

## **UK Trade & Business Commission**

### **FTAs: Japan and India**

9 June 2022

#### **Shearer West**

I'm Shearer West, the Vice-Chancellor of the University of Nottingham and I'm chairing this session today, and please excuse the croaky voice, I'm recovering from Covid. So welcome to all of our witnesses today, I'm sure this is going to be a really fascinating discussion. We are dealing with Japan in the first half of this session. I'm going to ask everyone to introduce yourselves in a minute. Each Commissioner is going to have six minutes for questions, if we are running over, I will gently try to move us onto the next question. Also, we tend to use first names here and I hope that won't offend anyone. Pernille Rudlin needs to leave at 10:45 and Hilary Benn needs to dip out briefly because there's some important things happening that he needs to deal with.

So, let's start with introductions please. Can I go to Minako first?

#### **Minako Morita-Jaeger**

I'm Minako Morita-Jaeger, I'm a Senior Research Fellow at University of Sussex and a Policy Research Fellow at the UK Trade Policy Observatory.

#### **Shearer West**

And Pernille.

#### **Pernille Rudlin**

Hi, I'm Pernille Rudlin, I'm Managing Director of Rudlin Consulting, we primarily represent an American firm called Japan Inter-cultural Consulting which provides training and consulting to Japanese companies around Europe, Middle East, and Africa. We've been doing that for the past 20 years or so and as a result of that I also kind of developed a research side tracking the activities of Japanese companies in the region for the past six years or so. Previous to that I worked at a Japanese trading company called Mitsubishi Corporation, starting off with exporting British shoes and chinaware and so on to Japan and I also worked for Fujitsu which used to be the biggest Japanese company in the UK about ten years ago. Thank you.

#### **Shearer West**

Wonderful, thank you very much. Alright Kim.

**Kim Darroch**

Morning, I'm Kim Darroch, I am a member of the House of Lords now, but I did 43 years as a British Diplomat. I started my career in Tokyo in the early 80s and then specialised in European Affairs culminating in being EU Advisor to the Prime Minister from 2004 to 2007 and British Ambassador to the European Union from 2007 to 2012. I then did three and a half years as National Security Advisor and finished my career as British Ambassador in Washington. Thanks.

**Shearer West**

Thank you. And finally, Nick.

**Nick Von Westenholz**

Yes, morning everybody. Nick Von Westenholz, I'm Director of Trade and Business Strategy at the National Farmers' Union of England and Wales. So, we represent around about approaching 50,000 farm businesses across England and Wales.

**Shearer West**

Thank you all very much. I'm going to start with the first question, and I'd really like to get just a sort of brief overview from everyone on this. So, the question is what is the geopolitical significance of signing a bilateral deal with Japan and what might it mean for the UK's ambitions to join the CPTPP? Can I start with Minako on that one?

**Minako Morita-Jaeger**

Thank you. Well, the UK-Japan comprehensive partnership agreement called CEPA from now on is very significant in terms of UK geopolitical strategy. This is because the actually integrated 2020 well revealed that post-Brexit for foreign policy the UK is really appealing in the Indo-Pacific strategic approach. So, then the UK Government uses FTAs as a major policy tool to trade with that region, so the UK-Japan Pacific-Indo are the foundation of this geopolitical strategies. So, then the UK is currently in the process of CPTPP accession with organisation, so Japan has been the really number one country which has been endorsing the UK to join this club. For Japan having been exposed to economic and political challenges caused by China, the 21<sup>st</sup> century superpower that stands on the state of their economy at the next one, it is very important to hammer in market economy, free trade, and democracy as a common value of the world of trade. So, in that context UK is really the best, you know strategic partner and then welcoming into the CPTPP is really the big sort of win for the geopolitical strategy for the major CPTPP members.

**Shearer West**

Thank you very much for that. Kim, can I come to you next?

**Kim Darroch**

Thanks. Just a sort of big picture overview of this. When I was in Tokyo in the early 80s there's no question about opening up the Japanese market was the overwhelmingly top priority for the British Government and for the Embassy. It dominated our work, there was a big trade imbalance. They were seen as being big opportunities in the Japanese market and so this was very much the top priority for us. We've moved on a lot since then, the Japanese market has substantially opened up. The EU-Japan free trade deal basically eliminated substantially almost all tariffs and you know was a confirmation of the importance of the Japanese market for everyone. So of course, it's a logical priority for post-Brexit Britain to want a trade deal with Japan, and it fits in with as the previous speaker said, with the overall strategy of focusing on Asia as the fastest growing part of the global economy. It also by the way provides a good foundation for strong political relations and security relations if you have a good free trade deal between the two countries. So, all of those contexts, it makes sense. And it's a logical thing for the British Government to have pursued and to have negotiated.

But just one further point here. To put this into context Japan is I think our 12<sup>th</sup> largest market. I think the Government's own figures suggest that the impact of this deal on UK GDP is about 0.07%, so it's important but it's not transformational and it doesn't begin to stack up with the importance of for example a free trade deal with our former partners in the European Union. So that's the context.

On CPTPP, I mean all I'd say on this is clearly it demonstrates if we'd done this deal and the Japanese had been able to do it, that the deal must be compatible with what Japan is required to do as part of the CPTPP. So, there's a level of compatibility there. I think it helps a bit, but I think we have to recognise that when we come to negotiating our own entry into this trade bloc there are other members of the CPTPP which will have their own issues and their own demands I expect and so it's not an automatic entry ticket having done this deal with Japan. It helps a little bit, but other countries will have demands and issues of us, so you can still expect some tricky negotiations and some difficult decisions for the British Government as part of all this. But it certainly doesn't make things more difficult. I'll finish there.

**Shearer West**

That's really helpful, thank you for that. Pernille.

**Pernille Rudlin**

Yes, so my side hustle is I'm an amateur historian as well and I've been having a look at what the UK-Japan relationships were sort of 100 years ago and it kind of sends shivers down your spine to realise that it was almost exactly 100 years ago to the day that the Anglo-Japanese alliance ended of 1902, it ended around 1922 to 1923 and the reason for it was the opposition from the USA and Canada, which of course is a member of the CPTPP now, to the UK having an alliance with Japan and America saw Japan as a rival in the Pacific region and Britain didn't think we needed the alliance with Japan against Russia anymore because Russia had been weakened by being defeated by Japan in the Russia-Japanese war just before. But it left Japan without allies until its tripartite pact with Germany and Italy in 1940, so that didn't end well. And I think since then you know Japan has a long memory for this kind of thing, I think there's a very strong belief that you see coming out of Japanese politicians that they need allies, and they need to maintain the rules based international order and they've always seen the UK for 100 plus years as being an important partner in that. So, it was very important to get this deal done. But as Kim said, it's negligible in terms of impact on the British

economy because the relationship is so mature. I mean, you know, Japanese companies have been in the UK since before the 20<sup>th</sup> century actually, so there isn't an awful lot more to do on that front.

But I think again as Minako said, if you think about Japan's current interests around defence, cyber-security, energy and particularly the threat from China, they very, very much value I think a partnership with the UK on those fronts.

### **Shearer West**

Thank you very much. I won't come to you Nick now because I'm running out of time on my question, but we will come to you later and if you have any comments on this please bring them in. Can I go to Hilary next please?

### **Hilary Benn MP**

Shearer thanks very much indeed, and good morning to all our witnesses. I just want to pick up on the point that you made Kim on the Government's prediction of changes to GDP, I think you said 0.07% amounts to about £1.5 billion. What does the early evidence show has been happening on trade between the UK and Japan, I don't know who wants, I don't know Minako do you want to pick that up?

### **Minako Morita-Jaeger**

Thank you. Almost you know this figure has become varied that it gave a strong impact on the public opinion. £1.5 billion GDP boost and the 0.07 long term increase, it's something we really have to understand that the baseline of this deal, the estimate [inaudible 0:11:39.3] that baseline is now FTA between the UK and Japan and when it will happen with the UK and Japan FTA in due course. But the reality is the UK was a member of the EU-Japan FTA and then the UK-Japan CEPA is almost a replica of the EU-Japan FTA, that means very or almost no added value there, so how the UK-Japan CEPA can create economic value is a matter of question. So, I would just, I'm happy to talk about more the current trade relation if you have any questions after, but I'll stop here now at the moment.

### **Hilary Benn MP**

OK that's really helpful. Can I bring Nick in here because I wanted to ask what you could tell us about the impact on agricultural trade, because I know as I understand it, it is reported that we wanted to be able to export some agricultural products with a lower tariff, but it ended up that we could use whatever was left over from the EU's quota, could you just say a word about that and tell us how it seems to British farmers from an export point of view?

### **Nick Von Westenholz**

Yes sure. So, the UK-Japan CEPA more or less replicated in terms of agriculture what was in the EU-Japan EPA, but not quite. And some of those tariff rate quotas were where that was most obvious. So, in the EU deal I think there are 25 different tariff rate quotas on agricultural products, just ten of those were then carried into the UK-Japan deal. Those were the ten that were deemed most relevant because I think they were already being utilised by UK exporters. Of course, you could argue that in future we might have started to benefit from some of the others but that was the

reason. But the major concern we had was that as you touched on then, the way they operate is that UK exporters get sort of what's remaining of the EU tariff rate quotas. So, we sort of top them up.

The UK position was, and with some justification, that most of those quotas are not utilised fully by the EU anyway so there's enough headroom in there for the UK to use. And while I haven't seen very up to date data on utilisation rates I've got no reason to think that we've been sort of shut out so far of those TRQs and actually touching on the first question on CPTPP, I think the UK Government's position is also this will be the case for the next few years until CPTPP comes online and we may get some better preference treatment through CPTPP, but of course that remains to be seen, whether that's negotiated or not as part of those negotiations.

