HOUSE OF COMMONS

Business and Trade Committee

Oral evidence: Export-led growth, HC 289

Tuesday 19 March 2024

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Watch the meeting

Members present: Liam Byrne (Chair); Douglas Chapman; Antony Higginbotham; Ian Lavery; Anthony Mangnall; Julie Marson; Andy McDonald; Mark Pawsey.

Questions 157 - 187

Witnesses

III: Duncan Edwards OBE, Chief Executive Officer, BritishAmerican Business.

Examination of witness

Witness: Duncan Edwards.

Chair: Welcome to this third panel on export-led growth. We are now completing our tour of the planet for the morning. We have gone from Seoul to Brussels and now to New York.

Duncan Edwards, we are delighted that you are able to join us. You are the chief executive officer of BritishAmerican Business. Mark Pawsey is going to open the bowling for us on this panel.

Q157 **Mark Pawsey:** Duncan, you will know that our inquiry is about understanding the opportunities that exist in export markets to grow our own economy. I am wondering if you can help us by setting a baseline. Where are we now with trade to the US?

We know that the United States is the UK's largest trading partner, and I note that 67% of our sales last year were services rather than goods, but can you flesh that out for us and tell us a little bit about where we are right now? Then we will go on to talk about the opportunities that might exist in the future.

Duncan Edwards: Good morning, everyone. The trade relationship between the US and the UK is in pretty good shape. You will have seen the numbers, which suggest that trade going both ways—both exports and imports into the UK—has been growing over recent years. That continues to be the case.

The UK has a trade surplus with the US, and we may talk about the risks of that in a little while, but it is a pretty positive story. It is not particularly surprising either. There are lots of reasons why the trade and investment relationships between the US and the UK are so strong. For most British companies that are looking to expand and export overseas, the natural first place that they think about is the US, given the cultural similarities, the language and all those kinds of things, as well as the existing footprint of companies that have been there before and shown some success.

It is a pretty positive story. There are always things that can be done to improve it, but in general I would say it is strong at the moment.

Q158 **Mark Pawsey:** What are the areas where we are strong in terms of products and services? Which sectors are we doing well in?

Duncan Edwards: It is across the piece. You will see from the data that services exports are much stronger than goods exports, but, again, that is a reflection of the economy of the UK. Financial and professional services are extremely strong. Again, that is not a surprise.

Then in physical goods it is across the piece. There are strong exports in automotive, for example, largely driven by Jaguar Land Rover, but also in chemicals and life sciences products. It is really across the piece.

Q159 **Mark Pawsey:** Do opportunities for growth come from selling more to our existing customers from growth through the US economy, or do they come from us being bullish and competitive, and selling goods and services that are currently supplied by others?

Duncan Edwards: I would say all of the above. The market is so huge here that even the very good results that the UK exporters have achieved so far are just a tiny part of the US economy, so there is a big opportunity.

I always feel it is in the hands of the businesses. Ambitious, energetic business leaders who want to export to the US and have a good product will find a way to do that. You have to be a bit patient, and success is not guaranteed. There are plenty of small companies, particularly, that have tried and have not succeeded, but that is just part of being in business.

Q160 **Mark Pawsey:** Do those companies that have opportunities to sell in the US know enough about the opportunities? Is it easy for them to find information? I know we are tending to focus on a state-by-state basis right now. Do they know which areas of this massive market they should make a beeline for first?

Duncan Edwards: It takes planning. It is an easy thing to say that there is not enough information, but there is. There is plenty of information out there, but it takes work finding it.

Could there be more done to simplify the access to that information? Maybe there could, but it is there. Energetic companies with disciplined leadership find it and are able to use it and access the market. They are patient about it, and it can take a long time to build up a strong distribution network and customer network. You have to be in it for the long term.

Mark Pawsey: My colleagues will ask questions about how we go about doing that.

Q161 **Ian Lavery:** The free trade agreement negotiations stalled in 2020. What were the reasons behind this? Do you think there is a possibility in the short or medium term that these negotiations might restart?

Duncan Edwards: The short answer to the question is that the FTA negotiations stalled in 2020 because of the US election. If the Trump Administration had won a second term, the negotiations would have continued. Whether they would have reached a positive conclusion is impossible to say, but certainly they would have continued.

The Biden Administration has taken a very different view about trade agreements and has been opposed to any extension of what we would call liberalised international trade. It is a much more protectionist regime in the US. The first presidential executive order that was passed under the Biden Administration was a strengthening of the "buy America" requirements for federal procurement, for example.

