



House of Commons
International Trade Committee

The COVID-19 pandemic and international trade: Government Response to the Committee's First Report of Session 2019–21

**First Special Report of Session 2019–
21**

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The International Trade Committee

The International Trade Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for International Trade and its associated public bodies.

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First Special Report

The International Trade Committee published its First Report of Session 2019–21, [The COVID-19 pandemic and international trade](#) (HC 286), on 29 July 2020. The Government’s response was received on 14 September 2020 and is appended to this report.

Appendix: Government Response

Introduction

1. The Government welcomes the International Trade Committee’s first report of session 2019–21, produced following its inquiry into the impacts of the COVID-19 pandemic on international trade.
2. The pandemic has of course had a significant impact on the people, public services and businesses of the United Kingdom, and caused significant disruption to the global economy.
3. Trade plays a major role in the UK’s productivity and prosperity and so has been a key feature of how the pandemic has affected us and is central to how we must respond.
4. The Committee makes a number of recommendations for the Government covering supply chain resilience, especially related to critical medical goods, how we engage with devolved, regional and local government, and how we support and communicate with business.
5. The Department for International Trade (DIT) is the lead department in responding to these recommendations but with a significant contribution from the Department of Health and Social Care (DHSC).

The Government’s responses to recommendations in the Committee report

Chapter 2: UK trade in essential goods

Pharmaceuticals

6. **Recommendation 1 (pg. 11 para. 14)—***Supply chains can only be stretched so far, as indicated by the fact that buffer stock of medicines is not intended to last more than around six months. The Government must work with the pharmaceutical industry to ensure that buffer stock is being replenished to help cope with any further wave of the COVID-19 pandemic.*

Government response:

7. The UK Government agrees with this recommendation and has worked closely with the pharmaceutical industry throughout the first wave of the COVID-19 pandemic and continues to do so. On 11 February 2020, the Chief Commercial Officer for the Department of Health and Social Care (DHSC) wrote to all UK medicines suppliers asking them to retain stockpiles built as part of contingency planning for EU exit. These stockpiles were

held by suppliers in addition to buffer stock held as part of usual business practice. The Government also holds stockpiles of certain medicines through its Emergency Medicines Buffer Stock and its Pandemic Influenza Preparedness Programme stockpiles. During the first wave of COVID-19, NHS England and Improvement also worked with industry to source additional UK stock of critical Intensive Treatment Unit (ITU) medicines.

8. Since the first wave of COVID-19, the Government have also taken a range of actions to prepare for any further supply disruption, whether as a result of COVID-19, or any other issue. For medicines where there would be high, clinically driven demand in the event of another wave of COVID-19, the Government has or is procuring stockpiles of:

- Potential therapeutic treatments for COVID-19, including dexamethasone.
- Critical medicines for supporting treatment of COVID-19, covering intensive care, antibiotics, and end of life care medicines.
- Medicines and medical products used for the treatment of patients with acute renal failure.

9. For all medicines used in the UK, the Government has asked suppliers to take a multi-layered approach to contingency planning for this winter when both the end of the transition period, and COVID-19 risk medicines supply disruption. Suppliers have been asked to:

- Maintain replenishment rates at necessary levels including by securing capacity to reroute freight away from potential disruption, especially during the first three months following 1 January 2021 when, under the Government's reasonable worst-case scenario, the most significant disruption is anticipated
- Review their own logistics arrangements and consider the appropriateness of using existing supply chain routes during this period as a matter of priority
- Prepare to ensure compliance with customs requirements
- Where possible, stockpile to a target level of 6 weeks' total stock on UK soil

10. During the first wave of COVID-19, the Government worked closely with suppliers to understand barriers to supply, and put in place a range of regulatory flexibilities to maintain good levels of UK stocks, get medicines and medical products to patients more quickly and to reduce the overall regulatory burden to help deal with COVID-19 pressures. The Government is currently working with industry representatives to understand which of those flexibilities should remain in place to support continuity of supply in the event of any further wave of the COVID-19 pandemic.

11. The Government is also monitoring the impact of COVID-19 outbreaks in other countries, and other potential risks to medicines supply, working closely with suppliers to assess and mitigate risks to UK patients. Where there is a confirmed impact on supply of a specific medicine to the UK, suppliers are legally obliged to notify the Government, in particular, DHSC immediately. DHSC has a dedicated pharmacist-led team which has well established procedures for working with industry, regulators and the NHS to manage the risks to patients, whether that is through sourcing additional or alternative supplies or through the provision of clinical advice to prescribers.