So, in summary, almost what we had as a member of the EU-Japan deal in terms of agricultural access, but not quite as good, whether in practice that has any impacts will remain to be seen. But at the moment of course this has only just come online in the last year or two, so difficult to really detect what the real-world impacts are, particularly of course with the pandemic which has had a massive impact on global trade so that's made it even more difficult. The one thing I'd quickly add is that we actually have seen some quite good increases in exports of cheap meat and beef to Japan, but that's largely as a result of the removal of some non-tariff barriers related to those products, prior to the agreement of the UK-Japan deal, it reminds you actually of the big issues often with international trade are around those sorts of non-tariff barriers, not necessarily the removal of tariffs [inaudible 0:16:06.4].

#### **Hilary Benn MP**

Tariffs themselves. OK, that is really helpful. Back to you Shearer.

#### **Shearer West**

Thank you very much Hilary. Can I go to David now please?

#### **David Henig**

Thank you and I want to ask about the current state of trade relations between the UK and Japan, and particularly at two levels, one in terms of the companies operating between Japan and the UK which I want to direct in the first instance at Pernille. And then about the political ties and the kind of regular meetings and how strong and how important those are which I want to direct to Kim Darroch. But Pernille, can I ask you about the company ties and what you're seeing in terms of the strength of UK-Japanese corporate relations over the recent years.

#### **Pernille Rudlin**

OK thank you. Yes, so just to sort of give a quick overview, I estimate there are around 1,200 Japan owned companies in the UK employing over 180,000 people. About 230 or so of those have manufacturing operations in the UK and of those 230-240 or so, actually it's about 220 because some of them have shut down, the automotive ones, about 74 are automotive. But of course, as you might guess, they employ proportionately more, so about 60,000 people are employed by Japanese manufacturing operations in the UK. And about half of those, that's decreasing, are employed in automotive manufacturers.

And what we've seen is that actually employment because I think in the end this is what it about isn't it, the jobs that are generated, you've seen employment actually grow through to about 2018-19 or so in those Japanese companies and it's started to diminish since then. And then you have to ask yourself well is that anything to do with Brexit or deals that were done and of course the only way to really answer that one is to look at what's happening in the rest of Europe, where we do see some growth in employment and growth in the number of Japanese companies. And there's been a slight shrinkage in things like for example the number of Japanese people living in the UK. Again, you know there are students and so on in that figure so it's hard to tell exactly which bit of that might represent corporate ex-pats.

But generally speaking, I think if I was going to say in one word, I'd say it's been quite resilient, the relationship, partly because we spent such a long-time kind of faffing around. Japanese companies are notoriously risk-averse and long-term planners, so they basically all planned for the worst-case scenario of the hardest possible Brexit and did what they could to sort of protect themselves against that. So that did involve quite a lot of Japanese companies moving, they might have had European wholesale sort of coordination operations here in the UK, a lot of them did, but a lot of them shifted that out to the Netherlands particularly in terms of warehousing and logistics and so on. So quite a few Japanese companies in the UK became more like branch operations of either a European organisation or of the Japan headquarters. And actually, my old employer, the Japanese Trading Company who are really at the core of a lot of this, I've been quite startled by how much the headcount there in their London offices has decreased over the past few years and that's not a good sign I don't think.

But there are larger trends at work and it's very difficult to disentangle that because I think you could argue well the automotive sector for Japanese companies was always moving eastwards anyway and now actually it's increasingly moving down towards North Africa and so on, and those trends probably would have happened whatever. So, my big theory of Brexit has always been that it just accelerated trends that were already there, and Japanese companies have taken the opportunity to do an awful lot of tidying up as a result and consolidating and so on. But they're not leaving the UK, apart from Honda, and Honda's suppliers.

### **David Henig**

And Lord Darroch, please on the sort of deeper political relationship which does feel quite strong, it feels like Japan wants to be really strong friends with the UK.

### **Kim Darroch**

Yeah, look I think if you were to ask the Japanese Ambassador, he would say just what you said about the relationship and how strong it is and he'd be far too polite to say what I'm going to say, which is this, at one level yes, they do want to keep a strong relationship with us, we're still important to them post-Brexit. They appreciate how we contribute to global security. They notice how much we deliver for NATO. They notice how enduringly strong the defence, security and intelligence relationship is with the United States, so we still count. But in my experience of Japan, both from my five years there and then from staying in touch with Japanese diplomats throughout my career, wherever I've been posted or whatever I've been doing, they set huge stall by political stability and predictability. And I think they're really disconcerted by what they have seen in terms of the political turmoil and disruption and chaos ever since the Brexit, all those lost votes in Parliament, the changes of Prime Minister, Cameron resigning and then Prime Minister May resigning and now all the pressure on Prime Minister Johnson. And it's not what they expect of us, and it's not what they associate with the UK. They always used to be great admirers of the stability and predictability of the

UK political system, of the way that our civil service operated, of the way that Parliamentary democracy operated and so on.

So, I think that we still matter to them, they still care about the relationship, they still want it to be strong, but I think privately we are a little diminished in their eyes and not what we were you know a decade ago. And they would be hoping, like many of our allies, that we can as it were get our relationship with the EU sorted out and stabilised, that we sort of the problems of the Northern Ireland protocol out and all this kind of thing, and that we achieve rather more political stability than we have done over the past five years. And that we can return to being the UK that they knew and valued and trusted. So, I don't think we're about to be written out of the Japanese script in any way, but I think they are both surprised and disconcerted about what they are seeing and just hope we can sort ourselves out. I hope that's an answer.

#### **David Henig**

It's a very good answer, back to you Chair and again I'm sure those who I didn't ask will have a chance to intervene in future questions. Oh, actually Minako is waving a little bit.

#### **Minako Morita-Jaeger**

Sorry, if I could just add to one point. Whilst listening to Pernille I'd like to add my observation, I just quickly checked the recent trade relation between the UK and Japan. In general, over the last 20 years the Japan-UK trade relation was an upward trend, but that trend changes from 2018 and now unfortunately the UK-Japan trade is diminishing, reducing and especially what we have to note is it's services trade showing a substantial decrease both in export and import, especially import. And so, looking at that, I checked from 2020 and 2021, so it's very short period but it tells kind of maybe a new trend there. And so, looking at service trade by sector, major import reduction can be seen as a major sector for the UK, import of financial services from Japan accounted for 12,000 of total services import from Japan in 2021 and the value was 56% lower than that in 2020. And the intellectual property accounted for 50% of total services imports and the value is 12% lower than the previous year. And then those other business services which is 27% of total services, import value is 70% lower than previous year. So, this is really something that the decrease of service trade between UK and Japan tells something happening in the misshapen supply chains and then also for companies, that means Japanese companies already located in the UK, you lose the active business activities. So, this is something that we have to keep an eye and have a further study. That's the one thing I wanted to add.

#### **Shearer West**

Thank you very much. We are running a little bit behind, so were you going to come in on that. I just heard somebody trying to come in on it, but can I move onto Dr Stephen Farry who is in a car, so I hope we can hear you.

#### **Stephen Farry MP**

Yes, thanks Shearer. I think my question probably naturally follows on from some of the comments that have been made and I think a number of witnesses have essentially answered the question, but it will give people a chance to come in perhaps a second time just to add to those points, maybe starting with Pernille as she wanted to come back in there. But, it's essentially just to try to map out a

little bit more how things have developed in terms of a comparison between the UK and the European Union in terms of their relationship with Japan, both in terms of the terms of trade we're conscious of, we essentially have a rollover deal with a few tweaks and also then the terms of the nature of the trade of both goods and services and I'll maybe ask Nick in particular to comment on the agricultural aspect secondly. So Pernille, I think it's probably what you wanted to come in on anyway so over to you.

### **Pernille Rudlin**

No thank you, yeah, I was very interested to hear what Minako said because that does seem to synchronise very well with the metrics, I've been following on employment levels and numbers of Japanese companies and numbers of Japanese ex-pats so yes, obviously something around about 2018 started to really impact. I think one of the things that has always driven the growth up till now has been MNA, Japanese companies have acquired quite a lot of UK companies, big ticket acquisitions in the past, kept my business going very nicely too in financial services and so on, but that has really died down and the significance of 2018 is that's pre-Covid as well, so it's nothing to do with not being able to do due diligence because you know you can't travel and all of that, it was before then. And the big acquisitions to answer your question Stephen in the past couple of years have all been in the EU, for example my old employer Mitsubishi Corporation acquiring the Dutch energy company Eneus that was a very big item. Or Hitachi acquiring the power grid side of the Swiss company ABB and, so actually that's not in the EU but anyway. And you actually now see in fact Hitachi is probably the biggest employer in the UK and that's largely to do with the rail business and the acquisitions they made there, but those have been in Italy, the big ones recently. So, I think the only way you can tell is are we better or worse off is by comparing with the EU and generally I would say that all those statistics show that we are ... we're not suffering dramatically, but as I said that thing about services is quite worrying because it says to me, for my business too, that Japanese companies are less inclined to buy the financial services, the professional services that the UK is really good at. Particularly to support the MNA that they had been doing up until now. In fact, actually one Japanese company said to me, I said has it changed since you became a branch and everything kind of legally speaking moved to Germany and they said no, nothing dramatic but every time somebody leaves our UK organisation they are not replaced, and in Germany they seem to hire another person. So, it's this gradual drift that I'm seeing that does worry me for the long run.

### **Stephen Farry MP**

So, it's more of a slow puncture than a blow out essentially. And let me ask Nick to come in now next.

### **Nick Von Westenholz**

Yes, so briefly on agri-food exports, as I said before I mean there's nothing in the deal that would sort of technically give UK food producers and exporters a better position than the EU deal because it's simply replicating it and as I said in some marginal cases, a worse situation. So, you wouldn't really expect a sudden improvement. If you actually look at trade data, things have held up quite well given the pandemic. There's not been a sort of sudden drop off in terms of exports but actually if you look at 2019-2021 there has in some of the main agri-food products been a small reduction in trade, but it's difficult to know precisely what the reasons for that given the geo-political issues that we face over the last few years.

So, I would certainly say there's no reason that we would be in a better position as a result of this specific FDA than we were as a member of the EU because of the very close relationship between the two trade agreements.

