



Department for  
International Trade



Department for  
Business, Energy  
& Industrial Strategy

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The Rt Hon. the Baroness Anelay of St Johns DBE  
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16<sup>th</sup> July 2020

Dear Baroness Anelay,

Thank you for inviting me to meet with the International Relations and Defence Committee (IRDC). I was very interested to hear what your members cared about and I look forward to future engagement with you and your Committee.

On your first question, I will make sure the details of this strategy are shared with your committee when it has been completed and announced. To reiterate some of the comments I made during the meeting, as the UK addresses its economic recovery, inward investment needs to be thoroughly leveraged as it will be a key driving force in increasing UK productivity and creating jobs.

We are therefore radically reassessing our strategy in a way that: establishes investment as a clear priority for Government; defines clear objectives for investment to support our recovery and Industrial Strategy; takes an investor perspective to resolving complex policy trade-offs; significantly improves the attractiveness of the UK business environment; and transforms our offer—especially for the highest value and impact investors.

On your second question, we measure the number of foreign direct investment projects (FDI) and the number of new and safe-guarded jobs associated with these projects. This refers to the instances of where a new company is established in the UK by a foreign entity, changes are made to an existing UK company owned by a foreign entity, or a UK company is acquired or merged by a foreign entity.

We also measure the value of DIT supported venture capital investment, and other capital investment programmes run by DIT. This is measuring the aggregate size of financial investment put into the UK by foreign investors, where DIT has been involved in the investment.

Internally, we use management information relating to, among other indicators, the economic impact of the DIT supported FDI projects, expressed as gross value add (GVA). Others include research and development, headquarters, or export orientation.

On your third question, on the question as to whether Israel's proposed annexation of parts of the West Bank will impact upon the UK's implementation of the United Kingdom-Israel Trade and Partnership Agreement, our position is clear. The United Kingdom does not recognise the Occupied Palestinian Territories (OPTs), including settlements, as part of Israel. It is for this reason that goods originating in the settlements are not entitled to benefit from preferential tariff treatment under the UK-Israel Trade Agreement, which will enter into force on 1st January 2021. We will maintain this approach.

Responsibility for enforcing this policy of differentiation between goods originating in Israel and those originating in the settlements lies with Her Majesty's Revenue and Customs. Areas not eligible for preferential access are set out in a list of postcodes that is currently hosted on the EU Commission website and that will be hosted on gov.uk after the end of the Transition Period on 1st January 2021. We continue to work with HMRC colleagues to make sure that settlement goods are not afforded preferential access to the UK market. If systematic abuse of preferential access is found, HMRC officers have responsibility for investigating further.

On your question as to the Government's communication with Israel, our priority and focus is on preventing annexation. We have been clear publicly and with the Government of Israel that we believe that annexation would amount to a breach of international law, and that the UK is strongly opposed. The Prime Minister has conveyed our position to Prime Minister Netanyahu on multiple occasions, including in a phone call on 6 July and in a letter in May. The Foreign Secretary has also made this point during a call with Israeli Alternate Prime Minister Gantz on 20 May and Israeli Foreign Minister Ashkenazi on 2 June.

On your fourth question, HMG does not have any joint commercial or research projects with the Russian Government upon which sanctions have any bearing. The Department for International Trade's strategy, objectives and priorities for Russia are focused on both trade and investment promotion and market access objectives. They are driven by the HMG Russia Strategy, which holds that trade and investment can be a lever for stabilising relations, increasing UK prosperity, supporting people-people ties and binding Russia to the rules-based international order. DIT's role is therefore to support sanctions-compliant T&I, which includes providing information on the Russian business environment, including sanctions, to UK companies considering the market.

