



Department for International Trade

The RT Hon Anne-Marie Trevelyan MP
Secretary of State for International Trade
Department for International Trade
Old Admiralty Building
London
SW1A 2DY

Angus Brendan MacNeil MP
Chair of the International Trade Select Committee
House of Commons
London
SW1A 0AA

T +44 (0) 20 7215 5000
E trevelyan@trade.gov.uk
W www.gov.uk/dit

19 July 2022

Dear Angus,

I am writing to follow up on a number of points we discussed during my appearance before you on 6 July to discuss the Australia the New Zealand FTAs. I would also like to thank you for letter dated 12 July. In this letter I have responded to all the questions relating to the UK-Australia and UK-New Zealand FTA that arose in those sessions and are set out in your letter.

In the session you asked for further clarity on pre-ratification timelines, in particular for the New Zealand agreement, to support the Committee's planning. The S42 report is still being finalised but my aim is to publish it before summer recess if possible. I can confirm that we will not be commencing CRaG until Parliament returns in September, at the earliest. I can also confirm that I intend for there to be at least two weeks between publication of the S42 report and the commencement of CRaG. I hope this information is helpful, and I have instructed my officials to keep the ITC and IAC clerks updated as the exact timings become clearer.

Regarding my appearances before your committee, I am fully committed to seeing you in good time to inform your inquiries. I am pleased that we were able to hold the session on New Zealand last week, well in advance of CRaG commencing. Going forward, to provide clarity and help inform your inquiry timelines, I am happy to commit that within two weeks of signing a new FTA my office will provide you with potential dates to meet and we will not trigger CRaG before those dates. This should ensure we always meet in advance of CRaG commencing.

We also discussed your request that we extend the CRaG scrutiny period by a further 21 sitting days or commit to a debate on a substantive motion. I can confirm that I will not be extending the CRaG period for the Australia agreement. I understand that you are disappointed that CRaG commenced before your report was published, but the agreement had been available for six months prior to CRaG and I consider this to be a reasonable period of time.

Regarding a debate, I believe this agreement is of high interest to members and a debate would be beneficial. However, as you know decisions on the parliamentary timetable are not within my gift and parliamentary time is very tight at the moment. My Rt Hon. Friend the Leader of the House of Commons has indicated that there will not be time to hold a debate before summer recess. I will continue to discuss scrutiny issues with the Business Managers and there will of course be opportunities to debate the implementing legislation as it passes through the House.

I would also like to address two points that were raised by the Lords IAC in their report on the Australia agreement. The IAC requested that dialogue with parliamentary committees take place before mandates are finalised. As I have said before, we are open to reviewing scrutiny arrangements and making improvements where required. I believe this is one such area and I am happy to commit that I will make senior officials and myself available to privately discuss prospective negotiations with you (and the IAC) prior to negotiations being launched. I expect this to take place during the public consultation period for any new FTA, but I have instructed my officials to work with your clerks, and those of the IAC, on the detail.

The IAC also asked that all significant amendments to FTAs be notified to them, even where they do not engage the CRaG scrutiny process. I am happy to commit that all significant amendments will be notified to your committee and the IAC in writing. I have also instructed my officials to provide quarterly updates to your clerks on decisions made by committees under a new FTA.

I also agreed to follow up on some substantive points regarding the FTAs. Firstly, you asked why the mobility arrangements between the UK and Australia were not identical. Whilst the categories do not necessarily align in name, they do align in substance, and we are confident that our commitments are broadly reciprocated. As an example, the UK made commitments for Contractual Service Suppliers (CSS) and Independent Professionals (IP). In comparison, Australia took commitments on Contractual Service Suppliers. However, these commitments cover materially the same business persons as the UK's commitments. Both UK and Australia made ambitious services offers. This is the first time in an FTA that Australia have delinked visa access for service suppliers from their skilled occupation list, meaning that UK service suppliers will have bound in access to visas for temporary contractual work in Australia across a range of sectors.