12. **Recommendation 2** (pg. 11 para. 15)—*Some governments have adjusted intellectual property provisions to allow for compulsory licensing of therapeutic drugs or vaccines in respect of COVID-19. The UK Government should evaluate the case for putting in place such enabling measures in order to make these drugs and vaccines available as quickly, widely and cheaply as possible.*

Government response:

13. The Government is committed to collaborating with public and private partners in the UK and internationally to promote affordable access to vaccines and medicines for all. This includes exploring how to ensure approaches such as non-exclusive voluntary licensing promote affordable access for all while providing incentives to create new inventions and to accelerate development of health technologies.

14. UK law (Patents Act 1977) already contains provisions on compulsory licensing and crown use and details the processes to invoke them. These provisions would enable the compulsory licensing of a COVID-19 therapeutic drug or vaccine, if the Government decided this was necessary. However, implementing these mechanisms would not guarantee quick or cheap access to medicines and vaccines. Under both compulsory licensing and crown use provisions, compensation is payable to the patent holder. Moreover, the processes, skills and capacity required to approve, manufacture and distribute medicines and vaccines take time and money.

15. Industry representatives have also made clear that compulsory licensing and crown use are seen as a disincentive to innovation as they reduce companies' control of the outcomes of their investment in research & development. Furthermore, issuing of compulsory licenses or invoking crown use could encourage greater use of trade secrets. Unlike patents, which allow a time-limited monopoly, trade secrets are not time-bound so ultimately may never become available outside of the originating company.

16. Voluntary licensing is a preferable way to address COVID-19 as it allows for third-party manufacturers to produce a patented product and enables innovators to make an informed decision on sharing their intellectual property, taking into account return on investment. This approach also creates a sounder basis for long-lasting, beneficial public health relationships and provides the incentives to create and commercialise new inventions, such as life-changing vaccines.

Chapter 4: UK Government response

Trade finance and insurance

17. **Recommendation 3** (pg. 22 para. 45)—*We welcome the steps taken so far by UK Export Finance (UKEF) to support businesses trading overseas and the Secretary of State's announcement of "bounce-back" schemes for certain sectors, including specific support for SMEs. We commend the steps taken by the Government to ensure continued access to Trade Credit Insurance for businesses and welcome the Secretary of State's assurance that this issue has been resolved. There is a need for continued vigilance about such problems, and swift resolution of them when they arise. The pandemic has created a range of unforeseen challenges for businesses. We recommend that UKEF be flexible in its response, to ensure that the widest possible range of sectors can avail themselves*

of its support. Further, we recommend that UKEF consult quickly and widely with businesses on the development and rollout of its new products, to ensure any feedback can be considered in the design phase.

Government response:

18. The Government understands the Committee's points on the unforeseen challenges for UK businesses involved in exporting. The Government, via UKEF, is in frequent and regular discussions with exporters, overseas buyers and banks when considering its support. UKEF routinely adapts the details and structure of specific transactions to ensure support is tailored to each project which supports UK exports.

19. UKEF has consulted extensively with banks, including through representative bodies such as UK Finance, in developing new guarantee products before and during the COVID-19 pandemic. The General Export Facility has been revised significantly based on banks' feedback to ensure that this upcoming product is as flexible as possible. UKEF has also worked with a number of banks and exporters in developing, piloting (pilot with Jaguar Land Rover in 2019) and finalising the scheme design of its recently launched Export Development Guarantee.

20. In addition, UKEF have updated the information provided prior to the report coming out:

- Since March 2020, UKEF has received 384 applications for trade finance and credit insurance support, of which approximately 172 Export Insurance Policy (EXIP) applications were made following withdrawal of support from the private credit insurance market. 195 applications had been approved by 19 August. This approval rate is lower than customary but reflects a greater proportion of applications for EXIPs, and that these applications are coming directly from businesses, rather than via the banks UKEF partners with. For reference, the current overall approval rate for all applications is approximately 51%. During the COVID -19 period, approximately 35% of applications have been automated, compared with a pre-COVID rate of 75%. This is a further reflection of the greater preponderance of EXIP applications, which cannot be made through the online portal.
- Since the pandemic impacted UK businesses, UKEF has continued proactively to increase the number of SMEs supported. From 01 March to 19 August 2020, UKEF has supported 99 individual SME businesses to fulfil their exports, (including 54 that were new to UKEF).
- As a measure of UKEF's SME business development activity, in the current financial year the network of Export Finance Managers has undertaken 1840 virtual meetings or online interactions with 1017 different businesses and stakeholders. This represents an increase of 16% in the number of meetings held, and of 30% in the number of discrete customer contacts, over the corresponding period last year.

