

Public Accounts Committee

Oral evidence: Implementing the UK's exit from the EU: the Department for International Trade, HC 647

Wednesday 7 March 2018

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Members present: Meg Hillier (Chair); Bim Afolami; Sir Geoffrey Clifton-Brown; Chris Evans; Caroline Flint; Luke Graham; Gillian Keegan; Shabana Mahmood; Layla Moran; Anne Marie Morris; Bridget Phillipson.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Keith Davis, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-97

Witnesses

Antonia Romeo, Permanent Secretary, Department for International Trade, and Crawford Falconer, Second Permanent Secretary and chief trade negotiation adviser, DIT.

Reports by the Comptroller and Auditor General

Implementing the UK's Exit from the European Union: The Department for Business, Energy and Industrial Strategy (HC 608)

Implementing the UK's Exit from the European Union: The Department for Exiting the European Union and the centre of government (HC 593)

Implementing the UK's Exit from the European Union: The Infrastructure and Projects Authority (HC 606)

Implementing the UK's Exit from the European Union: People and Skills (HC 626)

Capability in the civil service (HC 919)

Delivering Major Projects in government: a briefing for the Committee of Public Accounts (HC 713)

Examination of witnesses

Witnesses: Antonia Romeo and Crawford Falconer.

Q1 **Chair:** Good afternoon and welcome back to the Public Accounts Committee on Wednesday 7 March 2018. This is the second half of our hearing on the preparedness of Government Departments for the UK's exit from the European Union. As I said at the end of the last session, there are 387 days to go before Brexit is triggered. We are looking in this session at the work of the Department for International Trade, which has a number of challenging tasks to deal with and is playing a pivotal role in Britain's future global trade. Some of your work, Ms Romeo, is to do with securing membership of the World Trade Organisation and, of course, our ability to negotiate trade agreements with other countries—something that we have not done for nearly 50 years, so it is a very big challenge.

Our witnesses today are Antonia Romeo, who is permanent secretary at the Department for International Trade—welcome. I think this is the first time you have appeared before this Committee?

Antonia Romeo: In this role.

Q2 **Chair:** In this role, yes. Our other witness is Crawford Falconer, who is second permanent secretary at the Department for International Trade. Before we kick off properly, Mr Falconer, I notice that *Civil Service World* suggested that you are thinking of leaving the Department. Do you have any comments on that story, which was published on 22 February?



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Crawford Falconer: I think what *Civil Service World* ended up saying was that they had heard a rumour that that was the case, but I think the story made very clear—and my bodily presence confirms it—that I have done nothing of the sort.

Q3 **Chair:** So you are with us for the long haul?

Crawford Falconer: I regret to say to the Committee that I'm going to be around for a while.

Chair: Great. We look forward to getting to know you. I am sure you will become a frequent flier at this Committee. I am going to hand over to Geoffrey Clifton-Brown, who is going to pick up on some important issues around future trade.

Q4 **Sir Geoffrey Clifton-Brown:** I chaired a trade discussion this morning, and there was some unease about rules of origin and the alignment between DIT and the Department for Business, Energy and Industrial Strategy. Rules of origin, of course, are extremely important for some sectors and will be onerous after Brexit. For example, the automobile sector will have to prove that it has over 50% UK content if it is to export UK cars. Can you assure us that, whatever policy you come up with in the negotiation, BEIS and DIT have an aligned policy?

Antonia Romeo: Could I start by giving a couple of points of context before heading into that? The first thing to say is that we are obviously quite a new Department, just 20 months old, made up from four organisations. We are doing four things concurrently. We are building a new Department, one cohesive Department; we are building new trade capability, for which Crawford is responsible; we are running these programmes, which we will be considering; and we are also doing our business—

Q5 **Chair:** Sorry—

Antonia Romeo: I am coming to the question.

Q6 **Chair:** We know that bit, so could we just get an answer to the question?

Antonia Romeo: The fourth point was that we have our business as usual, which is exports and inward investment. To your question on whether we will be joined up with BEIS, the answer is absolutely yes. We already work incredibly closely with BEIS, as with a number of other Departments, on exports and investment. The Government's policy position on rules of origin, when determined, will be something to which we are both signed up.

Chair: Signed up is all very well, but it is quite challenging to deliver under Brexit. I will pass to Layla Moran, who has a specific example.

Q7 **Layla Moran:** I have a specific interest in the automobile industry, because BMW is just outside my constituency and is responsible for a lot of jobs in my constituency. BMW has expressed concern over and over again that, so far, the process has been piecemeal and slow. May I seek



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some reassurance? What are you doing to engage with the car industry and how close are we to giving them the certainty they need so that those jobs do not go elsewhere?

Antonia Romeo: That is a two-part question. On what we are doing to engage, we work very closely with BEIS on the auto sector, as with all sectors. We conduct a number of roundtables; we talk at ministerial level, but also at official level. I have a sector team who are expert in this space and I have staff in 108 countries across the world talking to inward investors on the auto side. We are talking to them often and very regularly. The issue you referred to is that business does not like uncertainty, and there is a certain amount of uncertainty over which we have no control. We keep the communication flowing and we assure them when we can, but we are totally clear about areas where we cannot.

Q8 **Layla Moran:** Given that the just-in-time model is critical for them to deliver the level of product they have, now that the Prime Minister has continued to say we will not be part of a customs union, what kind of solutions are you looking at to ensure that they can continue to deliver the efficiencies in their business model for staying in the UK?

Antonia Romeo: Can I make sure I have understood your question—what sort of policy proposals do we have in terms of how we will deliver customs?

Q9 **Layla Moran:** Indeed. If I might, this is Mr Duesmann of BMW, who was speaking at the Frankfurt car show—this was back in Sept, but the position has not changed. He said that even if Britain negotiates a trade deal that keeps duties at zero, there will still be a “significant” effect on trade from other customs rules. Now that our being part of a customs union of any kind has been ruled out, what assessment has your Department made of that statement and the effect it will have on the industry?

Antonia Romeo: We make assessments of every possible outcome, and we are working very closely with HMRC, BEIS and a number of other Departments to ensure that what we have in place is something that will maximise UK prosperity and we do that with business. As you will know, BMW announced last year that it would build the first electric Mini in the UK. So we are very keen to keep that investment. We are not complacent—of course not; we know there will be a number of issues for the supply chain—none the less we have to discuss with business what it means for their business model. But actually how it will work at customs is something in which we are involved, but it is a HMRC-led programme.

Q10 **Layla Moran:** So, to clarify, the customs arrangements and how they affect trade are not your problem—is that what you are saying?

Antonia Romeo: Well, I would say it is all my problem, I would say everything to do with exports, inward investment, trade policy and negotiation is my problem. That is the Department I am responsible for. What I am trying to indicate is that there are policy questions about how



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we will deliver the trade across borders that are still in discussion within Government.

Q11 **Layla Moran:** You said you have made assessments. What are the outcomes of those assessments at the moment?

Antonia Romeo: We've got preliminary analysis that we are doing with many Departments.

Q12 **Layla Moran:** Are those available for us to see?

Antonia Romeo: This is very preliminary draft work. But it is all policy work at this point. You are talking about sector impact work, so as we come up with those and as the Government are prepared to release them, then of course we will release them, but this is really a matter for my boss, the Secretary of State, and indeed the whole Cabinet, as to the extent to which we have policy positions.

Q13 **Bridget Phillipson:** In Sunderland, we have Nissan, which is crucial not only to Sunderland's economy, but to the wider north-east and the country as a whole. Tens of thousands of skilled jobs at Nissan and the supply chain are directly connected. Weren't the recent comments from the Japanese ambassador really alarming—unusually candid—about the problems that we potentially face if this is not right?

