UK Trade & Business Commission

Fashion & Textiles and the UK-India FTA

Date: 10th November 2022

Tamara Cincik

For the first part of the evidence session, we're looking at the fashion and textiles sector for the UK, as the largest part of the creative industries it's fantastic to have this opportunity to hear from experts across the UK fashion and textiles industry. I'm going to introduce our speakers and they can just explain who they are. Jenny Holloway from Fashion Enter.

Jenny Holloway

Hi, thank you Tamara. Hello everybody, I'm the Founder of Fashion Enter Limited which is a not-for-profit social enterprise. We've been going for 17 years now, and we are based in Leicester, Wales, Islington and Haringey. At one point we were proud to announce that we could make up to 30,000 garments a week, but it's not the climate now for 30,000 garments a week to be made. Our education is very important to us, we've got an ESFA approved academy where we deliver technical skills only from level one through to level five. Thank you.

Tamara Cincik

Thank you, Jenny. Kate Hills.

Kate Hills

Hello, I'm Kate Hills, I'm the Founder and CEO of Make It British. We are an organisation that supports and promotes businesses that manufacture in the UK, and we do this through a membership and coaching.

Tamara Cincik

Thank you. Paul.

Paul Alger

Good morning, Tamara, good morning, everybody, I'm Paul Alger from the UK Fashion and Textile Association. I'm Director of International Business which in our context means that I spend most of my time trying to help companies to export, but more recently have been involved representing UKFT's views and the views of the fashion and textile industry to Government around free trade issues, Brexit issues and the like. So, I'm delighted to be here and thank you for the invitation.

Tamara Cincik

Thank you, Paul. Valerie, if you could just unmute yourself and just explain who you are and hopefully get your video on, thank you.

Valerie Desmurs

Sorry, I'm trying. Can you hear me?

Tamara Cincik

I can hear you.

Valerie Desmurs

My connection is really bad, so.

Tamara Cincik

The poor roads [ph 0:02:13.5] of East London.

Valerie Desmurs

I'm trying to put the video, but it won't let me, I don't know maybe I'm not very tech. I don't know.

Tamara Cincik

OK, so could you just outline who you are and what your company is?

Valerie Desmurs

So, my company is Valerie Desmurs Limited, I have a jewellery and accessories showroom in London. I have been going on for 18 years and I work with designers in the jewellery and accessories field from all around the World, and I work with all retailers around the World.

Tamara Cincik

Thank you very much for that introduction. So, my first question is going to be to everybody, in broad terms what is the value to the UK economy of the fashion, clothing and textiles sector? I'll start with you Paul please.

Paul Alger

I knew you were going to ask that because I don't have that figure in front of me.

Tamara Cincik

I have it.

Paul Alger

Maybe somebody else …

Tamara Cincik

I can answer my own question. OK well, OK I'll go to Kate.

Kate Hills

I think it's better that you answer that one Tamara.

Tamara Cincik

Well, I mean it's definitely declining from before the pandemic when it was £35 billion, it's currently at £30 billion. It employs almost a million people across the UK economy, but I think if we're going to scale back to specifics for you guys, what does that mean on the ground in terms of the difference between 2016 and [inaudible 0:03:38.9], how would you summarise those differences?

Kate Hills

I look at as a figure because all the businesses I represent are those that make in the UK, that figure is more like £9 billion, so that's across textiles, homeware, leather goods, so fashion and both technical textiles that are made in the UK. It's been peaks and troughs recently, it was growing rapidly, during Covid things were looking good and a lot of businesses were growing and up until that point, I mean I've been running Make It British since 2011 and when you look at the kind of curve it was on an increase for about the last ten years, but the last 12 months or so have been a different story altogether really for the whole industry. Unsettled is the word that I would use.

Tamara Cincik

Jenny, have you got anything to add to that?

Jenny Holloway

Yes, I think we're in a unique position because we are in three different regions. Leicester was actually the second largest hub, at one point the largest hub, for garment manufacturing. That has been severely hit over the last two years in particular. Covid didn't help, the bad press didn't help either and then we had situations whereby you've got certain eTailors [ph 0:04:56.4] that owned factories the best part of 80 million didn't get paid and puts on that pressure. And then combined with a lack of skilled resources, because we weren't successful in trying to get stitchers on the occupational shortage list, even though we had a damn good effort, Tamara. The chips have been really stacked against garment manufacturing and actually this is the time when retailers really do need to have made in the UK, carbon emissions, proximity sourcing, etc.

Tamara Cincik

Thank you, Valerie, obviously your focus is more the accessories part of the industry, it looks like she's come off actually, I can't see her on here, so we're going to have to pick up with her, but I think we'll go to her for … oh she's there, she's clearly having Wi-Fi issues. Valerie, in terms of the accessories part of the industry, jewellery, obviously fine jewellery, costume jewellery, etc, that you focus on across your portfolio of work, do you have an idea of how much value that adds to the UK economy at all?

Valerie Desmurs

Are you speaking to me Tamara, sorry [inaudible 0:06:09.8]? Listen, no, I have no idea to be honest with you, but the company has been, I mean we are very well known in the industry, we have been launching so many jewellers and accessories, designers over the years. My business has definitely declined a lot with Brexit, we are having a lot of red tape, we are having a lot of extra costs and we are having a lot of designers basically saying we're not going to work with the UK, it's too complicated, it's too much work. I work with small designers, they are like very niche, they are luxury. I have just [inaudible 0:06:52.8] which is a bit art and design fair, three weeks ago I have done a fourth of what I usually do in terms of sales thanks to the removal of the VAT scheme. I have lost a lot of sales, so thanks or due to the VAT, that stupid VAT scheme that's been you know, that is definitely not encouraging foreign clients to shop in the UK. So, my sales have been a fourth of what they should have been.

Tamara Cincik

And are you hearing that from other people within the accessories side, you're seeing your experience replicated across others?

Valerie Desmurs

Well absolutely, but you know I'm probably the most prominent showroom in the UK dealing with accessories and jewellery. Yes, I'm speaking, yesterday I was speaking to a diamond dealer who said that now shipping in and out of the UK was a nightmare and that he was trying to find ways to ship from Antwerp or to ship from European cities. I used to employ a lot more people as well, I've now not recruited anybody in the last two years, yes, my business has really declined. Shipping goods, you know shipping goods from the UK is now very complicated, there are some new rules, we spoke to Ferrari last week because goods were stuck in customs. The rules have changed. I think on the 1st of November Ferrari were not even aware of what they had to do to allow, you know to help us get the goods cleared by customs. So, it's quite nightmarish.

Tamara Cincik

Yeah, some of that will be picked up in other questions, so I think I'm going to hand over to our next speaker who is going to pick up some of these points around the pressure points which is Charles Rose.

Charles Rose

Thanks Tamara. I wonder what pressures has the clothing and textile sector been feeling in recent months. We're all aware of the increasing costs of energy, but if we look broader than that, how have the pressures been building up over the past few years and what do you attribute these to? Can I send that first to Kate please?

Kate Hills

Yeah, good question. OK so we're talking about fashion and textiles and retail here, the consumer is right at the end or right at the start of that process, so as they are feeling that their money is stretched even further worrying about their bills and the mortgages, it means that they're not buying as many products, which then has a knock-on effect. You know the retailers have got tons of stock, and Jenny will also testify on this. They're sitting on so much stock because the sales haven't been where they need to be, everyone's saying that people are holding out for Christmas. Normally Christmas shopping would have started in earnest by now, but a lot of the retailers have gone on sale, you've got discounts, even places like John Lewis are on discount. So, this then has an effect on how that affects the manufacturers because they're sitting there with machines that aren't busy, and again Jenny will tell you this because the retailers are not placing any new orders. Actually, because it's the UK manufacturers that I work with, they're usually the ones that the retailers come to for the short orders, so things that they need closer to Christmas because they can't get them from the Far East. But those orders are just not coming in right now. So, that's one of the biggest issues.

Charles Rose

So, is your point that just orders have declined or is there something else in terms of a wider environment which creates pressures?

Kate Hills

Orders are declining. It also depends which sector you're in because actually we're seeing mix, from the businesses that we represent a lot of them are small businesses that sell high value products, they're doing quite well because some people are trading up right now and some people are trading right down and it's those retailers at the lower end that we're seeing struggling more because the people that were selling at volume. So, a lot of the businesses that sell high end products are doing quite well. I mean I have some of the businesses that I work with that I was speaking to last week; exports are still good but not to Europe. You're talking about Japan and the US. So, it all has a knock-on effect to the uncertainty, and you know Christmas, for some businesses it takes up 80% of their sales.

Charles Rose

OK thanks very much. Paul, do you have a comment on this?

