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Dear Angus,

Thank you for your letter.

As I stated in my response on Monday 6 April, the COVID-19 pandemic represents a significant challenge for the global economy. Given the speed at which policy is being developed in response, I appreciate the need for parliamentary scrutiny at this time.

The Government is developing economic policies to respond to the immediate issues presented by COVID-19. The Chancellor has set out an unprecedented package of temporary, timely and targeted measures to support public services, people and businesses through this period of disruption caused by COVID-19.

Please find below an outline of the steps that my Department is taking to mitigate the impact of the COVID-19 pandemic on international trade in each of the areas covered in your original letter.

Analysis of the impact of COVID-19

My Department is working to understand the impact of the COVID-19 crisis on both global and UK trade. At this stage the latest official trade data, published 13 May (see table below), show that in the 12 months to end March 2020, nominal exports increased by £27.7bn to £694.3bn. Total imports decreased 1.4% to £702.9bn over the same time period.

To provide some evidence of the coronavirus-related impacts on UK trade, it is better to look at data for the first quarter (Jan to Mar) of 2020 (Q1). This covers the first stages of this crisis in the UK, and when the UK and many of its major trading partners introduced lockdown measures to combat the coronavirus (COVID-19). In Q1 2020 total UK exports were down £21.5bn compared to the previous quarter. UK imports were also down by £8.8bn in this quarter. UK trade data for Q1 contains just one week of full UK lockdown measures (put in place towards the end of March), so is not yet capturing the full impact of the virus and measures. Decreases in exports and imports seen here are expected to become larger over the coming months, as data for the full lockdown period becomes available.

	12-monthly comparison				3-monthly comparison		
	(12 months to end Mar 2020 compared with 12 months to end Mar 2019)				(3 months to end Mar 2020 compared with 3 months to end Dec 2019)		
	Value	Value change	% change		Value	Value change	% change
Exports	£694.3bn	↑ £27.7bn	↑ 4.2%		£165.10	↓ £21.5bn	↓ 11.5%
Goods	£369.0bn	↑ £14.0bn	↑ 3.9%		£86.7bn	↓ £16.0bn	↓ 15.6%
Services	£325.3bn	↑ £13.7bn	↑ 4.4%		£78.3bn	↓ £5.5bn	↓ 6.6%
Imports	£702.9bn	↓ £9.7bn	↓ 1.4%		£169.8bn	↓ £8.8bn	↓ 4.9%
Goods	£477.4bn	↓ £33.5bn	↓ 6.6%		£114.9bn	↓ £3.5bn	↓ 2.9%
Services	£225.4bn	↑ £23.8bn	↑ 11.8%		£55.0bn	↓ £5.3bn	↓ 8.8%

Many other countries release their trade data in slower time, making it harder to establish the global impact. My officials are therefore working with other departments, notably the ONS and HMRC, to explore new data sources, so we can get a better understanding, in near real time, of the impacts on goods trade. They are also examining official trade statistics from other countries, where available, to understand the impact of COVID-19 on their economies, their trade policy responses, and their ability to trade with us. We are drawing on surveys of businesses, relevant indicators and qualitative intelligence collected through business engagement to inform our understanding.

As well as examining the current impact, we are also assessing forecasts of the medium and long-term recovery. The WTO on 8 April published its latest trade monitoring report in which it said that it expects global trade to dip in 2020 as the COVID-19 pandemic affects the global economy; the WTO’s updated scenario projection for world merchandise trade growth in 2020 is that it will fall by between 13 and 32%. When recovery in global trade begins will depend on the duration of the outbreak in different countries and the effectiveness of global policy responses, but in some scenarios it could begin later in 2020.

The WTO expects the contraction in trade to be broad, based across all regions and for trade to fall more steeply in sectors with complex value chains and in services trade. The outlook for UK trade, affecting both imports and exports, will depend on the ability of UK firms to return to trading as well as the speed at which our key international markets emerge from the crisis. Supporting our businesses to recover from the disruption to global trade is a key priority for the Department. Trade plays a major role in the UK’s productivity and prosperity, so it is a vital part of the UK’s recovery from the pandemic.

Mitigation of short-term negative impact of COVID-19

My Department is also taking direct action to support those impacted by the COVID-19 pandemic. DIT is part of a cross-HMG effort to ensure we use our international partnerships globally to deliver the medical supplies and PPE we need. Lord Deighton is leading on the PPE effort and the FCO, DIT, DHSC and Cabinet Office are fully supporting this effort both in the UK and across our overseas network. In addition, UK Export Finance has expanded the scope of its Export Insurance Policy to major markets including the US and EU, to help companies concerned about the impact of COVID-19 to export with confidence.

As you note in your letter, it is important for my Department to coordinate an approach to the short-term impact of COVID-19, both in the UK, and overseas. In the UK, DIT's International Trade Advisers (ITAs) offer end to end support to companies on exporting, from developing their exporting strategy to closing deals, including obtaining access to finance. They also work closely with local partners including LEPs, Growth Hubs, banks, accountancy networks and Chambers to ensure businesses receive holistic support in exporting. In light of the COVID-19 pandemic, ITAs are:

- Working closely with SMEs across the country, providing up to date, accurate information on how they can access business support and take action.
- Feeding in, on a daily basis, business intelligence on the economic impact of COVID-19 that is being aggregated at a DIT and HMG-wide level and informing policy making.
- Using their wide networks to match supply and demand, as businesses are looking to repurpose their products to combat COVID-19.
- Supporting businesses that are looking beyond the crisis by helping them plan and identify new exporting markets

The Department continues to gather intelligence on the impacts of COVID-19 through our account management of companies and businesses.