Antonia Romeo: I think we've got to listen. Obviously, we've got to listen to business. We talk to business all the time. That is the job. But my job is to build a capability that will deliver the Government's agenda. I don't really want to comment on the level of alarm that comes out of comments made by whoever. My job is to ensure that we maximise UK prosperity through exports and inward investment, and that we have a capability ready to deliver trade policy for the UK's first independent trade policy. And that is what I am focusing on doing.

Q14 **Bridget Phillipson:** But there is a limit to what can realistically be achieved, given that the vast majority of what is made in Sunderland is exported directly into European markets, and that market will remain the biggest market for us. It is crucial that we get that right. Yes, of course we will explore trade deals with other countries, but the automotive sector is different from other sectors. You cannot ship cars quite so readily. In terms of our dealings with our European partners in the automotive sector, will it not be crucial to make sure this is right?

Antonia Romeo: I think it will be crucial to make sure that we maximise the opportunities ahead for the UK economy. I don't think I can really go further than that. There are policy decisions well above my pay grade over the extent to which we are aligning in different areas and sectors. I completely agree with you that the particular issue of supply chains in auto is a specific case. We have to look at that very carefully. The industrial strategy will help us do that and I can say that we work very closely with our partners to ensure that the impact on the economy across the whole of the UK will be minimised.

Q15 **Layla Moran:** I have one last question. It is the job losses that I am most



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concerned about. Although you might not be able to tell me what your numbers are or what point you are at, are you actively looking at the number of possible job losses as a result of different scenarios for trade?

Antonia Romeo: Companies in distress and what we call opps and shocks is the responsibility of BEIS. I am not seeking to be unhelpful; but I want to be realistic. What I worry about is exports and inward investment. We work closely with BEIS as to who is focusing on what. They would focus on the consequences—

Q16 **Chair:** Just to follow up on Ms Moran's question, is anybody—you or BEIS—looking at the risks to following different routes? Do you factor that in? Will you factor that into the trade negotiations you are going to have?

Antonia Romeo: We would obviously take all available information to feed into our negotiations. We are only responsible for trade negotiations outside the EU, so we are not responsible for trade negotiations with the EU. To some extent, these are two sides of a coin, but we worry about the implications for these companies and other sectors in the context of the new deals that we are doing. So while we worry about everything, we are not focused on or leading on the relationship with the EU.

Q17 **Gillian Keegan:** I want to ask about inward investment, because you are responsible for inward investment to the UK outside the EU. We have been a huge beneficiary of inward investment largely, as Bridget said, because of the access that we provide to the gateway to the European market. Have you done some analysis on the impact that you foresee on the inward investment from outside the EU, which was coming to the UK, like Nissan, with a view to supplying the European market?

Antonia Romeo: We do analysis of the impact on inward investment from all sorts of options that we might take for which we have policy responsibility.

Q18 **Gillian Keegan:** This is quite specific and quite important. It is quite a big driver of jobs.

Antonia Romeo: I know. It is £1.2 trillion of—

Gillian Keegan: I have worked in car manufacturing, and I have benefited lots of times from jobs in those sectors. It is not something that you just analyse; it could actually have a massive impact on our economy.

Chair: Was there a question there, sorry?

Q19 **Gillian Keegan:** Have you analysed and what scenarios have you put in place to mitigate that?

Antonia Romeo: I say again that my Department is not responsible for the relationship with the EU—

Gillian Keegan: No, but for inward investment into the UK specifically—

Antonia Romeo: My analysts are very well involved in analysis that is going on across Government that looks at the implications for inward



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investment and for exports of different policy decisions that could be taken—and indeed, of potential outcomes of the negotiation.

Caroline Flint: Good afternoon. Page 13, column 1 shows the workstreams. You have identified eight of them. Ms Romeo, can you tell me how many of your workstreams are behind schedule against your original milestones, and what actions you have taken to address that?

Antonia Romeo: I know this will not be a welcome response, but it is difficult to respond in detail on the delivery readiness of individual workstreams because, as you know, they are sensitive to the EU negotiations. The Cabinet Secretary has written to the Committee about that. We are involved in the cross-Government bit of work which will be DExEU—

Q20 **Chair:** Ms Romeo, just to be clear: Ms Flint was not asking about individual ones. She was asking how many of those that you have done—of the total—are behind. She was not asking you to break it down into every individual one.

Antonia Romeo: I am confident that we are in a strong position to deliver operational trade policy through these eight on day one of exit.

Chair: So they are all on schedule.

Antonia Romeo: It is difficult to talk about the schedule, and the reason is that a number of them depend, as you will know from my colleagues who you have been seeing—

Q21 **Caroline Flint:** Which workstream is causing you the most concern at the moment and which one is doing brilliantly?

Antonia Romeo: They are all dependent on legislation. So, to that end, I do not control that, what I am responsible for is ensuring that the programme works—we build in flexibility to ensure that if something happens later than our original planning assumption, we have that flexibility in the programme.

Others depend on third parties. With FTAs, you will inevitably have someone on the other side of the table, so it will depend on them and their approach. I have to be realistic about what I can control. I am seeking to build capability and to grip the programme to the extent that we are doing everything we can to deliver an effective trade policy.

Q22 **Chair:** To be clear, for the bit you can control, you are planning for possible delays because of third parties?

Antonia Romeo: Yes, we build in flexibility for those things that we cannot control.

Q23 **Caroline Flint:** Okay, but you also said that you are—I do not want to wrongly paraphrase you—confident that everything will be in place on day one as we leave the European Union.



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Antonia Romeo: I am confident that we will have a functioning trade policy on day one. Again, as you will see, I cannot guarantee it because of the things I cannot control.

Q24 **Caroline Flint:** Okay, so in terms of a functioning trade policy, in the event of a no deal, for example, how confident are you that British businesses could continue to trade effectively? Will they have the means to settle a trade dispute with other countries? Will that be there and available for them?

Antonia Romeo: I think we will be in a position to set that up. That is challenging—they are all challenging—because we will have to set up the Trade Remedies Authority and to have it functioning on day one. There is a lot to be done to do that.

Q25 **Caroline Flint:** You mentioned earlier about parliamentary time. There are only so many days in the year that Parliament is sitting. Other people in your Department and elsewhere in Whitehall can advise you on how the parliamentary system works, but looking at it from the perspective of an MP of 20 years, there are only so many days and only so many opportunities. How sighted are you on how much time will be needed for that process for you, if you like, to get all your ducks in a row so that you can get into that and get the decisions made? How confident are you about that?

Antonia Romeo: We work closely with PBL and others to ensure that they understand our requirements and we can plan accordingly on what we think the legislative vehicles are and when they might come to Parliament. Again, I do not want to prejudge the outcome of that, but one of the things you will have noticed in the NAO Report is the reference to adjusted milestones. Of course, that in some cases was as a result of precisely this sort of flexibility: a discussion with business managers and others about what we were likely to secure in terms of timing for the passage of legislation.

Q26 **Caroline Flint:** A massively important task is to secure new agreements to replace all the existing EU agreements with other countries. According to the House of Commons Library report “Legislating for Brexit: EU external agreements” I understand there are 259 multinational agreements and 890 bilateral agreements. How many staff do you have in the trade policy team working on moving those existing EU agreements to be UK agreements?

Antonia Romeo: There are approximately 500 people overall—500-plus in the trade policy group. This is Crawford’s team, so he might have some detail on the specific number in that particular team. But the point is that the team operates in a way that people are working on multiple things, because we focus on what the outcomes are we are trying to achieve, and then we organise people to operate on delivering certain things. But I do not know if it is as simple as saying there are x people working on just worrying about transitioning those agreements.



Crawford Falconer: Perhaps I could clarify one thing that might help. The numbers that you have cited are for agreements generally, and those agreements are not principally being pursued by DIT. We are responsible for a range of the trade agreements in that number. So we are focused primarily—I would not say exclusively—on about 40 agreements which are pure trade agreements. So you have Departments like DEFRA, DExEU and others who are dealing with a whole range of those other hundreds that you referred to, whether they are phytosanitary agreements or whether it is the Department for Transport on air services.