Export promotion

21. **Recommendation 4 (pg. 24 para. 51)**—*For businesses to benefit from export promotion, they need to know about what support is available to them. We recognise that DIT is making some headway with communicating its export promotion offering, but it needs to do better and be more effective. We recommend that the Department improve the quality of its communication by ensuring it is adapted on a sector-specific basis and prioritising face-to-face engagements with trade advisors (via digital platforms at present) over self-service digital offerings.*

Government response:

22. During the height of the coronavirus pandemic, DIT wanted to ensure that businesses were able to continue trading internationally and provide them with assistance to minimise disruption. Our international trade advisors were actively communicating with businesses directly to assist them with export-related issues and ensure they were aware of wider support measures available from DIT and across government.

23. To support this engagement, DIT delivered a webinar programme to inform and educate SMEs covering a variety of topics. Nearly 100 webinars were delivered by the Department from April to June with more than 8,000 attendees, significantly exceeding attendance on webinars prior to the coronavirus outbreak. These included external stakeholders with industry perspective, including business representative organisations, trade bodies and trade associations. DIT specialists (including international trade advisors) were also featured and provided advice, as well as DIT Export Champions who shared their personal experiences of COVID-19 and the importance of the role of trade for them.

24. In addition, the Department used email marketing to ensure that consistent and regular communication was provided to existing exporters about the steps DIT and the Government were taking to support them. This included highlighting a range of export support products and services available. Announcements for specific sectors have also been used to highlight support for businesses operating in the agriculture, food and drink, and defence sectors, with more planned for the coming months.

25. Throughout the pandemic, DIT has continued to organise UK participation at world leading and strategically important sectoral international trade shows and business events and has since expanded its approach by using virtual event platform solutions to access these. These events provide an important and unique opportunity to engage potential UK exporters and international buyers and investors at key moments.

26. As we come through the pandemic, the Government's goal is to continue to ensure that we support UK companies with ambitions to export, whether that is first-time exporters or current exporters looking to expand further into new markets. This includes ensuring that businesses are aware of key DIT products and services where it is relevant for them and continuing to promote exporting as a growth opportunity for SMEs.

27. We also want to ensure our activity is aligned to wider Government communication to businesses, so they can better understand the support from the Government to help them both domestically and internationally.

28. We will continue to balance the promotion of our self-service digital offer through great.gov.uk and businesses being able to find information and online trade services that are beneficial for them and ensuring where appropriate businesses can access our wider support network.

29. **Recommendation 5 (pg. 25 para. 52)**—*We welcome the Secretary of State’s commitment to increase the limit on the number of grants that firms can access under the Tradeshow Access Programme. Business is in need of support now, and we ask that an announcement be made on this as soon as possible, so that firms can have clarity on their eligibility for the scheme. The Government must also ensure grants are available for businesses to participate in virtual trade shows and seminars. These steps should be taken without awaiting the outcome of the TAP evaluation, which is not due to conclude until 2021. We recommend that this evaluation consider the long-standing issues with the programme, including the limit on grants and the level of funding available.*

Government response:

30. The Secretary of State for International Trade understands the importance of business trade support as set out by the Committee. The details of that support are part of ongoing discussions and the Government hopes to be in a position to make an announcement shortly.”

31. Any changes will need to remain consistent with the intended purpose of the Tradeshow Access Program—its aim is to support Small to Medium Enterprises (SMEs) to increase their knowledge of how to use international tradeshows to best effect. The Trade Access Programme (TAP) cannot act as a subsidy that is contingent on export performance—this is prohibited under the WTO Agreement on Subsidies and Countervailing Measures (ASCM). The Tradeshow Access Programme, as currently structured, is compliant with ASCM.