### **Shearer West**

Stephen, can I move us on now. Thank you very much, I like the car analogy, the puncture analogy as well. I'm going to go onto Tamara now who is actually, sadly Paul Girvan MP is busy doing his day job, so Tamara is going to take on the next two questions.

### **Tamara Cincik**

Thank you very much Chair, hi everyone. So, the first question I'm going to ask is question five, which sectors of the UK economy have gained or lost most from this deal, essentially what is working well and what is working less well. I'd like to go to Minako first if that's OK please.

### **Minako Morita-Jaeger**

Thank you for the question. Actually, I think as well the sector analysis I think Pernille is a bit better in a position to answer that. I just would like to have a very general overview, I haven't checked the recent data but the kind of sort of winner's side of the UK-Japan CEPA is digital, technology related companies and the financial sectors. But the financial sector almost replica but still you know they are kind of promoting regulatory cooperation and then sort of the more enhanced framework for the future cooperation. And then digital trade is something that's almost one thing completely different from the EU-Japan FTA, at the more ambitious [inaudible 0:32:38.5] free data flow and then other AI and the more comprehensive chapter in comparison with the EU-Japan EPA. So, more kind of motives and I can see after the UK-Japan CEPA entering in due course there's so many conferences going on this you know, tech UK related in the number of members and between Japan and the UK. And then I think they have a balance that tries to make most of it. And it's not a sector but I think I'd like to say that SMEs facing difficulties post-Brexit in the economical landscape because of the relation, large companies can absorb the changes, the regulatory changes, political changes and in doing business in the UK using as a gateway to Europe. But the SMEs I think are suffering to adapt themselves.

### **Tamara Cincik**

Yeah I mean Minako for my industry, the fashion industry, you know Japan revitalised the Sellbridge Denim [ph 0:33:51.8] part of the sector and historically it's where SME UK innovative brands launch because they are very much loved by the Japanese consumer, but obviously the numbers aren't there to meet the consumer opportunities of the EU, but as well as the possible tech links I think there are creative industry links potentially, I wonder if you'd agree with that?

### **Minako Morita-Jaeger**

I agree with that yes.

**Tamara Cincik**

Because of time I'm going to ask Pernille the same question and then move onto the second question and probably ask our other two questioners that, just to try to build up time because we're running so late, thank you.

**Pernille Rudlin**

Sure, yeah just to say I agree with Minako that I think if you were looking for bright spots then certainly tech is that and if you look at the Japanese FDI fund direct investment into the UK over the past few years the only sector that's really had a lot coming in, but they're also going out as well which is kind of odd, is communications. And I'm assuming that's probably NTT which is sort of the British Telecom of Japan really, ex Ministry of Post and Telecommunications now are a huge company, has put their non-Japan global headquarters in London, so that's definitely a positive and I'm sure that anything that could be done and has already been done in the trade agreements to sort of really increase the trust between the two countries around data privacy and around use of algorithms and so on, I think that's definitely a positive.

The JETRO which is the Japan External Trade Relations Organisation does a survey every year asking Japanese companies how they view things like the EU-Japan and the CEPA and I mean the most recent survey said 50% said the deal had no impact on their business, 22% said it would have a positive impact and manufacturers on the whole found it more positive. The uptake they said 50% of Japan affiliated companies in the UK have used the deal to import from Japan, and that's largely imports of intermediate goods for using for manufacturing in the UK. So, there's a lot of that still going on. And that's why I would say, I would characterise the manufacturing sector now, once the shake out after Honda, the Japanese manufacturing sector in the UK is I would call resilient. I think they're here; they've got good businesses, they're not going to go anywhere in a hurry, and you know they've got it sorted basically.

And the challenges that they're facing are things around statement of origin, they feel they need some in-house system improvements themselves and that kind of thing. And they have increased the value of their procurement from Japan by 3.6% since the agreement came into force, and are procuring less from the EU than before, but are intending to procure more from the EU in future.

**Tamara Cincik**

That's interesting, thank you. I'm going to ask the next question to Nick and then to Kim. Related to the above, what are the priorities for each side in terms of growing the trade relationship, which UK companies and sectors have particular offensive or defensive interests? Nick first please.

**Nick Von Westenholz**

I mean I think from an agri-food perspective actually with a country like Japan which is something like relies on about 60% of the food it eats comes from imports. There's obviously some important agricultural opportunities there. We have to recognise that they're often already being filled by somebody else, if you look at beef for example Australia and the US are very strong already, as I said we've now removed non-tariff barriers which are going to allow us hopefully to increase exports there, so those sorts of products, red meat and dairy products like cheese would certainly be the ones where we see there being opportunities under this deal and indeed that existed under the European deal. The one area where there is a real need for an improvement in our view is around

geographical indications, so protected names, and the like. There were seven registered as part of this deal which were the seven, we had registered under the EPA, but there was quite a lot of noise made about the fact that there would be 70 additional protected designations registered in Japan. That hasn't happened and it really needs to. I think something like 25% by value of UK agri-food exports are geographical indications are those protected names, they're really, really valuable. Particularly in markets like Japan where you can use recognised protected names on products to help the sales.

So, that's been a bit of a delay getting those additional protections on those additional names and it's something we are urging the UK Government and indeed the Japanese Government to push ahead with as quickly as possible, if they can do that then I think that will help boost our exports into Japan a little.

**Shearer West**

Tamara, sorry given timing I wonder if we could go to Paul and maybe go to Kim straight away as the sort of part of your question.

**Tamara Cincik**

Sorry Kim!

**Shearer West**

No, it's just there's so much interesting stuff here but we always run out of time.

**Tamara Cincik**

Yeah, I came in running over and I've tried to speed it up by I appreciate ...

**Shearer West**

No, you're doing, we're right on time again now. Kim may want to respond that question, but Paul could go on to maybe start with him for the next one as well.

**Paul Blomfield MP**

OK thanks Shearer and this is always a problem for us because these discussions are so fascinating and really useful. I wondered if I could move it on a little to see what the learning points are in this kind of post-Brexit territory where we're relatively inexperienced. So, you know what from this deal could provide a blueprint for us when we're signing future FTAs with other countries, and perhaps if Kim could start and then I could move onto Nick to particularly look at the farming sector, I think there's been some issues from the Australia deal for example. Kim.

**Kim Darroch**

Just briefly on this given the time is passing. Just on the previous point, the sectors I would identify as particularly opportunities for us, without being a massive expert across the breadth of UK-Japan trade relationship, but they've always been important to us, are threefold, one is it's very difficult to break, I mean it's a huge market, it's very difficult to break into it, but Japan defence and security market which has tended to be American dominated, some of the stuff that we make now is so good and so niche that there aren't American versions of it and I don't know how we're doing here, but there must be opportunities in the future in a world that is becoming, is looking more dangerous, where most countries are going to be investing more in defence, that has to be an opportunity for us.

Second, I think we could be better of course, but we have some real strengths in the high-tech sector, particularly in cyber and I would have thought the Japanese would look at us and think that we really have something to offer there, and so there should be opportunities there. And third, obvious one, I worry about what we've heard in this session about Japanese use of UK financial services, because that is a real strength for us. And if we are losing out in that area now, if there's any kind of structural as opposed to sort of temporary decline going on there, that's very worrying. Because that's something where we have world-beating capability in the city and if the Japanese are using it more every year, then that's something to really worry about.

On whether the FTA is a model, look to be blunt, this is pretty much a cut and paste operation from the EU deal. So anywhere where there is an EU deal where we haven't yet got a post-Brexit UK deal, you can use the same technique I think to do a quick trade deal and that's the way we were able to do it so quickly. I mean you would try and avoid the deficiencies in this deal compared to the EU deal, but nevertheless it's a good model for doing quick trade deals. More broadly, it's a proper free trade deal in that pretty much all tariffs are eliminated, so it's quite ambitious, although so was the EU, it's ambitious because the EU deal was ambitious. But I would just say if you're going to go for the effort that goes into negotiating free trade deals, you have to be ambitious and you have to take some risks and you have to accept that it's not all going to be positive for you with no risks for you know, UK manufacturers having imports coming in that are good competitors for them. You know there's always risks when you do good free trade deals, but the overall benefit is there. So, what you want is particularly to focus on tariffs and just get rid of those as far as you possibly can, completely, and be ambitious, and take some risks I would say.

**Paul Blomfield MP**

OK thanks. Lots of risks for farming, what's your perspective Nick?

**Nick Von Westenholz**

Yeah, I mean just a reflection really, I think I mean Lord Darroch is absolutely right you know, mostly total tariff liberalisation but of course as with most FTAs not all anymore, but most FTAs there are still some tariff protections on agri-food and that's not unusual. You know at the time this deal was signed it was hailed as a sort of best in class, progressive, forward-looking trade deal and Japan is you know known as a fairly open economy and as I said you know Japan relies on imports of food fairly heavily. Nevertheless, Japan negotiated some important safeguards for its agricultural sector in here, while at the same time liberalising trade and improving the terms of trade for UK exporters, which is a sort of balance that you know most countries try to achieve in their FTAs, so even after the process of liberalisation through this FTA over the next sort of 15 or 13 years now, there will exist some tariffs, much reduced, but some tariffs on agricultural exports like beef for example, there will continue to exist some quotas on agricultural exports such as cheese and there will be safeguards that Japan can use if imports under this deal or indeed under the EPA become damaging.

Now, none of those have been used by the UK Government in the deals it's just done with Australia and New Zealand so at the end of the 15-year period of those, total liberalisation on imports into the UK of all those products with absolutely no safeguards available if things become harmful. So I would just reflect that there is a very different approach despite the UK Government referring to this as a sort of best in class, you know 21<sup>st</sup> century trade deal, it's not the approach they have taken when they've had the opportunity to take a different approach with the two FTAs they've done with Australia and New Zealand and you will be well aware of the concerns of the agricultural sector over the terms of those deals.

**Paul Blomfield MP**

That's a very useful and interesting point to end on. I think I should pass back to Shearer now.

**Shearer West**

Thank you, Paul. Can I go to Stuart next please?