Our principal focus is essentially—it is a wonderful Whitehall phrase that when you ask somebody something, you never get a straight answer. When I ask my staff, “How many agreements are we actually doing?” the answer I have been getting for the last six months, since I came here, is “Around 40.” I have been strictly instructed—

Q27 **Caroline Flint:** What is your top three in that 40?

Crawford Falconer: We don’t go for an elitist level on all of that. Our responsibility is—

Q28 **Caroline Flint:** Give us a flavour—

Chair: Give us some precise examples.

Crawford Falconer: In terms of economic significance, Korea is economically more significant than some others in that list. The reason why it is “around 40” is because a little bit depends on what is signed before exit day. Clearly, Canada is going to be in that, so Canada will be another economically significant agreement.

Q29 **Caroline Flint:** For my purposes and to clarify, you mentioned Canada, so when you talk about these 40 agreements, are those agreements that, for example, the EU has not come to a conclusion on? Are these new, fresh agreements that we are hoping to strike with, say, Canada and other countries where the EU may still be in negotiation on agreements, as opposed to existing bilateral agreements we are in as part of the EU, or multilateral agreements?

Crawford Falconer: At the moment, the only thing we can deal with continuity on are things that exist. What we are dealing with tangibly at the moment are existing agreements. Our responsibility is to ensure that when we have left the EU we have effectively equivalence of the current rights and obligations with the countries concerned. That is only the ones that basically exist, but obviously if others come on to the agenda in the months and weeks ahead, they will also fall into that category.

The test we will use for that is whether they have been signed before exit day. The only ones we can actually work on in the sense of negotiating with a partner specifically are the ones already in that box. Korea is a good example. Switzerland is another example. South Africa is another example. We are working internally precisely on transitioning those provisions across to be UK-specific in a way that maintains the terms and conditions of access for UK exporters beyond exit day.



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Q30 **Caroline Flint:** Is it a priority to confirm the existing agreements and how they will go forward as we leave the EU, rather than seeking new ones?

Crawford Falconer: It is both. Antonia said it is challenging; that is another part of the challenge that we have.

Q31 **Caroline Flint:** I suppose that if we do not sort out the existing ones, once we leave we will be left—

Crawford Falconer: There are three categories—just to make life even more complicated. There are agreements that we have at the moment—that exist. There are agreements that will exist if they are signed before exit day, which will be treated in the same way. Then at some point in time, the Government—not us—will decide who it wants to have new agreements with in its own right.

The Government has not taken that decision right now. When it does, we will negotiate those. We might practise negotiating them with ideal partners, but that is as close as we would ever get right now. The Government has made clear that it is very positively oriented towards the United States, Australia and New Zealand. If it ends up taking formal decisions on that, it will fall to us to negotiate them. At the moment, we are not doing that.

Q32 **Caroline Flint:** That is really helpful. While you clearly said that your Department is holding the rings on maybe 40, for those many hundreds of others do you, as the Department for International Trade, have an oversight role of keeping in touch with what those Departments are doing and whether they are on track?

Antonia Romeo: DExEU have the oversight role on the overall number of agreements. We are responsible for those in trade.

Crawford Falconer: We keep sighted on that. Some of them have very close overlap. For instance, we have other areas of work that we undertake. If we are looking at the possibility of negotiating with Australia in New Zealand, which the Government has shown an interest in, they have specific agreements that are not trade agreements, as such, with the EU. Although those will be the responsibility largely of DEFRA in some cases, they will also need to be transitioned over.

We, as a Department, looking at trade in the broad obviously want to and do ensure, through interdepartmental co-ordination arrangements, that we are sighted on how that is going. Being good civil servants, we even turn up to each other's meetings—it has been known to happen—and we keep an eye on what is going on.

To the best of the co-ordination arrangements, you try to keep yourself as sighted. As Antonia said, DExEU keeps that overall oversight systemically, but within that framework we all try to ensure that we do not trip each other up or duplicate the work.

Q33 **Caroline Flint:** For the areas that you have prime responsibility, what



timescale has the Department identified for renewing just these existing agreements?

Crawford Falconer: One of the delights of this job, and the reality of the circumstances in which we find ourselves, is that for some considerable time we have had to keep alive two potential options. One option is that we may need to have all this in place by March '19, in the event that there is no deal. At one point in time, the answer to your question would have been unambiguous: that is when we have to have this done by.

But as you know, the Government's policy is that it seeks an implementation period. It is in the final process of trying to arrive at that. It is therefore possible, and one has to take this into account in one's planning, that the real date for having to deal with this is after the end of around two years from March '19. It is possible, and the Secretary of State for Exiting the European Union has made this very clear in his public letter, that it would seem, from our point of view, to be sensible that during the implementation period these agreements with third countries will apply between the UK and the EU27.

That is not signed, sealed and delivered. If it were to be the case, the date on which this has to happen could potentially be two years further down the road. In the meantime, and until that point, we still need to act as if we might have to have all this in place by March '19.

Q34 **Caroline Flint:** Which points to the idea that trying to sort out the existing agreements is maybe more of a priority, because we do not want to fall off a cliff edge should we leave with no deal. Therefore, is the direction you are being given as a working assumption that these agreements can be "cut and pasted" from the existing EU country agreements?

Crawford Falconer: It is not just an aesthetic thing. I think "cut and paste" is a bit misleading.

Q35 **Caroline Flint:** We signed up to it and agreed that this was the agreement we wanted when we were part of the EU. Maybe we feel that that is the agreement we want when we leave the EU.

Chair: Explain how you would proceed.

Crawford Falconer: "Cut and paste" gives the impression that it is just a simple couple of keyboard shortcuts and you are done. No, because what you have to do is to take into account that, throughout an agreement that can be many hundreds of pages long, you refer to various legal entities, administrative entities, organisations and so on throughout the document, which are EU-wide or refer sometimes to different parts of the EU. Now everything will have to be UK. I haven't yet come across a cut-and-paste programme produced by any software company that enables us to do that automatically. All of that has to be done in some shape or form. But, yes, you are absolutely correct—

Q36 **Caroline Flint:** You don't want to reinvent the wheel if it is not worth reinventing.



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Crawford Falconer: No, you are absolutely correct. The name of the game is to ensure substantial equivalence of outcome. That is doable by a variety of devices—some more lengthy, some more efficient.

- Q37 **Caroline Flint:** It may be that some of the countries wish to renegotiate part of the terms of an agreement with the UK as it goes alone. That could be the case.

Crawford Falconer: It's a terrible disease in the profession that I have the misfortune to belong to that that is what people seem to think they have to do. They are always trying to get something else extra out of you. We have been very clear with our trading partners that this is maintaining the status quo. We are not in the business of opening a new negotiation going forward or going back. None of them can be or are in any doubt that that is our intention: to remain firmly within the four corners of the substantial equivalence of the agreements.

- Q38 **Caroline Flint:** If we are not reassuring them that we just want something that is called the UK-Korea deal as opposed to the EU-Korea deal and for all intents and purposes it is going to be the same as we have got now, and if there is an issue—as I understand it, all these things will require consent from those countries, because they have been dealing with the EU agreement and now they have one with us—have you, Ms Romeo, thought about if they don't agree and want to renegotiate, how many more staff you might need to be working in this area? Do you think you have got enough flexibility within the staff at the moment or will you need more?

Antonia Romeo: We are in the process, as you know, of discussing with the Treasury what amount of money we might need—so capability rather than staff—going forward in the next year and beyond. DIT is a Department that isn't going to trail off; in fact, there is going to be a lot of work going for many years ahead. In that regard, there are different scenarios under which we will need different amounts of staff and, yes, we have profiled that.