Digital trade

32. **Recommendation 6 (pg. 25 para. 54)**—*The pandemic has accelerated the shift to online based trade. This presents huge opportunities and businesses must be supported to avail themselves of these. In its forthcoming Export Strategy, we recommend DIT set out how it is adapting its support and advice for UK exporters in response to this; and what specific steps it will be taking to help exporters maximise the opportunities of digital trade.*

Government response:

33. DIT is committed to delivering world-class support to the UK’s digital and tech firms. We are working to ensure we capitalise on the opportunities brought through recent innovations in the online marketplace, and in turn ensure our future as a global tech powerhouse. Reflecting these ambitions, the new export strategy will have tech and digital trade as one of its key focuses, outlining the continued support we are providing to tech firms through and beyond the COVID-19 crisis.

34. Among the key measures in place to support the UK tech industry are an E-Exporting Programme and a digital Selling Online Overseas tool. Through these services, businesses receive one-to-one support from E-commerce advisers who assist them in developing

their cross-border e-commerce plans and strategies, as well as access to special deals and opportunities with our partner global marketplaces. DIT quickly adapted to the dramatic increase in the number of companies seeking advice on how to formulate or expand their e-commerce strategies as a result of the pandemic, working to increase our one-to-one support and helping companies reduce excess inventory and stock (common due to cancelled orders and lower sales) by finding and negotiating with new marketplaces that specialise in ‘flash’ sales. We have sought to extend the programme’s outreach during the crisis by promoting it on external webinars and are providing an ongoing series of specialised COVID-19 tutorials that promote e-commerce as an alternative way for companies to increase their revenue.

35. Alongside this, we recently announced a joint DIT-DCMS package of measures designed to support the practical and immediate needs of firms of all sizes from across the digital and tech industries, with a particular emphasis on export support. Developed in consultation with businesses and with their support, the package aims to help UK firms maximise on the shift towards digital trade, while also promoting the strength of the UK digital sector overseas. The export strategy will build on the announced measures, which notably includes a new £8m Digital Trade Network in the Asia Pacific region that will help UK firms to access these key markets by increasing our digital tech expertise on the ground. In collaboration with Tech Nation, the network will also see UK fintech, AI and cyber firms participate in an international mission to Asia Pacific. Among other key interventions in the package are a Tech Exporting Academy run by leading professional service firms, and a network of 25 new specialised export champions based in the English regions.

36. These interventions are only the start of government’s work to promote and enhance this sector and digital trade. We will continue to work to ensure the UK remains at the forefront of digital trade, adapting to the longer-term structural changes brought by COVID-19, through and beyond the publication of the export strategy.

HM Trade Commissioners

37. **Recommendation 7 (pg. 26 para. 57)—***We believe it is important that DIT seek a cross-UK government response to the pandemic and also engage with devolved, regional and local government to ensure businesses trading internationally are adequately supported as they seek to recover from the pandemic’s effects. In light of the recently announced changes to the Machinery of Government, we recommend that the Government clarify the role of HM Trade Commissioners in the new Foreign, Commonwealth and Development Office; and set out how their work will align with that of DIT staff in overseas posts, the administration of the GREAT campaign and the forthcoming revised Export Strategy. We would also welcome clarification of whether the work of HMTCs will now be examined and included as part of the Integrated Review of Security, Defence, Development and Foreign Policy.*

Government response:

38. The inclusion of HMTCs in the Committee’s report highlights their importance to the UK’s trading operations overseas and to building back our economy in a post-COVID world. The UK must grow our trade if we are to respond effectively to the unprecedented economic challenge posed by COVID-19. Trade brings security at home and opportunities

abroad—opening new markets for business, bringing investment, better jobs, higher wages and lower prices. COVID-19 has shown us the importance of keeping trade flowing and building resilient supply chains and the DIT overseas network is at the heart of this cross-government effort. To secure our future prosperity we must now adapt, and grow our trade across the world, diversifying supply chains to reduce risk and increase resilience. Our HMTc network, fusing the best of government engagement with a deep knowledge of business and trade are an integral part of DIT’s ability to deliver prosperity to every part of the UK.

39. Following the Prime Minister’s Global Britain statement, DIT has worked with the Foreign and Commonwealth Office (FCO) to standardise HMTc line managed by Heads of Mission with a DIT Director General as their countersigning officer. This was already the case in a number of regions, and the changes have been made to support delivery of the Prime Minister’s ambition of closer alignment of international objectives across Government. However, the role of HMTc in leading DIT’s crucial trade agenda overseas and the DIT overseas network is unchanged; they remain an integral part of DIT’s global operations and continue to play a vital role in leading the work of DIT staff in overseas posts, working as part of the Mission.

