

Forty-Fifth Report of Session 2021-22

Department for International Trade

Progress with trade negotiations

Introduction from the Committee

Following the UK's exit from the EU, the UK became responsible for its own international trade policy for the first time in almost 50 years and must now build new trade and investment relationships with global partners. This has included negotiating new free trade agreements (FTAs) which aim to make trade easier between two or more countries by removing or reducing existing barriers to trade and negotiating the roll-over of 33 out of 39 existing EU trade agreements with non-EU trading partners ahead of the EU transition period deadline, representing £185.3 billion of UK trade in 2020.¹ The Department for International Trade (the Department) has overall responsibility for convening these trade negotiations, while other departments provide expertise, lead aspects of the negotiations in their policy areas and provide diplomatic support overseas. For example, the Department for Environment, Food & Rural Affairs (Defra) leads on aspects of the negotiations covering agri-food, sanitary and phytosanitary and animal welfare. The Department is not responsible for the UK's trade negotiations with the EU which were led by the Cabinet Office until December 2021 when responsibilities transferred to the Foreign, Commonwealth and Development Office (FCDO).

Based on a report by the National Audit Office, the Committee took evidence on the 19 January 2022 from the Department for International Trade, The Department for Environment, Food and Rural Affairs and the Cabinet Office. The Committee published its report on the 18 March 2022. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [Progress with trade negotiations](#) – Session 2021-22 (HC 862)
- PAC report: [Progress with trade negotiations](#) – Session 2021-22 (HC 993)

Government response to the Committee

1: PAC conclusion: The Department for International Trade faces significant challenges in meeting its target for 80% of UK trade to be covered by FTAs by the end of 2022.

1: PAC recommendation: The Department should write to the Committee within 12 months to update on progress with the programme of trade negotiations, including:

- **progress against the overall target and an updated plan for the future programme;**
- **progress in securing state level market access agreements and the potential value of these; and**
- **impact on the agriculture sector and the UK economy versus forecast from the ending of the US ban on UK beef and lamb imports.**

1.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2023

1.2 The United Kingdom has secured trade agreements with 70 countries, partners that accounted for 64% of UK bilateral trade in 2020. The Department for International Trade (the Department or DIT) has a full and ambitious pipeline of negotiations for 2022. The department

will continue to negotiate accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), an enhanced free trade agreement (FTA) with Canada and a new FTA with India. The department aims to begin negotiating a new FTA with the Gulf Cooperation Council, and the enhancement of existing FTAs with Mexico and Israel.

1.3 The UK is ready to progress with a UK-US FTA when the US is ready. In the meantime, the department continues to work with the US on progressing state level Memoranda of Understanding (MOUs). In April 2022, the department concluded the second Joint Dialogue on the Future of Atlantic trade. The department also secured the removal of Section 232 tariffs on imports of UK steel and aluminium products, supporting around 80,000 jobs across the UK.

1.4 This is alongside the ending of the bans on UK beef and lamb exports to the US, which is estimated to be worth £66 million and £37 million of export opportunities respectively over the first five years of the bans being lifted. The department will make use of trade data, as it becomes available, to understand the export trends over time.

1.5 The department is working at pace to deliver the programme but will not sacrifice quality for speed. The department agrees with the Committee's recommendation and will update the Committee within 12 months to update on progress with the programme of trade negotiations.

2: PAC conclusion: The Department has not set out how it will measure the benefits and outcomes of its programme of trade negotiations.

2a: PAC recommendation: The Department should develop a set of clear and measurable outcome-based metrics with targets for its programme of trade negotiations.

2.1 The government disagrees with the Committee's recommendation.

2.2 However, the department publishes detailed impact assessments that set out its expectations against a wide range of criteria of what the impact of FTAs will be. In addition, the department will publish monitoring reports which will provide DIT's analytical evidence base to inform Parliament, the public and other interested stakeholders on progress and actual benefits.