It is off the table. It is not just the UK at the moment. There have been no liberalising trade agreements under this Administration with any other market.

The potential for an FTA rests on the outcome of the election. If there is a second Biden Administration, we expect more of the same, so no change in international trade policy. If there is a Trump Administration, it is difficult to know, because on the one hand there have been quite positive noises about trade with the UK, but on the other hand people close to Trump have been talking about a return to the kind of tariff regime that was common in the US 100 years ago, with a high level of tariffs. Around 10% is what has been rumoured. It is very difficult to know. I certainly would not be betting on an FTA any time soon.

Q162 **Ian Lavery:** Basically, it depends, in your view, on the outcome of the elections in November.

Duncan Edwards: Certainly, that would be a decisive issue.

Q163 **Anthony Mangnall:** Following on from Ian's questioning, I was just wondering whether there is any appetite for what John Bolton advised President Trump on, which is a sector-by-sector trade agreement.

We are signing MOUs at the moment, and I hope you might speak to the MOUs and the value they have. I know you have a report coming out on this very subject. If we are not going to get a full free trade agreement, why not try to push forward with a services or financial services deal or an agriculture deal? I hope we do not do an agriculture deal, but do you see what I am getting at?

Duncan Edwards: This sector-by-sector trade agreement is quite an alluring idea, but there are both legal and practical challenges to that. First, it is not clear that trade agreements can be done sector by sector. In the US, trade agreements have to be either all or nothing. Secondly, if you are a representative from an agricultural state, are you going to approve a trade agreement that does not include agriculture? It is very unlikely that you will.

It would certainly be attractive to do sector by sector, and it is possible you could do a digital commerce agreement, which sets the rules around how digital trade is conducted, but it would be very difficult to go anywhere near issues in trade such as market access and tariff structure unless you cover the whole economy.

Do you want me to talk about the MOUs as well now?

Q164 **Anthony Mangnall:** I do. We did Texas last week. We have North Carolina, South Carolina, Oklahoma, Utah and Washington. What do they mean? What are they doing? What is the benefit?

Duncan Edwards: You are right. We will publish a summary of all these agreements on Thursday this week. It is important to get the language clear when describing these agreements, because they are not really trade agreements; they are trade promotion agreements. These are non-binding, fairly short MOUs with individual states.

As we will say in our paper, they are pretty positive. They set the ground for further work to be done by businesses, trade associations, the Department for Business and Trade, and others. It is really like creating a welcoming, warm environment for UK companies that might want to go and do business in that state.

They highlight particular industries or sectors and, in theory at least, they are creating a very positive environment for UK companies to go and see if they can sell things, set up businesses and so on and so forth. By the way, it is bilateral, so there is something in it for the states. They are looking for Texas companies to have a warm welcome in the UK as well, so it is a bilateral agreement.

What happens next? It is a laudable thing to have negotiated these agreements. It is positive, but now it is about the work to make sure they get followed through, particularly on the commitments that have been made in these agreements, which are semi-annual meetings, academic institutions partnering with each other, trade associations getting involved, trade missions and so on and so forth. That is the work that needs to be done next.

Q165 **Anthony Mangnall:** Do you put a financial value on these MOUs? I know that there is an estimated figure that says they are worth, in the states that we have signed MOUs with, about £5.1 billion. Are you expecting to see the British businesses you work with have a certain value or an added opportunity in these areas or, as you say, is it a drinks party but you may end up with the bill at the end of it?

Duncan Edwards: It is so difficult to quantify, certainly in advance, what an absolute dollar or pound number might be, but I do expect it to be accretive. If the work gets done, if the trade missions happen, and if all the ideas that have been included in these MOUs are activated, then it is inevitable that more business gets done. It is about the energy committed, both by the UK side and by the individual states, because they have to be engaged and excited about this too.

Q166 **Anthony Mangnall:** Forgive me, but I have sat on the Trade Committee for the last four years, and now obviously the Business and Trade Committee. One of the things we have seen is that, when we were trying to join the Gulf Cooperation Council or CPTPP, there was always a move to do bilateral agreements first.

Do you look at the MOUs and think that this is us trying to do bilateral agreements with states to then follow on with a trade agreement, whereby, if you have 26 US states that we have done an MOU with, the federal Government cannot really ignore the appetite of all the states to do a bigger free trade agreement?

