

Speech to House of Lords on UK-Australia FTA 09.01.23

My Lords, I am delighted to follow my noble friend Lord Swire's excellent maiden speech. He was my second successor—or was it the third?—in the job of Commonwealth Minister in recent times, and he made a great fist of it and a great success. He continues to do so in working with my noble friend Lord Marland, whom he mentioned, in the highly successful Commonwealth Enterprise and Investment Council. Together, they and their brilliant team have opened Whitehall eyes—although not nearly wide enough yet—to the vast trade and other advantageous linkages that the modern Commonwealth offers.

My noble friend Lord Swire's wisdom and experience will be hugely valuable here. Whatever he may have done on the parade ground, I do not think he will lead us the wrong way; on the contrary, he will lead us the right way, to a better understanding of what is happening in world trade.

I come to the Bill. Although the impact assessment tries to do so, it is difficult to predict how this agreement will affect trade flows, because it depends on whether or not opportunities are seized and on a range of technological developments, some of which we cannot even foresee, which will affect the pattern of trade as they have done for the last two or three decades. Despite the challenges and difficulties for our farmers, which I recognise, we should see the Bill in a very positive light.

The Bill is welcome too because it is part of the new jigsaw of an utterly transformed world trade system and, as the excellent report from the International Agreements Committee observes, it gives us a glimpse into the Government's longer-term vision for trade expansion. This inevitably means not just trade but, inseparably, political and security expansion. All these matters are intertwined and involved. It may also tell us something about the Government's policies to develop their role in the Commonwealth, which embraces about a third of the human race and is the biggest network on the planet by far. The modern expanding Commonwealth is, in the late Queen's words, "an entirely new conception", and Australia is key to that new and fast-growing Commonwealth world. Whether Australia's status is as a realm or a republic does not matter at all; it does not affect things.

This is good on both fronts, because we do not hear nearly as much as we should in this House or in Parliament about either of these major areas of policy, despite their outcomes being central to our security and future prosperity, and to the welfare of the world.

On my first point, about our involvement in new trade patterns that are booming, with countless new networks in Asia, with this Bill and these agreements we are obviously stepping further into a world dominated by the Chinese giant—far too dominated, many feel, especially in Australia but here as well. I find the consultants Dezan Shira, which has offices all over Asia and Africa, to be one of the best pan-Asian interpreters of what is really happening in the region. It estimates that the total current value of belt and road projects put forward by China is \$4 trillion. Of course, there is in fact a whole spread of belts and roads winding through the developing world.

The belt and road initiative is not just loans and eye-catching projects; it is creating a major value chain for services, engineering consultancy, legal and advisory services, all professional services, and of course much more investment opportunities. It is very good that the Bill covers the same sort of ground and opens the door to better professional services access both ways—although of course that is just a small start on one front in countering China's remorseless BRI advance. I am very glad that the Minister, who I welcome to his job, mentioned that when he introduced the Bill.

Incidentally, when it comes to bilateral investment treaties, which are just as important and are the key to more trade, China is miles ahead of the United Kingdom, with 145 treaties with developing countries against 20 UK treaties, mostly with Commonwealth countries. In effect, through past inattention we have let the Chinese take the lead in financing and getting the benefits from Commonwealth countries, which ought to be our asset, not theirs.

It could be that this Chinese ascendancy is now being checked, as Australia in particular finds its export routes to China closed down and rightly seeks other outlets for its burgeoning modern economy, which is based still largely on raw materials and food products but increasingly on very advanced technology and services. That is a far cry from the image of the past trade pattern.

London's own past neglect has let the Chinese in too far. Our financial sector is supposed to be the kingpin area of worldwide development finance. It is incredible that we have let this aspect slide and allowed the Chinese to make the running. Admittedly, during Liz Truss's short-lived premiership a new British International Investment body was announced, intended to mobilise £9 billion of funds as a counter to strings-attached Chinese loans, but frankly this is small beer compared with the size of the BRI advance.

At the G7 summit last summer, President Biden revived his Build Back Better World plan from 2017, which had not gone too well, and his Blue Dot Network initiative with Australia and Japan, all hopefully designed to counter the BRI juggernaut. But what remains is an enormous cat's-cradle of trade expansion and criss-cross deals throughout Asia, all steaming ahead under a Chinese aegis and generating enormous potential world growth, from Australia to Japan, from the UAE to Russia, and through the so-called middle corridor that links the Caucasus to the Chinese sphere.

So here we are just putting a toe into the world of high-technology trade expansion. I am frankly amazed that our policymakers have not made infinitely more of the modern Commonwealth network in getting deep into this new world. Important though it is to get on and build the best possible relations with all our European neighbours, it may surprise some that the Commonwealth has been outstripping the EU in three aspects: population size, economy size, and economic growth rate.

It is good that this UK-Australia agreement gives major access for UK professionals—lawyers, auditors, scientists, architects and so on—to the Australian and New Zealand markets and allows us to join freely in procurement bids for Australian and New Zealand government contracts and, I presume, vice versa. Will the Minister say whether that we are completely released from having to consider bids from EU suppliers first as a priority, as we used to?

Then there is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—a clumsy name—which we are trying to enter and which has already been mentioned. I am glad that we are getting strong support from Japan, but again I have no idea what use we have made of our Commonwealth ties. I hope we will hear more about that. The unhappy appearance, which I hope the Minister will dispel, is that we do not really have a policy for steady development of our relations with the rest of the gigantic Commonwealth network. What we need is a patiently executed plan to keep pace with Commonwealth and Asian expansion and new alliances growing up, which I hope that the provisions in the Bill will allow, at least for Australia and New Zealand as a start. Many people today feel acutely this lack of purpose and unifying narrative in Britain's world direction, and therefore in what should be the focus of their loyalties.

As has just been observed, the Commonwealth may not be treaty-based, may not be a trade bloc or an alliance, and may have members backsliding from its central commitment to liberal values and the ways of freedom, yet is clearly a major asset for us—or ought to be, as we struggle to compete in a hypercompetitive world, as my noble friend Lord Swire reminded us.

What is more—and this is widely missed—the new Commonwealth tableau opening out and growing meshes thoroughly with the entirely new pattern of international relations in which the UK is still working hard to find a place. Beyond all economic considerations, the security dimension of the Commonwealth has swollen dramatically in significance. Our military links with individual Commonwealth countries are growing daily—with Australia through the latest AUKUS submarine project, with India through cyber co-operation, and with African allies through military training links and weapons—and we are at last beginning to perceive what the Chinese have long seen and we have not: that many of the small island states in the Commonwealth, especially in the South Seas around Australia, have a major strategic significance in the new high-technology patterns of warfare and maritime security.

From the British point of view, the modern Commonwealth has evolved from a liability into a series of major trading, investment and market opportunities, as well as an ideally tailored transmission channel for the projection of British soft and smart power, and into a vital part of the UK's safety and security. The entire enormous network needs to be brought much nearer to the heart of British foreign policy and strategy considerations. Please will the Minister assure us at the end of this debate that this is beginning to happen, and that this trade agreement and its provisions are all part of a bigger and more determined and focused UK strategy for access to the great new markets of the future and for our national safety and security?