**Stuart Anderson MP**

Thank you, Shearer, I'm here from a Northern Ireland perspective and look very keen, I think we've touched briefly on the UK-EU or the UK-EU relations and what impact that potentially may have so I'll not choose to repeat the question. But I might reframe it slightly differently, just in terms of the deal itself and we know there's reference within the deal to the NI Protocol, but I'd be keen to hear just from Pernille and Minako, to what extent has there been any consideration of the interaction of the Protocol as it exists today with the deal, and how that will filter through. And also, the second question is what is the perception of Northern Ireland as a place to trade from a Japanese perspective. So just first I guess to Pernille and then to Minako, just that interaction between the deal and the Protocol and then the perception of Northern Ireland.

**Pernille Rudlin**

Hi, thank you. Well, I have to say I think there are only probably two significant Japanese companies in Northern Ireland so Northern Ireland is more seen as a kind of a part of the market that they look at for the UK and I have seen the occasional comment in annual reports from Japanese companies that they are finding it quite difficult to get things into Northern Ireland and that is of concern to them. But I think that probably, I have to be completely brutal, I don't think Japanese companies really understand or appreciate this at all, but what they do care about and actually this kind of comes back to what Kim was saying too, I felt incredibly embarrassed actually a couple of weeks ago, a Japanese Embassy official said to me, he was teasing me, but it was quite pointed, he said "do the British really want to follow rules?" You know and I was getting quite, I was getting a bit pompous about governance and the importance of following corporate governance rules and I just didn't know what to say really. Because yes, that's what they thought we were like and that's what the relationship for the past 100 years has been based on, is that the British are the grown-ups in the room and you know this would not be seen as the British being grown-ups if we can't abide by agreements that we made, is my sort of rather large comment and I'm afraid not terribly Northern Ireland focused particularly.

At which point I think I'm going to have to go, I'm very sorry but I have another session I have to run now, so it's my switch over time, so thank you very much.

**Shearer West**

Thank you so much Pernille for those great comments, thank you for joining us.

**Stuart Anderson MP**

Minako, do you want to come in?

**Minako Morita-Jaeger**

Yes I just would like to just add another two points or maybe just the first one is from the, as Kim rightly explained, the political stability and certainty matters and then in reality I do not think Japanese companies who are exporting from GB to Northern Ireland, I do not see so many but that really gives the ... whether Japanese companies can you know the trust in the UK policy or not and so this is very much politically uncertainty, so this is really bad in that the UK cannot maintain this...is unattractive, it's not attractiveness in this sense. And the second issue is as Pernille has said, I heard from many Japanese, not only Government people but also business people that you know [inaudible 0:49:54.2] the UK said are that you know political alliance to who just respect the rules basic trading system. You know how that Northern Protocol with the UK-EU [inaudible 0:50:11.7] you know the next door, the most important trade partner for the UK, they just override the international agreement, so this is something, it really you know credibility matters, this is very, you know big impact in that business also the policy and the confidence level.

**Stuart Anderson MP**

Thank you, I'm content with that, thank you. Shearer.

**Shearer West**

Thank you very much Stuart and finally just to finish us off, David can you do the last question?

**David Henig**

The last question, and this very much, I mean Japan is one of many countries we can choose to give priority to, so what I want to ask of all the witnesses starting I think with Minako is, how important is this trade relationship between UK and Japan for both countries, and what priority should the UK Government be giving to this, when compared with others, so start with Minako, then Nick and we'll give the final work to Kim Darroch. Minako, please.

**Minako Morita-Jaeger**

Thank you very much. I have to be very short. I'd like to say the Japan-UK bilateral trade relationship is really important. Historically you know rather long, for long decades, rather established and then I think relationship is very resilient and in a sense because of Brexit, well it will shape that bilateral trade relationship, especially from the trade perspective is more, you know, face to face, bilateral conversation is taking place. This is something [inaudible 0:51:48.1] because you know of the area of

collaboration is such thing about sustainable economy and digitalisation so the UK-Japanese Government can enhance collaboration in the support, the collaboration in technology and innovation in these areas. But not interact you know protective where too much intervention is needed. And also, what I would like to say is today's bilateral trade cannot be seen as simple bilateral relations, so minimising disruption [inaudible 0:52:24.1] chains and supply chains in Europe is really important. In that sense in a good UK-Japan trade relationship also hugely depends on that good UK-EU post-Brexit relationship. So, I'll stop here.

**David Henig**

Thank you. Nick.

**Nick Von Westenholz**

UK-Japan trade when it comes to agri-food has been very important, I think it's fourth largest non-EU export, or non-EU trade partner and it's the sort of market we would actually really like to export more into. We've not been a great exporting nation when it comes to agri-food because we've got a pretty good market on our doorstep and indeed internally, but even compared to other EU countries, we've not always excelled and it's exactly the sort of comparatively wealthy, big economy that actually we've got to sort of focus on improving our exports into. But, of course, you won't be surprised to hear me say this, when you have got that massive comparatively wealthy economy on your doorstep, i.e., the EU, it is clearly important, critically important that the trading relationship between the UK and the EU is improved. Now those things aren't mutually exclusive so for us you know it would be nice to do both.

**David Henig**

Can I just push you slightly Nick, there's so much talk over so many years that of ways in which we're going to improve our export performance in places like Japan and it never quite seems to happen, I mean in your view why has that been or what could be done differently?

**Nick Von Westenholz**

Well, I mean I think there's probably an aspect of the domestic marketplace being sort of a bit, perhaps even a bit lazy but easier just to service that. That's going to become more difficult now that we're liberalising trade with other big agricultural producers, so I think there will be more of an impetus like it or not and that's one of the key things, but we have, I won't bore you with it now, we did produce an export strategy just a few weeks ago and I think one of the things at the heart of that is actually creating the right architecture and forums, business-led, right across the food chain to deal with the nuts and bolts of this. As I said, when you look at say beef and lamb, the issues there as they often are with the UK were non-tariff barrier SPS issues and resolving those so you can actually export into countries, it's those sorts of things that we need to look at easing. And so, I think actually having a kind of coordinated approach in the UK is going to be very important to that.

**David Henig**

Final thoughts please from former Diplomat Kim Darroch please. On mute.

**Kim Darroch**

Sorry about that. UK-Japan relations has I think been one of the diplomatic success stories of the last 40 years. When I was there in the early 80s there were lots of what seem now fairly petty but were important at the time, squabbles about barriers to trade and unfairness in the economic [inaudible 0:56:02.6] relationship and over the last 40 years that has been absolutely transformed to a stage where we now have very few barriers and where Japanese investment in the UK has had a transformational impact on our own industry and business community. And alongside that, the [inaudible 0:56:24.9] has grown stronger and stronger and so we're in a really, we have got to a really good place here. And although it is only 12<sup>th</sup> in terms of our export markets, if you add trade and inward investment into the political relationship, what we do together on security issues and defence and all the rest of it, it's a profoundly important relationship. And given our problems with China at the moment, this is the most productive and most positive and important relationship we have in the Asia region. So, all of that makes this very important.

But, the point was made just a couple of minutes ago that a good UK-EU relationship is crucial to continuing this upward curve of UK-Japan relations and just to repeat what those were saying, if we get into a place where we are into an ever-deepening fight, row with the European Union over the Northern Ireland Protocol and where we are introducing legislation which a lot of people, maybe not the Government [inaudible 0:57:36.0] a lot of people think breaks international law, even more so we're going to a place where we are into a trade war with the EU and putting up barriers to each other, that's going to be very damaging to UK-Japan, and will deepen their concerns about our political direction.

So, if we're going to stay in a good place with Japan, which is important for all the reasons that I've said, we need to be in a good place with the EU and with the US as well. So, it all gets linked together in my view.

**Shearer West**

Thank you. Can I just thank our witnesses, Kim, Minako and Nick? We really appreciate the honesty of your answers and all the information that you've given us which is really going to be helpful for the Commission and for the work that we are going to continue to do. So, thank you for joining us today, I'm sorry I had to push you on a little bit, but we needed to keep to time because we've now got India to talk about. Thank you all very much and I hope, you're welcome to stay but I hope you have a lovely day. Thank you.

Right, and we have all of our witnesses for session two, so we're moving onto session two now. We're moving from Japan to India. So, in a moment I'm going to ask our witnesses to introduce themselves. I'm just going to remind Commissioners you've got a little more time fortunately for questions this time because we don't have as many, we've got nine minutes each for questions, but if we do run over, I will try gently to move us on. And to let our witnesses know that we'd like this to be quite informal, we do use first names here, I hope that won't offend anyone. But thank you all very much. So, we'll go to introductions now and get onto the questions. Can I ask Pallavi to introduce herself?

**Pallavi Bhajaj**

Morning, my name is Pallavi Bhajaj, I'm a Trade Policy Advisor. I work largely in the digital economy, digital trade, and services space. Formerly with the WTO in [inaudible 0:59:48.2], but the reason I

work largely in the digital economy and services space is because I'm also a digital services entrepreneur based out of India, in the digital enabled learning solutions space and open source learning technology, so I'm in that happy space where one job informs my perspectives on the other and I'm hoping I can bring some of that to the discussion today.

**Shearer West**

Lovely, thank you very much. Sangeeta.

**Sangeeta Khorana**

Hi and good morning, everyone, thank you so much for having me at this session. My name is Sangeeta Khorana, and I am Professor for Economics at Bournemouth University. My interests are primarily working on trade deals and trade agreements, and I currently am working on the India deal. Thank you.

**Shearer West**

Thank you very much. Tony.

**Tony Matharu**

Morning everybody and thanks for having me on. I'm here I guess as the Chairman of the Asian Business Association which is affiliated to the London Chamber of Commerce and Industry with about 2,500 members. I'm also the founder of Integrity International Group which has interests in hospitality both locally here in London and in technology sector and I run something called Global Hospitality Services, so very focused on property and hospitality including technology. I'm also the founder and one of the directors of a business improvement district with multiple other members, very glad to be here today, thank you.

**Shearer West**

Thank you. And Karan, good to see you.