- Q39 **Caroline Flint:** Can I be clear about something? Obviously, we are leaving the EU next year—all things being equal—and then there may or may not be a transition plan. If the transition plan comes in, will these trade agreements still be there while there is more negotiation, or do they all fall as of next year?

Antonia Romeo: At the point when we leave the EU, we are no longer members of the EU, so we are not still party to agreements, unless that is by having agreed some other particular mechanism. We are not party to agreements by virtue of membership of the EU if we are not members of the EU.

- Q40 **Caroline Flint:** If some of the agreements are not sorted out, does that imply a loss of trade for that period as we lose the benefits of being part of those EU agreements?

Antonia Romeo: We are working to ensure that we are not in that position.



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Q41 Sir Geoffrey Clifton-Brown: Ms Romeo, I chair the all-party parliamentary group for trade and investment, so I have a vested interest in this matter. Can I ask a very simple but very important question and can I get a very clear answer? Are we or are we not able to sign new free trade agreements during the implementation period?

Antonia Romeo: The Prime Minister has said that it is our position that we will be able to negotiate and sign new free trade agreements during the implementation period, but we may not be able to give legal effect to them until the end. Needless to say, this is all part of a negotiation. That is what the Government have said is their position, but it is to be negotiated.

Q42 Sir Geoffrey Clifton-Brown: Going back to my trade policy discussion group this morning, they entirely agree with what you said in your opening remarks that what business wants is clarity.

One area of policy that they are worried about, regarding clarity, is the Trade Remedies Authority, as set out in the Trade Bill. They feel that more detail should be put in the Bill rather than leaving it to secondary legislation. And they point to the fact that others among our major trading partners—the Americans, the Australians and the New Zealanders—already do this. They have got specific examples, which I might ask you about in a minute, but is there more that could be put in the Bill?

Antonia Romeo: Again, this is a judgment for Ministers. I don't know. Presumably you have had this discussion with Ministers in my Department, so this is a judgment over what goes in the Bill and what doesn't, which, as I understand it, is not yet entirely determined. Until we have got Royal Assent, I will not prejudge what is going to be in the Bill.

Q43 Sir Geoffrey Clifton-Brown: For example, there is UK Steel—this whole issue of dumping and duties is a very live debate at the moment. They have suggested some fairly simple amendments—for example, how injury would be calculated. Are these the sorts of things that you would still contemplate and have they made representations to you? I know the Bill is passing through both Houses now, but it seems that the people who are crucially involved in this area are not entirely happy with what is going on in the Bill.

Antonia Romeo: We do a lot of stakeholder engagement, obviously with businesses, but also with devolved Administrations—a whole range of different types of stakeholders, with whom we engage to ensure that what we are providing as evidence for those making decisions about the Bill will have all these views. So we do hear from business on it.

Q44 Sir Geoffrey Clifton-Brown: I am sure you do. It just seems that they are not happy with the way it is being handled at the moment. The Bill is leaving an awful lot to secondary legislation and they just seem to think that there could be more detail put in the Bill itself.

Antonia Romeo: I think you are saying to me, "We need to go back and have another discussion with business"—



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Q45 **Sir Geoffrey Clifton-Brown:** Go and talk to UK Steel. With the American trade war looming, they seem to be the people at the eye of the storm who are not entirely happy at the moment.

Antonia Romeo: For exactly that reason, we are talking to them rather a lot at the moment. But, yes, I take your point. Thank you.

Q46 **Anne Marie Morris:** Very briefly, clearly the way trade is now is very different from the way it was when we entered the EU, and what “free trade” is now is not entirely clear. Mr Trump in America talks about what he is doing as being “free trade”; most people would say it is protectionism. So what are you doing to advise Ministers on how they deal with trade negotiations with countries that take a very protectionist view? How do they deal with a Mr Trump example, where he suddenly throws his toys out of the pram and says, “Actually, I know I signed x, but I’m not happy with that. I’m gonna do it differently”? In part that follows Sir Geoffrey’s question, but I think it is now more common to see that.

Also, if I can just add a quick supplementary question, there are also suggestions in the market that we should look at new arrangements with other countries, not only bilateral but I suppose almost plurilateral, so that we look at arrangements that are between common economies—Australia, America, and so on. Are you also setting out the contingencies and the options, and modelling that for the Government, so that they look at that in the context of their overall approach to free trade?

Antonia Romeo: On your first point, the Government’s policy is to champion free trade and the rules-based trading system—in fact, it is written into the mission of my Department that we do that—so we are very vocal about not being protectionist. We believe that trade is good for consumers and producers, and that lower prices from competition can be advantageous. So yes, obviously we brief Ministers on the trading implications of any trade discussion, including those that are at the more protectionist end and those that are at the less protectionist end. And we want to work with those who are at the less protectionist end as a way of championing the entire trade system and global trade in the world, to try to encourage those at the other end to become less protectionist.

On your second point, yes, we are looking at all options for future trade, as you would expect us to, from bilateral, from rolling over or continuity of trade agreements, and from plurilateral deals as well, as has been widely covered in some of the media.

Q47 **Anne Marie Morris:** Does Mr Falconer have anything to add, given that this is his special area?

Crawford Falconer: To give a couple more concrete examples, the Secretary of State has been very clear about the way in which, at the World Trade Organisation ministerial meeting, the UK was particularly keen, with quite a high visibility, on championing issues at the World Trade Organisation—new issues for international trade, bringing data on electronic commerce rules in. That is an example of the way in which,



concretely, the Government want to use the multilateral system to press ahead. Yet at the same meeting the UK was in a position to make a very generous offer about technical assistance for developing countries and for development.

It means that the UK is in fact demonstrating, even while it is still within the EU, its commitment to what you might call the new economy, as well as the more traditional and old economy. That is just one concrete example of how those basic principles are being applied right now.

Anne Marie Morris: Thank you; that is helpful.

Q48 **Chair:** Ms Romeo, earlier you talked about a functioning trade policy. Could you define what that is? Would that be World Trade Organisation rules or something that has been negotiated?

Antonia Romeo: It is broken down and obviously to some extent the answer to that question is an outcome of the negotiation. What I meant was the thing that is broken down into essentially these eight workstreams. So we will have asserted our schedules in WTO and will have an ability to remedy disputes and so on. So there is a sort of sense in which we can function—we can be an independent trading organisation, which we will be when we leave, and my job is to ensure that we are ready under any scenario to do that when we leave.

Q49 **Chair:** What percentage of your staff, or the time of the Department, is being spent on preparedness for World Trade Organisation rules in the event of no deal? We have heard of many other Departments having to work on many scenarios. How much of the Department's time is that absorbing?

Antonia Romeo: Again, this is Crawford's team, so he will know more about the detail, but the way we operate is that we have a pool, essentially, of policy staff who are experts on a range of these things, and then other smaller teams that are experts on, for example, WTO. For example, we work with a team in Geneva. So there is a lot of Government resource going into it beyond what just lives within Crawford's team, TPG.

Q50 **Chair:** Mr Falconer, in your team, what is roughly the percentage of time or people—whichever is the easier way of measuring it—working on the no-deal option, the WTO rules option?

Crawford Falconer: It is variable over time. For instance, at the moment it is taking up a reasonably significant amount of my time and my team's time. I would not put it as a specific number, because it varies. It has certainly got real priority, and I would think that as we get further into the year—because that is when we will be getting into much more intensive negotiations with our trading partners about settling the terms of our resumption of our seat at the WTO—it could be quite a significant percentage of our time. But it is not taking up 50% or more of our time right now. It is probably at the moment below 20% of my team's time, but that is perfectly appropriate; that is proportionate to what is being done.

Q51 **Chair:** You are one of the world's leading experienced negotiators in this



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area. Could you outline for us what the pitfalls are of having a hard deadline of 29 March?