40. All DIT staff overseas will work in close alignment with colleagues in the new Foreign, Commonwealth and Development Office (FCDO) to deliver a single Country Plan under the authority of the Head of Mission. We will ensure that there is a two-way process to connect the DIT Regional Trade Plans, for which HMTc are responsible to the Secretary of State for delivery, with the Country Plans. The Regional Trade Plans are a key part of DIT’s planning framework and interlock with UK based Sector Plans as well as with Trade Policy priorities. Regional planning for trade is also important because it tends to reflect how multinational corporates structure their global footprint. This allows us to interact with those organisations at global HQ and regional HQ levels to influence investment and buying decisions that will often span country borders and will usually involve gathering intelligence across the region. It also supports the UK business ‘customer’ experience for those exporting to new markets or pursuing new commercial deals.

41. The GREAT campaign, coordinated by DIT, is a strong example of cross-government collaboration in the interests of promoting international trade and investment, driving jobs, growth and soft power influence for the UK and supporting global prosperity. Our HMTc, alongside Heads of Mission, will continue to lead the GREAT campaign on the ground in their region.

42. DIT will continue to support the Integrated Review which will define the Government’s ambition for the UK’s role in the world and the long-term strategic aims for our national security and foreign policy and set a strong direction for recovery from COVID-19 at home and overseas. Working within a cross-Whitehall collaborative process of policy work on the Review, HMTc and other teams across the Department for International Trade have contributed to the Review to date and will continue to do so.

43. HMTc are an integral part of DIT’s international operations, working in tandem with Heads of Mission and other government departments to support Government’s domestic and overseas policy priorities and promote Global Britain coherently.

Chapter 5: International response

UK Government engagement with global forums

44. **Recommendation 8** (pg. 32 para. 67)—*We welcome the UK Government’s engagement with the international response to the pandemic in relation to trade issues. However, we are concerned at the lack of a coordinated plan of action from the wider international community early in the pandemic (in contrast to the situation when the financial crisis broke out in 2008). The Government must act at the international level to try and ensure that any trade disrupting measures put in place during the pandemic do not become permanent.*

Government response:

45. The Government recognised early on that the global pandemic required a coordinated international response to address the immediate health impact and to support the global economic recovery. The Government first raised the onset of the pandemic with G20 officials (including with the G20 presidency in 2020, Saudi Arabia) during the second week of February 2020, and led requests that the G20 Presidency hold an extraordinary meeting of the G20 Trade and Investment Ministers which then took place in March. G20 Trade Ministers went on to meet in a further extraordinary meeting in May, with G20 Officials holding an extraordinary G20 Trade and Investment Working Group Meeting ahead of this. To support these meetings the Secretary of State for Trade and UK officials were in regular contact with G20 Trade Ministers and officials in bilateral discussions to build the coordinated G20 response and agree actions.

46. Throughout these discussions, the UK demonstrated leadership in its commitment to multilateralism and supported the G20 presidency to facilitate agreement between international partners. Specifically, the Government sought and secured agreement from the G20 presidency to host virtual meetings in support of the pandemic response. The Government sought and secured agreement from the G20 that any emergency trade measures introduced by G20 members to tackle COVID-19, including export restrictions on vital medical supplies and equipment and other essential goods and services, if deemed necessary, are targeted, proportionate, transparent, temporary, reflect our interest in protecting the most vulnerable, do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules. The Government continues to engage G20 members to ensure any restrictive trade measure introduced during the pandemic response are rolled back in a timely manner, and will continue to raise the importance of this during the forthcoming G20 Trade Ministers Meeting in September to support the long-term economic recovery.

47. **Recommendation 9** (pg. 32 para. 68)—*During the pandemic, the World Trade Organization (WTO) has sought to encourage its members to retain open and predictable markets. Its Secretariat has been a useful source of data publications and information; however, there are constraints on what it can do as a member-led body. The Organization is further hampered by the poor functioning at present of its negotiating and dispute-settlement functions. We recommend that the Government seek to work with World Trade Organization partners and the WTO’s General Council on reform initiatives to revive its negotiating and dispute-settlement functions, to be taken forward once a new Director-General is in place. We recommend the Government advocate for these reforms as a pressing need and report to us at regular intervals on progress made.*

Government response:

48. The Government is more committed than ever to ensuring that, the WTO, is forward looking, modernised and reformed. The pressures of COVID-19 on the global trading system have only served to reemphasise the importance of a fully functioning WTO. The Government recognises the urgent need to address the challenges facing the system and is committed to working with the WTO Membership on these efforts.