We know that international trade will be important for the economic recovery from COVID-19, and my department is working to ensure that we support businesses in "tradeable" sectors (i.e. sectors of the economy that lend themselves well to international trade) to recover as rapidly as possible from the economic impacts of the pandemic.

Overseas, DIT is facilitating business intelligence gathering from HMTC regions, using this insight to address issues for export delivery. Posts in large source markets for FDI into the UK are also speaking to local companies invested in the UK. This outreach is being used to understand the longer-term impact of COVID-19 on their UK operations, and signpost them to any relevant support available. Posts continue to work to unblock supply chain issues, and to make the case for free and open trade.

Mitigation of medium and long-term impacts of COVID-19

As well as responding to the short-term economic impact of COVID-19, you are right to note the importance of the Government considering measures to improve the business environment, support businesses, and stimulate economic activity in the longer term. Trade and investment are vital parts of our recovery and my Department is already working on stimulus levers:

- Globally, through the G20 and WTO, we are strongly advocating open trade and resisting protectionism to help restore the trade and investment activities that the UK's prosperity depends on. I have noted more on this below.

- My department is looking at the best way to support recovery, but also to build resilience and flexibility across our sectors and regions through diversifying our trading partners and supporting robust supply chains. Bilateral and plurilateral action based on geostrategic interests (through our FTA programme and market access work) will support this.
- Working with other departments, DIT is developing additional measures we can undertake to support exporters and enhance investment. We are developing a new Export Strategy to drive exports in every region of the UK through promoting exports and supporting business, effective regulation, making trade seamless, and maximising the benefits of new trading opportunities. We are also working on an Investment Strategy that secures global investment to boost growth, drive productivity and create jobs.

Counteracting disruption to trade in essential goods

In addition to mitigating the short and long-term impacts of COVID-19, DIT is working with other government departments through the Economic and Business Response Ministerial Implementation Group (EBRIG) to ensure priority goods continue to reach the required destination throughout the disruption caused by COVID-19.

My department will do whatever it takes to support the trading of essential goods, through advice, finance and using our presence on the world stage to remove tariffs and barriers. The crisis highlights just how important it is to keep trade flowing and supply chains open so we can all have the essential supplies we need in this difficult time. Free trade and resilient supply chains will be crucial to the global economic recovery as the crisis passes. Global and regional DIT offices as well as 170 International Trade Advisors are on hand to discuss with companies how they can ensure priority goods continue to flow during this period. Work is also underway to analyse the resilience of UK supply chains of critical goods (excluding food, which is being driven by Defra) that may become vulnerable to the changing global macro-economic picture in light of the COVID-19 emergency.

Delivery of a coordinated response with central Government and devolved, local and regional government

The response to the unprecedented pandemic is a cross-Whitehall effort. DIT works closely with the rest of government through our role in the International Ministerial Implementation Group and EBRIG at both the ministerial and official level. We also continue to work closely with the devolved administrations on DIT's portfolio in response to the COVID-19 crisis. Minister Burns held calls with his counterparts in the devolved administrations in the week commencing 13 April.

In terms of DIT's work in the regions in England, DIT's International Trade Advisers have been offering support to businesses in light of the COVID-19 pandemic, with the actions they are undertaking covered previously in this letter.

Promotion of international cooperation and a coordinated global response

The UK always has been, and continues to be, a strong supporter of the rules-based international trading system, with the WTO at its centre. COVID -19 is a global challenge and requires a coordinated global response. I was active in encouraging the Saudi G20 Presidency to call together G20 Trade Ministers to express their commitment to avoiding protectionism and welcomed the statement we made that reflects the need for a coordinated response.

The UK is committed to ensuring that, going forward, any emergency measures designed to tackle COVID-19, if deemed necessary, are proportionate, transparent, non-discriminatory and temporary. When communicating with other WTO members, we are also encouraging them to implement potential emergency measures in the same way – this includes the US, the EU and our other G20 partners. Now more than ever, it is vital that supply chains remain open to guarantee the continued flow of goods and services.

It is clear that the WTO's trade monitoring function will be vital. The UK welcomes the work the WTO is doing to monitor the measures that are being put in place. This is both important for transparency but also to ensure any such measures are rolled back once the pandemic has ended. The UK has already communicated the measures we have taken to the WTO and will continue to do so.

In follow up to the agreement among G20 Trade Ministers, the Presidency is advancing work to identify specific proposals which could have a direct impact on addressing the impact of COVID-19 on international trade. My officials are actively engaging in that process, and I am speaking to my counterparts to encourage further ambitious steps.

Beyond the immediate crisis response, it is important we do not lose sight of our long-term objectives. I want to ensure that the work we undertake now lays the right foundations for a speedy economic recovery. This includes ensuring that the full work of the WTO, including advancing existing initiatives in areas such as e-commerce, resumes as soon as possible. I have discussed this with the Director General of the WTO and have offered the UK's fullest support to his ongoing efforts to finding technical solutions to allow the full functions of the WTO to resume.

Best wishes,

Elizabeth Truss

THE RT HON ELIZABETH TRUSS MP
Secretary of State for International Trade
& President of the Board of Trade