Paul Alger

I do, thank you very much. I think we have certainly seen over the last three or four years that attitudes to … I should probably preface this by saying that we have a lot of our companies, probably 30%, that do manufacture in the UK and 70% that do not, that are trading and buying goods from other places to re-export, so the picture is sometimes slightly different. But as a general feeling, trade with the EU is incredibly difficult. The cost of returns for example under the new UK-EU trade continuity agreement is very difficult and I think in the run up to Brexit everybody was expecting that duty would be the biggest challenge, but actually most companies are finding that it's the VAT, the import VAT which UK companies cannot themselves recover without an EU intermediary, that are the big challenge. And I know we're going to be talking about India later on and new markets obviously and that was the area that I'd sort of prepared myself on most, but my concern is that the European Union was and still is to a certain degree, but was very clearly the UK's largest export market for fashion and textiles in 2016 and what we have seen is since the decision to leave the European Union that has been chipped away at and what we're now beginning to see, now that Covid is over, now that UK companies are going to key international trade shows, is there is predictably but sadly an opinion in the EU that the UK is too hot to handle, too difficult to buy from.

So, for example, retailers in Spain, not just the Customs Authorities who are nightmarish in and of themselves, but retailers are automatically saying this is just too complicated for us, we're not going to buy from the UK, which is shocking really. And it affects those companies that don't have an EU registered company, but it also affects those companies that do because in the fashion industry perception is everything, so if buyers perceive that the UK is difficult and that it's going to cost them 20% more to buy from the UK, then they are inevitably going to look to other parts of the World, Italy, other parts of the Single Market. And so, my concern is that whilst we are going to be talking about new markets, I mean none of them is new, but markets where there are free trade agreements, none of that is going to make up for the damage that is being done to UK exports and trade by the removal of the UK from the Single Market.

And those issues go into not just customs and other issues, but they go into labelling. UK companies now have to label their goods as I know that Jenny will know, now in 25 different European languages. There are all sorts of other extended producer responsibility legislation coming down the track, we are now trading with the EU as a third country and each country has its own rules, Spain and Germany have been particularly difficult to get goods into and out from. And I think the same applies to business to consumer models as well, in fact if anything they are more affected by this than others because in the fashion industry if you were selling a shirt for example, the consumer might buy one or two, two or three shirts and then send one or two back. Well, you can't reclaim the VAT and the duty that you might have paid, let alone the customs clearance on the goods that you sent to the EU. You can be sure that you don't pay duty when they come back into the UK, which is what the returned good relief provides. But it's incredibly complicated and so many companies, very important companies I would say as well, have just taken the decision that Europe is too difficult to sell to and I think that's a great shame.

Charles Rose

OK thanks very much Paul. I think that's given us quite a good insight into the regulatory changes and their effects and I think rather than stay with this topic Tamara I'd like to hand this back to you to move into the next question.

Tamara Cincik

Fantastic. Thank you, Charles. Stephen Kinsella, over to you for your question please.

Stephen Kinsella

Thanks Tamara. I should declare I used to be an EU lawyer and in fact I spent a lot of my time fighting brands often on behalf of the e-Tailors that somebody referenced earlier, who wanted to get hold of your goods obviously and sell them and discount them and I apologise for that now, but in doing that I was often really impressed by the strength and the lobbying power of fashion brands across the EU, particularly obviously in Italy and France, and it sort of feeds into this question because it never felt to me that the UK industry got the same level of support that perhaps the industry did in other member states of the EU. And I suppose what we've been asking ourselves on this Commission is, how does the UK fashion sector, to the extent that you can comment on this, how does it compare to that in the rest of the EU and I was very struck by what Paul was saying just now, so I'm probably going to address this question first of all to Paul, but how has the fashion economy in the rest of the EU fairing, are they facing the same sort of pressures, obviously not the VAT and issues but are they facing the same broadly economic pressures that you're facing?

Paul Alger

Thank you for the question. I would say that the European industry has similar challenges to the UK, but of course they have one element missing from their tool bag of challenges and that obviously is that Brexit is not as big a problem for them in most cases. So, if we look at the Italian industry for example, if I look at my opposite numbers from Italy, they were very heavily dependent on markets like Russia for example, Ukraine and China. So, the Italians for example are very concerned at the moment because of their exports because there needs to be somebody to buy those handbags, there needs to be somebody to buy those designer fashion items that Italy manufactures. And they are very worried about that.

The UK companies have the same problem, but of course we have the additional problem that our closest markets and trading partner has become more inaccessible to us. So, I think it's a question of degree. They have similar issues with regards to sourcing staff for their factories, but again they don't have the additional problems of a lack of movement of labour, that the UK has. So, in many ways I would say this is a question of degree. Some of the World challenges will be the same for UK or Italian or Portuguese or Spanish or Turkish industries, but the UK has additional challenges around the decision to leave the Single Market.

Stephen Kinsella

Thank you and Jenny, I saw you nodding and also by the way kudos for having on display behind you a range of items that we can presumably purchase? Do please let us know. But Jenny, I said you were nodding along with Paul, do you see it in much the same way or is there anything to add about why. Is the UK uniquely penalised at the moment?

Jenny Holloway

I don't think we've got a strong enough voice. I don't think we are a cohesive group along the supply chain. I'm an ex senior buyer, I was at Marks and Spencer's, I was at the Arcadia Group. I don't think we respected or appreciated how fantastic our manufacturing is within the UK and I think my concern is at the moment that we can have somebody, a retailer, call us up, despite having contracts in place and cancel the contract on a whim. We have very little power base. This is why I think that the new adjudicator for the industry is going to be a very, very important piece of legislation. We are behind the curve of Europe so the end producer responsibility. France has adopted this already. I think we're a good two years away. Apparently, this is with DEFRA. We've got to do something about bed man's [ph 0:21:08.8] waste that we're sending over to Africa. Now there is so much that we can do and we're just not cohesive, we've got to bring the different sides of the supply chain together. That would be my biggest thing at the moment.

Stephen Kinsella

Yeah, and has that always been in the nature of the industry, I mean it's obviously very entrepreneurial but also that it's very fragmented?

Jenny Holloway

It's fragmented, yes. And I don't know it doesn't seem very open sometimes. You know we need to have these discussions however difficult they are. There should be some kind of over-arching body and I know we have the UKFT, but we need to bring everybody together around that table, you know there's a lot of good policy work that Tamara does very often free of charge, and we need to spearhead change before it's too late. We've had 180 people employed here nine months ago, we're down now to about 110 and that's people leaving because there is an inconsistency of orders coming through, how can you plan, how can you invest? We've been very lucky having partnerships, that's how we're surviving at the moment, we've got a fantastic partnership with Corneet [ph 0:22:24.9] which is Israel, an Israeli company. We've even had an American company, a large multi-billion pound company that wants to come to the UK but us to do proximity sourcing so we can then disperse, so you know carbon emissions. There's actually so much potential but I'm just concerned we're going to be too late; we're going to miss the boat.

Stephen Kinsella

And Tamara also, your name got invoked there, obviously you're chairing this session, but it seemed to me that maybe you might want to add something on that.

Tamara Cincik

I think that, look I think that reputationally having worked in Paris, Milan, and all around the World, I can definitely say from my perspective the respect that industry has in Europe is very different. They kept their manufacturing and textiles industry alive in Italy in particular and in France, they kept their artisan skills alive. You can't even learn sewing in schools, you know the STEM education agenda means that the talent supply chain of garment workers going to Jenny's factory was fragmented which is why she ended up working with primarily Lithuanians. And the T-levels aren't being rolled out until September 2023, meaning you can't get the domicile workforce. So, we had a catch 22 of people such as Patrick Grant who gave evidence to us last year saying he's never had so many orders coming in, but he can't meet capacity. That's insane. If you can't meet demand, people go elsewhere because it is built on a just in time model, the industry. And we are an industry of goods and services, so some of the issues that we face are similar to what Deborah sees in the music industry, but some are literally around logistics and Valerie who is giving evidence has spoken to me at length about the logistics nightmare that she's faced and obviously she's come here from France to build because when she came here this was the coolest and best place to open a business. This was the gateway to Europe. A lot of global businesses would launch in the UK, hit that international market, and then go into the rest of the EU and we're not seeing that now, they're moving it to Paris which is why you're seeing higher numbers of international travellers going to Paris for the first time and not to London.

And that is the impact of the VAT Res which is a unilateral decision by the UK Government. So, despite Brexit, they could have u-turned on that, and we would have seen a greater number of tourist income generated back into the UK, which I think given hospitality and tourism and the arts all need that income generation it's a no-brainer to me that they should U-turn on that one.

Stephen Kinsella

Yeah, and that does seem to be such a common thread. I mean Tamara you mentioned just in time, and I know Hilary runs these sessions on that principle, so I'm afraid we have to move onto the next question but thanks very much.

Tamara Cincik

You're welcome. I'm answering my own questions which is [inaudible 0:25:21.2]. Deborah over to you.

Deborah Annetts

Thank you very much. I think this morning we heard that the head or former head of Next was asking Government to increase capacity in relation to foreign workers coming over to support fashion, etc. And got a fairly dusty response, which brings us to the next question which is how would you describe the relationship between UK Government and the fashion sector, what sort of assistance is available and what would you like to see. So, if I could go to Paul first.