49. One of the most pressing issues surrounds the dispute settlement system, particularly the current impasse over of the Appellate Body. The UK continues to engage constructively with WTO members to find a permanent resolution. A fully functioning multilateral trade dispute settlement system with an appeal function is crucial in providing certainty to the multilateral trading system and ensuring that we can enforce the rules we have negotiated. As the Government have stated in UK statements to the Dispute Settlement Body, we stand ready to play a full role in permanent reform discussions. Reinvigorating the WTO's rulemaking function is also a key priority. It is important that the system is fit to tackle some of the underlying causes of trade tensions such as industrial subsidies, state-owned enterprises and forced technology transfer. WTO rules should also be able to address 21st century trade issues on areas such as digital, services and the environment. The conclusion of long-standing negotiations (e.g. on fisheries subsidies) will be key to this. The UK also welcomes issues being discussed in more flexible ways, for example through smaller groupings of WTO members, as we have seen in the discussions of the Joint Statement Initiatives.

50. The Government will continue to keep the Committee updated on our progress with this important work. WTO reform continues to be discussed in a wide range of forums (both inside and outside the WTO) and the UK is keen to play an active role in this debate. We have already been involved in good discussions on these issues through this year's G20 for example. We will want to see progress on these matters ahead of the 12th WTO Ministerial Conference.

Agreement on trade in medical goods

51. **Recommendation 10 (pg. 34 para. 72)—*The emergence of several proposals for initiatives to support trade in medical goods—including plurilateral and multilateral agreements—is an encouraging development. We consider that there is a strong case for such initiatives. We recommend that the Government set out a clear policy position on each of the proposals as a matter of priority. We hope that the Government will use its influence to be a leading voice in seeking international support for such initiatives.***

Government response:

52. The Government agrees that the emergence of proposals in support of trade in medical goods has been an encouraging development. The UK has already played a significant role in this space: the G20 Trade Ministers, prompted by the UK, on 14 May 2020 made broad commitments to keep trade in medical supplies and essential goods and services flowing in light of the growing use of trade restrictions during the COVID-19 pandemic.

53. As outlined in the Committee’s report, the Secretary of State for Trade ‘would have preferred a more ambitious G20 statement...’ but found it was positive that a statement had been agreed. The UK will report on its progress in implementing the actions agreed to the G20 membership and will continue to monitor its progress in to 2021.

54. As the Committee notes there are several proposals for initiatives, both plurilateral and multilateral. The number of different initiatives aimed at tariff reduction or elimination and the removal of trade restrictive measures demonstrates the difficulty in defining proposals that will both keep trade open during pandemics and draw broad support from the international community.

55. As the Secretary of State outlined to the Committee, the Government is in favour of action at the multilateral level, ensuring open trade and continued free movement of medical goods through pandemics. The Government will continue to work closely with partners across the world to make progress and we would be happy to provide more detail at a point in future as our policy develops in this area.

Chapter 6: Ensuring future supply-chain resilience

Proposed “parallel supply chain” for medicines

56. **Recommendation 11 (pg. 39 para. 88)**—*We agree that the proposed creation of “parallel supply chains” for some medicines, which would involve building a degree of “surge capacity” into UK-based production, seems to have merit as a workable alternative to onshoring and we recommend that the Government conduct a rigorous evaluation of it as soon as possible. It should also, as a matter of urgency, look into the possibility of applying this approach across other essential-goods sectors.*

Government response:

57. The Government agrees that a critical part of an effective pandemic response is ensuring that the UK has access to surge capacity. This is essential if we are to prepare the UK for a future pandemic in which we would expect global demand of critical products to rise rapidly thereby outstripping global supply. The Government also agrees that for many critical supply chains that there may be an important interplay between the holding of stockpiles and creating surge capacity, and that a combination of both may be necessary.

58. The Government is committed to consider the case for policy initiatives that will help create surge capacity in times of increased global demand, including those recommended in the report. These initiatives are being actively considered in the round within the context of Project DEFEND. The Government will consider this approach for both medicines and Personal Protective Equipment.