Crawford Falconer: I am sorry, I did not quite—

Chair: What are the pitfalls in the negotiation of having a hard deadline of 29 March? Does that mean that they have got us under their thumb—all the countries and organisations that we are trying to negotiate with?

Crawford Falconer: You might find this paradoxical, but in actual fact the best thing you can have in negotiations is a hard deadline. The trouble with negotiations is that seemingly hard deadlines tend not to be hard deadlines. For instance, the Doha round used to have a deadline asserted every year, and I think it is still technically going, which is over a decade long. This one is a hard deadline—I mean it really is—so everybody kind of knows that you have to have things done by then. Yes, it is challenging, because you know you can't have that secret part of your mind that says, "Well, we can just kick the can down the road," but then the advantage is that the people on the other side of the table know that as well. I think it is actually a good thing, because it enables you to align your resources, and perhaps your tactics, in a more organised way than if you don't really believe in it.

To be straightforward about it, there are some areas of challenge there. We have to become a party to the agreement on government procurement, and we have to settle a range of sensitive agricultural products where we have specific market access commitments. I am not saying that other things aren't important but, in the overall scheme of things, the vast majority of our rights and obligations are in place and will be unchanged.

We are already a member of that organisation. We have to go through certain important processes and a few rather tricky things to sort out, but it is not as if we are starting from scratch. What will happen is that we will reassert our independent existence, but we are already there. I am not trying to underestimate the challenges we face, but they are not pervasive; they are quite specific, quite targeted and quite granular to deal with.

Chair: You have got 387 days in which to achieve them—fact. We will come back to how you will do that in a minute.

Q52 **Sir Geoffrey Clifton-Brown:** One of the tricky areas you have to negotiate is the UK's share of EU preferences with the WTO. You are negotiating that at the moment. Can you give us an update on progress on that, and when you expect to complete it?

Crawford Falconer: You said preferences—I am not sure. Our attitude towards preferences is that, technically, when we leave in March 2019 we will replicate the preferences that currently exist at an EU-wide level. Because those preferences are unilateral and non-reciprocal, we do not need anybody else's agreement. We will do that.



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If we are in an implementation period—this is a hypothesis, but it is only fair to share it with you, because it is clearly the Government’s intention—and all of this has to be settled and negotiated, it is conceivable that during the lifetime of the implementation period it will not be a question of us replicating the EU; it will be an EU-wide approach that we will share in some shape or form. The lawyers can define the precise legal basis of it, but it will essentially be the EU27 plus the UK. It will essentially be the preferences of the status quo.

I am not sure whether you meant the preferences, or these rather strange little creatures called tariff rate quotas for agricultural access, which have to be divided between the UK and the EU27. It is a limited set, but it is a politically sensitive part of the negotiation that we will have to have. That will be one of the major things that we have to do. There are a relatively small number of these things, but they are highly contested. That will be hard work, and we need to get that settled—irrespective of what happens about the implementation period—by March 2019. We believe that there are no showstoppers to us being able to do that, but we still have some very tough negotiations to do.

- Q53 **Chair:** You have got tough negotiations to do, and you have to get the staff with the right skills in place to do that. I do not know whether this question is for Antonia Romeo or you, Mr Falconer, but how successfully have you been able to recruit trade negotiators with the right level of skill and expertise?

Antonia Romeo: The first thing to say is that we have 500 people now in this group, starting from just over 100 when the Department was formed. Of course, they are not all trade negotiators yet, because, first of all, what they are doing right now is trade policy. About a third of them have come from outside the civil service, but if you are looking for people to do policy, what you want are the top—

- Q54 **Chair:** I am asking particularly about the people Mr Falconer has recruited who will be sitting in a room doing the negotiating, because he has done it so often. You are not going to get lots of Crawford Falconers—if only you could, from the sound of his experience—but what about the next tiers down? Are they up to the job yet?

Antonia Romeo: I think there will be two things. Crawford will want to add something on this, but one is that we will have to, as it were, buy in some additional one-tier-down-from-Crawfords. We will also want to train people up, because this is going to be a long-term, new functional capability for the civil service. That is why we have those 500 people already working for Crawford.

- Q55 **Chair:** How long will it take to train them up to be capable?

Antonia Romeo: We are already in the process. There is a faculty as part of the FCO’s Diplomatic Academy that is doing trade policy. Crawford is responsible for it, so he will want to say something on that. We are in the process now of training people up, but they are also learning as they work on these workstreams. Of course, the civil service has a lot of the best



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policy makers in the world. Put that together with some trade expertise and you get people who will be capable. I am confident that we are going to have—

- Q56 **Chair:** Crawford, it is invidious to ask you whether you agree with that while you are sitting next to the permanent secretary, but as second permanent secretary I think you have enough experience to tell us whether that positive outlook is the reality. What we are seeing is lots of new people. We have heard about the shortage of trade negotiators since Brexit was decided on. What is your experience, coming in with your level of knowledge and experience? Are we going to be up to the job in time?

Crawford Falconer: You might have to indulge me a little, though I am sure you will not want to indulge me too much. I will give you a perhaps surprising answer; it will not be a soundbite. “Trade negotiators”—in inverted commas—are a bit of a strange beast. Actually, they are vastly overrated. What is a trade negotiator? Trade negotiations are not exactly like a souk, where there are two or three of you haggling. A proper trade negotiation is composed of the kind of people Whitehall and the UK produce to world-class standard: people who know how to get a lot of work done, work in teams, scope a problem, work out solutions and mitigations, keep politicians informed, consult with the private sector, draw up a plan and execute. Trade negotiations are probably 90% homework and 10% filibustering.

There is a view that a negotiator is a mythical creature who clutches the microphone, and that without hundreds of those creatures clustering around the microphone, you cannot negotiate. I have been to so many negotiations, and I would say that the length of time that people clutch the microphone is inversely related to the negotiating outcomes. What you need is a strategic capacity, and we have that in spades. Ideally, I would like people who have been around negotiations a little bit longer than some of the people I have, but if I am asked whether I want someone who is young, enthusiastic, talented, ready to go and can go down a learning curve fast, or a range of tired, old, re-used negotiators, I would always opt for the former—with the spectacular exception of myself.

Chair: You are charming us, Mr Falconer. I will bring in Luke Graham on a quick point and then pass over to Bim Afolami.

- Q57 **Luke Graham:** To build on the point about finding the right skill set, it has been fed back that we have been struggling to get the right level of trade professionals because of civil service salary caps. Is that something you have discovered?

Antonia Romeo: If I thought I had to pay more, I would not hesitate to make the case to pay more. I have not made any cases to pay more and had them turned down.

- Q58 **Luke Graham:** So we haven't lost anyone as a result.

Antonia Romeo: We haven't lost anybody who I have been trying to recruit as a result of the discussion about pay.



Q59 Bim Afolami: Could I ask a couple of questions about the relationship between the sequencing of particular trade agreements that we might want to do with x or y country and the skill set in which we are rapidly training up all our brilliant young people in the civil service and elsewhere to do? To what extent is consideration being given to the time at which we will tackle what is perceived to be either a simple or a more complicated trade agreement with the skill set that we are rapidly trying to train up?

Crawford Falconer: All the questions today have been really good, but that is a really, really good question. I cannot give you a complete answer. There are real potential trade-offs there. We are absolutely mindful of the fact that the size and number of the negotiations you have are determinative of what your resources are. That makes a lot of sense. At this point in time you have to make a best guess—a best estimate of what your resourcing needs are in the light of what you think you are going to face.

As I said at the outset, the Government have not decided which or how many new negotiations they might choose to have when they leave, so that is an unknown. We know that there are three that the Government have indicated they are very positive towards, we know that there are a number of others in the wings, and you know—I will repeat it—that at the moment we have around 40 agreements that we need to provide continuity for, some of which probably will morph into second generation agreements in their own right. No one has decided that, but you would say there is some possibility.

