn't just happen within sectors, it happens even within the same companies.

So, if we pick out Barclays for example, it allows me to pick on my hometown which I don't ever like doing but it is a really good example. Investment banking activities in Barclays are in Canary Wharf, why? Access to high skilled workers, access to a network of knowledge-based businesses despite the costs. The back-office functions of Barclays, the call centre type activities are in Sunderland and they're in Liverpool because both of those places offer access to a large number of low skilled workers and offer cheap land. You're not going to do call centre stuff in Canary Wharf because it's really expensive and you don't get that benefit. You don't benefit from the access that Canary Wharf gives you, so instead you move that elsewhere in the country. What that then points to is that policy, levelling up or otherwise should be focused on trying to change those benefits that different places are offering if we do want to pull in these sectors irrespective of what sector they're going to be in. And that's where we should be, and clear as day, you know if we were sitting here ten years ago and saying well OK, we need to have a sector-based policy, a sector-based approach to inward investment, what sectors would we chose? Would we be the selecting the sectors that are the growth sectors of today? Applying that same thought experiment, it's quite hard for us now today to say OK well these are the sectors that are gonna grow in ten years' time, so we should go down that route. It feels to me that it's actually much more about trying to understand why these types of businesses of which there are a whole range of them, are not locating maybe where we would want them to, to bring great prosperity to other parts of the country, so it's focusing on that for me.

**Geoff Mackey**

Thanks very much Paul. Graeme, any comment as to policy changes and focus just to finish us off?

**Graeme Atherton**

No, I mean I think the only comment I'd add I guess is on the basis of what Paul and Emma said is that I suppose we talk policy focus, they tend to use the focus on growth industries, what we predict those to be which generally are always high skilled, high skilled members, high skilled workers etc. I think the reality is there's always going to be a distribution of skill and qualifications across the labour force, and we have to be mindful that there are other things, Emma pointed to foundational industry, the policy makers need also to pay attention to. The tendency is for policy makers to feel like ... everybody wants to appear as if they you know, after Wilson 64 they're part of the white heat of technology, so everybody talks about how it's life sciences and creative, they only do that, it looks exciting and kind of sexy. But there's also industry that feels less sexy that are also very important, particularly when equality is concerned because again back to the point earlier on, you can talk what happens in ten or 15 years' time, but the reality is that if you're really interested in supporting people who are facing difficult situations they're living that now, not in ten or 15 years' time. So you can do what you want or think you can achieve in 15 years' time, great, aim for that but you work at where you are now and if you're gonna look, put your attention to things that might not happen anyway and ignore those things that are employing people now regardless of what they're employed to do, because they are actually in employment, in a sort of secure-ish way even if it's only in call centre work, etc, what it may be, then your problem is that it'll lead to people going into poverty, it'll lead to greater deprivation, it'll lead to a cycle which is even harder to get out of in ten or 15 years' time.

**Geoff Mackey**

Thank you very much. Work for today, plan for tomorrow. Back to you Chair.

**Charles Rose**

Right and on with today's work. We're going to move the question on again with a bit more emphasis on regional inequality to Deborah Annetts, Deborah can you come in now?

**Deborah Annetts**

Thanks very much indeed Charles. So, this is a two-part question so if I could come to Emma first. Do high levels of regional inequality hamper a country's ability to trade successfully internationally or attract inward investment? So, we'll just stick with that first part of the question, thank you.