Paul Alger

Thank you, Deborah, I knew that question was coming to me, I just knew it as you were asking it. Perhaps I should separate that into two sides, I would say the relationship with Government is very good in so far as, and I think this is, this may come as some surprise to some people, if we think back ten years ago the fashion and textile industry was perceived as a sunset industry, a twilight industry. There was a recognition that manufacturing was going to go off to China and that it didn't matter, and that the Chinese were only interested in volume manufacturing and wouldn't come after the rest. Well, we didn't accept that now and others including Jenny and Kate didn't accept it then. And we certainly don't agree with it now. But what I think has changed is Government has suddenly realised that manufacturing, particularly high-quality manufacturing, heritage manufacturing in some parts of the country is actually fundamental to the UK's levelling up agenda and creating quality jobs.

So, I would say the relationship is very good. The challenge is that we have a Government, successive governments, I'm not referring just to this Government, which is not a big fan of grants and big intervention support. Again, Jenny and Kate will be able to speak to this better than I can, but the

Manufacturing Advisory Service used to have some fantastic schemes which would enable manufacturers in the UK to buy and access machinery more cheaply, that went, I think George Osborne put the pen through that one. Similarly when I come to look at the work that we do with manufacturers and designers that export, in 2021 the UK's trade show access programme that we and other industries used to use to provide funding to go to key trade shows was cut overnight and whilst there is a new scheme, I think it's fair to say that it is under-performing compared with our expectations. And so you find yourself in a situation where the Italian Government is spending something like €220 million across all industries promoting its industry and if I look at it on a like for like basis, i.e. Government supporting UK companies to take stands at international trade shows, which is putting them in front of buyers to go and collect the orders in the first place, we're looking at, my guess is something that we're not spending much more than between £100,000 and £1 million in the UK at the moment. Although I'm sure Government would dispute those figures because they have a larger budget than that.

So, we're not coming at this from a level playing field and the UK Government's position tends to be that it's not right to support, to take companies with grants to trade shows and would quote to us that this is something that the World Trade Organisation tends not to like, but actually every other one of the UK's key competitors is doing exactly that and they are WTO members. Then you add onto that the decision that's already been mentioned about VAT Res, which is a major challenge for luxury goods sales, not just in London but in Edinburgh, in York, in every other major city of the UK. And so, we're finding that lots of small decisions that aren't perhaps quite right impact and create this perfect storm.

But I would say the relationship itself is very good, but the UK seems to be coming from a very different place on most of these issues and perhaps the VAT Res issue is the illustration of that. I haven't yet met anybody that thought that one of the benefits of Brexit potentially could have been to extend the VAT Res to the European market so that we could attract more people to our country to buy British goods, whether they were made or designed here. But as my mother would have said, 20% of nothing is nothing and we're about to start to find out the impact that that has, not this year, but next year, so I'm already finding people saying when's my VAT Res application due out and I'm saying well it doesn't exist anymore and then I have companies going to trade shows and saying where can I get a grant and the answer is, well actually you can't because your business is too small, you don't meet the turnover threshold.

So, all of these things I think will build up pressure and are signs that perhaps we're not taking a holistic approach to business in general.

Deborah Annetts

So, do you have any explanation as to why Government's response has been a bit lacking?

Paul Alger

I have an impression that this is, there's a certain amount certainly from the conversations that we've had in the past that there is a little bit of dogma that goes on. So, it was a lot was reported during the Prime Minister elections recently about dogma within the Treasury, I think that certainly is an issue here. There is a perception in Government that things like VAT Res, things like giving grants to UK companies would be unfair, would be something that the UK Government shouldn't be doing. But it's completely the opposite of what every other country is doing. And each country does it slightly differently to be fair, so France tends to have industry bodies that use an industry levy for example for our sector, so I think it's something like 0.07% which then gets ploughed back into the industry.

It's not a direct Government grant. But if you look at some of the key trade shows, what I'm seeing at the moment and I know your question wasn't specifically about exports, but we're seeing a lot of the UK manufacturers and designers going back to key trade shows, if they were there already. But what we're not seeing is the next generation of Paul Smith, the next generation of Stella McCartney, the next generation of Vivienne Westwood, who accessed those schemes in the '90s starting. And the UK is spectacularly missing in some of those markets, simply because UK smaller companies don't have access to that funding. And I realise that funding isn't the only thing that they need but it's quite frustrating to watch from the inside I have to say.

Kate Hills

Can I add something here from my perspective and looking at it in terms of the UK manufacturers in particular, I don't think their relationship with Government is good at all and I think that's partly because from what I see, and certainly Tamara and I have spent a lot of time trying to help the Government to source locally made PPE and so did Jenny, she helped make some, there's a lack of understanding about how fashion supply chains work. And I think when you mention the word fashion, people think of clothes walking down a catwalk on glamourous models and they think of the brands and the names that Paul has just mentioned, but they don't think about what's behind that brand. Because we don't talk enough about our manufacturers. So, the manufacturers think there's just too much of a disconnect for them. Tamara has been brilliant at putting together APPG meetings and inviting manufacturers along but a lot of them think well what's the point of me coming, because we go to these meetings, and we talk a lot but nothing proactive actually comes from it.

You know when we're talking about fragmented supply chains earlier, one of the things with the UK textile industry is because it declined massively in the '80s and '90s, we lost key parts of it. So, there are certain things that have to be imported or that we can't do here at volume, and it's those things that are capital intensive, like dying, making zips, making buttons. It's quite easy for a manufacturer to set up a factory, no disrespect Jenny, but with a few sewing machines and finding the staff is obviously difficult but if you want to set up some of the big facilities that we need again in terms of things like dying, that hold our supply chain together and not be reliant on bringing spare parts in, or parts in from overseas, and raw materials in from overseas, because that's what manufacturers are being hit with particularly hard right now is the delays and the rising costs of bringing just small parts of their overall production in from overseas. So, they might have big demands for the orders and if they can find the staff to make them, they're sitting there waiting for fabrics to turn up because we can't make the fabrics here anymore.

Deborah Annetts

Anything you would like to add Jenny?

Jenny Hills

It's really succinctly put by Kate there, no I don't believe that we've got a strong enough voice as manufacturers. We are the largest manufacturer in the UK at the moment, we have a leading stake in the fast forward audit, we're ethical and squeaky clean, mainly because of the previous experience we had in retail. And I think it's really disappointing from a Government perspective, this time last year we were making the best part of £1 million of PPE, we turned everything around within literally a week, we stopped production for mainstream fashion and then to be just side-lined and then to import all that rubbish PPE that hit the newspapers about sleeves being too short and just disposable landfill PPE going in, we developed a PPE garment that had an RFID tag and it worked out at 20p a wash and we couldn't get anybody from Government, NHS procurement interested. And that could have been a lifeline for so many other factories, we're a social enterprise, we were going to give out orders to other people but just verify that it was being ethically made. That's a huge potential for Government to be involved and really support manufacturing.

Deborah Annetts

That was pretty depressing. Back to you Tamara.

Tamara Cincik

Valerie, just before we go, is there anything you wanted to add quickly on that because we are running over if you haven't then we can just go onto the next question. Valerie you're on mute babe.

Valerie Desmurs

You muted me so I was unaware. The thing is I'm in a very different field honestly, what I'm struggling with jewellery and accessories it's quite different. If I have to work with UK jewellery designers, I don't have enough of them, they're not talented, I don't have so many talents. I've worked with designers from France, from Italy, from all these European countries, I don't really have so much access to them anymore because working with the UK is too complicated and it's also too expensive. And I'm not Next, we're not big companies, I'm a small-medium company so I can't, we're not talking billions but now I'm at a point where I'm considering moving whatever I do to Portugal and deal with the rest of Europe, but that mean I will work with people based there. I will pay my taxes there. I will my company's reputation will go to Portugal and leave the UK, you know I've opened a gallery, it's very difficult to bring jewellery to my gallery, if I have to rely on UK based companies, it's way too limited. You know, it's no longer what I am about, you know my company is dealing with international designers, but everything is going to become way too complicated with bringing their goods into the UK. I have to rethink what I'm doing, and you know.

Tamara Cincik

Thank you, Valerie, thank you Deborah if that's OK?

Paul Alger

Tamara, could I just add one thing?

Tamara Cincik

I'm just aware we're running really over.

Paul Alger

OK I was just going to say looking at the Paris Fashion Week showrooms that we worked with last month, the number of UK brands in each of those showrooms has declined by probably 50% year on year and I think it's because of the same trend that Valerie is seeing, sourcing from the UK is difficult.

Tamara Cincik

That's very concerning. I'm going to hand over to Geoff if that's OK and if we can try and make up some time and just to be aware that obviously when we talk about the fashion and textiles industry we're talking about design, we're also talking about manufacturing, we're talking about textile production, we're also talking about the complimentary sides of it, such as accessories which can be hats, gloves, scarves, jewellery, socks, underwear, leisurewear, it's a massive industry. So sometimes the answers are not going to be replicated across our evidence givers. Over to you Geoff.

Geoff Mackey

Thank you very much Chair. During previous Commission sessions we've heard lots about labour and skills issues in different industries. Given some of the conversation and some of the comments that have been made already today, could we just pick up some specifics please, so some specific asks and some specific stories about what you're dealing with regarding labour and skills, we'd really appreciate it. Paul, could we start with you please?