Project DEFEND

59. **Recommendation 12 (pg. 40 para. 91)**—*We welcome the Secretary of State going on the record about Project Defend, making her seemingly the first, and so far only, member of the Government to do so. We note her comments that onshoring is not on the table and her reference to diversifying trade partners as a solution to supply-chain vulnerabilities. We welcome the fact that the Government is giving consideration to this issue and we would welcome further details on this. The Government must be as open*

as possible about how it is identifying issues of supply-chain resilience arising from the pandemic and what measures it is considering as possible solutions. It must set out clearly how it will balance national security with its ambition to be a global champion of free trade.

Government response:

60. The Secretary of State welcomes this acknowledgement from the Committee. The DEFEND programme, led by DIT, interrogates vulnerabilities in UK global supply chains for critical goods (excluding food) and develops strategies to strengthen supply chain resilience. The DEFEND strategic framework acts as a guide for Departments to select the actions they can take to strengthen resilience, taking a market-first approach which supports the UK's free trade stance.

61. The COVID-19 crisis has shown just how important it is to keep trade flowing and supply chains open. As a champion of free trade, we must do all we can to avoid protectionism and trade barriers and work closely with international partners to shape a stable world—acting to reduce the likelihood of risks affecting the UK or our interests overseas, and supporting the global economic recovery. We must balance an open trade approach with robust safeguards and minimise threats through our support of the World Trade Organisation and improved market insight.

Chapter 7: Foreign Direct Investment

Promoting and facilitating investment

62. **Recommendation 13 (pg. 42 para. 99)**—*As part of its role in promoting and facilitating inward Foreign Direct Investment, DIT has a responsibility to provide investors with advice, support and assistance to help them deal with the current unprecedented circumstances. DIT should build on its hard work in this area and do more to communicate proactively to investors what help and information is available to them. It must tell us what the uptake has been for such services during the pandemic, and what it has done to ensure that it is reaching as many investors as possible.*

Government response:

63. DIT has undertaken significant engagement with inward investors to ensure that the latest information and support on COVID-19 is available to them. Through our network of UK and overseas-based staff, thousands of interactions with foreign owned companies have been recorded between March and July 2020. DIT has significantly increased interactions with foreign owned companies in this period, allowing the Department to understand the impact the pandemic had (and continues to have) on businesses, identify issues DIT could help resolve, and explain the latest HMG support and guidance.

64. This engagement has been delivered through targeted 1–1 engagement by DIT Account Managers and Ministers, roundtables and webinars. In May and June, over 200 investors tuned in live to the Department's COVID-19 support for investors webinars, which focussed on workforce support measures, business support measures, tax support and loan schemes available to SMEs and larger businesses. Minister Grimstone led a webinar in July specifically targeting recent investors to the UK which attracted 122 businesses. In addition to these engagements, Minister Grimstone and the Director of

Investment, Michael Charlton, partnered with several Chambers of Commerce to deliver market specific webinars to key investors. For example, webinars were held for investors from Japan, Spain, Germany, the US, Canada, the Nordics and Australia, whilst investor roundtables have been held with China, France, and Switzerland. Both the Minister and the Director of Investment have supplemented these larger engagements with dozens of one-to-one meetings with individual investors.

65. DIT's Global Entrepreneurship Programme hosted seven roundtables with close to 50 investors and launched an ambitious programme of webinars targeting sectors such as Biotech and Healthcare to provide support for businesses looking to scale up and bring their global HQ to the UK.

66. Across the sectors, our Ministers and senior officials worked closely with investors in the retail and creative industries as well as the Food and Drink Federation to understand the impact on their investment in the UK and support recovery as restrictions eased. Webinars and Ministerial roundtables were successfully held for global investors in the Tech and Gaming sector to continue to showcase investment opportunities including the £200 million Sustainable Innovation Fund aimed at helping businesses across the UK drive forward cutting-edge new tech and recover from the impacts of COVID-19.

67. There was also a significant increase in engagement with investors across the UK regions throughout March to July, creating a platform for companies to feedback on the impact of COVID-19 on their business. CEOs and Chairs of our key investment partners across the UK regions attended the UK FDI forum, the UK Regions Investment Town Hall and the Birmingham and West Midlands Virtual Round Table which provided the latest analysis on sector resilience and plans to support investors across UK as we develop our Investment Strategy to ensure the investor is at the heart of our approach.

68. A range of market targeted events have also been successfully delivered by DIT overseas including to investors across India, Turkey and Hong Kong to continue to provide networking opportunities, guidance and support for businesses. DIT will continue to engage proactively with international investors to showcase UK investment opportunities and provide support on the latest COVID-19 guidance with a strong focus on supporting businesses to help drive the UK's economic recovery.