**Emma Degg**

So yes, because we're reducing the size of the prize by not investing in other places. So, we will not deliver a Gigafactory in this country or more than one which we certainly need in terms of trade without the appropriate land remediation done, without an appropriate scale of incentives such as we're seeing in the US and across Europe. So, we're not just going to accidentally deliver that into London and the South-East. The biggest attractor of investment though is skills, it's the skills base and without doing something about those disparities investors aren't going to come. There is you know, everybody talks and it is true that there is a tremendous opportunity presented by net zero and the green economy, so again sorry to talk about the North-West, in terms of the scale of jobs and investment and investable projects they are there, but we need national government getting behind those and the ability to be able to articulate those in the right way. And we know what happens if we don't deal with those inequalities at the same time. So, we saw it in Hull, right? So offshore wind, the

work that Siemens did, a brilliant example of how you can lift a community. But actually also a failure because we didn't invest with significant scale or early enough or have that as part of our long-term national industrial strategy, so a lot of the supply chain opportunities actually weren't secured for Humberside but still rest in the rest of Europe, so the answer is yes, you don't get the investment and also if you don't do it properly you don't get the benefits of that which you get.

**Deborah Annetts**

Can I ask you a really what sounds like an incredibly stupid question, how do you get skills? Where do skills come from?

**Emma Degg**

Skills come from the complicated knitting of spaghetti between families and communities understanding where opportunities are and how to access them. Pre-school, schools, and FE all understanding what the clear goal is and where that opportunity rests and business having an easy access at every stage of the skills journey to be able to influence that and provide that support and opportunity for those who need it the most. In the end we're pretty good at getting kids already and young people and employees who already have cultural capital into those opportunities, one of the problems we have, sorry I'm going completely off topic in terms of higher level apprenticeships is that those are now more attractive to many kids who could perfectly easily go to university and do something else than the opportunities they had before. It's a really long-term process and that's why we need long-term national industrial strategy, long-term industrial strategy locally and why inward investment and trade has got to be part of that. That was a complicated incoherent answer to a perfectly intelligent question.

**Deborah Annetts**

No, the reason I ask it was because I come from the music sector and we're always being told about skills, you know we need skills and I just wonder where these things come from because we're always being ...

**Emma Degg**

People isn't it, really.

**Deborah Annetts**

Exactly, we're always being berated, where are the skills, where are the skills, but I have a feeling they are probably, we need a strategy so that was ... OK. So, Graeme, if I could come to you, are the UK regions attractive to businesses from other countries?

**Graeme Atherton**

I would suggest that to an extent they are because there's foreign direct investment going into all regions, it's a relative attractiveness, obviously seems focused predominantly towards London and of course financial services particularly, but if you look also at FDI, I mean actually across the 40 or so

IEL2 areas, the ones just below regional level, of those around, I think two thirds are manufacturing and professional services, so it appears also that we are attractive to particular sectors, maybe we need to be more attractive in a broader range of sectors, the evidence suggests that's the case but we are attractive overall, we need to gain back to them as [inaudible 1:39:09.1] infrastructural issues hamper some of these distributional points, particularly where skills is concerned, but skills is important but also I think back to earlier points as well, I mean how do we ... investment also isn't just about skills it's also we look at international and regionally in equality, some research suggests that in certain parts of the World where there has been inequality where there's also been concerted you know cross institutional stakeholder efforts to engage and develop more investment you're also then in a virtuous circle, investment comes in, it encourages greater skills growth etc, so is that happening, is the capacity there to engage in FDI or not across particular areas, what's the critical mass for that, probably not in certain parts of the country. And then of course you have to be careful as well because when you talk about you know having greater ability for regions to be engaged in say attracting FDI, foreign direct investment, then stronger regions will be better than weaker regions. I mean you know we look at the North-West and we look at what's happening there and we look at Manchester, we look at the prominent place that certain mayors are having, great for the North-West perhaps I would argue, but less good possibly for other parts of the country because having one prominent region doesn't necessarily help other regions overall, it means your region is better than the others. So, you've then got to think about what strategy you have if you are gonna be ... because there's attractiveness there, it's a question of how we enhance that.

#### **Deborah Annetts**

And just coming to Paul, have you got any comments in relation to those two questions at all, so the first question just to remind you was do high level regional inequality hamper a country's ability to trade successfully internationally. So, any further thoughts on that?