I do not know right now the exact number we will have to deal with in 12 or 18 months' time, but we know there will probably be at least three and there will be a residual number of the transitioned that are there. Except what I am trying to negotiate with Antonia for resources, I am reasonably confident that we have the right kinds of resources to cope with that horizon.

Q60 Bim Afolami: That is an interesting response. What I am concerned about is whether the civil service is giving Ministers the appropriate advice on sequencing. There are political drivers that will mean that Ministers want to do certain things in certain ways and at certain times, and there are resourcing points. I do not want us to get to a situation where those two things collide. Can you give us confidence that that advice is being fed up now with that in mind?

Antonia Romeo: Yes, and in particular it is possible to see what the span of the political decisions that you are talking about will be. We have to resource up for all those eventualities, to be blunt. I cannot be in a situation where a decision changes and it turns out that we did not have the people ready to do it. We are not being held back at all by what you describe.

Chair: I am going to turn to Shabana Mahmood. Some of these points will be picked up by Sir Geoffrey a little later.



- Q61 Shabana Mahmood:** Thank you, Chair. Let me go back to something you said earlier, Mr Falconer, about practice negotiations and discussions that you may or may not be having. We can probably drop the pretence that no discussions are being held. Could you tell us what discussions you have had with US officials and counterparts about a UK-US free trade agreement?

Crawford Falconer: We have in place—I don't know whether you would call it formal or informal—a regular process of discussion with US counterparts about a whole range of trade-related issues. That has been running for quite some time—since before I arrived on the scene—and it is continuing. It does not deal with actually negotiating between the United States and the UK, because we do not have the power to negotiate ourselves at the moment—we are still bound in the EU by what is called the duty of sincere co-operation—and, in its own way, the US Administration is not in a position to negotiate, because it has to ask Congress for permission and it cannot do anything that is considered to be negotiation unless it gets explicit authority from Congress.

What we can do—what we have been and are doing—is this: we have an extensive work programme where, basically, we get a closer understanding of each other's trade regimes and the areas and issues that are more complicated, so that, if and when we actually decide to start negotiation, we have a pretty good idea about what the limitations and the technical problems of that negotiation will be.

- Q62 Shabana Mahmood:** Just to get an idea of timelines and timescales, following on from Mr Afolami's questions, would 18 months be a realistic timescale for the US and the UK to agree a free trade agreement?

Crawford Falconer: The best way I can answer that is by saying that there are some negotiations that take a very long time and there are some that can be done very quickly.

- Q63 Shabana Mahmood:** I am asking whether 18 months is realistic.

Crawford Falconer: I cannot tell you whether it is realistic. I can tell you what I think will make it realistic. If there is genuine political commitment from both sides—by which I mean serious buy-in to actually achieve it—yes, you can do it in 18 months. The United States negotiated the original NAFTA agreement with Canada and Mexico in about that timeframe. It was a big negotiation. Why did it work? Because there was unambiguous buy-in from Administration figures at that time. Similarly, the United States did an agreement with Australia, which I think was done in an even shorter period. Why? Because there was absolute political buy-in. Why is the Doha round still going, 10 years after it was commenced? It is because there is no buy-in.

- Q64 Shabana Mahmood:** I understand. We always hear that, on day one of Brexit, Britain will be free to go off and do its own thing. If you were asked by the Government to go ahead and do a deal with the US, and there was buy-in from everybody and they wanted to get it done as quickly as possible, what would be the timeline for actually getting



started on such a negotiation?

Crawford Falconer: We, as officials, would want to be in a position to commence in April, if there was a political decision to commence the day after we left.

Q65 **Shabana Mahmood:** And your discussions at the margins—let's call them that—with the US officials, but that can't be right, can it? They are already doing a set of negotiations: renegotiating NAFTA and doing TPP by way of bilaterals. We are at the front of a queue, but they already have work in train. It is not realistic to think that that will be a goer, as far as the timeline is concerned, is it?

Crawford Falconer: As far as I am aware, nobody has told us that there is any interdiction from the US side about starting negotiations with us. On the contrary, the political commitment that has been expressed has been pretty powerful. That is what we are operating off at the moment.

Q66 **Shabana Mahmood:** We have had a suggestion, in some of the debate here at home, that there will be some areas of contention—there are always winners and losers in a trade deal—and that some areas of contention with the US, on agriculture in particular, are things that could be left out, and that we can in fact do a skinny deal. Would you agree, given your huge wealth of experience as a trade negotiator, that that is unrealistic?

Crawford Falconer: No wise negotiator goes into a negotiation assuming they know its outcome. A negotiation is precisely a negotiation; you make no assumptions, you pursue your objectives and you will probably both be surprised at the outcome you get at the end.

Q67 **Shabana Mahmood:** It is not helpful to any of us to go down the cul-de-sac of being unrealistic about what is likely to be on offer with the US. I am asking you, as officials in charge of doing this work, what is a realistic approach when it comes to doing this work? Is it realistic to think that the Americans will just drop off areas of contention for discussion at a later date and do a quick and skinny deal? I would suggest that it is not, but I would like to hear from you.

Crawford Falconer: I don't have any direction to do a quick and skinny deal, and I don't have any direction, at the moment, to do a really fat and overweight one. However, I think it is absolutely realistic to believe that, if two major economies such as ours decide formally that they want to do a trade negotiation, they will deliver one eventually. The precise contours will be unclear, and ridiculous demands will be made by both sides at various times, as is normal in a negotiation. On whether it is feasible to achieve an outcome that is satisfactory to both, that is absolutely possible.

Q68 **Shabana Mahmood:** The Americans aren't known for doing thin deals, though. That would be right, wouldn't it?

Crawford Falconer: There are some pretty big deals around that the US has done.



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Q69 Shabana Mahmood: There are always domestic winners and losers. Are you concerned, as a negotiator, that we are not preparing the ground well enough here at home for potential losers out of any trade agreements? Our characterisation of this debate is that it is all very positive and everyone will be a winner, but that is not ever going to be true, is it, Mr Falconer? You know this better than any of us.

Crawford Falconer: I think it is very important, and you have put your finger on a really important issue. The Government are committed to having a really robust consultation process to make sure there is real understanding about what the implications of a negotiation will be, and that that is not held in some kind of mysterious box and there is proper consultation.

We need to remember that the UK is in fact, by any international standard, an economy that has done most of the hard yards. It has world-class services and its manufacturing sector is competitive. It has some residual areas in agriculture where it is less competitive—that is certainly true—but by any standard, it is not an economy that, if it is in a negotiation, has to worry heavily about major adjustment on the domestic side.

But yes, there have to be, in any agreement, to the extent that adjustment is required—just as with any Government policy—the right kinds of mitigations in place. The UK has mitigation policies for any economic adjustment that it faces, and a trade agreement needs to be coherent and consistent with that. I don't think there is any doubt about that.

Q70 Shabana Mahmood: In any of your discussions with US officials, has concern been expressed to you that the prospects and the economic impact of a US-UK free trade deal are being oversold here at home?

Crawford Falconer: Not to me personally.

Q71 Sir Geoffrey Clifton-Brown: Mr Falconer, given that your permanent secretary has clarified the Prime Minister's position that we can negotiate trade deals during the transitional period, albeit that we might not be able to implement them until the end of the implementation period, and given that you say you are doing some practice trade deals at the moment with some of our more likely partners, is there a possibility that we would be in a position to sign any free trade deals on day one after the end of the implementation period?

Antonia Romeo: Just to interject, I didn't say that we can; I said that was the Government's position, but of course it is subject to negotiation.

Q72 Sir Geoffrey Clifton-Brown: It has got to be negotiated, but if that were the case?

Crawford Falconer: Sorry—I was so busy listening to Antonia that I missed the end of what you said.

