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Committee of Public Accounts

Progress with trade negotiations

Forty-Fifth Report of Session 2021–22

Report, together with formal minutes relating to the report

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The Committee of Public Accounts

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Summary

The Department for International Trade (the Department) has a target for 80% of UK trade to be covered by free trade agreements by the end of 2022. It has a challenging programme ahead which includes concluding ongoing trade negotiations, launching negotiations with new partners, joining a complex trade bloc, implementing signed deals and reviewing existing agreements. However, there is a lack of clarity about how the Department will measure whether it is achieving benefits from its programme of trade negotiations so that Parliament can hold it to account for its progress. The Department currently publishes the impact assessments it makes prior to trade agreements being implemented, but the Department has not set any associated targets. There is no guarantee that the agreements will deliver actual economic benefits unless the Department provides vital support to help businesses use the agreements, particularly for smaller businesses wanting to export worldwide.

The Department needs to ensure that its approach to trade has coherence and that there is sufficient clarity about how government is making trade-offs across different policy areas, such as agriculture, the environment and human rights. For example, UK farmers are concerned about facing competition from imported products including beef and lamb, and the environmental impact of increased trade with countries at a distance from the UK remains uncertain.

Despite additional commitments from the Department, Parliament is still not getting sufficiently timely access to the privileged information it needs to perform its important scrutiny role. For example, Parliament does not see the government's negotiating objectives so does not know what a trade deal has achieved against those objectives. The Department needs to provide clearer and more complete information to Parliament and the public to improve transparency, communications and understanding of trade agreements and their practical real-world impact.

Introduction

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).

¹ C&AG's Report, *Progress with trade negotiations*, Session 2021–22, HC 862, 8 December 2021

Conclusions and recommendations

1. **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.** As of January 2022, 64% of UK trade was covered by FTAs including the UK's Trade and Cooperation agreement with the EU which represents 47% of UK trade. As well as concluding an agreement in principle with New Zealand, the Department's programme for the coming year includes negotiations on existing agreements with Canada and Mexico, on a new agreement with India, and to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Achieving the 80% target will be challenging as joining the CPTPP and a deal with India will only contribute 0.4% and 1.5% respectively to the target. Prioritising and sequencing the programme of negotiations is important but the Department is not in full control of its negotiating timetable – a key deal with the US, representing 16.8% of UK trade, is on hold because the US decided to pause negotiations. In the meantime, the government is seeking to promote trade with the US through other means, such as by improving market access through US state to UK trade relationships. It has also negotiated to end US bans on UK beef and lamb. Defra estimates that lifting the lamb ban could generate more than £30 million of economic benefits over five years. In addition to its programme of trade negotiations, the Department's workload includes implementing signed agreements and meeting commitments to review transitioned EU agreements.

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

- i) *progress against the overall target and an updated plan for the future programme;*
 - ii) *progress in securing state level market access agreements and the potential value of these; and*
 - iii) *impact on the agriculture sector and the UK economy versus forecast from the ending of the US ban on UK beef and lamb imports.*
2. **The Department has not set out how it will measure the benefits and outcomes of its programme of trade negotiations.** The Department has published impact assessments, including projected economic benefits for each of the new FTAs it is pursuing, and has set out metrics that aim to demonstrate its progress in securing trade agreements in its Outcome Delivery Plan (ODP). However, the ODP measures projected, rather than secured, benefits and outcomes of each concluded trade agreement, and the Department has not set any associated targets. The Department acknowledges that these are forecasts and also that they do not cover potential wider benefits of trade deals such as productivity or geo-political impacts. It has committed to publishing regular monitoring reports for the new trade agreements with Japan and Australia and conducting comprehensive evaluations within five years to assess what has actually been achieved. However, we are concerned that without outcome-based targets, Parliament will not have the information it needs to hold the Department accountable. When considering this, the Department may

wish to emulate the six-monthly reporting exercise now being undertaken by the Department for Transport in relation to High Speed 2 following recommendations from this Committee.

Recommendation: *The Department should develop a set of clear and measurable outcome-based metrics with targets for its programme of trade negotiations. It should commit to regular reporting of progress to Parliament, including actual benefits and value achieved versus initial forecasts.*

3. **The Department is not doing enough to help businesses, particularly SMEs, to take advantage of opportunities offered by new trade agreements.** Businesses need to understand and take advantage of the opportunities arising from trade agreements if agreements are to deliver their predicted benefits. However, UK businesses' use of existing agreements may be relatively low. For example, less than a third of surveyed UK businesses knew whether the goods they most frequently exported were eligible for reduced customs duties. We raised concerns in 2020 that the Department was not doing enough to support small and innovative businesses to export. The Department's November 2021 export support strategy sets out a new approach, aiming to bring its export support services together in one place. To promote the new agreement with Japan, the Department conducted a virtual trade mission with around 250 businesses, but it could not tell us if this event had led to new export opportunities.