2.3 DIT has committed, in its impact assessments for the UK-Japan CEPA, UK-Australia FTA, and UK-New Zealand FTA, to publishing a biennial FTA monitoring report.

2.4 DIT's Outcome Delivery Plan (ODP) includes metrics for trade negotiations. DIT will report on progress against each of the ODPs and continue to keep its ODP metrics under review.

2.5 These reports will cover outcome-based monitoring indicators where available. These include changes in trade flows and measures of the utilisation of the agreements. Where possible, they will also discuss the extent to which short term changes can be attributed to the FTA itself rather than wider factors.

2b: PAC recommendation: The Department should commit to regular reporting of progress to Parliament, including actual benefits and value achieved versus initial forecasts.

2.6 The government agrees with the Committee's recommendation.

Target implementation date: From April 2023

2.7 The department will regularly report on FTA implementation to parliament.

2.8 In DIT's impact assessments for the UK-Japan CEPA, and the UK-Australia and UK-New Zealand FTAs, the Department committed to publishing a biennial FTA monitoring report, which will provide DIT's analytical evidence base to inform Parliament, the public and other interested stakeholders on progress and actual benefits.

2.9 Publishing a biennial report every two years strikes the right balance between timeliness of reporting and allowing sufficient time to show emerging trends.

2.10 These reports will cover key monitoring indicators where available. These include changes in trade flows and measures of the utilisation of the agreements. Where possible, they will also discuss the extent to which short term changes can be attributed to the FTA itself rather than wider factors.

2.11 The department is also committed to publishing a comprehensive ex-post evaluation report for the UK-Japan CEPA, the UK-Australia FTA and UK-New Zealand FTA within 5 years of these agreements entering into force. These evaluation reports will aim to show how, why and for whom the agreements and their implementation have generated outcomes.

2.12 DIT modelling estimates in the impact assessments are not forecasts. DIT intends to deploy a mixed methods analytical approach that aims to make best use of a range of quantitative and qualitative analytical techniques for ex-post evaluation.

2.13 Recent plans, for the UK-Australia FTA, were welcomed by the independent Regulatory Policy Committee (RPC). The RPC stated that the monitoring and evaluation (M&E) proposal was of good quality and considered it critical to understanding the FTA's true long-term effects.

3: PAC conclusion: The Department is not doing enough to help businesses, particularly SMEs, to take advantage of opportunities offered by new trade agreements.

3: PAC recommendation: The Department should write to the Committee within 12 months to set out how it has supported businesses, particularly SMEs, to take full advantage of existing and newly negotiated trade agreements. It should:

- **regularly measure and report the preference utilisation rate for UK exports (the rate at which exporters use preferential tariffs) for each of its trade agreements.**
- **consider how it can reduce burden and costs for SMEs; and**
- **set out initial progress with its new export strategy.**

3.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2023

3.2 The department will write within 12 months on this recommendation. DIT is already helping businesses take advantage of trade agreements and market openings and is committed to further improving its offer. The department will write to set out how this is being done.

3.3 Supporting small and medium-sized enterprises (SMEs) is a key part of the refreshed Export Strategy, including supporting the department's broader efforts to remove market access barriers. The Export Support Service (ESS) provides cross-government advice and support for exporting to Europe, the Export Academy offers business-led exporting training, and UK Export Finance has expanded its range of lenders, meaning SMEs will be better served in securing new opportunities. The department estimates that of the 7,300 ESS

enquiries received by 20 March 2022, 7,000 have been from SMEs. To ensure the connection with departmental initiatives, ESS will expand globally creating an export system to support all businesses.

3.4 Across all regions and devolved administrations, partnerships with external stakeholders will help inform businesses how to utilise FTAs and develop export plans. Supporting SMEs to understand and access the benefits of FTAs is part of the domestic facing ['Made in the UK, Sold to the World'](#) campaign, which shifts attitudes towards exporting. The Department will continue to deliver missions and events, activating a programme to encourage business-to-business collaboration and utilisation of FTA gains.