69. **Recommendation 14 (pg. 42–43 para. 100)**—*We welcome the fact that the Government is reforming its Investment Strategy and the Secretary of State's indication that we will be consulted over this. The new Investment Strategy should be published in a similar format to that of the Export Strategy, as recommended by our predecessor Committee. The Government must set out how the Investment Strategy will dovetail with the updated Export Policy, as well as the Industrial Strategy and the Government's regional policy—and say how the roles of HM Trade Commissioners, DIT staff in overseas posts and the GREAT campaign will be aligned with it. The Government must also give detailed information on how its plans for an “economic campus” in the north of England, mentioned to us by the Secretary of State, will relate to its Investment Strategy.*

Government response:

70. DIT is taking steps to improve the Government's offer to international investors and support them through the challenges COVID-19 presents. This work will strengthen the

role of investors in policymaking and reflect the shift in recent years in the nature of investment from greenfield to non-greenfield investment. DIT officials are working across the Department, including with HMTCs, and across government to support this.

71. Although the intention is that elements of this work will most likely be made public, the fierce competition between different countries for global investment, means that not all information on policy and operational changes will be released into the public domain, in the same way as the Export Strategy. As part of its development we will continue to consider the most impactful format for communicating our strategy to investors and other stakeholders.

72. Supporting the Government’s levelling-up agenda is a key focus of our investment work. As plans for a new economic campus in the North of England develop, we will work with HMT and other departments to ensure the DIT staff within that Hub are equipped to continue DIT’s work in supporting investment across the North of England.

International Investment Agreements

73. Recommendation 15 (pg. 44 para. 106)—*The Government should set out its policy on updating existing UK Bilateral Investment Treaties, and on the terms of future International Investment Agreements, in light of the challenges and issues that the pandemic has highlighted. We welcome the Secretary of State’s commitment to scrutinise closely investment chapters in future Free Trade Agreements with a view to preserving the Government’s right to regulate. More detail should be provided on what provisions regarding the right to regulate the Government would regard as unacceptable in an investment agreement.*

Government response:

74. The Government recognises the importance of strengthening international investment in response to COVID-19 and the continuing important role played by investment protection and investor-state dispute settlement (ISDS) provisions in safeguarding British investors overseas.

75. The UK has over 90 Bilateral Investment Treaties (BITs) with investment protection provisions, backed by an ISDS mechanism. These are designed to ensure investors are protected from discrimination, unfair treatment and from having their assets expropriated without compensation at fair market value and offer them an independent means of legal redress in the event of a breach.

76. The Government is clear that the UK and our treaty partners retain the right to regulate in the public interest, which is recognised under international law, including for public health purposes. In future negotiations, the UK will seek an appropriate balance of obligations between states, investors and the interests of wider society, and will ensure that our agreements are in line with modern treaty practice. There has never been a successful ISDS claim against the UK, nor has the threat of potential claims affected the UK’s legislative programme.

77. As the Government made clear in the G20 Trade and Investment Ministers statement on 30 March 2020, we are committed to monitoring and assessing the impact of the COVID-19 pandemic on trade and investment. We must seek to mitigate its impacts on

international trade and investment, and the Government will continue to work to deliver a free, fair, non-discriminatory, transparent, predictable, and stable trade and investment environment.

Investment screening

78. Recommendation 16 (pg. 46 para. 111)—*As the Secretary of State has acknowledged, investment screening entails balancing national security against the need for inward investment. The Government must set out clearly the basis on which it will strike that balance, as recommended by our predecessor Committee. It must ensure that all relevant interests will be taken into account in its planned investment screening regime—and it must clarify what role, if any, is envisaged for DIT in that regime, as also recommended by our predecessor.*

Government response:

79. DIT supports a measured, cross-government approach to scrutinising FDI. While Business, Energy and Industrial Strategy (BEIS) will be the department to exercise the powers associated with the National Security and Investment (NSI) Bill, DIT will participate in every step of the decision-making process around whether and how to intervene in transactions, as occurs under the current regime. From our relationships with foreign investors, to our business networks across the UK and overseas, DIT plays a central role in helping the Government to strike a balance between prosperity and security considerations. The Department takes a risk-based approach to promoting trade and investment, particularly within sensitive sectors. As set out in DIT's Single Departmental Plan the department is committed to ensuring that all activity is compliant and aligned to national security priorities.