Sir Geoffrey Clifton-Brown: Given that you are currently involved in, in



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your words, practice trade negotiations with some of our more likely partners, and given that we can negotiate trade deals during the implementation period, is it possible that we could be in a position to sign a free trade agreement on day one after the implementation period?

Crawford Falconer: There is no reason to rule out that possibility. In fact, there is no reason to rule out the possibility that you could sign one before the last day of the implementation period. As Antonia has described, the Government's policy is that it should be in a position to negotiate up to the point of signing an agreement in the implementation period, so if the implementation period is two years and if, hypothetically, we were to conclude a negotiation with the United States in 18 months, the consistent logic of that would be the possibility of signing it. You would not be able to bring it into force on that assumption—that is, actually start cutting your tariffs—until after the end of the implementation period. That would be the most important distinction.

Q73 **Sir Geoffrey Clifton-Brown:** Given the knowledge you have about your practice negotiations, is it likely that we might be in a position to sign a free trade agreement on day one after the end of the implementation period?

Crawford Falconer: The likelihood is not a function of the resources and skills that we have; the likelihood is well and truly something you can test only in the internal dynamic of the negotiation. What I would say is that there is no a priori reason why that would not be possible. What will make it possible or not is the dynamic of the actual negotiation. But there is no a priori reason that I am aware of why you could not do it.

Q74 **Sir Geoffrey Clifton-Brown:** Thank you. Ms Romeo, you have 3,745 staff in your Department, up from 2,504. Will you be asking the Treasury for more money under the facility of extra money for Departments for EU negotiating?

Antonia Romeo: Yes. As you know, the Treasury has made £3 billion available for next year and the year after to some Departments, and we are bidding for some of that.

Q75 **Sir Geoffrey Clifton-Brown:** You have bid.

Antonia Romeo: We have bid.

Q76 **Chair:** How much for?

Antonia Romeo: If it is all right with the Committee, I would prefer not to say, pending the outcome of that negotiation, but I am happy to write—

Chair: We understand that that will come in the next two weeks; we had that from the Treasury Officer earlier.

Antonia Romeo: Excellent—two weeks.

Q77 **Sir Geoffrey Clifton-Brown:** In anticipation of what you are not going to tell us you are going to get, how many more staff do you expect to recruit in the next year?



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Antonia Romeo: Well, there are two things to say. First, when we bid for money—both the money we have already received and the money we are bidding for—it is not just people, of course, because there is the infrastructure that goes with people, but also digital and IT, so it is capital investment, as you know. It is hard to put numbers on that. I don't really want to give away numbers, because that is the same thing as giving away amounts, but I don't think we will be seeing the sort of growth that we have seen to date in the next year and a half or two years, in terms of numbers.

Chair: We will come back to this. As we know, it is still in a state of flux.

Q78 **Caroline Flint:** On page 10 of the Report, there is an outline of the nine regional trade areas that DIT is covering. How have you resourced those areas in terms of staffing? Are staff working across those trade areas, or have they got bespoke units and staff allocated to those trade areas?

Antonia Romeo: I've got 1,400 people overseas and they are all based in posts. They operate out of about 177 posts. What we have done—a manifesto commitment of this Government—is to recruit nine HM trade commissioners to lead each one of these regions. This is a new regionalisation and each one of those will have the staff, as it were, that they have inherited.

Q79 **Caroline Flint:** Are they out of country?

Antonia Romeo: They are out of country. They will have the staff that they have inherited. But of course, through the business planning process, as we look to priorities, one looks potentially to shift some resource. But the big new change is the recruitment and appointment of nine HM trade commissioners at senior level, out of country, to lead this work.

Q80 **Caroline Flint:** I am not saying now, but out of those many hundreds of staff that you have, would you be able to give us a breakdown in terms of these nine regional trade areas, what your staffing resource is covering those?

Antonia Romeo: Yes.

Caroline Flint: If you write to the Committee that would be really helpful.

Antonia Romeo: That's fine.

Q81 **Chair:** Can I just ask, what is the regional person paid? Roughly what kind of pay scale would they be on?

Antonia Romeo: Having just advertised four of the roles, we have advertised for up to £140,000—from memory. It slightly depends on where they come from, because if one comes up through the civil service, one usually ends up on less than if one comes in from the outside.

Chair: I hope that's not a bitter comment.

Antonia Romeo: Not at all. It is a privilege to do my job.



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Chair: And they will have packages of support, presumably, along the lines of Foreign Office support, so there will be on-costs support in certain countries.

Antonia Romeo: That's correct.

Q82 **Caroline Flint:** Going back to what was said earlier in the session about how there are obviously other parts of Whitehall that are responsible for a number of these agreements. Are they utilising your resource? I am trying to think about whether they are double counting more staff to go alongside yours out in situ in these countries and regions.

Antonia Romeo: One of the things that the Treasury is doing, because there is only so much money to go around, is making sure that there is no double counting on capability. But I do see my overseas network of people expert in trade and investment overseas as working, in a way, for the whole of Government. If they are talking to inward investors in America in the auto industry, they might feed that back to BEIS, or if they are talking to Google, they might feed it back to DCMS.

Q83 **Anne Marie Morris:** To make this work, clearly you need to have a lot of consultation with the stakeholders involved in all of this. The obvious ones to go to, the LEPs and some of the obvious groupings, such as the northern powerhouse, etc., are well set out in the Report. But the less obvious one is the businessman, who is so busy actually running his business that he does not join the FSB, etc. How are you ensuring that you are getting to those stakeholders who are not overly political, but can actually tell you what it is like at the rock face, and will tell you what they want to export?

Antonia Romeo: The export strategy, which we will publish in the spring, is looking at how effective we are at doing that. But the model as it exists, broadly, is that I have about 250 international trade advisers, who are essentially a contracted service. They are all over England. They talk to local business and that is their job—to be embedded. They are all ex-business people, not civil servants.

Q84 **Anne Marie Morris:** How do they do that?

Antonia Romeo: They are sort of in the locality, broadly. They know people, they walk around and they are having those local roundtables. But we also work with the British Chambers of Commerce, for example. We have done a number of regional roundtables. It is our job to know at a deep level what is happening in regions. So I have 18 regional offices staffed by a mixture of the people I have just referred to and actual civil servants. They work closely with the LEPs. They work closely with other Departments that have people around in the region and their job is to understand what is needed there, both in terms of opportunities for inward investment and what exporters need. That is what the export strategy is looking at: specifically testing how effective we are at understanding both what exporters want and what those who aren't exporting would need from us in order to export.



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Q85 Anne Marie Morris: Are you also talking to different industry sector groups, because they run in a different way to the trade bodies?

Antonia Romeo: Yes, absolutely—trade associations and industry groups.

Q86 Anne Marie Morris: What about the regulators? In many of those trade bodies, there are a number of very specific regulations, which will clearly be impacted.

Antonia Romeo: Yes. We have a very complex but clear stakeholder management process. In region, as you say, there are a lot of players, and it is quite complicated. We know that you have got to be on the ground to be able to have those discussions as well as the more formal roundtables.

We have also built a digital service called great.gov.uk, which is a one-stop shop for potential exporters. It had something like 2 million hits in the first six or nine months. We want to improve that so we have a way of looking at how small companies can export in a digital way, and we want to have a better offer for medium-sized businesses. That is going to be looked at in the export strategy.

Q87 Anne Marie Morris: How much of this is push and how much of it is pull? One of your challenges is that you can have the most wonderful websites and technology offerings out there, but if people don't push the button—

Antonia Romeo: That is a really good question. Of course, you can put out a website, but people have got to come to it. You need to have more push—although whether you are pushing or pulling depends on which side you are on—and we are going to have to stimulate that. We have got to make it easy, and we have got to signpost it. One of the things the export strategy is doing is looking at how aware people are of the services that are there.