Duncan Edwards: I am sure that is part of the thinking, and why not? It is creating positive mood music at a state level. If you can point to more jobs arriving in a congressional district as a result of this, that is all to the good.

The issues around the FTA remain very difficult. The thing called the Trade Promotion Authority, which is the authority granted to the Administration to negotiate a trade agreement without reference to the House, has expired. This means either a new TPA has to be passed, which would be extremely difficult, or a new Administration have to check in with the House every time they want to negotiate a trade agreement, and then that trade agreement is subject to amendment. Honestly, it is extremely difficult to see how that gets done in a House and Senate that are as evenly divided as they are at the moment.

Q167 **Anthony Mangnall:** It is a novel idea to consult with your Parliament or your Senate on trade deals. We are certainly not having the same experience over here.

Duncan Edwards: I cannot possibly comment.

Q168 **Anthony Mangnall:** I can. Can I just finish on one last bit? We saw the Lord Mayor of London in New York last year saying that a free trade agreement is not going to make that much difference. It might improve things by only a small margin. Do you agree or disagree?

Duncan Edwards: A bit of both, to be honest. The Lord Mayor is never short of an opinion, that is for sure. In financial and professional services, he may well be right, and that is really the area of business that he is in. Trade and investment in financial and professional services is incredibly strong and is not subject to market access or tariff issues.

Trade in goods is, though. While the average level of tariffs is quite low, they are still there. Removing those tariffs and improving market access would only help trade in goods, in my view.

Q169 **Mark Pawsey:** You said that the state-by-state agreements are trade promotion agreements, and that it is now for businesses to have the work to follow through. Do we have the right level of representation and sales skills, frankly, in-country to take advantage of the deal that has been done and the opportunities that are there?

Duncan Edwards: We will see.

Q170 **Mark Pawsey:** Is that a "possibly" or a "maybe not"?

Duncan Edwards: It is a crucial question. We wrote a paper about this about a year ago, and we emphasised the need to have the right level of resource. The DBT has a couple of hundred people across the US, but, if you read the detail of what is being proposed in the MOUs, it is a lot of work.

Q171 **Mark Pawsey:** Sure, but it is often not DBT people; it is the businesses themselves. The businesses themselves know the strengths of the products or the service that they are willing to promote. Is it not for them to get in-country and to do the work?

Duncan Edwards: I said earlier that, yes, energetic businesses will find a way, and good leadership in businesses will find a way, but there are commitments made in the MOUs, and the working parties that lead those commitments are the relevant state-level authority and the Department for Business and Trade or its consular representative on the ground in Houston, in Charlotte or wherever it may be.

There is a lot of work to be done, including biannual meetings and academic institutions meeting. All of this needs to be co-ordinated. The evidence so far is that we have not yet hit all the things that we said we were going to do.

As I say, we will publish this on Thursday. In all MOU agreements there has been at least one meeting, but we have not hit all the commitments that were made in the agreements. That may be because we are just getting started. Also, it takes two to tango. It requires the state or counterparty to be available and so on. That is what we will be watching. It is still early days, though, but that is what we will certainly be watching.

Mark Pawsey: Duncan raises a point that the broader issue is that we often think that doing a trade deal is the route to success. There is a whole load of extra stuff that has to be done afterwards. We should concentrate on that.

Q172 **Chair:** I just want to pursue this just for a second more, Duncan. As of today, do you think that HMG have the right resource on the ground to follow through on the MOUs that have been signed?

Duncan Edwards: I am not convinced of that, but we will see.

Q173 **Chair:** Tell us about the relationship between the MOUs that we have signed and the states where there is a lot of UK trade or trade potential. Do we have the MOUs in place in the states that actually matter for UK export growth?

Duncan Edwards: At the start, it was a question of, "We will do these agreements with those people who are willing to do an agreement with us", rather than necessarily the ones where the volume and value existed. That has changed.

The last two, Florida and Texas, are definitely going in the right direction. From what I understand, there is a lot of work being done on the other two of the big four, California and New York State. If we could do those and then add Ohio and Illinois, I would then probably call it quits and say, "That's enough".

There is a huge amount of work to deliver the commitments that would have been made in all those agreements. Add California, New York State, Ohio and Illinois, and that would be a very good proportion of the US economy.

Q174 **Chair:** If you were to list the US states that are currently most important for UK trade, give us a rough batting order of what the top five or six might be.