**Karan Bilimoria**

Good to see you Shearer, Karan Bilimoria, I'm an independent crossbench peer in the House of Lords for the last 16 years. Chancellor of the University of Birmingham for the past eight years. Founder and Chairman of Cobra Beer, which I started in Bangalore in India 32 years ago. And is now exported to 40 countries and manufactured here and in Belgium and in Holland. And I'm also President of the Confederation of British Industries, CBI, Britain's largest business organisation and I could go on but I'll ... I'm also the founding chairman of the UK-India Business Council which is relevant to our discussion now and also Co-Chair of the All-Party Parliamentary Group on International Students which is also relevant.

**Shearer West**

Thank you very much everybody and excuse my croaky voice, I'm recovering from Covid at the moment. So, I will go onto the first question, and I'll ask everyone to give a sort of succinct overview of their views on this question. We can obviously pick up other things in further questions later on. So, my first question is what's the current state of trade deal negotiations between the UK and India and do we know what Modi and Truss's red lines are, have been, during these negotiations? And I'm going to ask everybody for a comment on this, but can I start with Sangeeta?

### **Sangeeta Khorana**

Thank you so much. Well as we all know several rounds have been held and discussions began some time in January, so the fourth round is going to start from next week, week commencing the 12<sup>th</sup> of June. Now with regards to, well so far trade negotiations have been divided up into 23 policy areas and these are broad policy areas that the UK Government is focusing on, and the Indian Government too so that they can come to a deal. Now, with regards to your question about the red lines, if you asked me this time there are really no red lines, as far as my understanding goes it has been agreed that there's going to be no demand that will be an absolute deal-breaker. So, clearly, we can see that there's flexibility on both the sides to get this deal over the line. I'm happy to talk about other important issues that may pose as potential roadblocks or where intense negotiations may be required, but at the moment it looks like that the deal will go through within the timeline, and there will not be any major issue that will really stop the deal like it was in the case of the EU trade deal. Essentially, I would say that if you asked me about what the asks would be, I can add that the UK would ask for higher market access into professional business services, financial services in India, in aviation industry, Government procurement, because that's very, very important and that's where a lot of market access lies for British firms. Include a digital trade chapter, Pallavi would be able to comment more on that. Have stringent rules about data protection, IP, because these are important aspects for the UK Government.

Where on the Indian side it's going to be movement of professionals but as I understand it's not going to be a deal-breaker because there'll be some, they are willing to move, it's no more a red line like it was in the case of the EU. Essentially India would ask for increased market access into the apparel sector, services sector, agricultural processed sector, so there are going to be no red lines. The UK might ask for a chapter on labour rights, a trade and sustainable development chapter, but let's see how discussions progress. Thank you.

### **Shearer West**

Thank you very much. Tony.

### **Tony Matharu**

Thank you. Well, my thoughts are that you know and speaking particularly from the hospitality and tech sector, so I agree entirely that the intellectual property and data protection is an important consideration going one way. I think that the concerns about post-dated tax changes would be unhelpful and that didn't help. But hopefully those things can be overcome very quickly as they already have in that second matter. Consistency and stability I think are things that India seeks from the UK and to echo some of what Lord Darroch said about political stability and continuity and being

grown-up are things that are always associated with the UK, and so those sorts of broader considerations are important.

And sticking by our international agreements, I think if those broader things can be considered then I think that echoing what Sangeeta said, that access to our markets and doing it in a sensible way and sticking to our agreements would be relevant from an Indian point of view, and from particularly the hospitality and tech sector, that intellectual property protection is important for the tech sector and free flow of movement of people obviously visa and business visa expenses is an issue. And Australia-type three year working visa and post-study work visa things are positive and we know unlike some other sectors, some other countries particularly the Gulf and perhaps China, that people from India do come, work, contribute whilst they're studying and do stay on. And so, they do contribute while they're here. So perhaps they need some special consideration and not be classed as some of the others.

### **Shearer West**

Thank you very much. Karan.

### **Karan Bilimoria**

Yes, thank you. We've just had a very useful visit by the Indian Commerce and Industry Minister, Piyush Goyal who was here, and we had the Chief Negotiator from India as well as our Chief Negotiator, so we had a few days of interaction including with Anne-Marie Trevelyan, our Secretary of State for International Trade. And one of the things that stood out for me is Minister Piyush Goyal made it very clear that the backdrop in these negotiations he is requesting that we take into account the differences that we're trying to do a deal here between a country of 67 million people and a country of 1.4 billion people, we're trying to do a deal here where he said it's not on equal terms in that although we're the fifth and sixth largest economies in the World, India has a per capita income of a couple of thousand dollars a year, whereas our per capita income is 30 times bigger than that. So, he said you've got to keep that in perspective that we've got a way to go in India to catch up in terms of per capita income. And so, you know you cannot say you're negotiating on equal terms, so that backdrop I think is very important when we're looking at this negotiation.

That said, I've been very involved with the CBI President in the Australia, New Zealand, and the rollover of the 66 bilateral EU trade deals before the transition period ended. And what I can say is the Australia deal is a template for the most comprehensive, modern free trade agreement in the World, and it's got everything in there. And that was done with one year of negotiation. It took a little longer to close it and there were a few hurdles, and it's got all the sensitive areas like agriculture in it as well, it's got movement of people, innovation, digital, etc. So, I think how comprehensive can we make this deal, our Chief Negotiator Harjinder is very, very keen, and confident that it can be comprehensive, and I think that's got to be one objective that our members, our CBI members do not want a skinny deal. We want a comprehensive deal. The pace of it, it can be done, we've shown we can do it with Australia and with New Zealand. India has shown it can do it even quicker. The Indian trade deal with the UAE was done in 88 days. And the India-Australia deal was done very quickly as well. So, both parties can move at speed, so realistically we can complete it by Diwali or if not by the end of this year.

And the key at this stage I would save my comments, I'll bring in more contributions later on in more detail, is to be as comprehensive as possible.

**Shearer West**

Thank you very much. And finally, Pallavi.

**Pallavi Bhajaj**

Thank you. So much has been said and that makes my life a lot easier because I think I probably agree with almost everything that's been said. I think we've had three rounds of discussions, two extremely productive, the last two. They are looking at an interim deal by October, that's allegedly going to cover about 65% trade in goods, 40% trade in services, so that's ambitious but like everyone said I don't think it's too ambitious because like Sangeeta was rightly saying, red lines if any are all in pencil at this point. And so there will be discussions on almost everything. And also, I think a lot of discussions are already in progress. To me, again I agree with the largest priority areas are going to be for me the greatest benefits of the deal are really going to be in behind the border measures, what we were discussing earlier with Tony and Sangeeta were both saying that institutional frameworks, regulatory frameworks, behind the border measures, simplification of procedures, mutual recognition. I think that's where the real meat of the benefits are going to come from. Reduction in tariffs will only take us that far on market access.

But really the most encouraging part of the progress that has happened so far for me is the industry task force that has been set up. These are two industry bodies that are representing over 300,000 businesses in both sides of various sizes, and this is really taking stakeholder negotiation all the way to the end of the FTA. And I think that's so encouraging because when you allow businesses to not just discuss key priority areas or trade-offs, but actually monitor timelines in the FTAs, you are really giving it to the stakeholders to say let's take this all the way in the time we said we would. And I think that's extremely encouraging, I hope that the task force is going to do what it has been tasked with, really monitor timelines because that for me is going to make the difference between meeting the deadlines and not meeting the deadlines, because everything else like everyone has said is, it's very doable, it's not too ambitious.

**Shearer West**

Thank you very much, that was a very good optimistic set of views. Can I go to David?

**David Henig**

Yes, thank you Shearer, it was a very good optimistic set of views but not without a certain amount of contradiction which I just want to probe within it. In particular, with reference to other negotiations that India has been recently taking part in, and the ones that UK has been doing, so India has recently completed deals with Australia and the UAE. The UK has completed deals with Australia and New Zealand. The India and the UK deals with Australia don't look particularly similar and I'm just wondering if witnesses, starting with Pallavi, could actually comment on the level of ambition that India and the UK are actually approaching this with, and particularly also interested in picking up on the comments that were made about the remarks of the Indian Minister in suggesting ah well, you know it's different because we're a much larger but also a less developed country, it seems like there's quite a lot we can bring out there in terms of how this deal might be structured. Could I start with Pallavi on that please?

**Pallavi Bhajaj**

Of course, you can. I think it's ambitious definitely to have the kind of deal we're looking at. I think like Sangeeta was saying there are no red lines, everything is up for discussion. But the truth is that there are also areas that are difficult to negotiate on both sides and they will look more for access and that's always hard to negotiate. But again, it comes with the caveat that digital trade has made the lines already blurry on provision of services, it's completely changed the landscape of how services are being provided. So, I think it might already be time to revisit how we liberalise more forward services in general.

Also, in terms of the differences that the Minister was talking about, they exist, you can't deny them. Like Karan was saying as well, the population is different, the GDP is different, the per capita income is different, the priorities are different. But I think if they've embarked on what seems to be an effort at a more structured collaborative relationship as opposed to India just being the large developing country market with you know, a growing middle class with lots of disposable income, I think that the deal is looking at everything beyond just that market access. And I think that's what's very encouraging. Also, the Indian approach if I can take a second to say that, recently has not been that it has not been we're just a developing country with a big market to give you access to, it has been more collaborative, it is more mature acknowledgement of our own strengths and our position in the global economy, and our own comparative advantages. To say that you know there is national interest yes, but there is also everybody grows better if they grow together. And I think a really good example of that was also seen with AstraZeneca and Serum Institute collaborating over the Covid vaccines which was on the one hand pure economics, playing on each other's strengths and delivering large scale vaccine production, on the other hand also benefiting a lot of countries in the process that would not have had access to vaccines. And I think it's that collaborative playing on each other's strengths that I think would be the end ambition of this deal. I don't think it is about just market access.

#### **David Henig**

And just to sort of push you on one issue, you're an expert on data, data localisation. India has very different data rules from those that the UK would like to see, how do you see that issue being resolved?

