



International Trade Committee

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Rt Hon Kemi Badenoch MP
Secretary of State for International Trade
Department for International Trade
Old Admiralty Building
Whitehall
London
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31 October 2022

Dear Kemi,

I am writing to you in relation to my Committee's trade and foreign policy inquiry. We launched this inquiry to examine the relationship between trade and foreign policy, including the extent to which Government should further its strategic objectives through trade agreements and on which areas (if any) it should focus.

Due to the recent demands on the Committee's time for the scrutiny of free trade agreements (FTAs), we have not conducted this inquiry in our usual way. Instead, we have collected and considered the written evidence we have gratefully received from your department and various stakeholders, and I am writing to present our findings and questions.

I would appreciate a full reply to this letter by 12 December, as your responses will closely inform our understanding and scrutiny of future FTAs as well as other possible inquiries.

In accordance with our usual practice, this letter, along with any replies, will be published on the Committee's webpage.

Kind regards,

A handwritten signature in black ink that reads "Angus B MacNeil".

Angus Brendan MacNeil
Chair of the International Trade Committee

Trade strategy

We have previously called on the Government to produce a single coherent trade strategy document, most recently in our report on parliamentary scrutiny of FTAs.¹ As you are currently considering that report and your response, we won't reiterate that call here, but note that this is the single most important requirement of Government and your department.

However, much of the evidence we received stressed the importance of a coherent trade policy, including its consideration of key foreign-policy issues such as the Government's approach to human rights and the UK's geopolitical relationships.² Protection Approaches stated that "British trade policy currently lacks clarity, strategy and coherence", which it said has been exposed by the ongoing crisis in Ukraine and the Government's attempt to use trade and sanctions to influence the course of that conflict.³

Values-driven approach

We have received a range of views on the extent to which trade policy—whether through formal agreements or bilateral and multilateral engagement—should be used to promote the values that underpin the UK's foreign policy, such as democracy and equality.

The Confederation of British Industry (CBI) argued for 'pragmatism', noting the importance of maintaining commercial relations with countries that have divergent values.⁴ The Institute of Economic Affairs (IEA) went further, saying that "the inclusion of non-trade policy areas acts against the democracy and prosperity enhancing effects of FTAs", and that including values-driven provisions might undermine opportunities for greater economic exchange, impose high regulatory burdens on less developed countries, and in turn have adverse effects on democracy.⁵

By contrast, Friends of the Earth took the view that, whilst trade agreements should not be a primary means for delivering human rights goals, pursuit of these aims should still inform the process of determining trade partners, the remit of negotiations, and the core elements of the final agreement.⁶

Open Doors UK and Ireland argued strongly for including, monitoring and enforcing human-rights clauses in trade agreements. It further observed that, at the very least, heightened engagement with countries during trade negotiations offers an opportunity to raise human rights concerns and seek progress as a sign of goodwill.⁷

We also note inconsistency in recent FTAs negotiated by the Government. For example, the UK-Japan FTA explicitly addresses the protection of human rights and reaffirms the

¹ International Trade Committee, Fourth Report of Session 2022-23, [UK trade negotiations: Parliamentary scrutiny of free trade agreements](#), HC 815, paras 12-15

² World Vision UK ([TFP0005](#)); Confederation of British Industry ([TFP0008](#)); Friends of the Earth ([TFP0009](#)); Open Doors UK and Ireland ([TFP0012](#))

³ Protection Approaches ([TFP0018](#)) paras 3.1, 3.2

⁴ Confederation of British Industry ([TFP0008](#)) para 32

⁵ Institute of Economic Affairs ([TFP0006](#)) paras 18-19

⁶ Friends of the Earth ([TFP0009](#)) para 26

⁷ Open Doors UK and Ireland ([TFP0012](#)) paras V, VI

Parties' commitment to the United Nations Charter and the Universal Declaration of Human Rights, while the more recent UK-Australia FTA does not contain such provisions.

We have recently raised the issue of 'non-trade' issues such as human rights being included in FTAs and how they will be addressed if not.⁸ In addition to this, we request:

1. *An overview of DIT's approach to engagement with non-traditional partners, particularly those that may not share the UK's regard for maintaining global standards and democratic values, with regard to trade negotiations.*
2. *Further information on how DIT monitors, evaluates progress against and enforces FTA provisions that are intended to promote UK values and standards, for example on Intellectual Property protection, labour standards, and human rights.*
3. *What specific tools and criteria does DIT use to evaluate the human rights records of countries that it seeks to negotiate an FTA with?*

FTAs as a foreign policy tool

A key question is the extent to which FTAs should be purely economic in nature or whether they might be used to pursue foreign-policy goals. This would have implications for: the objectives set for individual FTAs; the order in which FTAs are pursued with partners; and the trade-offs the Government is willing to make in pursuing an FTA.