Duncan Edwards: It would be based on the size of the GDPs of the states, so California, Texas, Florida and New York would be the top four. There are then some interesting ones. Washington State is important because of its advanced technology and aerospace sectors. There are other states where defence is an important industry, and there are other states where that is covered, although I am not sure MOUs on defence really help. Those top four states are what you have to be aiming for.

Q175 **Chair:** Okay, and so we have MOUs with half of them, but not the other half.

Duncan Edwards: Watch this space, from what I understand.

Q176 **Ian Lavery:** With regard to the MOUs with the individual US states, are there any downsides with regard to this type of strategy? What are the negative points?

Duncan Edwards: Honestly, I do not think there are any. The only potential downside would be the use of resource in negotiating these and so on if then nothing happens, but these are positive developments.

Q177 **Chair:** Just to crystalise this, do you think the MOUs, as you understand them now, will accelerate UK exports to America compared to a world where we did not have them?

Duncan Edwards: They certainly can do. It is now about the follow-through, follow-up and execution of the commitments that have been made in those agreements.

Q178 **Chair:** You cannot currently see the requisite resource to deliver on the potential.

Duncan Edwards: I did not say that; I said that it is not clear that it is there. There is a lot of work that has been committed to, and that may well happen. We will see over the next 18 months whether the delivery really happens.

Q179 **Julie Marson:** Going back to an FTA, as you have outlined, there is a lot of uncertainty about an appetite, whichever Administration we work with, to come to the table for an FTA. If they did, the US is likely to have some pretty tough red lines and minimum expectations from the UK. Could you give us a flavour of what you think those expectations would be?

We are talking about lots of other things such as the Atlantic declaration and the MOUs. I wonder to what extent some of those red lines would even be worth us coming to the table in return.

Duncan Edwards: I would love to comment on the Atlantic declaration a bit later, if that is okay.

On the FTA, as I said earlier, I believe the expectation from the US would be that it would be a full, comprehensive trade agreement or nothing. That means tariff-tree trade, quota-free trade, and market access for the full range of products, services, goods and so on and so forth. It has to be mutual as well. There would be the same expectation from the UK side.

The challenge is always in the difficult areas. We understood that, in the last negotiations that finished in 2020, about 20 out of the around 30 chapters of the FTA were pretty much agreed, but of course they had not got to the difficult bits. Market access on agriculture is always going to be a problem. Absent that, most of the other contentious and difficult issues, with goodwill on both sides, they would find a way to resolve, but market access on ag would be the biggest problem.

Q180 **Julie Marson:** We know about the ag issues. Everyone knows about the chlorinated chicken and so on. Could you give us a little bit more insight on some of those other areas that are going to be difficult or challenging?

Duncan Edwards: Honestly, no. There will be differences in interpretation of some of the technical areas that are included in a free trade agreement, but so far as I am aware there were no other major market access issues. That may not be right. I was not in the room in those meetings, but my sense is that the market access questions will not be difficult to resolve except for agriculture.

Q181 **Chair:** We have done MOUs. We have done FTAs. Can I just turn now to the Atlantic declaration, signed last summer, which promised closer relations across the full spectrum of our economic, technological, commercial and trade relations. It sounds like a pretty ambitious statement. What do you think it actually means in terms of pound notes for UK exporters?

Duncan Edwards: It is another one of those agreements where it is an agreement to have future agreements. It is a super interesting document, and to us it was a very surprising document because of the scale of its ambition. It sets out this incredibly close partnership on some of the most important issues facing both the US and the UK.

It says that the US and the UK will negotiate future agreements on these 16 different areas of co-operation. We were amazed by it when it came out because it is incredibly far-reaching. In some ways, it maybe has more potential for positive change even than an FTA, if the 16 commitments that were envisioned in the agreement actually got negotiated and resolved.

It is a super ambitious agreement that is very positive for business and trade, in our view. It is a very future-thinking agreement, but the challenge is that, of those 16 commitments that were made last summer, only three have been delivered so far. The reality is that the events of the last six months or so have completely absorbed those people, particularly in Washington. I do not hold the UK Government responsible for these delays. It is very much in Washington, where they have been so focused on Israel-Gaza, Ukraine and other issues, and now on the election, that they just have not had the time to focus on these commitments.

We are very positive about it. We hope that the UK continues to ask for the progress that both sides committed to in the Atlantic declaration. There are some really important future-facing things. There is an envisioned partnership on the regulation of space. There is a whole area on AI co-operation. There is a whole area on energy transition and security. There is a whole area on civil nuclear power partnership.