You also asked why the consumer choice organisation Which? was not included in any trade advisory groups. I am pleased to confirm that Which? is a member of the Strategic Trade Advisory Group, the membership of which is reviewed every two years to ensure it represent the views of business, civil society, consumers, and academia from across the UK. The full list of membership can be found on GOV.UK.

You asked how consumer groups will be involved in the process to monitor the progress of the environment chapter of the UK-New Zealand FTA. The Free Trade Agreement contains a commitment for both Parties to use existing (or establish new) independent advisory groups, seeking a balanced representation of relevant interests including business organisations, environmental organisations, and academics, and engage with those groups on the implementation of the environment chapter.

You asked about how Article 22.8.2 of the environment chapter interacts with the new energy levy and what assessment the Government has undertaken. Nothing in Article 22.8.2, which sets out the United Kingdom and New Zealand's shared commitments in the transition to clean energy, is at odds with the Government's Energy Levy. The Government has published a full impact assessment of the United Kingdoms-New Zealand FTA alongside the treaty text. DIT models the impacts of FTAs on emissions, however this does not incorporate domestic policy changes.

You asked how DIT calculated procurement estimates in the impact assessment. DIT analysts estimated that the UK-Australia FTA procurement chapter provides approximately £10 billion of new, legally guaranteed market access for UK businesses per annum. This analysis estimates the value of market access opportunities that UK businesses will have access to, not the value of contracts that will be won by UK businesses.

This estimate has been derived using a combination of data sources. The first of these is publicly available contract award notice (AusTender, 2018-19) data. Where data is missing or unavailable, individual expenditure reports for relevant entities have been sourced and certain assumptions have then been applied using published OECD statistics (OECD Government at a Glance, 2019). Australia also provided estimates for the value of their services offer which was then verified by DIT analysts.

We reached a conclusion on the areas of additional procurement through negotiations with Australia. To maximise gains for UK businesses, the UK sought additional market access in areas with potential for high-value contracts, and where UK firms are most likely to be competitive. To identify these areas, the UK combined intelligence from contract award notice data, upcoming procurement projects in Australia and stakeholder consultations. At the session, we also discussed the potential GDP increases from the Australia and New Zealand FTAs vs trade with the EU. Our analysis for Scoping and Impact Assessments for FTAs focuses on the evaluation of the marginal impacts of each FTA.

Each FTA is considered against a baseline state of the world, which accounts for existing FTAs as well as EU Exit. Trade is not a zero-sum game and trading with the EU and the wider world is not an either-or choice. The UK secured an ambitious trade agreement with the EU- based on zero tariffs, zero quotas and securing continued market access across a range of sectors. The UK also rolled over agreements with almost all the countries we had agreements with when we were in the EU. This means, including Australia and New Zealand, the UK has secured trade agreements with 71 countries, plus the EU, partners that accounted for £808 billion of UK bilateral trade in 2021.

The UK and global economies are growing, and we expect businesses to continue to have close trading relationships in the EU, while also building new connections, including those enabled by new FTAs. The Global Trade Outlook sets out some of the key long-term trends for global trade over the next three decades and indicates that- while the EU will remain a significant trading region- it will account for a declining share of world trade. Global trade is projected to double in real terms and increase by 300% in dollar terms over the next 30 years and non-EU markets are projected to account for the lion's share of trade growth in that period – 81% of the expansion in import demand between 2019 and 2050. The EU's share of global import demand is projected to fall from around 30% today, to just under a quarter by 2050. Our agreements with New Zealand and Australia are just the first part of our efforts to grow trading relationships outside of the EU.

I hope you find this further information useful.

I am copying this letter to the Chair of the International Agreements Committee, the Leader of the House and the Chair of the Liaison Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Anne Marie Trevelyan". The signature is written in a cursive style with a horizontal line underneath the name.

THE RT HON ANNE-MARIE TREVELYAN MP
Secretary of State for International Trade
& President of the Board of Trade