The evidence we have received identifies advantages and disadvantages to using FTAs to advance foreign-policy priorities.

The UK Trade Policy Observatory (UKTPO) stated that the UK should utilise its trade policy (including tools such as FTAs) as a vehicle through which to bolster the international laws, rules and norms that affect our daily lives, and the institutions that uphold them (the 'rules-based international order').⁹ The CBI likewise observed that trade and foreign policy are impossible to disentangle; however, it noted that there should be an appropriate balance between geopolitics and geo-economics.¹⁰

In contrast, the IEA stated that FTAs should only be used to pursue free trade and that there can be resistance to "free trade and free trade agreements if they become viewed as vehicles to advance particular political positions and interest groups".¹¹ Moreover, although progress in areas such as environmental protection are positively associated with trade, the IEA argued that this is not dependent on their inclusion in trade agreements.¹²

The Government's position on this issue is unclear. In April, your predecessor told us that "trade deals are not the tool for, if you like, the broader diplomatic agreement discussions".¹³ Yet the FTAs with Australia and New Zealand contain a number of non-

⁸ International Trade Committee, Fourth Report of Session 2022-23, [UK trade negotiations: Parliamentary scrutiny of free trade agreements](#), HC 815, paras 16-21

⁹ UK Trade Policy Observatory - University of Sussex ([TFP0002](#)) para 1

¹⁰ Confederation of British Industry ([TFP0008](#)) paras 28a, 28b

¹¹ Institute of Economic Affairs ([TFP0006](#)) para 22

¹² Institute of Economic Affairs ([TFP0006](#)) para 18

¹³ Oral evidence taken on 27 April 2022, HC (2021-22) 128, [Q248](#)

economic provisions, such as gender equality and development,¹⁴ and you recently highlighted the role of free trade in global economic security and in strengthening the 'rules-based international order'.¹⁵

We therefore ask:

4. *How will the Government weigh the balance of foreign-policy priorities against the potential benefits and disadvantages for UK businesses across trade negotiations?*
5. *To what extent does DIT have a role in promoting values such as democracy and environmental reform globally through trade partnerships and agreements with other countries, or is promoting these values solely the responsibility of the FCDO through diplomatic engagement?*

Multilateral fora

One of the most important mechanisms for trade is engagement through multilateral fora such as the World Trade Organization (WTO). In its written evidence, DIT highlighted the UK's continual efforts at the WTO to strengthen the multilateral trading system, which include: increasing transparency; addressing the longstanding issues in the WTO dispute settlement system to promote predictability; pushing for rulebook reform; and ensuring Special and Differential Treatment is offered in a balanced and targeted way.¹⁶

However, UKTPO told us that the UK is perceived as too ready to "see itself as a leader" rather than focusing on the cooperation involved in the multilateral process, particularly at the WTO.¹⁷ It added that the UK should recognise that being a strong and reliable member of the multilateral community is worth more than claiming to lead it.¹⁸

We also received more specific calls on the Government to more actively advocate for the pharmaceuticals industry and SMEs, and their interests, at the multilateral level.¹⁹

Consequently, we ask:

6. *What are your personal ambitions for WTO reform during the remainder of this Parliament?*
7. *What are the key aims of the UK delegation at the WTO, and where does WTO reform rank among these?*
8. *What level of financial and personnel resources has DIT assigned to its work at the WTO during the current Spending Review period?*

¹⁴ [Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia](#), December 2021; [Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and New Zealand](#), February 2022

¹⁵ Department for International Trade, [Trade Secretary speech at the Atlantic Future Forum in New York](#), 28 September 2022

¹⁶ Department for International Trade ([TFP0017](#)) para 6

¹⁷ UK Trade Policy Observatory - University of Sussex ([TFP0002](#)) para II

¹⁸ UK Trade Policy Observatory - University of Sussex ([TFP0002](#)) para 25

¹⁹ AstraZeneca ([TFP0004](#)) para 4, Federation of Small Businesses ([TFP0007](#))