Paul Alger

Thank you, I suppose from my side my list of wishes would probably include certainly a recognition that garment manufacturing is a skill and that we need to be able to import skilled labour into the UK to support our UK manufacturing industry. It is, and again Jenny is not unique in having to go to Lithuania, most people, most UK companies north and south of the border have been doing that for a long time, so an ability to import quality skilled staff into the UK to support UK manufacturing would be very important. I would say from my side certainly on the export side I would like to see the Government remove the threshold of £250 as the minimum turnover at which they will consider offering a company a grant to go to a key international trade show. I think there's a lot more we can do there. And that certainly would be important. And I think, and this doesn't really impact on our main business, but I think the mood music effect of the VAT Res is a major issue, as we are going to find people not coming back to the UK to buy things here. Which particularly impacts on the manufacturing industry. So, if I had three things that would be, those would be them.

And I think also and I'm picking up on Jenny's point about PPE, I think we need a more holistic approach from Government in terms of manufacturing. Jenny's experience of PPE and Tamara and Kate were involved in this, is replicated across the whole of the industry. Trine Lily [ph 0:42:05.9] for example in Liverpool were offered a temporary contract to make Police hats during the pandemic and said we'd love to upskill; we'd love to invest but will you please give us the contract again or a chance to tender for it after the pandemic is over and the answer was no. And I think one of the problems, and I go back to Treasury, and it may not be Treasury, but one of the key issues is that someone somewhere is making a lot of money by buying cheap produce out of the UK, and often it is substandard. If I give the example of HJ Hall, who lost their contract to the MOD, they were paying perhaps £10 for a pair of socks, some office I believe in Northern Ireland is now sourcing those from China at £4 and presumably charging the taxpayer somewhere slightly less than £10 but certainly more than £8. So, I think a holistic approach to those things that we can and should manufacture in the UK would be very useful.

Geoff Mackey

Paul, thank you very much. Jenny, do you want to pick up a couple of the threads in that particularly regarding public procurement?

Jenny Holloway

Well said Paul, I totally endorse everything that you say. I think there's a lack of knowledge and understanding about what the skills are. I go back to the days of Marks and Spencer's when 94% of everything made was made in the UK, you know you had the big guns of manufacturing, SR Gent [ph 0:43:35.9], Courtaulds, Dewhursts, etc. I'm not saying that that won't ever come back but we should be given the chance to be able to do proximity sourcing, hence you know reduced carbon emissions, waste, etc. I think the lack of transparency in public procurement is incredibly frustrating. Now after we'd made the best part of a million PPE in value terms, I couldn't find anybody to talk to. We've got this amazing revolutionary PPE that was sustainable and even Lord Young of Norwood Green brought it up in the House of Lords, he was actually our non-executive chair, just nobody would nibble and yet they were all over us like a rash in the times of Covid. And there has to be a better way.

Why can't we look at 20% of procurement by Government is in the UK for everybody to have a chance? There just has to be a better way, we're killing our skills base. And with regards to the training of machinists, we've been training since 2011 and we had a stitching academy set up by ASOS, they gave us some funding and it takes at least five years to get a good machinist. Since Brexit not one person has joined the company from East European. We used to have knocks on the door literally at least twice a week, so that skill base has evaporated. But we do have training academies and they're beginning to work.

Kate Hills

Can I add something in about the training there though because I think there's a massive issue with the perception of what's involved and how skilled the job is in working in a garment manufacturer, or working in any fashion manufacturing, because all we teach is design and all the University level, they talk a lot about design, design, designers, that side of the industry and not about the manufacturing side. And this is the problem is even if, you know attracting our own young people into the industry, if the teachers are telling them, it's a dead-end job to work in manufacturing and you should aspire to be a designer, well they're not gonna go into it. And so, we're always gonna have this trouble, even if they can train up for five years, if we can't encourage people to start on those training programmes. And that starts in schools.

Valerie Desmurs

Can I just make a quick comment about education as well? My friend is Head of the Jewellery at Central St Martin and London College of Fashion and all the students she's getting now are Chinese and Middle Eastern, they speak their language between them, they don't speak English during the class. They are not interacting anymore with Spanish, Dutch, French students. The majority of students is English, Chinese, and Middle Eastern.

Geoff Mackey

Thank you very much. Chair, back to you please.

Tamara Cincik

Thank you very much. Alison Williams, over to you.

Alison Williams

Thank you Chair. So, I wanted to turn to consumer behaviour, Kate you touched on this earlier about everything starts with the consumer and some of the impacts you're starting to see in terms of retailers sitting on stock and lack of orders because of changes in consumer behaviour. So, what I'd like to know is what changes are we seeing in consumer behaviour, including on the impact of the cost-of-living squeeze and how has that been affecting the fashion industry, particularly over the recent months. So maybe Kate you want to kick off since you started talking about this earlier.

Kate Hills

Yeah, I mean I'd like to come at this from a kind of Made In UK perspective because although a lot of people are spending less, you're seeing a lot more demand of people looking for products that are made locally and made in the UK. I mean we at Make It British closely look at things like Google Trends which show you what searches people are doing online and the searches for Made In UK are going up like a hockey stick curve, you know people are looking for locally made products because sustainability is such the big conversation right now and making locally on a lower carbon footprint … you know we've seen it happen in farming, we've seen the farming industry really being supported on local produce and making locally. But there's the demand for that in the UK as well, but people are finding it difficult to find those UK made products, that's another big issue. So, looking at it from the demand from where I stand with the brands that we work with, we know that people are saying to them we like the fact that your product is made in the UK.

Valerie Desmurs

Yes, but they are paying a much higher price for those goods, so we are talking about a very specific demographic, you are talking about people who are not so affected by the cost of living really. I have the same in my jewellery world you know, you're talking about a very specific demographic who are going to have the finances to buy Made In UK or sustainable or organic, we're not talking about the average consumer.

Kate Hills

But can I just counter-argue that to say that I think that's again down to an education piece about the UK and the UK fashion industry has been selling on volume, this is … you should have ten coats rather than one and if it's much better to buy a well made coat that's made in the UK, that lasts you a long time and we've had this high street, which you don't really get in Europe to the same extent that's full of these chain stores that are based on selling things at the lowest possible price and it's been a race to the bottom on price recently in our fashion industry. And again, it's down to education and down to the way that media cover it, and we've made it acceptable to buy mountains of clothes, wear them once or twice and throw them away and that's a whole other conversation.

Alison Williams

And so, I guess within that context that's where we start to see the cost-of-living crisis hit rather than the other end where people are buying more thoughtfully.

Kate Hills

Maybe that's a good thing that they're buying less now.

Jenny Holloway

Actually, can I just jump in there as well. We do a lot of free upcycling workshops in all of our different sites. Gen-Z is definitely different. We see this first-hand. They are anti-polyester, anti-obviously plastic bags, they're not buying clothes, they are bringing their clothes into these free workshops and they're upcycling. Now they might take a little bit of fabric and they then create a new garment, but this pre-loved and upcycling trend is set to actually make retailers' life more of a misery. And so, whilst that's great for carbon emissions etc, waste landfill, I think it brings in another set of problems, but it's the right way to go to eliminate waste for sure.

Alison Williams

Do you think retailers and manufacturers are facing into that trend?

Jenny Holloway

Well, we've seen a lot of people Misguided, Boohoo, they're actually now on their website having pre-loved, so it's second-hand. Now some of these sites have got celebrities selling their clothes second-hand and it's just definitely much more of an acceptable trend. We've got a project going on in Wales whereby we're looking at wool as well and what can be done, because traditionally the staple fibre of Welsh wool you can't use. It used to be a massive industry called Shoddy [ph 0:51:22.7] and Powys Council and the Welsh Government are looking into recycling, and this is something that's all part of what are we going to do with end producer responsibility. We've got to take care of those garments going back into fibre.

Paul Alger

I think one of the other things if I may pick up something that Valerie said is that the … this is a sweeping statement, but the vast majority of people that live in our country cannot afford to buy the goods that we manufacture and I think that's a very chilling fact because I think lots of people, we're seeing lots of interest in Made In UK, but as we have also seen through some of the recent problems around for example manufacturing, not a million miles away from where Jenny is in Leicester, parts of East Leicester, that constant drive for cheap products makes it almost impossible for suppliers to make a living. The pressure that manufacturers in the UK are under to still keep manufacturing in the

UK but to bring that garment in under a certain price is responsible for most of the problems that we see in the fashion industry, and I always take my hat off to Jenny because I know how hard she works and in the environment in which she's working to make a difference. But it's incredibly difficult.