#### **Paul Swinney**

So, the, in terms of the second question yes, I think parts further north in the country are attractive to foreign investments, the problem is are they attracted to low skilled foreign investment. So Sunderland has had, again to pull on Sunderland, actually it's got a really high share of jobs that are in foreign owned companies but a lot of those jobs have had a good track record of attracting that investment in, the problem is that it's been in low skilled type activity which pay low wages and that has implications for productivity, has implications for dependence on benefits, the ability for career progression etc, etc and that's why you know it struggles in the way that it does relative to other parts of the country. The issue is about how we try and change that, so that actually it's often the benefits that would be attracted to the high skilled elements of Nissan in particular that are further south, rather than just the low skilled elements of Nissan that very famously are within the city.

In terms of whether this hampers the broader UK economy, yes it does, four places are not punching below their weight that are not making a contribution that they should do, now principally that is Birmingham, that is Manchester, that is Glasgow, that is Newcastle, that is Leeds, that is Liverpool. It's these big places that when you compare their performance to their equivalent sized cities on the continent, they are miles behind where they should be. Big places should get more productive and that happens across the developed world, it doesn't happen in the UK and that's one of the UK's biggest economic headaches is that its second-tier cities are not making the contribution that they should do. And if they did that would grow the size of the pie because Manchester would be more successful, Glasgow would be more successful, UK economy would be larger as a result and you would be attracting in more of that, doing more trade with the World too.

The caveat for this however is that we shouldn't expect, we shouldn't be expecting the difference between Cumbria and Manchester to necessarily be a problem within all of this, so we shouldn't be expecting Cumbria to attract in the same amount of FDI or exporting as much as what Manchester should be, and so when we talk inequalities we need to be thinking about more about where are places to what their best possible versions of themselves are, rather than necessarily just saying that inequality is bad full stop. Because if we didn't have a levelling up problem, we would still have inequality across the country because different parts of the country play different roles. Cumbria plays one very particular role, Manchester and particularly central Manchester plays a very different role and we should be expecting there'd be a difference between those two places, if we have an economy that is functioning in the way that it should be.

### **Deborah Annetts**

So, I mean through all of those answers there was a constant theme around skills which is so fundamental to growing the wealth of these, as you've called them, second tier cities. So, moving onto the next question, what has been the impact of the UK's departure from the EU on regional inequality and what steps can be taken to ensure that future changes in trading relationship yield more positive outcomes for all regions in the UK? So, this is about trading relationships and whether it's been bad for regional inequality and if so, what can we do in future trading relationships not to have such an adverse outcome. So, if I could come to Emma first?

### **Emma Degg**

To repeat a previous answer really, we have had particularly higher skilled future workers and postgraduates turning down roles post-Brexit, that's for a whole host of different reasons. Some of that is about bringing families with them actually, some of that is around the cost of visas, but quite a lot of it is actually as not being perceived as a very welcoming place. And again, some of that we talk about the mayors, is about place-based missions to actually promote the UK as somewhere that actually we do want to attract international skills to, but also that we value lower-level skills as well, you know. We have had trade hampered by not being able to get crops out of the ground. We have had cost significantly increase because of not being able to attract the workers that we need to through immigration that as committed as we are to developing our own skills that's something that's not going to happen overnight. And some of this has been hidden really because of that lack of data and intelligence going from places into the centre.

### **Deborah Annetts**

Thank you very much. The same question, I'm very conscious of time so if we could keep the answers to two minutes, firstly I'll come to Graeme and then Paul.

### **Graeme Atherton**

Yeah I mean like Emma said I think I'll keep it brief as well but the evidence suggests what we have on the data so far that actually departure of the EU has led to greater regional inequality which I think is crucial inclusion and if we look at the data again across the country then exports to EU represent a significant percentage of exports across all regions and actually at sub-regional level as well, and even at local authority level. So, I think the fracture in the relationship there has had a crucial role to play. What we do about that going forth again I mean there's broader questions about



our relationship with the EU and this government and future governments, but certainly going back to the earlier points I made before, when it comes to inequality I think one key thing to do is start thinking about how we build in concerns of inequality, impact assessments and equality into our trade, our thinking on trade, our concepts on trade and the relationships and agreements that we build.