#### **Pallavi Bhajaj**

I'm going to say India is definitely like with the EU looking at being recognised as a data secure nation, and again there are differences there, there are differences on say source code, you know revealing the source code particularly in public procurement contracts. They exist but I know that for India because the digital services sector is being driven largely by smaller enterprises, it's going to be something that India will want, and I'm sure that there are ways to fix that. I mean data security is always going to be more about accountability of enterprises and of stakeholders and I think if we can fixate on that instead of making it about broad regulatory frameworks, just talk about accountability and implementation of those accountability frameworks I think it's very, it's not ... I mean I work in the digital services sector, so we deal with data security requirements every day and we know that it really comes down to how you handle them on the ground practically with accountability. And if they include like I was saying businesses in those discussions which I think is what the industry taskforce is trying to do, I think it's very doable to find that middle ground, which is mutually beneficial, for businesses and in terms of you know the Government's own policy interests.

#### **David Henig**

Turning to you Tony because you mentioned some wider issues that aren't always necessarily in a free trade agreement, how would you see the levels of ambition or where they should be both for the UK and India?

**Tony Matharu**

Well, there's the ambition and then there's the reality and I'm not sure where we lie on that spectrum. I guess it's the difference between a deal and transaction and a relationship, and I think that's probably where the distinction lies. We need to build a relationship between the countries and an understanding and at the very broadest level that we act as grown-ups in the room as somebody has already cited today. That we can trust each other and that leads to part of what Pallavi said about data protection, security, trust, and reliance on the legal frameworks and so on. And that is built over time, relationships don't happen in the same way as a single transaction on a deal. So, when people talk about trade deals it slightly concerns me, and so that's the broad framework.

I think we get an understanding, you know information and knowledge and then understanding and then we tend to respect each other's decisions. And some of that goes to the broader issue about trusting each other in the political sense, political stability, continuity. And you know as opposed to division. And I think if we can establish that foundation stone of trust then that's good for the relationship going forward, and then we can enter negotiations and secure a long-term relationship and the framework that goes beyond that.

From a hospitality sector, you know Pallavi has touched on the technology aspects and her confidence and assurances as to that. As a hospitality sector I target it as a growth market, if we say the EU and the USA are big markets to the hospitality sector in the UK, incoming visitors, business, and leisure, and if we could maintain those as stable the growth would come from other sectors including and especially the suppressed demand from India. And there is a desire from Indians and businesses, and leisure and business travel and events to come to the UK, but there are also barriers and hindrances to that and we need to try to overcome some of those to give people the same kind of passageway as perhaps people from the wide former Commonwealth, including Australia where we do have a trade deal and we do have arrangements for students and for visas and so on.

So, I think that's the very broader framework and probably, I can't speak on behalf of the 2,500 London Chamber members because they're so disparate and a different scale and in all kinds of sectors, but from the hospitality sector and the IT sector where my businesses sit, I do have a view as expressed.

**David Henig**

Karan Bilimoria if I can turn to you. Following up the relationship, I'm always curious why is there not a stronger UK-India relationship already, so are we hoping the FTA brings that stronger relationship, is that part of the ambition here?

**Karan Bilimoria**

We've got a very strong relationship, there's no question about that. If you were round the table with Minister Goyal and Anne-Marie Trevelyan at any of the interactions it's a fantastic relationship, enhanced by the 1.5 million people of Indian origin, the living bridge, people like me, in the UK. So, you know it's a fantastic ... lots of potential. The negatives, we disbanded the UK-India roundtable which I was a member of in 2014, it was a fantastic initiative, we came up with the UK-India research

initiative UKIRI which went into phase three of twinning academics between our two countries, phenomenal to increase cross-border collaboration and innovation, that came out of the UK-India roundtable. The two-year post-graduation work visa came out of the UK-India roundtable which I then championed in Parliament, I led the way in the House of Lords, came into place in 2008, taken away in 2012 by Theresa May, brought back in by Boris Johnson last year on the 1<sup>st</sup> of July. The number of Indian students is rocketing since the two years it's been brought back in, and we need to take that even further. International students, Paul Blomfield over here, my Co-Chair of the All-Party Parliamentary Group on International Students, we produced a report, we asked the Government to set a target for international students, they set a target of 600,000 and we've beaten that target. I've now personally set a target of a million international students, and I think Indians are going to overtake China as the number one overseas students very soon. So that's very positive, but the disbanding of the UK-India roundtable is not good news.

I'm a member of the UK-India CEO's forum, it has not met for two years, not even virtually. So, what I've done is I've founded a UK industry taskforce which I launched in India with the CII, the Confederation of Indian Industry in the CBI, to help with the [inaudible 1:22:25.2] which I think Pallavi is referring to. We've got to do something to help take this forward if the Governments themselves are not doing it. So, I think the potential is there, the relationship is there, we've got to build on it.

#### **David Henig**

Thank you. Sorry I'm nearly out of time but can I just turn quickly to Sangeeta again about the level of ambition, is there a similar level of ambition for a UK and India here?

#### **Sangeeta Khorana**

Well, I just hope that the trade deal does not mimic the ambition that the India and Australian deal had, because if you look at the Australian deal that India has done it's not very deep, I would much prefer that the UK deal with India is deep and comprehensive because the deeper and more comprehensive the trade deal the more the benefits for both the partners. Because I'll just take one second and allude to public procurement. So, in public procurement chapter that India has concluded with Australia, you find that India has not given any market access to Australia in public procurement, and I hope that's not the case with the UK because there are so many carve outs in that chapter, I'm glad to talk about it later, I'm conscious of time so I think I'll stop here, thank you.

#### **Shearer West**

Thank you very much, we will give you plenty of time later to follow that up. Tamara, I'm going to you now.

#### **Tamara Cincik**

Thank you so much. So, my question is, let me just get it up for you, what are the priorities for each side in terms of the negotiation and growing the trade relationship, which UK companies and sectors have ... oh no, yes, I am on the right question ... which UK companies and sectors have particular offensive or defensive interests. And I will ask Sangeeta that question first please.

**Sangeeta Khorana**

Thank you so much. Well, if we look at the priorities, I think a) deepening the partnership, most importantly I think if you look at the tariff profile, we find that tariffs that UK firms face higher tariffs in India than Indian firms face in the UK. So, it's important to reduce tariffs and more important is reducing non-tariff barriers, because if you look at the non-tariff barriers that British firms face in India, they are absolutely phenomenal. So, I did a study in 2020 looking at what was the incidence of barriers that UK firms faced in India, and we found that we could break up barriers by horizontal generic barriers and also sector specific barriers. And these were absolutely, they ran into if you ... once when we quantified the value of these barriers they ran into billions, I mean the value of those barriers when we quantified them was running into billions. So, this is clearly business lost. So, if you ask me the priority, they want to be increasing market access, reducing tariffs, and reducing non-tariff barriers.

Now, sorry what was the other question was with regards to the sectors, right?

**Tamara Cincik**

Yes.

**Sangeeta Khorana**

Right, so I think there are a couple of sectors that can benefit from this trade deal directly. We understand that partners are looking to reduce tariffs and from the UK perspective I can say the objective will be to reduce tariffs on cars and whiskey, because whiskey really faces a very high tariff in India.

**Tamara Cincik**

We heard about that in a previous session, about the whiskey industry.

**Sangeeta Khorana**

Yes, exactly. So, then I'll talk a little bit about the automotive companies. Now India increased tariffs last year in 2020, India increased tariffs from 7.5% to 15% on automotive products in 2020. Now these are areas that the UK would like to target. Another area I would like to highlight is that of chemicals. Now, chemicals are amongst the fastest growing sectors where both the countries have got massive investments, and this is likely going to continue in the long-term as well. But the issue is that the UK firms, the chemical firms, face challenges when they navigate the Indian approval process landscape, because the requirements are forever changing, and the authorisation procedures also keep getting altered over time. So, if you ask me, these are the sectors that the UK would be looking for in goods. In services as well the UK would be looking to get an understanding on the digital chapter and most importantly in terms of legal services. Architectural services.

**Tamara Cincik**

Sangeeta, I work in the fashion industry and I'm aware of time but what would be fantastic is if you could send over, because I'm going to revert to Lord Bilimoria to answer this question as well, is if

you could perhaps connect with the Secretariat and I could explore some of the data that you might have around the textiles and fashion industry because obviously that's a key priority for any relationship with India. Lord Bilimoria, would you like me to repeat the question to you because I realise it was a bit of a time away.

### **Karan Bilimoria**

So, I think you've got to keep, again the potential is huge in a variety of sectors, we the UK traditionally are the second largest service exporter in the World, so obviously service is important to us. Now you got to a lawyers, foreign lawyers are still not allowed to practice in India and we're saying why can't we have this trade deal allowing for example our solicitors to provide advisory work in India, maybe our Barristers can't practice in the Courts in India, if that's a problem, but an interim phase at least the advisory work on MNA, on business advisory is a benefit to India as well as to our legal profession which is I consider the best in the World. So, things like that. Life sciences is a huge area of potential for us. Tech is a huge area. We've spoken, Pallavi spoke about data, and we've got all the, I mean I can go into detail about data and data localisation and disrupt the requirements of disrupting data flows and we can talk about that in more detail if you want to. We could have data localisation provisions like those agreed in the UK-Japan CEPA, that would be ideal if we could achieve that. Defence, this is an area that India is very keen that we should get involved in. We've got the technology, we've got the know-how, India would like us to manufacture defence in India and they are also saying they do not insist on technology transfer, and I think that's fantastic if they're not insisting on that. And if we can trust, the point that Tony made, about trust is very important where let's be, I mean do we have that level of trust for example when we're dealing with other countries. Well, I don't want to name them, but we know the obvious ones where there isn't a level of trust. Whereas with India we have that level of trust that exists.