So, the consumer has a huge amount of responsibility, but to Kate's point, and I think the Fashion Revolution have done some great work in this space, but we need to do more, we need to educate consumers that fast fashion is bad for your health. It's bad for your health physically, it's bad for your health in terms of loss of jobs for example. There's a potential to build more high quality jobs, but the problem is if we think that we have in the UK a minimum living wage which is twice what it might be somewhere like Portugal, and that that is probably dramatically different … so we're not always going to win all of these arguments, but I think there is scope for us to do a lot more to encourage consumers to buy well-made, better-made, sustainable and ethical products out of the UK. And not just out of the UK because on the other hand what we've done is we have all of these wonderful standards that we apply to products that we manufacture in the UK, and Jenny can tell you what the requirements are …

Tamara Cincik

I'm just so sorry Paul, I'm just aware that we've got one last question and we are going to hand over, we are running over.

Paul Alger

But we don't then apply those standards to the goods that come in from elsewhere.

Tamara Cincik

Thank you. Thank you, sorry to cut your short Alison, I hope that's OK just because I'm so aware that we've got to get to our last question and we've got three minutes, Stephen Kinsella, over to you.

Stephen Kinsella

Thank you and I think we can deal with it in that time. Thanks to all of you for giving up your time and I've found this session really enlightening but there's a pattern to the way we run these sessions which is often having heard from industry about all the challenges they face we try to look slightly forward and we sometimes try to end on a positive note and I didn't know very briefly from each of you, do you see any grounds for optimism, what's the medium and long-term future for your sector. Maybe, Kate first, then Paul, Jenny and Valerie.

Kate Hills

I mean I represent a lot of small businesses and actually I think the way forward is small businesses, I think we're going to see a lot of the big businesses go under in the fashion industry over the next couple of years. We've already seen it in the last two years, but the small businesses I think is more where it's at because they sell online, they meet consumer demands quicker because they're more flexible, gone are the days … you know even M&S is already talking about stripping back its stores, I think M&S, and Jenny and I both used to work as buyers for M&S for a very long time. I think M&S will just be foods in ten years' time.

Paul Alger

It's difficult to be optimistic in times like this but I would say my one area of optimism is that online smaller businesses trading online globally, and at the same time what we're also still seeing to a certain degree is some hyper localisation trends that we saw in Covid continuing in the post-pandemic period. So individual consumers engaging with brands but also engaging with smaller independent retailers living close to where they're based.

Stephen Kinsella

Thank you, and Jenny.

Jenny Holloway

I think it's about collaborations, I mentioned collaboration with Corneet so we now can print ethical printing, we can make one metre of fabric printing, we can do t-shirt printing thanks to the collaboration. We've now got a Swiss cutting system called Zund [ph 0:56:26.0], again this is all on loan and we use it for teaching purposes as well, so we're showing a new digital way forward. And I think we host the smaller manufacturers, collaborating together under one roof, we've been approached by two people this week because they can't afford their rents anymore. So, there is optimism, there is way forwards, we just have to be nimble and if Government could support us that would be absolutely fantastic.

Stephen Kinsella

Yeah, I think we're all clapping our hands to that. And finally, Valerie, if you can keep up this optimistic mood.

Valerie Desmurs

It's difficult to be optimistic, indeed it is. I think as a small business you have to be agile, so that's definitely something that you have opposed to maybe bigger businesses. So, I opened a gallery when everybody has been going online, so I've opened a physical space that I hire to designers to launch their products, to you know create awareness about what they do. That's how I basically pay my rent. So, I've had to be very agile in readjusting my business but where I am not optimistic is all the red tape, all the added costs and having foreign clients who are not shopping, Made In UK, are not shopping you know point. It's great to have Made In UK but if the clients are not there shopping because they can't get their VAT back, because the UK is not competitive and they just go to Paris, go to Milan, go to Madrid and shop and are able to de-tax, great to be making Made In UK, great to work with small designers but if in the end we are not making the revenue, we will just end up closing and moving elsewhere.

Stephen Kinsella

Well look, thank you all, I think you've given us a lot that we can synthesize and feedback, so Tamara back to you.

Tamara Cincik

Thank you, Stephen, and thank you to our guests for this part of the session, Kate, Paul, Jenny, and Valerie. And thank you to the Commission for looking at an industry I hold dear to my heart, of fashion and textiles industry. We're now going to go onto the second part of our session which is on the UK-India FTA. If I could just quickly ask our guests to introduce themselves. Because we're running two minutes over if you could just be very succinct in your answers, please. We'll start with Mohan.

Mohan Kaul

Mohan Kaul, I had UK-India Partnership Forum, which is non-Government, non-profit organisation, but I have had experience both in India and the UK and also in Commonwealth heading the Business Council.

Tamara Cincik

Thank you, and Amrita.

Amrita Saha

Hi, good morning, everyone. I am a Research Fellow based at the Institute of Development Studies at University of Sussex and I work primarily on trade and development issues and some of our work has recently looked at the UK-India negotiations as well. Thank you.

Tamara Cincik

Thank you, and George.

George Holt

Hi everyone, I'm George Holt. I'm a Senior Researcher at the Trade Justice Movement which is a UK-wide network of 60 civil society organisations calling for trade rules that work for people and planet, and I've been looking at the UK-India FTA recently as well.

Tamara Cincik

Fantastic, so I'm actually asking the first question and we've made up time which always makes me very happy, keeping to time. So, the first question is this. We know that the Diwali deadline for the UK-India FTA has been missed. What are the main outstanding issues and what are the likely timelines for completing the agreement? Could I come to you please Amrita?

Amrita Saha

Yes, thanks for the question, Tamara. As we know five rounds of negotiations have been, but of course the Diwali deadline being quite optimistic hasn't been met and you know I'd like to I think make three main points in terms of responding to that. The first being I think the scope of this FTA was quite ambitious, unlike other trade agreements. Ambitious in terms of the scope of tariff concessions, yet quite a lot of caution in terms of regulations, in terms of IPR data. And that I think has driven quite a few of the outstanding issues. So, the first being from a UK perspective being intellectual property rights and data regulations, given that UK companies in the past have faced quite a lot of challenges with licensing distribution, setting up Indian liaison offices and identifying effective platforms.

In terms of issues on the Indian side, mobility and market access for short-term professional services has been quite problematic. Specifically dual social security taxation, you know in terms of that professionals have faced challenges in terms of bank accounts in the UK while setting up businesses, visa issues for short-term workers and as we see UK-India trade professional services have quite centre place in terms of exports and imports. So, these issues around mobility and market access for short-term professionals has been quite a challenge where an agreement has been difficult to achieve.

And the likely timelines, I think in spite of possibly some further complicated negotiations ahead, I also see still general business optimism around the opportunities that could come from a future UK-India FTA despite I think all of the issues. However, I think it is really critical that facilitation of trade and a specific trade policy issue happens while identifying and protecting any risks that small business may face or any displaced workers that might face challenges, as well as priority to areas of technology exchange innovation and skill-building.

So, my short answer, apart from those longer points is that the path ahead could be a bit longer, but the nature of agreement that might come short-term could drive what we see as an agreement going forward. Thank you.

Tamara Cincik

Thank you, Mohan.

Mohan Kaul

Yes, I think despite very strong goodwill on both sides for having a trade agreement, there are still outstanding issues and Amrita did talk about those. I would add the recognition of professional qualifications from Indian Universities or Indian professionals in the UK is one of the things which also includes the mobility, and the major problem is the companies, Indian companies here who are bringing the professionals from India. Those employees do not get the benefits, they cannot keep the benefits in India. So that's a major problem in terms of mobility of professionals.

One of the areas I thought would be good if we concentrated in a few areas, including sustainable energy, I think the solar, the wind is major expertise in UK as well as the need in India. So, I think there is a tremendous possibility of collaboration in that area. And the second area is basically in the Government areas, I think that the Indian population at least 10% of the Indian population has the same per capita income as UK, and they would love to have more branded products from here in the fashion industry which is at this time kind of not the free flow, because of issues of IP and all that, which Amrita has said. And I think there is a good possibility of getting an agreement on looking at the IP which will both safeguard UK industry and the Indian industry. And as you know, technology is a major focus for Indian small entrepreneurs, technology entrepreneurs, and I think that is a focus from Indian companies to look at innovating UK and manufacture in India.

Tamara Cincik

Thank you, Mohan. George before I come to you, I just also want to add in obviously we just did a session on the fashion industry and Mohan has brought that into this session, but my concern would be a saturation of fast fashion into the UK, more than the volume of the export of sustainable Made In UK provenance fashion, I don't know if that's part of what you're going to answer but it's just something to percolate and think about in that dynamic of an FTA.

George Holt

Yes, I mean in terms of issues I think my panellists have set out some of those outstanding issues very well. I think it's worth pointing out that DIT in the UK have been setting expectations about the negotiations and they're characterising them as Indians being hard negotiators and tough negotiators and I think one reading of that is that they're managing business expectations as to how liberalised it will be this trade agreement with India. And in terms of timelines, as you've said Diwali deadline was missed and I think given that, I doubt they're going to commit publicly to a deadline with a date attached to it in the future. There are elections in both India and the UK that will be called in 2024 if not before, so that probably is a hard deadline in an external manner, and I think if there isn't a deal done by then they might lose motivation to get something across the line.

