

Joint Standing Committee on Foreign Affairs, Defence and Trade
Inquiry into Australia's trade and investment relationship with the United Kingdom

Questions taken on notice, 9 August 2017
British High Commission

Question: *Transshipments*

CHAIR: Just on the gold, precious metals, I wanted to pull apart—yes, 13th et cetera, but a lot of that is around the UK and London being the gateway, if you like, to the rest of Europe. Can you pull apart for us how much is actually into the UK and stays in the UK and how much is going through the UK as almost a customs port to access other markets?

High Commissioner Rawlings: In terms of gold specifically?

CHAIR: Across the board. We quote these big numbers but we probably do not have oversight of how much is transition traffic, where you're just clipping the ticket on the way through, not actually consuming the good or service in house, so to speak.

High Commissioner Rawlings: It is a very good question.

CHAIR: Would you take that on notice?

High Commissioner Rawlings: I will take it on notice. I am not sure. Michael is telling me how good the data actually is on this, but we will see what we can find out and we'll come back to you.

Answer:

The UK's official trade figures are estimated in line with international standards. However, while data compilers ask exporters to state the ultimate destination of their exports, some may instead report their next export destination, especially if they are selling to traders or distributors and don't know the final destination of their product. For this reason it is not possible to provide a precise measure of onward transshipment from the UK to the EU27.

Statisticians at the Department of International Trade (DIT) have estimated the potential impact of transshipments in two ways; firstly by assuming that various proportions of UK trade to particular countries that might consist of transshipments and secondly by examining the OECD's trade in value added (TiVA) data. Although TiVA data are based on methods that are still in their infancy, they are able to strip out the effects of transshipment as well as trade asymmetries. As a result, the gap between TiVA and gross trade should give an indication of the size of measurement distortion transshipments create. For example, TiVA data for 2011 (the latest available data using the TiVA methodology in full) show that the value added of UK exports of goods and services to the EU accounted for 47.2% of total UK exports. This is just 1.3 percentage points lower than indicated by the gross trade data. In the other direction, the gap between the value added and gross value of UK imports from the EU was 0.1 percentage points. Although these findings do not rule out the possibility that the transshipment effect could be significant in specific product lines, estimates from both methodologies suggest that the overall effect of transshipment from the UK to the EU27 is relatively small.

Question: *UK farming sector*

Mr RAMSEY: I'm going to return to agriculture. You'll forgive me. I was a farmer and still have interests in agriculture. You may not know the answer to this. I'm interested in the current state of British agriculture industry generally. Is it held in high regard in the wider community and seen as something that they really want to fight for? Is it an ageing farming population? Is it difficult to get regeneration in agriculture? Have the policies of the EU been promoting agriculture? In effect, have we got all the same issues with agriculture in the UK that we have in many developed nations?

High Commissioner Rawlings: I'm not an expert in the British farming industry. If there's more information you require from us, we can certainly go away and try to get that—for example, the proportion of the British economy that is connected to the farming sector. On a sort of personal take, my family are from Wales and certainly that part of the world has enormous respect for farmers. Their role in the rural economy and in the economy of the whole nation is absolutely critical. I think we have a reputation within the EU for high animal welfare standards—that's a big focus for us—strong environmental protections and the dedication of farmers and growers to meet demanding consumer expectations. So I think it's a sort of respected and supported sector within the UK.

Mr RAMSEY: Is it seen as a sector that attracts young people into the industry?

High Commissioner Rawlings: Again, we'd have to look at the data to answer that question in terms of the number of younger people versus older people.

Mr RAMSEY: The reason I ask the question, as the UK looks to maybe unwind some of that protection around agriculture, is that I've not really seen a clear example around the world where that type of protection has actually protected the industry in the long term. It tends to end up in others' pockets, from what I can see. I look at what's happened in the US, and a lot of industries benefit around that, but I do not necessarily think it's the farmers, because the number of farmers has dropped, just like ours have, where we don't have those types of protections in place. My understanding is they have an ageing farming population, just as we do here in Australia. So I am wondering whether what the British farmers might fight for is worth fighting for, or whether they are better off just fronting up to the challenges of the world.

Mr LITTLEPROUD: Just to add to that, can you give us some context around the farm lobby's political influence in the UK. We talk about the trade agreements that we would like to put in place. One of the biggest impediments to agriculture in Australia are some of the EU protocols. If you have an agreement with them and bring some of that across, then those EU protocols will probably continue to be extended if we were to have a bilateral agreement with you, which would be a significant impediment to Australian agriculture. We've heard evidence from a lot of processors that they achieve next to zero and they're quite costly to undertake. So their political influence will obviously have some significance with respect to the shape of a trade agreement, particularly for agriculture.

High Commissioner Rawlings: These are all very good questions, and I don't necessarily have the relevant expertise, to be honest, so we might need to take that on notice and come back to you with a bit more on the farming industry in the UK.

Answer:

British food enjoys a reputation for quality which has been built on high animal welfare standards, strong environmental protections and the dedication of farmers and growers to meeting ever more demanding consumer expectations. We want to support farmers to grow more, sell more, and export more. Continued support is critically important, and so is reform. We need to take the opportunity that being outside the Common Agricultural Policy will give us to use public money to reward environmentally-responsible land use. We want to ensure that we have a system of agricultural support that respects the work of farmers and puts environmental protection and enhancement first. The Government has pledged to work with farmers, food producers and environmental experts to devise a new agri-environment system, to be introduced in the following parliament.

The UK has an active range of organisations representing agricultural, environmental and rural interests. The development of future agricultural policy has already attracted views from over 100 interested parties and we anticipate significant interest when we go out to consultation.