HMG plans to carry over all EU sanctions at the time of our departure. The Sanctions and Anti-Money Laundering Act 2018 provides the legal basis for the UK to impose, update and lift sanctions independently from the EU after leaving.<sup>1</sup> Beyond the transfer of existing EU

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<sup>1</sup> The EU introduced restrictive measures in 2014 following Russia's illegal annexation of Crimea and continued destabilisation of Ukraine: 1. Tier II – Asset freezes and travel bans on individuals and entities who have undermined Ukraine's territorial integrity, sovereignty and independence. Rollover is every 6 months in March and September. 2. Tier III – Sectoral measures restricting parts of Russian finance, energy and defence industry sectors. Rollover is every 6 months in July and December. 3. Crimea and Sevastopol – Restrictions on investment in infrastructure and tourism as part of non-recognition of Russian control of the regions. The EU also took diplomatic measures in 2014 (often referred to as Tier I), including cancelling the

regimes into a new UK legal framework, HMG will consider where UK foreign policy and national security priorities could be further advanced through the use of UK autonomous sanctions, such as UK Human Rights sanctions, launched this month (which included 25 Russian nationals involved in the mistreatment and subsequent death of Sergei Magnitsky).

Moscow knows what it needs to do to remove the significant economic pressure of sanctions. It should ensure full implementation of the Minsk Agreements, withdraw its troops from Ukrainian soil, end its support for the separatists, and enable the restoration of security along the Ukraine-Russia border under effective and credible international monitoring. Anything less will not do, and bilateral trade continues accordingly.

Russia is currently the UK's 22nd largest trading partner, with total trade in goods and services (i.e. exports plus imports) between the UK and Russia standing at £15.8bn in the four quarters to the end of Q1 2020<sup>2</sup> (an increase of £290m - 1.9% - compared to the four quarters to the end of Q1 2019).

On your fifth question, the Government has established a cross-Whitehall forum to bring together all relevant departments and agencies to consider the implications of foreign investment for national security and ensure that Ministers are provided with timely advice on such investment, as required. Chaired by the Deputy National Security Adviser, this group ensures that the Government takes a joined-up and co-ordinated "whole of government approach" to scrutinising transactions for national security concerns.

HMG's investment screening system is actor agnostic in design; its triage and investigation processes are principally guided by the assets and companies that are being invested in and their relevance to national security.

Under the Enterprise Act 2002, Ministers can intervene in mergers on public interest grounds covering national security, financial stability, or media plurality, with each merger considered on a case by case basis. The Government has set out proposals to reform powers to protect national security from hostile actors using investments to gain ownership of, or control over, businesses and assets. These proposals form the basis of the National Security and Investments Bill (NSI), announced in the Queen's speech of December 2019.

DIT supports a measured cross-government process for scrutinising FDI and champions a transparent relationship with industry.

On your sixth question, the long-term security and enduring resilience of the UK's telecoms network are of paramount importance, and the government is taking difficult decisions to protect these interests. We remain committed to resolving the wider global issue of diversifying the 5G market; rapid work is ongoing across government to develop an ambitious and targeted strategy to diversify the supply chain as we reduce our reliance on high risk vendors. We recognise this is a global issue and will work with the Five Eyes and other allies to deliver a solution that opens up the market to alternative suppliers.

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EU-Russia Summit, and blocking Russian membership from the G8 format. Further economic restrictions were also imposed relating to EBRD project funding; the Intergovernmental Steering Committee on T&I, which offered a regular forum for engagement on trade and economic relations, was suspended and there are no plans to revive these talks. In addition, there are no plans to negotiate a trade agreement with Russia after the transition period, when trade will continue according to WTO rules.

<sup>2</sup> ONS 2020.

On your final question, thank you for your continued interest in the PM's Trade Envoy Programme. The points you have reiterated are certainly ones that are being considered and will update you once a decision has been made.

DIT remains supportive of the programme remaining cross party and we always seek the views of our Ambassadors/High Commissioners and HMTCs when making appointments, which are fed into Our Secretary of State and No10 for consideration.

The success of the programme relies on the Trade Envoy and the Head of Mission establishing a good relationship. Trade Envoys' activities are directed by the Head of Mission and linked to the Post's priorities. Heads of DIT and the Trade Envoy Team are responsible for the day-to-day relationship, however the Head of Mission will host the Trade Envoy when in market and will provide regular updates on the market.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grimstone', written in a cursive style.

**Lord Grimstone of Boscobel, Kt**  
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