Products, there's no running away from tariffs, I mean Scotch Whiskey 150%, just imagine if we can reduce that down. What about cars? Reducing the 150 over 100%, those have got to come down. With the Australia deal there was a tariff reduction on wine and then agriculture, I mean that's a sensitive area, but look at the collaboration we're doing. I chair a Cambridge University initiative called Tigress which is the second green revolution in India and if you look at the multi-disciplinary collaboration we have between academics here, with institutions like ICRISAT, The International Crop Research for Arid Zones in India, wow, I mean it's increasing crop yield multi-fold. Why don't we have that instead of having agriculture as a sensitive area which is a problem area, it becomes a really positive area.

Climate change, we've just finished the CBI, our net zero conference for two days, look at the potential to collaborate with India on climate change. Solar Power India is a real leader, we're a leader in wind power, we're a leader in hydrogen, if we are collaborative, including using universities, University of Birmingham has just had the World's first retrofitted hydrogen powered train, just imagine what we could do with India over there.

So, I think the more the collaboration that we can do ... space is another area, space. India launches satellites in a huge amount, we're really prioritising space over here. I'm an Honorary Group Captain of the Royal Air Force, we've started a Space Command. Defence ...

### **Tamara Cincik**

You're very excited about the opportunities, I can see that in your answers, and I think that's very exciting. I mean on climate obviously India is facing you know; it was on the radio yesterday the heat already in the cities is extreme and that is something I think has to be a key priority. I'm going to refer

back to the Chair, but I would really welcome for anyone who hasn't spoken if you've got any insights I know the CII very closely, I think they're a fantastic organisation but on the fashion industry in particular, that would be my personal geeky interest after the meeting, thank you. Back to the Chair.

**Shearer West**

Thanks Tamara. Can I go to Paul Blomfield now?

**Paul Blomfield MP**

Yes, thanks very much Shearer. I mean obviously post-Brexit trade deals are hugely important politically for the UK but there's kind of mixed evidence on the economic benefits and we just heard from Kim Darroch in our previous session who reminded us that the Japan deal is only worth 0.07% in terms of economic growth. Now, in terms of the India deal, obviously there's a range of kind of landing zones and so it's a difficult question to answer, but what evaluation has there been in terms of the potential impact on growth for the UK? And are those estimates reasonable. So, let me start with Karan because you're looking for the most comprehensive deal, absolutely right, what might that look like in terms of benefits?

**Karan Bilimoria**

Yes, so I mean I could give you various statistics of estimates that have been made. I mean there's no question that once you have a good comprehensive deal it benefits the eco-system of service and goods, and it bolsters bilateral economic growth. Now, when you start quantifying it in the way that has been done with the Indian one, there are various, a range of figures of how it could benefit. The bottom line is it's only going to work if organisations like the CII and the CBI once the deal is done actually promote the use of these trade deals and that's the same thing with the Australian deal, same thing with the New Zealand one, is it's all very well having these deals but the businesses, especially SMEs don't know about them and don't know how to take advantage of them, this is where the job, and also for our High Commissions in both countries, and we've got a fantastic Trade Commissioner in India, Alan Gemmell based in Mumbai, we've got a great network and similarly over here we've got a huge network like the CBI which is throughout the UK to actually promote the trade deals once they're done. That's the only way we can make the most of them.

**Paul Blomfield MP**

OK many thanks Karan so that's a hugely important point and as a former member of the Business Committee it was something I was deeply conscious of. But perhaps if I could get a different view, Sangeeta, how do you see the potential estimates on UK growth?

**Sangeeta Khorana**

Thank you so much Paul. As Karan has just pointed, there are a range of estimates that are out there floating with regards to how much would be the benefit for both the partners. Clearly there are going to be benefits in the long run, but I would like to emphasise again here that the benefits, the amount of benefits that each partner will reap or harvest would depend on how deep and how comprehensive the deal is. Because if the deal is shallow benefits will not really flow. It has to be really deep and there has to be focus on regulatory harmonisation over time and that is what is going

to get the benefits of the deal for both the partners. And as already pointed out, I think business associations here have a very major role to play. Because the SMEs are the wheels of the economy, to get them to understand how the deal is going to work and how they can be part of the supply chain is what is really important. Thank you.

**Karan Bilimoria**

Paul just sorry one, I mean I could give you statistics galore here, I mean one example is if removing duties alone would increase exports to India by £6.8 billion supporting tens of thousands of extra jobs, that's just tariffs. You know if you talk about wind power, the renewables, we've got tariffs of 15% on wind turbine parts from the UK, that's reduced. So, I mean, you know we could go on with statistics but generally the more comprehensive the more it is going to benefit.

**Paul Blomfield MP**

OK well thanks Karan, I mean I think the Secretariat have got a kind of range of statistics, but anything that your office could share with us would be useful when pulling the report together and that applies to Sangeeta as well and indeed to others. Tony, you talked about the gap between ambition and reality, in terms of any potential landing zones how do you see it?

**Tony Matharu**

How do I see it? I think from my point of view there's the tariffs and then there's the non-tariff barriers. If we just deal with some of the tariff barriers and the supplies to some of the industry, Lord Frost would know very well about this, Scotch Whiskey Association and you know he of course negotiated the Brexit arrangements. So, whiskey, cars, chemicals and all the product related ones I think other people are better educated to speak about those. As to the services sector and I've referred to legal services and intellectual services, I've referred to education which of course Karan and yourself are well versed in yourselves, my thoughts are that the intangible benefits of breaking down some of the service sector non-tariff barriers, the movement of people and the education of lawyers in both ways going into India and coming back from, and the professional services, the removal of those sort of protective barriers which I think inhibit the collaboration that we've discussed would be an important part of this growing relationship. And I agree that the SMEs of which the London Chamber of Commerce for example are one and the Business Improvement Districts are another are a good conduit to disperse that information to prompt and promote any deals that are done. Education in its broadest sense happens through those networks and collaborations and further up the scale the collaboration between Governments. So, you know I'm a strong advocate of partnership and collaborative working, and I believe that particularly with the service sector and in the legal, professional, technical and hospitality sides that I know and can speak of with a degree of knowledge we could all do, and we would both benefit both India and the UK from reducing the inhibitors, the barriers to doing trade with each other. And that can start off with the movement of people and the use of intellectual capacity both ways.

**Paul Blomfield MP**

Yeah, many thanks. Pallavi how do you see it in terms of the growth benefits?

**Pallavi Bhajaj**

So, as I was saying earlier and it's been said several times also in the last few minutes, yes market access through tariff reduction but really the meat of the benefits is going to come from behind the border measures. From harmonisation, from mutual recognition, from certification and testing accreditation, from simplification of procedures, services liberalisation. Those are harder to measure, harder to analyse and assess in advance, but that really is where the actual benefits will come from because even the tariff reduction effective market access will only come if the other areas are addressed as well. And of course, services liberalisation, I know a lot has been said about Mode-4 [ph 1:39:13.0] and I agree that I mean it is about time that we stopped looking at Mode-4 as something that is a no-go because we're past that. Mode-1 has made sure that Mode-4 is less relevant every day for service provision across borders, but also Mode-1 and digital trade, I think those are the key areas where any deal would benefit, any two economies right now. The majority of trade is more digital by nature, Covid has increased the pace of where digital technologies are being adopted, and if we don't agree on those regulations and build capacity, technical cooperation to be actually able to implement the regulations that we agree on, then you can negotiate any deal, but if you leave digital and Mode-1 out of it it's always going to be a sore point, it's always going to make it as Sangeeta was saying not deep enough, not comprehensive enough, not collaborative enough.

So, I think for me those are the key areas of the deals to really focus on.

**Paul Blomfield MP**

OK well thank you all very much indeed, I guess that there's some really useful stuff within there, but I guess we should focus on Karan's ambition for comprehensive, going back to Sangeeta's very first point at the beginning of our session in terms of no red lines, then we've reason to be optimistic but also some really helpful points in terms of delivery so thank you, I'll go back to the Chair now.

**Shearer West**

Thanks Paul. I'm handing over to Stephen now.

**Stephen Farry MP**

OK thanks Chair. Good morning to our witnesses. A very short question, but probably one that's fairly complicated and with major repercussions. How complicated is the situation going to be in terms of concluding a deal given India's reluctance to call out Russian aggression against Ukraine, and to what extent is the UK's ability to challenge India in that regard currently weakened given a range of other factors? I'm not sure if anyone wants to volunteer to take that one first? Karan, I know you're the best ... you're the one, you're the politician, you can be diplomatic.

**Karan Bilimoria**

Right, well you know this is something where I've heard very, very clearly from ... as high a level as possible at the Indian end what the reasoning for India's stance is and if I give you an example, I was with Liz Truss, our Foreign Secretary in India and there was an event where she and Minister Jaishankar the Indian Foreign Minister and there was a Q&A with an audience and one of the audience members who was an English ex-pat in Delhi and this was in Delhi asked Minister Jaishankar why are you buying oil from Russia. And his answer was very stark, and Liz Truss said I'm

not telling India what to do, it's up to India what it does with its foreign relations, this is not for me to tell anyone what to do, so she was very diplomatic about it. And his answer, he said can I just remind you, and this was now in March, towards the end of March, he said can I remind you that as we speak since the war in Ukraine has started, Europe has bought more oil and gas from Russia than it did before the war started and you're telling me I can't buy oil that my country needs for my people, so how do you answer that?

So India's situation is very delicate and we respect their position and it's to do with their geopolitical analysis of where they stand in the World with their neighbouring countries, with their relationship with Russia going back many years and it's not for us to ... as long as it doesn't interfere with our deal and they made it very clear that's one thing, the deal with the UK is completely separate and we should never, ever tell India what to do. India is the fifth or sixth largest economy in the World with 1.4 billion people, what it is not by the way is that India is still not a permanent member of the Security Council of the UN, and the UN reform is desperately needed and we at the UK are fully behind that.

#### **Stephen Farry MP**

Karan, giving you are politically savvy maybe you won't mind if I just push you back a little bit on that answer and appreciate the issue about energy matters may come across as being slightly hypocritical, but nonetheless this does seem to be a major geopolitical issue for all of us around the World and there are fundamental values here around non-aggression against states at heart and potential genocide going on in Ukraine or, a better phrase for that 'war crimes' happening in Ukraine from Russia. And in that context surely the UK should be using its position, not least as a Security Council member, to be showing leadership and challenging other states to stand up for the integrity of the international order as we currently understand it to be, rather than simply saying this is an economic matter and we'll allow India to do its own thing.