Data on the age of UK farmers is detailed in the table overleaf, taken from Table 2.6 on page 18 of the publication, [Agriculture in the United Kingdom 2016](#).

Table 2.6 Proportion of holders in each age group (a)(b)

	2003	2005	2007	2010 (c)	% of holders 2013 (c)
Holders' age					
Under 35 years	3	3	3	3	3
35 – 44 years	15	14	12	11	10
45 – 54 years	24	23	23	25	25
55 – 64 years	29	29	29	29	28
65 years and over	29	31	33	32	34
Median age (years)	58	58	59	59	59

(a) The holder is defined as the person in whose name the holding is operated. The data in this table relate to all holders whether or not the holder is also the manager of the holding.

(b) Holdings run by an organisation (such as limited companies or institutions) do not have a holder and are therefore excluded from these figures.

(c) Figures from 2010 onwards relate to commercial holdings only for all of the UK. More information on commercial holdings can be found in the introduction section

Question: *Domestic support in agriculture*

Mr LITTLEPROUD: We got evidence yesterday or the day before from an English academic around the subsidisation of agriculture in the UK, and I think the number that was quoted was that it was to the extent of 50 per cent. Within that there are three levels, blue, amber and green, if I am not mistaken. You'd probably have to take it on notice, but could we get some context around that subsidisation and the three levels of that subsidisation?

Mr RAMSEY: We didn't know what it meant.

Mr LITTLEPROUD: We lost the link and we didn't know, so we'll be very keen to get some perspective on that subsidisation. He quoted a figure of 50 per cent, but within that there were three levels, and I'm sure he quoted blue, amber and green.

CHAIR: Green-box payments.

Mr RAMSEY: Green box. That was it.

High Commissioner Rawlings: We can certainly look at that. We'd want to check the 50 per cent figure as well because, in terms of the EU as a whole, the EU values are 0.68 per cent of GDP going into support for agriculture, and 21 per cent is the figure we have for direct producer support.

CHAIR: Maybe as a way of short-cutting this—we beamed in two or three academics from Britain yesterday and over the recent hearings—you could review their evidence in *Hansard*, and, if there's anything you'd like to clarify before we report, we'd appreciate your oversight on that.

High Commissioner Rawlings: Yes, we will do that happily.

Answer:

Table 10.3 on page 73 of [Agriculture in the United Kingdom 2016](#) details the expenditure on direct payments in the UK in 2016. Of the total spend of £3,148 million, £3,106 is decoupled from support and therefore classified as WTO green box.

An explanation of which domestic support measures fall into which box under the WTO Agriculture Agreement is provided in a fact sheet prepared by the [World Trade Organization](#).

Question: *UK State Pension*

CHAIR: I had a question around British expats and the issues around British pensions. We've had submissions to this inquiry from those living here about their long-running concerns about the diminishing value of their hard-earned pensions due to a lack of indexation, unlike UK pensioners living elsewhere.

Mr PERRETT: In fact, they said, 'Don't talk to them until they sort this out,' as I recall!

Mr RAMSEY: That was the thrust of their advice.

Mr LITTLEPROUD: They were very militant in their advice to us!

High Commissioner Rawlings: I'm sure! To reassure you, this issue is raised regularly with us by the Australian government, most recently at the AUKMIN meeting in Sydney two years ago—sorry, two weeks ago.

CHAIR: I was going to say I hope it's a lot more regularly than that!

High Commissioner Rawlings: Absolutely. But our answer is consistently that we are not proposing to change the current system. In fact, outside of the EU, it's only a small number of countries with whom we have an arrangement whereby pensions can be uprated, and we're not proposing to change that. This is a long running issue, which Australia continues to raise, but we have consistently said it's not something we are proposing to change for the time being.

CHAIR: Could you name the small number of other countries?

High Commissioner Rawlings: I could have named them two weeks ago when I was sitting in the meeting.

CHAIR: Are they Commonwealth countries?

High Commissioner Rawlings: They are a slightly odd mixture of countries which reflect different social security agreements negotiated many years ago. The one I think that people latch onto, understandably, is the United States, and that is definitely the biggest and most significant. I think that's the one, to be honest, that rankles with British pensioners living here. But we can get you a full list if that's helpful.

CHAIR: Thank you. We would appreciate your examining that *Hansard* so we can get your perspective on that.

Answer:

Below is a list of countries where the UK pays an annual increase in the State Pension, based on [guidance](#) published by the Department for Work & Pensions on 9 June 2014.

1. EEA countries, Gibraltar and Switzerland

Citizens of EEA countries, Gibraltar or Switzerland entitled to a social security benefit or pension will keep their entitlement if they move between those countries.

This means that if UK State Pension recipients live in the EEA, Gibraltar or Switzerland, they will usually get an increase in your pension every year.

The EEA countries are:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden

2. Countries the UK has a social security agreement with

The UK has agreements with some other countries to protect the social security rights of workers moving between the 2 countries.

These are sometimes known as 'bilateral agreements' or 'reciprocal agreements'.

If UK State Pension recipients live in one of the following countries they will usually get an increase in their pension every year:

- Barbados
- Bermuda
- Bosnia-Herzegovina
- Jersey
- Guernsey
- the Isle of Man
- Israel
- Jamaica
- Kosovo
- Macedonia
- Mauritius
- Montenegro
- the Philippines
- Serbia
- Turkey
- USA

The UK has social security agreements with Canada and New Zealand, but UK State Pension recipients cannot get a yearly increase in their UK State Pension if they live in either of those countries.