**Deborah Annetts**

Thank you and lastly Paul?

**Paul Swinney**

I don't think we've got enough data to be able to say anything conclusive on this as yet and I worry that we might well not have enough data to ever say anything particularly conclusive on it, not least because of the impact of Covid that has happened too and just entangling these two things. I hope that changes, I hope we do get data where we can, I've got my assumptions about what I think might happen partly from what Graeme was just saying there about what we do know about different places, but I don't know the answer to that for sure and I don't want to then project my biases onto the answer of that question. There are two things if we were in a position to properly evaluate this just to be aware of, if we're talking about inequalities, it might be that Brexit hasn't had any impact on inequalities because maybe it's just affected everywhere really badly all the same. That is obviously a bad thing if it happens because everywhere is worse off, but inequality wouldn't change. Really what we want to be measuring is in absolute terms what impacts it had in the same way that you know on the plus side if we could make a range of policies or new trade deals and have pulled everywhere up, would have pulled certain parts of the country, more prosperous parts of the country up even faster than less prosperous ones, if there was less prosperous places are better off than they would have been that's a good outcome, even if we've seen a widening in equality. So, I know we know all of this, but it is worth just being very clear with what it is that we're hoping to achieve and then picking one or the other and my view is about absolute changes rather than necessarily relative changes.

**Deborah Annetts**

OK thank you Paul. I know this is off-piste but I just want to go back to this issue of skills, Emma, do you have any thoughts at the moment in relation to the education offer that comes out in our schools because I think that probably is linked to skills, so if you look at what's been happening for instance to design and technology that has virtually disappeared from our secondary schools within the state system, is that something that comes across your brief at all?

**Emma Degg**

Yes, well off-piste but absolutely. We would suggest that as important as STEM is, STEAM [ph 1:49:22.6] is probably more important, so actually in terms of arts and creativity and digital and all of those things. There is a great deal more that we should be doing in terms of that spaghetti knitting, in terms of businesses across sectors including absolutely yours, being able to easily go into schools and schools by the way being rewarded for doing that, because at the moment you know OFSTED doesn't recognise it as something that is particularly important and schools are really stretched. So, some of that is about the opportunities and there's also something you know about young people

continuing to have the opportunity to access other cultures and to travel, who don't otherwise have the opportunity. Your heart breaks for the kids, well for the teachers actually of the kids caught on coaches over the last few days, but it's a really, really important part of widening the horizons of young people. Up here Liverpool Capital of Culture was really important in terms of the opportunity that provided to be working in with schools as well as with investors. A bit of a Eurovision plug obviously, there's really interesting things happening on the back of that as well in terms of talking about opportunity and how to again you know make the most of international aspirations too.

### **Deborah Annetts**

I think those are absolutely fundamental points to the skills piece, that issue around mobility for youngsters so they get exposed to other cultures which we've lost because of Brexit, and the STEAM agenda which is in my view totally critical for the growth of jobs etc in this country and until we get a grip on the education offer I think we're going to be struggling on skills, that's my view anyway. So back to Charles.

### **Charles Rose**

Thank you very much. I think we've exposed a whole heap of issues here and I think the importance of both strategies and gripping the detail of how to get from where we are to where we want to go is something which is a frequent concern of mine. But I'm going to go to the classic question which will bring this session to an end which is what are the three key policy recommendations you would have for the UK Government regarding levelling up and international trade? And can we start off with Emma?