And it's probably also worth mentioning that before Diwali they turned from negotiation rounds into continuous negotiations and now, I think they've reverted back to rounds of negotiations, which to me suggests there is some way to go to get agreement.

Tamara Cincik

Thank you, I'm now going to hand over to George Mackey for the second question.

Geoff Mackey

Tamara, Paul has got his hand up, he may like to make a comment.

Tamara Cincik

Alright, Paul sorry. Paul, this is another evidence session, so I'm really sorry but we need to press on with the people who are giving evidence at this session.

Paul Alger

That's alright. Do you want me to log off because I assumed I was coming to this session?

Tamara Cincik

No, no, I think the secretariat are fine with you leaving but thank you very much and I hope that that's OK? OK if we could go over to you Geoff, thank you. Nice to see you, Paul.

Geoff Mackey

Thanks Chair. We've already started to talk about some of the opportunities for UK and Indian businesses to work together that hopefully will come out of the FTA. I wonder would people like to give a specific comment, Mohan you'd already started talking about opportunities, could we just pick some of those up please starting with you Mohan?

Mohan Kaul

Yes, I mean basically I feel forward generation where solar power generation, wind power generation and hydrogen and all that, that is a major focus in the UK and in India. India is likely to be spending more investment, Government, on solar power and there is a good chance of India working on ancillary industry around the solar power like they have done in software development, having other industry which are linked to the software development. Same thing is what they are hoping to do in the solar, and the technology I know a number of companies who are in UK trying to go into India, though there is a bottleneck in investment and all of that, but that focus on sustainable energy is a major focus in my feeling, where both countries will benefit.

The other is basically artificial intelligence in terms of technology. There is a possibility of innovations for both sides, as long as we have a clear understanding of IP, international property rights, what it is and how UK and India will look at it. I feel there is a tremendous ability of Indian and UK companies on artificial intelligence, on areas related to AI. Along with solar power, I would say water getting investment into solar, in the energy from waterways is a major area of focus in India and UK has universities and others and technology in that sense which both countries will benefit.

I'm again repeating my thing is that in the area of textiles and fashion design, I think there is a major scope and lastly India on the agriculture wastage that is if you look at high end products or tomatoes and avocados and all that, Indian farmers would benefit from the technology, [inaudible 1:11:52.8], refrigeration so that there is less loss at the production stage.

So, these are the areas where I think there is a tremendous possibility of UK and India working together in technology and business opportunities.

Geoff Mackey

Mohan, thank you very much. The question of renewable energy being a focus for the world is a really interesting part of the discussion which is something I don't think we'll be opening up a box on today's session. However, the question of focus is a good one. Amrita.

Amrita Saha

Thanks Geoff. I think that's a great example. I would like to highlight trade in services and the digital economy that constitutes 40% of total value of bilateral UK-India trade and the driving force which I think links back to what I was saying earlier is really sort of these other business services which are high-skilled, intensive services, so management consulting, professional, technical services. And that has been front and centre in terms of attention in the negotiations. In trying to deepen financial services cooperation, regulatory alignment for professional services. I think it is important to note that India has a growing fintech ecosystem which is much more recent in terms of start-ups [inaudible 1:13:27.8] but the UK has much more strength in technology and knowledge-based businesses and in that sense there's huge complementarity here. You know digital services and investments I think are likely to be key drivers of any future trade partnerships going forward is what I think we are going to see.

Geoff Mackey

Thank you very much. Opportunities abound. George, opportunities.

George Holt

Well, I'd like to offer a slightly different perspective I guess which is unless the deal is done with great care there's a chance that … it's important for the deal to make sure that any jobs that are created as a result of it are decent jobs that pay well. And in terms of opportunities, I guess if the negotiations are structured appropriately, it could be an opportunity for the UK and India to work together on high labour standards and to use the FTA to promote decent jobs, which there's work to do in both countries I should say, both UK and India. So, the labour chapter for example on the FTA could include a binding provision on implementing core ILO conventions, which India hasn't ratified all of so we could include that in there as well. So, I think it's just making sure that whatever growth there are as a result of the deal comes with good labour standards and provisions in the deal.

Geoff Mackey

Thank you very much, it sounds like opportunities and a frame to work in, excellent, back to you Chair.

Tamara Cincik

Apologies, I'm also micro-managing someone who's in another meeting who's messaging me, so I do apologise. OK I'm over to Alan Winters please for our next question.

Alan Winters

Yes, thank you very much Tamara, and thank you to the panellists. India and the UK are very different economies and as an economist that looks like a golden opportunity for lots of trade to be generated by liberalisation, but the political economy at managing very different economies is very tough. I guess I'm interested to know whether you think we will be able to handle the sort of differences between the economy in any meaningful deal, and in a sense, I guess what George has just been saying is one of those cases which you might also think difficulties over trade, defence instruments and so on. So perhaps I can start with George, I don't know if you want to elaborate any more on those sorts of difficulties that you foresee over jobs and perhaps environmental issues.

George Holt

Thanks Alan, nice to see you. So, this question is actually one which we've published a report on a couple of weeks ago so you can all feel free to read that in your own time. Where in that we argue that the FTA between the UK and India should put development first and make sure that the deal actively supports both country's commitments to the UNSDGs and I think this is an important point because the FTA with India is the first post-Brexit FTA that the UK is negotiating from scratch with the partner of a different development status and the UK needs to do more to recognise this, which it's hard to know where the UK stands on it because there is no published trade strategy as I'm sure we're all aware of. And as Mohan mentioned earlier the GDP [ph 1:16:53.4] between the UK and India is very different per capital, although probably it's quite similar in terms of GDP overall, and India is home to one quarter of those living in extreme poverty, so this is a very different economic background and landscape.

And the UK's published documents about the FTA's objectives are very much focused on seeing it as a vehicle for promoting exports which I think is a missed opportunity to set out how it can support development and boosting trade does support economic growth, but increasing incomes is only one part of sustainable development and trade agreements can affect development in a number of ways, so there's evidence from UNCTAD [ph 1:17:36.0] that trade liberalisation can displace workers negatively affect social and environmental protections and sometimes facilitate bad business practices, so without the UK thinking about that more specifically there's a risk I think in that respect.

Alan Winters

OK, thank you very much. Amrita.

Amrita Saha

Thanks Alan. I think I'll maybe pick up on what George has said, so any distributional concerns from trade and trading development, I think we would need to look specifically into ex anti-assessments which we are trying to do in terms of trade and poverty. It is clear that there are high levels of poverty which puts quite a lot of constraints in terms of the policy space to manoeuvre for a potential FTA between UK-India on the Indian side, so there are constraints and there are huge differences, gaps in terms of standards, I totally agree that labour standards is an area that can be looked at carefully. I would just like to add that in terms of differences it is interesting that some of those differences might create space for complementarities and I would like to say how and why, if of course done with sufficient care to the concerns around STGs.

In terms of services, I mentioned that there's about 40% of bilateral trade between India and the UK and given that India is a faraway emerging economy for the UK there's a similarity in terms of UK's own service share exports, which is quite remarkable. And that creates quite important and clear complementarity in finance. In our assessment we've looked at the role of financial services, even for goods trade and this suggests in terms, if we were to think of the income generating and jobs side of things that there could be benefits even with a narrow trade agreement with the UK and India just in terms of a body of financial services.

In terms of a deeper agreement which would lead to a reduction in terms of non-tariff measures that the benefits of expanding trade could be even more pronounced and that could be in healthcare, pharmaceuticals, specifically where there are complementarities between India and the UK in addition to any sort of things in the fintech market.

And just one last point is that if we look at a recent example of how maybe there have been adaptations between UK and Indian businesses, we know that India has invoked its self-reliance narrative, so [inaudible 1:20:41.0] strengthening its position in global supply chains and that has received quite a lot of weight in addition to its ambition for free trade agreement. This had initially created a lot of caution for UK companies in bidding for tenders, however we see that in the last couple of years the UK firms have established local presence in India focusing on co-creation for manufacturing, especially for technology. So, in terms of that ex-anti assessment that I referred to for standards etc, could we look into that further. Sort of looking at the differences in gaps and seeing the opportunities imbalance, I'll stop there, sorry for the long response.

Alan Winters

Thanks. OK Mohan.

Mohan Kaul

I agree with what has been said in a way with George on minimum standards, I don't think there will be a problem in the trade agreement for ensuring minimum standards and labour and I think that should be a part of it and I personally feel India's side would probably welcome that. The second what Amrita said, digital economy, I mean digital economy is a big deal in India at this time, they are talking of digital Rupee, they are talking about all the digital transaction happening at the lowest level in the shops, in the vegetable sellers, so I think that is something which Indian businesses, Government people, will like and any help or anything increasing the digital economy will be welcome on both sides.

The one side which has been talked about but not much progress has had is in the healthcare side. The healthcare somehow, we've not made that progress, I think in the UK we need a lot more trained healthcare professionals and in India they want to expand healthcare to the poorest of the poor. So, I think somehow while both sides have been talking about healthcare, we have not really got an agreement which will sort of satisfy both sides. So, I would put healthcare quite top of the agenda if possible.