3.5 As part of this ongoing work DIT has already launched a new project which will consistently and continually evaluate and improve the department's approach to FTA utilisation. This project will inform the department's work in response to this recommendation.

4: PAC conclusion: The farming industry has concerns about the effect of significant competition from imported Australian meat, and there is a lack of clarity on the potential environmental impacts from increased trade with Australia.

4a: PAC recommendation: Defra should work with the Department for International Trade to monitor the impact of free trade agreements in its policy areas.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: From April 2023

4.2 DIT is committed to using monitoring and evaluation (M&E) findings to ensure that the benefits for businesses, workers and consumers are maximised, and that lessons are learnt which inform the design of the department's future trade policies. DIT will do this while working closely with DEFRA and other government departments.

4.3 DIT has committed to publishing a biennial FTA monitoring report, which will provide the Department's analytical evidence base to inform and engage Parliament, the public and other interested stakeholders, including in the agriculture sector.

4.4 DIT will also work with DEFRA to support agricultural, and food and drink exports. DIT are working collaboratively with DEFRA to establish and launch the Food and Drink Export Council and are supporting DEFRA to establish and recruit a new cohort of agri-food attaches in key markets.

4b: PAC recommendation: Defra should work with the Department for International Trade to monitor imports closely to make an ongoing assessment of the impact of the Australia FTA on beef and sheep farmers, and set out what support could be provided to those farmers whose livelihoods may be affected.

4.5 The government agrees with the Committee's recommendation.

Target implementation date: From April 2023

4.6 DIT will regularly monitor the impact of the Australia FTA across a range of sectors including agriculture.

4.7 DIT's M&E activities will focus in greater depth on specific sectors notably, where ex-ante analysis or monitoring suggests that they may have been particularly affected by an agreement.

4.8 DEFRA's Future Farming and Countryside Programme offers a range of support to farmers to help them adapt to the seven-year agricultural transition period, which runs from 2021 to 2027. This includes the Farming Investment Fund, which provides grants to improve productivity and bring environmental benefits, and the Future Farming Resilience Fund, which awards grants to organisations who help farmers and land managers to understand the changes to agricultural policy and access tailored support.

4c: PAC recommendation: Defra should work with the Department for International Trade to monitor the actual transport emissions and other environmental effects resulting from increased trade between the UK and Australia, to determine what action may be needed to ensure that the UK can still meet its climate commitments.

4.9 The government agrees with the Committee's recommendation

Target implementation date: From April 2023

4.10 In line with international obligations, the government will continue to ensure a high level of protection of the environment in new trade agreements. The government shares the public's high regard for the UK's environmental protections and has made clear that it will not compromise on these.

4.11 DIT, working with other government departments including DEFRA, is fully committed to upholding the UK's high environmental standards and ensuring that trade will not come at the expense of the environment or prevent us from meeting the government's ambitious net zero by 2050 climate change target. Trade has a role in supporting these environmental commitments and the department is working bilaterally and multilaterally to achieve these aims. The impact assessments for the UK-Japan CEPA, UK-Australia FTA, and the UK-New Zealand FTA set out the environmental impacts of the agreements.

4.12 DIT will work closely with DEFRA and other government departments to monitor the impact of free trade agreements.

4.13 Along with the department's monitoring commitments, DIT has also committed to publishing a comprehensive ex-post evaluation of the UK-Australia agreement within 5 years of its entry into force. DIT will work with other government departments to assess the impact and effectiveness of the agreement and its implementation. This will cover a range of impacts, including the environment.

4d: PAC recommendation: Defra should work with the Department for International Trade to consider what lessons can be learned for the approach to the upcoming FTA with New Zealand and other countries in due course.

4.14 The government agrees with the Committee's recommendation

Recommendation implemented

4.15 DIT and DEFRA did indeed learn from the Australia FTA to inform the approach to New Zealand. DIT and DEFRA are committed to a culture and to mechanisms of continuous improvement to inform approaches going forwards and already consider lessons learned from FTA negotiations on an ongoing basis. DIT has recently strengthened its continuous improvement function to ensure that best practice is identified and that key recommendations are fed into the department's standard processes.