All these positive ideas are in this agreement, but they need to be negotiated, and that is what we all need to be pushing for.

Q182 **Chair:** Is it likely that we will make any more progress on the 13 areas where there are not agreement before the American elections?

Duncan Edwards: Honestly, I do not know. From what I understand from the UK diplomatic corps here, they are really trying to make that progress, but as the days tick along it gets more and more difficult.

Q183 **Chair:** The final question is about export support services. Our inquiry is about how we grow our economy more quickly by growing our exports more quickly. There are lots of ways in which different countries around the world support their exports. Some rely on chambers of commerce that are membership-funded, for example. Some rely on chambers that have public money in the mix. Do you have a view about how we should spend public money here in order to foster faster export growth to the United States?

Duncan Edwards: We are one of those chambers of commerce that do not receive public money, and we prefer it that way. We are member-funded. I see other European chambers of commerce active in New York City that are funded by Government money, and they certainly have more resource.

Honestly, there are some really positive things. UK Export Finance does a very good job. There is no reason why large transactions should not get financed. UK Export Finance does a good job in that regard.

As I have said before, ambitious, energetic SMEs will find a way, and they do find a way. There are hundreds of examples of it, whether it is Fever-Tree tonic water, Brompton bicycles, Walker’s shortbread or Yorkshire Gold tea, which is everywhere in the US. These companies have found a way to export their product, and they do not usually rely on Government help to do that. It is because of the energy, desire and ambition, frankly, of the management.

Q184 **Chair:** Is there a case for us investing more in export support for UK companies to the US, or is the market just looking after this as it is?

Duncan Edwards: The energy should continue to be around removing the barriers to trade that still exist. There are the tariff and market access barriers. Customs is still a mess, so a customs facilitation agreement would be extremely helpful.

The digitisation of the customs process, which the UK is, in fairness, really thinking about and trying to drive forward, would be a super helpful thing. The UK Government use an outsourced agency to help them with SMEs, which works well, but certainly, as the British chamber of commerce here, I am not asking for Government money for us.

Q185 **Chair:** The US is doing some kinds of agreements in some parts of the world. You mentioned that the Biden Administration has gone slow on many trade agreements, but IPEF is one exception. It is true that that is not a traditional trade agreement, but it is pushing that through in the Indo-Pacific. Is there something there that can potentially be a bridge to further progress? I know that the US is staying outside CPTPP, but nonetheless we are both coming to agreements in the Indo-Pacific.

Duncan Edwards: My understanding is that IPEF has collapsed. The TTC, which is the other one with the EU, is going nowhere as well. You can choose your meaning of the word, but they are not really trade agreements. They do not lower tariffs or increase market access, which is what trade agreements generally do.

Katherine Tai, who is the US trade representative, has been very vocal about this. They have talked about a worker-centric trade policy. What they have been trying to do is to use trade policy as a means of negotiating higher labour standards, new environmental requirements and so forth on third-party countries.

With IPEF, this has been their approach, saying to those countries in the Indo-Pacific, "We want you to guarantee different labour standards. We want you to guarantee US-style environmental standards", etc. Naturally, the counterparties asked, "Okay, and what do we get? Is there an increase in market access or a lowering of tariff barriers?" They said, "No". At that point, those discussions came to an end.

It is the same in Europe with the TTC. There is a lot of talk, but no real change in the fundamentals that would really help exporters.

Q186 **Chair:** Finally, just to check this off our list, last autumn there was a leaked document that showed that there was a US-UK foundational trade agreement in the offing, which was then reported to have been quietly shelved by President Biden. Should we read anything into the quiet shelving of that agreement, or was it simply an agreement that got lost in the general busyness in Washington at the moment?

Duncan Edwards: I have not seen it, but my understanding was that this agreement was, again, not really a trade agreement. It was going to be some language around commitments to high labour standards, which the UK of course would have no problem with, because in general labour standards in the UK are higher than they are in the US. Ditto for environmental standards, and so on and so forth. This would have been the same kind of language that they have been trying to drive through in IPEF and the TTC rather than the liberalising trade agreement that is more of a classic trade agreement.

Q187 **Chair:** Do you have any final thoughts or recommendations that you would like to see in the report that we make to Government?

Duncan Edwards: I seem to have talked a lot, so you have what you need.

Chair: Duncan, thank you so much. That is hugely appreciated, and we very much hope that our paths will cross when we are in the United States. For now, thank you so much for joining us at an ungodly hour from New York. It is much appreciated.