Cross-departmental oversight and delivery

Evidence raised concerns that DIT and FCDO are missing valuable opportunities for inter-departmental collaboration. For example, the FCDO's extensive diplomatic network could be better leveraged in trade relationships, especially for businesses operating in developing and frontier markets.²⁰ Although DIT has presence in more than 100 countries,²¹ an integrated relationship between the FCDO and DIT overseas has a vital role to play in maximising British trade prospects globally. We were told this is particularly the case in developing markets and challenging environments, and in reducing the informal barriers to trade that are not addressed through formal trade agreements.²²

While the need for a whole-of-government approach to such issues was strongly emphasised,²³ we received evidence identifying a risk that government strategies across trade, defence, diplomacy and development are undermining each other due to a lack of coordination.²⁴

DIT has overall responsibility for the delivery of FTAs, but its written evidence noted the role of the Global Britain (Strategy) Cabinet Committee under the previous Prime Minister in coordinating this inter-departmental relationship and ensuring coherence in trade policy and delivery.²⁵ We note that trade policy is now instead the remit of the Foreign Policy and Security Council. However, beyond the members and terms of reference,²⁶ there is little further detail about this Cabinet Committee in the public domain, so we ask:

9. *How many times did the Global Britain (Strategy) Committee meet in the last calendar year?*
10. *Will the Foreign Policy and Security Council discuss each prospective UK FTA before it is signed and, if so, at which stage of the negotiations process?*
11. *How will the Council assess the alignment of FTAs with the Government's wider goals, including those set out in the 2021 Integrated Review?*

Further, we ask:

12. *How does DIT ensure that all cross-departmental engagement and interactions for the purpose of an FTA agreement with a partner country are consistent?*

Improved dialogue with the private sector and other stakeholders

A prominent theme in the evidence we received is the persistent perception among industry stakeholders that the Government provides them with inadequate support in trading overseas. Your predecessor explicitly recognised this when she told us that “the

²⁰ Institute of Economic Affairs ([TFP0006](#)) paras 10-12; AstraZeneca ([TFP0004](#)) para 8

²¹ Department for International Trade, [Annual Report and Accounts 2021-22](#), July 2022, p 184

²² Institute of Economic Affairs ([TFP0006](#)) para 12

²³ Confederation of British Industry ([TFP0008](#)) para a, Competere Ltd ([TFP0014](#)) para 19

²⁴ World Vision UK ([TFP0005](#)) para 3, Competere Ltd ([TFP0014](#)) para 19

²⁵ Department for International Trade ([TFP0017](#)) paras 47 and 48

²⁶ “To consider matters relating to the United Kingdom's trade priorities, including Free Trade Agreements, the multilateral trade system, and interlinkages with the domestic economy” (Cabinet Office, [List of Cabinet Committees and their membership](#)’, accessed 7 October 2022

Government are prone to being behind business at the best of times; I want to do my best to keep up and help them have the tools they need to maximise export opportunities.”²⁷

The CBI has requested strategic clarity from the Government on trade and foreign policy, particularly defining and ‘owning’ the rules of engagement. It also called for more effective support from Government through the creation of a standing forum in which the FCDO can brief UK-based companies on a confidential basis about security crises and subsequent Government action that may affect trading opportunities and relationships, to effectively utilise the wealth of knowledge on both sides and help UK-based companies navigate complex regions and crises.²⁸

techUK has also called for greater opportunities for industry, civil society and NGO stakeholders to feed into the Government’s strategy.²⁹ DIT has established the Strategic Trade Advisory Group to “advise HM Government on trade policy before, and during, the future free trade negotiation cycle, helping to inform our trade policy through high level strategic discussion.”³⁰ We welcome this development, though it is not clear from the information available whether the group will meet the needs of stakeholders.

In closing, we ask:

13. *Will the Government establish a ‘trade intelligence’ forum to enable the sharing of intelligence about security crises and regions that are relevant to UK trade and businesses? If so, how soon will it do so and how will it operate?*

²⁷ Oral evidence taken on 27 April 2022, HC (2021-22) 128, [Q256](#)

²⁸ Confederation Of British Industry ([TFP0008](#)) paras 25, 26, 28c

²⁹ techUK ([TFP0013](#)) para 11

³⁰ Department for International Trade, ‘[Call for applications for membership of the Strategic Trade Advisory Group](#)’, accessed 7 September 2022