Alan Winters

Thank you very much, I think that last point is very important, health is huge for the economy now and we have massively different prices in India and the UK and in different labour conditions, labour shortages, so thank you very much for bringing that up. I'll pass back to Tamara now.

Tamara Cincik

Thank you, Alan. Over to you Paul Blomfield please for your question.

Paul Blomfield MP

Thanks Chair, and I'd like to come back to an issue which we've touched on in terms of mobility. I've done quite a lot of work on shifting visa policy in relation to international students and that was very much with an eye on India and clearly visa policy is going to be at the heart of much of the discussion around the FTA, so I just wondered if you could share with us your thoughts on what both countries want from the deal and where the points of friction are. And I recognise to caveat that a little bit, there's a bit of a difficulty in answering that question because the UK Government probably doesn't know what it wants given the tension between the Home Secretary and Downing Street. Perhaps Amrita, could you kick off on that one?

Amrita Saha

Sure. I think I'll respond with maybe two things, so in terms of issues around visas, there's of course education and there's professional services and I think visa issues in terms of students and the education sector have been less of an issue in ongoing negotiations, of course with the recent possibilities for students to stay on after their studies. But I think the issue is much more pronounced for short-term professional services going primarily to challenges around dual social security taxation as well as any short-term professionals facing challenges in visas as well as I think I mentioned this earlier, opening bank accounts in the UK when you come on a short-term visa. So, I think in terms of friction the focus and the area from where the challenge is coming has probably shifted in nature. The general visa issue which might have caused challenges early on is not that front and centre right now. And I think going forward that will still be quite important from the Indian perspective, I think that's my view on it and if there is a short-term agreement this may only not feature really depends on the scope and where we get to.

Paul Blomfield MP

Thanks very much. Mohan.

Mohan Raul

Yeah, I think you raise an important thing, just being talked about at this time on both sides and Home Secretary's announcement that there's a million Indians hanging around without proper documents, but that always has been a matter of discussion. I know the previous Prime Minister did raise that. The issue is basically what do we do with the movement of professionals, I mean Amrita did address. As far as movement of businesses investment, investors, that I think has been sorted out. The problem is now if the professionals or accountants or whatever, technology people who come and spend a year or two here as a part of the Indian companies who are invested here, do not get the benefits what a normal UK company would get. Because they do not, and they cannot continue their Indian benefits, like pensions and all that. So, the problem is on both sides, one is that professionals would like to keep their benefits because they would like to go back to their country, and they don't get the benefits here. So that's a major problem and I do not know why it is, because it would be better that companies take care of that and employees do not have to apply for individual visas, therefore they won't stay back if there is a problem with the company.

But that major problem is there for the professionals and not for businesses in terms of NHS and others and all that and the tax benefits on both sides, they do not get the benefit. That is a major problem. Second is this recognition of professional services and professional qualifications of not all universities but some universities in here. But I think the short-term visa problem would be, has to be solved as far as employees of Indian companies who come and settle businesses here. That problem has not been solved.

Paul Blomfield MP

Thanks very much. How far do you think the Home Secretary's comments have tarnished or damaged the discussions?

Mohan Raul

My impression is there is no disagreement between India and here on that, that was not necessary in the sense, I don't know if you know our previous Prime Minister Theresa May also raised this issue with then Prime Minister, I'm talking about three or four years back when she visited India, and there she mentioned about half a million and the present Home Secretary is saying about a million or something. But the problem for Indian Government is they're saying we don't know who is there, if you want to send them back, please go ahead, they have Indian passports, we have to take them. So, we are not asking them to stay there, or we are not asking them not to come, because they have Indian passport, this is not an Indian Government problem, it is a UK Government problem, if you want to send them back, go ahead, send them.

So, linking it with the trade agreement one doesn't understand how can that problem be solved, because it's a problem here, how do we deal with those immigrants who are overstaying or who are not here with the rights. So, I think I suppose Indian Government is concerned it's a problem here, they have no problem in taking these guys back [inaudible 1:30:59.0].

Paul Blomfield MP

OK thanks very much. George is there anything you'd like to add?

George Holt

Yes, I mean there's been a lot of discussion about business personnel mobility and I think that's a valid point, but I think it's important for us not to forget the fact that if you look at the UK labour market and where the gaps are and as Alan pointed out earlier in things like healthcare, there's a risk that the trade agreement could facilitate the movement of Indian nationals to the UK in areas that could be quite exploitative. So I know the Unions here are quite concerned about whether the FTA will allow more workers to come here and work in the UK on lower terms and conditions than what UK workers would have, which obviously is bad for those workers themselves but also could undermine labour standards in the UK more generally as well, so that's a concern to bear in mind as well.

Paul Blomfield MP

Yes, and clearly there's a worry about seasonal worker visas and other issues in that context and the impact on modern slavery, so thanks very much, I can hand back now to you Tamara.

Tamara Cincik

Thank you, Paul. And that's very neatly segueing into my question which is to what extent would a trade deal with India affect other developing countries, will an agreement promote improved standards in India and other developing countries or not? George.

George Holt

Yes, thank you, very good question and again that's a big part of our report so there's more detail in that. So, I think the answer is yes, it will have affect on developing countries, the more nuance is how and to what extent it will. So I mean the main way it will have an impact is through preference erosion and trade diversion which is when another country will lose a trade advantage like lower tariffs because equivalent tariffs are offered to India by the UK and because the UK currently trades with India using the GSP, the generalised system of preferences scheme which is the framework that classifies the trade between developing countries in the UK and because India is currently an LMIC, a lower middle income country, it has lots of tariffs removed from it but there are still remaining tariffs on some product lines, whereas for least developed countries their trade with the UK has all tariffs removed apart from on arms and ammunition. So, a trade deal could offer India lower tariffs then undercut those benefits other countries have. So, I know that for example countries like Bangladesh, Sri Lanka and Pakistan have a 10% tariff advantage on textiles compared to India at the moment and that could be reduced as a result of the trade deal, and it is an area that the impact assessment done by DIT looked at and identified some countries at risk of preference erosion.

I'll point out that they did some work on that but there are some areas like horticulture which weren't included in the assessment, so there was I think an incomplete view of what the impacts could be. And I think preference erosion is a common effect of FTAs, countries will expect it, but it's really important to make sure that it's carefully handled and there's support for those countries that are affected. So, the way that it could affect developing countries is that when they start to compete on price there's a race to the bottom in terms of standards because they are competing with a different landscape. So, an FTA between the UK and India could lead to poorer working conditions and undermine existing social protections in third countries. There are ways in which the UK could minimise that, so it could give countries that its identified as being at risk observer status to the negotiations to have their voice heard as to what they would need for support, and also make sure that a monitoring system in place as well when the FTA is implemented to make sure that those countries are affected have those affects realised in real time and have any impacts mitigated.

Tamara Cincik

Thank you, George, I was only directed to ask this of you George, but I wonder if Amrita or Mohan if you've got any points, please come in. Amrita. [Inaudible 1:35:01.2] might want to say something.

Amrita Saha

I just have a very quick point; I think I'd like to add to what George has explained very clearly. So, goods trade UK-India was within the purview of the EU's generalised system of preferences as George has explained. UK recently adapted its developing country trading scheme and I think unfortunately there is room for clarity in terms of its scope as well as what are graduations in [inaudible 1:35:35.5] GSP and how that translates to UK's own developing country trading scheme. George talked about textiles, so textiles have been graduated for India in terms of the GSP, so tariffs have been reduced and if that goes forward in terms of concessions in the FTA then there is possibility of trade diversion. I think what is less clear is the extent to which that would be, so in terms of margins of erosion, and to what extent that would happen for other countries. So, I think that would certainly need some further assessment.

I would just also like to very quickly add that there are gaps in terms of standards and that affects workers on both ends and if workers, they want movement of workers, is it then that we need to sort of be much more clearer in terms of prioritising these ex-anti assessments of where there might be any sort of violations in terms of standards or any sort of issues with upholding human rights and any challenges in supply chains, can that be done more systematically. I'll stop there.

Tamara Cincik

Thank you, Amrita, Mohan?

Mohan Raul

Just to add I agree to what has been said by George and Amrita, but definitely the free trade agreement would help in improving standards in India as well as in other developing countries because that will become an example, so yes it will help in improved standards.

Tamara Cincik

So, you view this optimistically.

Mohan Raul

Yes.

Tamara Cincik

Brilliant, thank you. Our next question will be asked by Hilary Benn.

Hilary Benn MP

Tamara, thanks very much indeed. Can I start by asking whether the fact that India and the European Union are attempting to restart the negotiations on a trade deal between the two of them that has been stalled for quite some years. Is that having any impact at all, might it have any impact at all on the negotiations between India and the UK? I don't know who would, Amrita have you got a view on that?

Amrita Saha

I have a view; I'll probably keep it quite brief. So there are talks of reviving and revival of EU-India negotiations, in the past Indian businesses setting shop in the UK also saw the UK as sort of a foothold for access to a wider European market, now of course that is not the case, there are increasing frictions and distortions, but if EU-India negotiations were to start in parallel there might be, on one hand overlaps in terms of business interests. If I were to view this in a more positive way, there might be complementarities. So, I think the short answer is I think it would remain to be seen what the course of the negotiations there are going to be and if they factor in any progress made with UK-India FTA.