#### **Karan Bilimoria**

And India has been very outspoken on wanting the violence to stop and condemning the violence and wanting peace, they've been very outspoken about that, so they're saying that's not been an issue. What is an issue is the structure of the UN that allows Russia and China to have a veto but that has proved that the UN has not been able to be effective at all during this whole conflict? And the nub of it right now is the UN Food Programme, the Head of the UN Food Programme, I don't know how many of you have seen David Beasley's report on the 11<sup>th</sup> of May where he's predicted that there will be famine of over 300 million people if we do not unblock the border of Odessa and [inaudible 1:45:17.0] the Ambassador told me about this a few weeks ago, he said nobody has woken up to it, now the whole World has woken up with this, that's the sort of thing we need to be addressing as a global community together.

#### **Stephen Farry MP**

Sure. Would anyone else want to come in on that issue? Pallavi, yes please.

#### **Pallavi Bhajaj**

Can I take a stab? I don't know if I can really be unbiased in this situation but I'm going to try anyway. So yes the situation with India's stance is political on the Ukraine/Russia issue but, and I want to say let's put the politics aside and talk economics for a second but the truth is even the politics of it was dealt with economics, no, in the beginning the first reactions of most countries were export bans, let's get Russia out of the WTO, trade sanctions and it's become quite clear that at the heart of all of it economics is the problem and the solution. So, in pure terms the economics and numbers, there isn't a better time to strengthen economic and strategic cooperation between countries like India and the UK, given everything that is happening with Ukraine, with Russia, with China's approach to pretty much anything over the last few years. I don't think there has been a better time for India and UK to say let's cooperate better in trade and economics but also strategic issues like defence and security, which have also come up in the context of this agreement. And I know that a lot has been said about the Indian stance on Ukraine and Russia, but if there is one thing that should be said it is that India has been consistent, transparent, and straightforward in its response. It has never beaten about the bush, not minced words, not hidden behind ambiguity and I think when you are looking at a trade deal it's safe to say that in administration that in a difficult situation like that can be transparent and straightforward in addressing all the questions that are coming to it in spite of all the pressure, can be seen as also an equally transparent and straightforward partner for an economic deal. And I think those are again, it all boils down to the economics of it and I would say that it would be counter-intuitive to relate India's position on Ukraine with a trade deal right now.

#### **Karan Bilimoria**

If I may Stephen, just to build on what Pallavi has just said, the stronger our security relationships are with India, along with trade, the stronger the relationship is overall and with Australia we have that, we have the five Is, we have [inaudible 1:47:35.0] and we have the free trade deal. With India I've suggested that the UK should join QUAD, India is a member of QUAD, and then it's a full circle if we had that. We should be doing things like that, going the extra mile in our security relationship together which will even strengthen the trade relationships and the trust, it's even stronger then.

#### **Tony Matharu**

And if I could just add to this point, just simply very broadly that trust is critical to this and people need to be able to trust, countries need to be able to trust each other and if we make agreements, we will stick by them. If we say we're going to give 0.7% of our GDP to assist other people, to enable the broader arrangements and relationships to foster, to create markets and to be able to support that activity then we should stick with those kinds of things. Every time as John Major said you know we damage our soft power if we you know we skirt around agreements, and so my view is that the relations with India and the United Kingdom will be strong, they'll be stronger still if we can trust each other more and more and we can build on step by step the relationships. Sometimes they can be triggered as Lord Bilimoria has said, you know we are now focusing on what could happen with the food across the World, it could be that there's a positive trigger from something that might be energy or environment related, that there's a positive trigger as a result of you know fertiliser or solar power or some other collaboration between the UK and India that then stimulates a positive movement towards a stronger relationship. We don't know where that will be, but I think if we start with the foundation stone of all relationship on which is trust, and then we provide the information and the understanding to enable us to build a stronger relationship. I don't really want to get into necessarily the specifics of the Ukraine/Russia/UK politics but that soft power that's discussed, that maybe had been fractured or diminished in relation to Brexit and needs to be re-established and strengthened and supported in the future.

**Stephen Farry MP**

Certainly, I respect all your answers and certainly take the point made around trust, but I just wonder at times if we don't use our influence with India that basically we are allowing Russia trade diversion elsewhere and the ability of sanctions against Russia to try to achieve an outcome in Ukraine I think may well be diminished, but no doubt that's a wider debate for another time. Back to you Chair.

**Shearer West**

Thank you very much. Paul Girvan is not able to join us today, so I'll just do the last question and I think I know what everybody thinks about this already which is how important do you feel this trade relationship is for both countries. So rather than asking that, can I just go to each of you one at a time and just ask if there are any final comments you have, or thoughts, for this Commission that would be helpful for us to hear. So, Pallavi, can I start with you?

**Pallavi Bhajaj**

Thank you. Final thoughts, I think I'm going to go back to saying services, digital, extremely important. Stakeholder engagement, extremely important. I know Karan has said a lot about that as well and I agree. I know that Tony was saying earlier as well about trust, and I think a lot of it is a combination of how deeply and how collaboratively stakeholders engage in the process, because going back to what Sangeeta was saying, the agreement will only be deep and comprehensive enough if the stakeholders are participating at a level, and I think that's what's missing in most trade negotiations, you never know where to draw the line and where to bring the stakeholders in. And I feel like the industry taskforce is a great way to do that, to make them actually accountable or responsible for the process. So that's extremely important. I think behind the border measures will be extremely important and to look at it as more than just a trade deal, more than just market access at all times I think will be critical.

**Shearer West**

Lovely, thank you. Sangeeta.

**Sangeeta Khorana**

Thank you so much, I completely endorse what Pallavi has said and yes, it's really very important to address the non-tariff measures and behind the border measures because they are literally the elephant in the room. I think if you asked me in addition to what I have said, this is actually a great opportunity for the UK to lead its efforts to tackle climate change under the proposed trade agenda, so that is something I would like to add in addition to what Pallavi has already mentioned, thank you.

**Shearer West**

Thank you very much. Tony.

**Tony Matharu**

Well, I will echo what has been said before, I don't want to repeat what I've said but what I would say is that in relative importance, given a relatively stable relationship with the US and with other parts of the World, a rebalancing of our relationship with Europe, that the relationship with India and Asia more generally is really important. So, the question was about how important, and I would place increasing priority on this, not just as a market but because as we've touched on and Stephen's question about other geopolitical strategic defence, food, we're all in a relationship where any impact from one country has an impact on another. We've learnt that, if we've learned nothing else from Covid that an incident that could happen in China has now affected every human being on the planet and we've all got to respond to it, Lord Bilimoria talked about the food crisis which is you know possibly going to worsen and the hundreds of millions that will be affected by it. So, my conclusion to that would be there's never been a more important time and there probably is never a more important Continent that we need to engage with in a constructive way than to deal with Asia and India right now. And post-Brexit there's never been a more important time to be engaging and to demonstrate that we can collaborate and form sensible partnerships, not just trade, not just economics, not just environmental and sustainable, with another country, of a large country which has huge potential for growth in bilateral relations, and I think that's probably where I would end it.

**Shearer West**

Thank you, and finally Karan.

**Karan Bilimoria**

Thank you very much. This has been a very good session. I just want to just make a few points that we may not have covered and I'll fire them quick-fire so one is the integrated review last year that we had, the first time ever as a country with defence and security and development and diplomacy and all foreign policy together, tilts to the Indo-Pacific, it's no longer the Asia-Pacific, it's the Indo-Pacific, so you know it is a priority country for us strategically in every way.

Movement of people, we've touched on this but at the moment for example foreign workers can go to India, including from the UK and stay for 90 days, but for Asian countries they can stay for 180 days, so we must make sure that you know, in the Australia deal it goes to the other extreme, young people, youth mobility 18-35 year olds can stay three years in either country with the Australia FTA and I know that's not going to be happening in the India one but at least we can go from 90 to 180 days.

The next is with mutual recognition of qualifications, this was brought up earlier on, I think Pallavi mentioned it. One-year degrees, our one-year degrees are still not officially recognised in India, I mean the private sector recognises it, the public sector don't, let's make that now officially recognised.

Opening up of foreign universities in India, that is now going to be made formalised. UK universities, we've just, Birmingham have opened up a campus in Dubai, but universities like ours would be very interested in opening up in India. So, I think that should be addressed in this as well.

Pallavi mentioned this, the importance of the regulatory cooperation between the UK and India, this is a great opportunity to address that head on and deal with that. We haven't really talked about this much but IP, India is a huge exporting destination for UK's innovative products but the IP regime in

India is much weaker than ours over here and that could threaten our innovation, that needs to be addressed head on in the FTA.

Procurement, I think Sangeeta mentioned it earlier, the Government of India's procurement accounts for nearly 30% of India's GDP. There's a huge opportunity for UK firms to win contracts there. This is a great opportunity for this agreement to deal with that.

And finally, with immigration as well, movement of people, foreign universities, at the moment at our end India is not on the preferred list for international students, there's a list of, Paul, you can correct me, it's 24 countries, China is on that list, Indian students are not on that preferred list. That can be addressed in this trade agreement as well.

And finally, Tony's point which is a very important point about soft power, I believe that the UK is a country which has one of the strongest combination of hard and soft power in the World, India also has a huge amount of hard and soft power, and that combination is very, very powerful combined.

### **Shearer West**

Thank you that was extremely comprehensive Karan, thank you for that. And thank you everyone. That was actually a very good session that focused more on opportunities than some of the other sessions we've had, so I really appreciate that, and I appreciate the time and wanted to thank Pallavi, Sangeeta, Tony, and Karan for being so open and having such a good discussion today, and again sorry for my croaky voice. And thank you to all of our Commissioners and I hope you all have a very good day. Thank you.