Q88 Chair: Do you have a grid or a list of information about who produces and exports what, or do you aspire to get that?

Antonia Romeo: We already have something. We have great.gov.uk, which you can go on and it signposts you to specific opportunities. What we want to do is to understand better whether small local businesses ever actually go on to that website and how we tell them about it. We are trying to raise awareness. We are also trying to understand the specific issues they face, because being an exporter is sometimes quite challenging.

Q89 Luke Graham: Ms Romeo, the NAO Report talked about your work with the devolved Administrations. You gave some explicit examples, which are borne out in the NAO Report. Can you give some explicit examples of the organisations or the devolved areas you have been working on with the devolved Administrations?

Antonia Romeo: There are two sorts of thing we do with the devolved Administrations. Obviously, one is trade policy. When we were consulting with them on the Trade Bill, for example, we had a lot of high-level bilateral interaction. As you know, trade promotion is a concurrent power,



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so we work closely with organisations like Invest Northern Ireland, the Welsh Government and Scottish Enterprise and Scottish Development International to ensure we are working together on, for example, trade missions, and are bringing inward investment to the whole of the UK. The job is to do that. We are interested in bringing inward investment to the whole of the UK. We work very closely with them.

Q90 **Luke Graham:** The NAO Report mentions that you have got a network of eight international trade and investment regional offices in England. How many are in Scotland and Wales?

Antonia Romeo: I don't have any ITAs based in Scotland and Wales. The Welsh Government operate offices in Wales, but my HQ works closely with them.

Q91 **Luke Graham:** To speak specifically about Scotland, because I am an MP from there, even though trade is reserved, the Department for International Trade—unless my induction was wrong—has no offices in Scotland.

Antonia Romeo: Trade promotion is a concurrent power. There is an organisation—Scottish Development International—that is responsible for doing in Scotland the work that the regional offices do in England. We work closely with them, so my team are constantly going to Scotland and meeting Scottish Development International.

Q92 **Luke Graham:** In terms of DIT, there isn't any direct investment into the devolved nations. There are separate funding streams. You will get a Barnett consequential somewhere, I expect, but DIT, which is meant to be the trade board for the whole of the UK and is meant to get investment into the whole of the UK, has no offices in the devolved nations.

Antonia Romeo: If the question is whether there are any staff based out of a DIT office in Scotland, the answer is no. But that is not the same thing as saying we do not support trade and investment promotion in Scotland, because we do. We do a huge amount of work with the devolveds on this. I should have mentioned already the Board of Trade, which is seeking to look at bringing the benefits of trade to the whole of the UK. The Secretaries of State for each of the devolveds are on that group.

Bridget Phillipson: Returning to Shabana Mahmood's point about UK-US trade, Ms Romeo, even if we work on the basis that we sign an agreement with the US on day one, do you think we are effectively communicating with a degree of realism about the likely impact that that trade deal could have on the UK economy?

Antonia Romeo: What we communicate is a function of what the nature of the deal will be. Your question is, are we pitch rolling enough as to what the implications of the deal would be? But we have not decided yet what our position will be. As Crawford said, through our exploratory discussions, we are still working out how the economies fit together and where we might benefit most from trade—and that is even before we have got in



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with the US and before we have got into the actual negotiation. I think it would be premature to start to prepare the country for something that we do not yet know our negotiating strategy on, let alone what the negotiating outcome will be.

- Q93 **Bridget Phillipson:** There is a lot of expectation about what could be achieved, and I am not sure that that is necessarily aligned to what will be achieved or what it is possible to achieve. I worry that, because people rightly understand that America is a big economy, they think a trade deal with the US would bring immediate or potentially significant benefits—when it could just be a bit more complicated than that.

Antonia Romeo: I completely agree that we need to have a really effective communications narrative on this issue and on what free trade is—that is not necessarily that well understood everywhere. We have to get better at communicating that and the benefits of free trade. We work quite hard at doing that. I agree that as we start to move further down the line of discussions, market access and deals, we would perhaps want to do more to set the parameters in advance.

- Q94 **Bridget Phillipson:** Where do you regard the potential areas of growth to be in such a deal? We talk a lot about the challenges—rightly, I think; there are big challenges—but which areas could benefit?

Antonia Romeo: In a deal with the US?

Bridget Phillipson: Yes.

Antonia Romeo: As Crawford said, everything is on the table. There are obvious areas where it would be advantageous for us to focus. If I may refer back to the comment that Ms Morris made, future trade deals will not look like historical trade deals. An obvious example is data. It is helpful to think in all deals about where we might go for data because, like us, the US is one of the most technologically advanced and innovative economies. Other examples are areas such as life sciences, and we have already talked about auto and AEM. Without getting too much into the benefits of different countries, there are some obvious areas where proximity matters less, and arguably data or services would be one of those.

- Q95 **Bridget Phillipson:** With proximity, is the risk not that there are growth areas there, but that it is not as well understood? The challenges that arise around proximity and existing UK industry—manufacturing, automotive—make it more difficult for them to benefit from such a deal.

Antonia Romeo: I think the impacts of proximity are well understood, as has already been well demonstrated by Crawford. We understand a huge amount about the implications of trade between different countries, but our job is to provide advice to Ministers who will make the decisions about the sectors and the markets that they want to focus on most.

- Q96 **Sir Geoffrey Clifton-Brown:** Ms Romeo, I entirely agree with you that your digital portal, which links British businesses with customs around the world, is a thoroughly good thing, but the group this morning were concerned that your Department seems to be using that as a substitute



for trade advisers. Can you tell us why you have reduced the number of trade advisers in London?

Antonia Romeo: The first thing to say, again, is that the export strategy particularly looks at how we do exports better. We have less than 10% of companies exporting, and we do not think that is enough. It is a system that has to deliver from the UK exporter, wherever they may be, to somebody across the world on page whatever-it-was of the map. My team overseas are providing opportunities for exporters. How you join up that system, in terms of identifying businesses and working with them, is one of the challenges.

It is difficult because we are in a resource-limited, constrained environment and, as has been discussed, I have a huge number of priorities, so where do you put your resources. What you really want to do is be able to provide a portal that will service those people who can be serviced by a portal, so that they do not have to talk to someone directly.

I take your point that, in some cases, people will want or need to have a direct interaction, and we have to work out how those things work better together. There is a specific part of the export strategy that is mapping out how we could improve our offer, and that could result in a different number of personal interactions with exporters. I do not want to prejudge it.

Q97 **Sir Geoffrey Clifton-Brown:** All I can tell you is that folk this morning were unhappy about that. I thought you might use resources as the answer. If resources are the problem, are you using institutions that have good trade knowledge, such as the British Chambers of Commerce, to best advantage?

Antonia Romeo: We work with the British Chambers a lot, as well as the FSB and CBI and others that have been mentioned. I talk to those organisations often about how we can get better at working together, because I am very much in the business of working with those organisations and, by the way, with private sector organisations whose interests are completely aligned with promoting exports. For example, we have some good work going on at the moment with banks, which are trying to encourage companies to export. From our point of view, that is a good thing. We have to be smarter about how we work with others and see it as more of a joined-up effort.

Chair: Thank you very much indeed for your time this afternoon. It is obviously an absolutely critical issue. While your answers have been very helpful in some ways, what is underlined—certainly for me, and I think I speak for the members of the Committee—is that there is still so much uncertainty in where we are going with this. We do not know whether there will be a transition period and we do not know all the policy decisions that have yet to be made. That means you are working with one hand tied behind your back at this point. We obviously want this to go well, because the future of the British economy is at stake.

The transcript of this session will be on the website, uncorrected, in the



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next couple of days, and we are considering as a Committee how we produce our work on looking at how prepared the Government are for leaving the EU. We will let you know when the report is due. Thank you very much indeed for your time.