Hilary Benn MP

Thank you, Mohan have you got a view on that?

Mohan Raul

Yes, I mean good to see you after a long time. The question is the India-European Union was at one time we thought it's almost imminent it will be signed, but I do not see making that progress at least.

But if we have a India-UK trade agreement, that will certainly help re-energising the effort in India-European Union, that's my opinion.

Hilary Benn MP

OK thank you very much. Now Mohan you talked earlier about concentrating on a few areas, I think you mentioned energy and garments and the question I wanted to put was, I mean all trade negotiations are complex, this is particularly complex, do you think there is merit in or a likelihood of some kind of interim agreement on some things, or from India's perspective would India say no, we're not going to do that or indeed the UK might say it, we want to wait until we've found a way of resolving all of the issues rather than peel off certain things where it might be easier to reach agreement at the moment, do you think there's any merit in that approach, might that happen?

Mohan Raul

That could happen, those expectations have gone up much higher for comprehensive integrated things, so but I think India would probably welcome concentration in certain sectors in which they are interested in developing and in which they feel there is a possibility of both sides improving their trade or business thing [ph 1:41:30.8]. But what the interim agreement has to deal with is that sensitive problem of the travel arrangement or the flow in a professional visa, unless that is sorted out, the question of free movement of professionals, which could be restricted to certain areas, certain expertise, certain [inaudible 1:42:01.0] but as long as there is a free movement, as long as the benefits are there for Indian professionals coming here or working here, I think the interim agreement will probably be welcomed.

Hilary Benn MP

OK thank you. Amrita.

Amrita Saha

Thanks, I'd like to answer this in a slightly different way, so when we look to some of the academic evidence in terms of political economy and trade agreements there is some suggestion that phased agreements, so you know agreements that cover some scope at various points in time can be successful. There's also evidence saying that these don't work. So, in terms of a UK-India FTA I think there's been significant time devoted to identifying overlapping points of interest, emerging issues, so a well-designed agreement could help move a wider FTA along, so early agreement could help but the flip side of that is an early agreement would really have those sorts of quick wins. It's very unlikely that any sort of sensitivities would be in there, so any sensitivities might be excluded, and this could be a risk to achieving an actual full ambition that has been on the table for an FTA and I think we've seen probably examples in the past, so yeah that's my view.

Hilary Benn MP

OK thank you very much indeed, and George can I put a different question to you? You referred earlier to things like international labour standards and questions of workers' rights, environmental standards and so on. When a more developed economy is in trade negotiations with a less developed economy and says well we want to raise these questions with you, and the less developed economy in the case of India were to say back, well thank you very much for those points we are a democracy and we are perfectly capable of taking our own decisions about what our labour and environmental standards will be in our own country, what advice would you give the country that's raised those questions in the first place as to why it is something that should be part of the negotiations? Because there is a tension here if we are honest and I just wanted to tease that out in asking for your view.

George Holt

Yes, I mean I would hope that any developing country would have ambitions to increase their standards of where they are starting from and if you look at the academic evidence of the best way to achieve that it's more effective to kind of use a trade agreement as an incentive for those standards to be increased than to say let's do an agreement and then as a result of that we can then work with you to increase the standards, so that hasn't really worked in situations where they've done that first. So, I think the concern is that you would agree and agreement with a developing country like India and then the line is we'll increase standards later on and it doesn't happen and then British investors in India are then kind of complicit in those lower standards.

Just to go back to your question about interim agreements if I may as well, I think our concern is about early harvest agreements with India, is there are human rights violations going on in India and there's actually a UK national being detained in India for the last five years without legal basis according to the UN, and aside from what would be in the agreement I think if we did an early harvest agreement with India it's a signal to other trading partners what the UK is prioritising, which in this case would be boosting trade at the expense perhaps of human rights work, and also if you look at the provisions in the agreements the UK has agreed so far, so with Australia and New Zealand, some chapters like the environment chapters and gender chapters, they are not subject to the main dispute settlement mechanism and they're not binding. There's a chance that with an early harvest agreement like Amrita was saying, early wins are what people are looking for and it could be that those kinds of chapters are agreed and then once they're agreed in an early harvest agreement there's no ambition to then make this more robust in a fuller agreement later on, if that makes sense.

Hilary Benn MP

Yes, just incidentally, interestingly since you mentioned that those parts of the Australia and New Zealand agreements that are not subject to dispute resolution and are not binding, is that a reflection that the point I was trying to raise a moment ago, that the countries say well we can reach decisions for ourselves on those matters and don't need to have them then drawn into a dispute resolution mechanism as part of a trade agreement. Presumably, that's why they have that different status, is that right?

George Holt

I think so, and I think it's a reflection of both countries keenness to get a deal over the line for example, it's just harder to achieve binding things, but from our perspective I think it's important to realise that those areas have got direct affects of trade, so the trade environment are very closely linked and having a non-binding chapter I think doesn't reflect that reality.

Hilary Benn MP

OK, thank you very much. Back to you Tamara.

Tamara Cincik

Thank you, Hilary. Over to you Alan for our last question please.

Alan Winters

Thank you very much Tamara. I guess I want to try and get you to offer some headlines for this, so that those of us within limited memories can take it away. So, I'm going to ask each of you, what do you think the main benefit for each party would be, and what the main drawback or perhaps their main defensive interest would be. So, in a sense each of India and the UK, each offensive and defensive interest that would be dominant. So why don't I start with Mohan.

Mohan Raul

Thank you. I mean there would be basically key benefits from both sides, as far as UK is concerned it gets them access to a much bigger and much diverse market and as India is 1.2 billion people, so therefore even if you take 5-10% of the population has similar kind of income as UK there's a great market for UK products. And which I can tell you, I was mentioning to Tamara is the fashion product, many people would love access to them and look at it. And as some people say that in Bombay, they drink Blacker Label than is produced in Scotland, so there are certain products which UK will benefit from the access that is on that key product.

The second I think would be a large market, but from India's side I feel India intellectual property as for Indian companies, they will look at global intellectual property much more access to that through this agreement, that's my feeling, using UK as a facility for intellectual property. Then again UK companies, services companies say accounting, legal and all that, will have access to the highest professionals in India, so that might, I don't know if you have seen in accounting firms there was, there has been relaxation of rules and that has many major accounting firms in UK have benefited from that. So, there would be some reorganisation of accounting, legal and other professional services in India, but they will benefit also from the transfer of skills in that sense.

So, I think I personally feel technology transfer in specific areas, I'm sort of stressing again sustainable power, artificial intelligence, water and these are all areas which are not yet fully exploited but will have a tremendous possibility of UK-India businesses working together.

Alan Winters

OK thank you, let me move on to Amrita, again if possible one drawback and one benefit.

Amrita Saha

Yes, one benefit I think very bluntly is market access. We did say a second ago developing country, developed country but you know let's not forget India is the second largest investor in the UK, while

UK is the sixth largest in India. So, there is access to the Indian market for the UK, there is rapid demand for high quality products and services, UK consumers could benefit from greater choice and low prices.

Drawback, there are risks, there are differences in standards, workers and consumers in different regions and different sectors are likely to gain or lose to different extents. We need to be more mindful of any lack of issues with human rights and where those losses are. There's need for better consideration of the existing situation and lastly, I'll just make very quickly is that I'm not sure if trade agreements can by themselves achieve enduring to human rights standards or labour rights and I think there is need for multi-lateral cooperation in addition to consideration of these in trade agreements, so let's stop there.

Alan Winters

OK, thank you very much, very nice and succinct. So, George, the last word.

George Holt

Thank you, so I would say that as an opportunity the UK-India trade agreement is an opportunity for the UK to demonstrate how it is willing and able to sign agreements that support development goals and making them more explicit in the actual text. But I mean if you look at, I'm not sure if you've seen the leaked IP chapter that came out a few weeks ago that was available, that suggests that the UK is not really approaching it in that way and there's been some concern from various parties that the provisions of that draft text would reduce the ability for India to create generic medicines for example and supply that to the developing countries. In terms of a drawback for the UK, there is definitely concern that a deal with India could lead to an increase in agricultural imports from India that are produced to lower animal welfare standards, so to reduce that happening it would be important for the agreement to have a standalone chapter on animal welfare, as well as referencing things like pesticide use which is higher in India than it is in the UK.

I think in terms of India's opportunities as Mohan said, I think tech transfer is an important one and is a very essential element to making sure that India is able to fight climate change, so there are areas that the UK and India could work together on which are both useful for development but also for the economies as well.

Alan Winters

Thank you very much, OK let me pass back to Tamara to close us off, thank you.

Tamara Cincik

Thank you, Alan, and thank you to all of those who've come to give evidence at today's session, both from the fashion and textiles industry and with regard to the UK-India FTA. Thank you to Best For Britain as Secretariat for compiling such a comprehensive event and thank you to my fellow Commissioners.