4.16 DIT is also committed to using M&E findings to ensure that the benefits for businesses, workers and consumers are maximised. DIT will do this while working closely with DEFRA and other government departments.

5: PAC conclusion: Parliament and the public are not being provided with clear and transparent information to understand the impact of trade agreements.

5: PAC recommendation: The Department should improve transparency and communications around trade agreements and their impacts, to aid understanding and inform scrutiny. As part of this exercise, it should:

- **explain clearly to Parliament and the public the policy trade-offs, particularly in relation to human rights and environmental priorities, in new FTAs and the potential impact for sectors, businesses and individuals; and**
- **set out clearly the factors and underlying assumptions driving any changes in the forecast benefits**

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The government is committed to a high level of transparency in relation to trade negotiations. The government publishes materials before negotiations launch and after they conclude and is highly consultative prior to and during negotiations across all aspects of interest to stakeholders. Nevertheless, the government strives for continuous improvement.

5.3 The department sets out a strategic case, objectives, and potential economic impacts for each negotiation, engages an advisory network of over 350 organisations and individuals to ensure impacts, trade-offs, and opportunities are understood. Engagement with the new Trade and Sustainable Development Domestic Advisory Group, alongside DIT's Trade Union Advisory Group and Civil Society Roundtable garners input on priorities (alongside public consultations) and trade-offs before negotiations, and supports effective implementation of climate, environment, and labour provisions. DIT's UK and global network undertakes thousands of interactions each month with stakeholders on top of communicating updates regularly during negotiations, alongside the department's already strong Parliamentary scrutiny, including through relevant committees, as referenced in Recommendation 6. Once negotiations conclude, the department explains to stakeholders what has been agreed and publishes explanatory information on the impact of agreements, e.g. macro-economic impact, sectoral impacts, impacts on UK regions and impact on the environment.

5.4 The department constantly reviews its economic analysis methodologies to reflect global best practice. The referenced GDP increase in the Australia FTA impact analysis reflects updates to the modelling methodology, clearly explained in page 25 of the published impact assessment. The changes were informed by the Modelling Review Expert Panel and the impact assessment has been scrutinised by independent experts at the Regulatory Policy Committee, who gave a green rating.

5.5 The department seeks the views of the public through tools including the [Public Attitudes to Trade Tracker](#), which is designed to be representative of the UK population. In its fourth wave 4,009 members of the UK public were interviewed. Survey findings are used to guide communication to support better understandings of trade and trade policy.

6: PAC conclusion: The Department has not done enough to support effective Parliamentary scrutiny of trade agreements.

6: PAC recommendation: The Department should make further commitments that would support robust and timely Parliamentary scrutiny. These should include providing the International Trade Committee and the House of Lords International Agreement Committee with the negotiating objectives, under privileged access, at the outset of the negotiations, providing oral updates at regular points on a trusted basis, and sharing any other key information in sufficient time for scrutiny.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The government publishes, and provides to the relevant select committees, its strategic approach to each new FTA at the outset of negotiations; this includes negotiation objectives. This is published alongside the response to the public call for input, and an initial scoping assessment. The government remains committed to sharing these documents with the relevant select committees in advance of publication where time allows.

6.3 Furthermore, the government provides oral updates to the relevant select committees and is happy to reiterate its offer to make Chief Negotiators available to brief the committees in private should they wish. In 2021, the department's ministers and senior officials briefed the International Trade Committee on 17 occasions, six of these times specifically focussed on Australia and New Zealand FTA negotiations. The government always endeavours to share relevant information with the Committees where possible, whilst being mindful of the need to protect UK negotiating interests and the Department's negotiating partners' legitimate expectations of confidentiality.

6.4 Nonetheless, the government will continue to review arrangements, ensuring they remain fit for purpose.