### **Emma Degg**

Long-term industrial strategy built from the bottom up, based on sensible intelligence and that we stick with. I think it is 12 different versions of an industrial strategy we've had over a decade and at the moment we don't have one. So, you cannot separate trade out from delivering good growth. Secondly, get the basics right. We are going to see significantly less support as the RDF funding finally grinds to a halt for businesses and long-term bits of kit that we had in place to be able to support SMEs to be able to trade. And as I said before you don't drive up productivity unless you increase the amount of trade, you don't increase the quality of our SME base unless those relationships are happening and you can't do that unless you've got people on the ground to create peer networks, to make that happen. And the other basics is around skills and infrastructure, we have more trade going through the Port of Liverpool now than at any time in its history, we need to be able to actually move that around and so I've been very good and waited till the end, HS2 and Northern Powerhouse Rail have never been about shaving time off, it's always in large part been about freight capacity, so if we're going to properly become a renaissance nation for international trade, let's just be serious about it and invest at scale.

### **Charles Rose**

Thank you. Graeme, can I turn this onto you now?

### **Graeme Atherton**

Thank you, Charles. Firstly I think when we look at the development of trade policy at macro level, at government level we need to start having a much greater awareness of inequalities and building inequalities into the process of trade development [inaudible 1:53:57.1] opportunity not just trade and looking at FDI as well, we have a review I think of FDI that's just begun this month I think that's going to report in September. They're looking at initial papers, there is some suggestion there of thinking about regional impacts of FDI in that review, but within there there's opportunity immediately to the government to make a change there and start really having an understanding of inequalities and regional differences in there. I think when it comes to levelling up, whatever that means, whatever kind of policy you have to addressing inequality, the infrastructure at government level to take that forward, there hasn't been with levelling up. If you have one then within that again you have to have understanding, awareness, relationships with trade policy as well. Two things are separate, need to come together. Thirdly I would say when it comes to engagement of those at regional, sub-regional level I think that came up in the last conversation as well, it has to be an issue of capacity building and how do we ensure that capacities to engage with trade, with government, when it comes to trade agreements and trade relationships and FDI is capacity building that precedes evenly across the country. Otherwise, what you have is actually stronger regions begetting weaker regions, that doesn't necessarily gonna help you when it comes to inequality. So again, finally I guess you know the broader concept you've got a mind-set issue in this country when it comes to dealing with these issues because we're still thinking I guess I think about when it comes to inequality, regional levelling up, as actually one region trying to compete against another. That's really what's happening at the moment and it's not really, and you think oh let's emulate Germany, well it happens there but there's a different mind-set about regional distribution, regional inequality, regional governance. Those are my points.

**Charles Rose**

Thanks very much. And Paul?

**Paul Swinney**

Thank you. So, in terms of trade and trying to get a deal with our largest trading partners, I mean that's principally the European Union, how do you get access to the Single Market, from a trade perspective that's one of the biggest impacts. Then in terms of the contribution that different parts of the country make I think it's a separate approach to trade, but what I would do is, or you don't solve it through trade policy you solve it through a different lever, which is what the levelling up agenda is trying to do. So, the three things that you would then do within that are actually follow through on the levelling up White Paper, it's not perfect but it's pretty good in terms of a document that any government of any colour probably would create. You've got a plan there so why don't you start implementing it in a more serious way. Two is do that over a long-term period and the third one is actually back with significant cash, we're talking about pretty small amounts of money so far, certainly much less than what Germany spent in trying to bring the East and West back together, which in itself has not been wholly successful, but over a 30 year period they have spent around about €70 billion per year, we're nowhere near spending that amount. If that's the magnitude of where we need to be going to then we are definitely nowhere near that at the moment, so it needs to be backed with a significant investment.

**Charles Rose**

Thank you very much. We've got a couple of minutes before we close the session and I just wondered if there was anything else that any of the witnesses or indeed any of the Commissioners would like to add to the discussion before we finish. No? Good. OK, I think with that we'll draw this session to a close and I'd like to say thank you to all of the witnesses and all of the Commissioners for attending today, I certainly am leaving this session having learned a lot but actually I learn most about how complex it is to resolve so many of these issues. Thank you very much everybody.