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:*

- i) *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;*
 - ii) *consider how it can reduce burden and costs for SMEs; and*
 - iii) *set out initial progress with its new export strategy.*
4. **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.** The FTA with Australia signed in December 2021 removed tariffs and quotas on many agricultural products imported from Australia. There are four safeguards to protect the agriculture sector, including a 15-year safeguard to protect UK beef and lamb from a rapid rise in Australian imports following implementation of the deal. The Department says that the safeguard is adequate given the length of the transition period and because the increase in imports is expected to be small relative to the size of the UK market. However, the National Farmers Union remains pessimistic about the impact of competition from Australia on farmers who may lose out in exchange for gains in other areas of the economy. Defra expects imports from Australia to largely displace existing imports, for example from the EU, and says that it is doing a lot to help the agriculture sector export, such as setting up a food and drink export council. The Department and also Defra tell us that they have modelled the environmental impact of the deal with Australia, and do not expect there to be

changes in greenhouse gas emissions of UK production, or that transporting goods from Australia will have a big impact on carbon emissions when compared to other parts of the production process. However, the departments acknowledge that more needs to be known about carbon emissions and the interaction between transport and trade.

Recommendation: *Defra should work with the Department for International Trade to monitor the impact of free trade agreements in its policy areas. In particular, it should:*

- i) *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;*
- ii) *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; and*
- iii) *consider what lessons can be learned for the approach to the upcoming FTA with New Zealand and other countries in due course.*

5. **Parliament and the public are not being provided with clear and transparent information to understand the impact of trade agreements.** Business associations and consumer groups are concerned that it is unclear how trade policy aligns with other policy objectives, and how any trade-offs required may impact on the groups they represent. The consumer group Which? has found that consumers have limited awareness of the status and implications of trade negotiations. Although the Department says it has found that the public is highly supportive of its trade agenda, we are not convinced that the public has significant knowledge and interest in trade agreements. The Department does recognise that it faces a challenge in how it communicates important information to Parliament and the public on what it is doing on trade agreements and why. In addition, the Department could not explain why, in its impact assessments of the agreement with Australia, the projected value of UK exports to Australia increased by more than 600% between June 2020 and December 2021 (from £900 million to £6.2 billion). It thought that the rise was probably driven by a change in the methodology it uses to forecast economic benefits, but could not be more specific.

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:*

- i) *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*
- ii) *set out clearly the factors and underlying assumptions driving any changes in the forecast benefits.*

6. **The Department has not done enough to support effective Parliamentary scrutiny of trade agreements.** Despite the Department making additional commitments beyond the statutory framework, the International Trade Committee has not been provided with information from the Department in sufficient time to enable it to perform its scrutiny function effectively. For example, although the Department shared the final agreement with Australia three months ahead of the statutory process for Parliamentary scrutiny, this still makes it difficult for that Committee to consider and produce a report for Parliament in time for it to have an impact. It would also be easier for Parliament to scrutinise trade agreements if it had sight of the negotiating objectives at the outset. There is a precedent in Parliament where government has provided privileged information to the Committee and to other select committees. The House of Lords International Agreements Committee has also called for Parliament to have a stronger formal role earlier in the process and for provision of the agreement text prior to signature.

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.*

1 The trade negotiations programme

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for International Trade (the Department), the Cabinet Office and the Department for Environment, Food & Rural Affairs (Defra).² We were also joined for this evidence session by Mark Garnier MP and Anthony Mangnall MP from the International Trade Committee.

2. International trade is a key driver of growth and prosperity. It can lead to better, higher-paying jobs, lower prices, increased productivity and greater sharing of knowledge and innovation. In 2020, total UK trade was £1,197.7 billion. UK exports were worth £601 billion and UK imports were worth £596.7 billion.³

3. 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 securing the roll-over of 33 out of 39 existing EU trade agreements with non-EU trading partners by 31 December 2020 and negotiating new free trade agreements (FTAs). FTAs are intended to offer a range of benefits to the UK economy, businesses, consumers and wider society by opening markets to UK exports, supporting UK supply chains, increasing consumer choice and increasing the UK's global influence.⁴

4. The Department has overall responsibility for convening trade negotiations, while other departments provide expertise, lead aspects of the negotiations in their policy areas and provide diplomatic support overseas. For example, Defra leads on aspects of the negotiations covering agri-food, sanitary and phytosanitary and animal welfare. The Department for International Trade 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.⁵

Progress on the Department's trade negotiations programme

5. In 2020, the Department launched negotiations with the US, Australia and New Zealand, and in 2021 it began negotiations to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, a trade agreement between 11 countries around the Pacific Rim).⁶ The UK signed its first new FTA with Australia on 17 December 2021, and the other negotiations are ongoing.⁷ The Department has recently launched negotiations with India, and in 2022 it plans to improve existing agreements with Canada and Mexico.⁸ It has also announced plans for negotiations with the Gulf Cooperation Council.⁹

6. The Department told us that it thinks carefully about the prioritisation and sequencing of negotiations to ensure that its teams have the required capacity but also

2 C&AG's Report, *Progress with trade negotiations*, Session 2021–22, HC 862, 8 December 2021

3 C&AG's Report, para 1

4 C&AG's Report, para 2

5 C&AG's Report, para 3, footnote 13

6 Q 33; C&AG's Report, para 12

7 Q 11; C&AG's Report, para 3.1

8 Qq 15, 33, 43

9 Q 43; C&AG's report Figure 12

to ensure that sufficient capacity exists in the other departments that contribute to the negotiations.¹⁰ In addition it considers sequencing in terms of the decisions and tactics it deploys at certain points in the negotiations.¹¹ For example, the Department considered negotiations with Japan, Australia and New Zealand as strategically important in advance of negotiations to join the CPTPP as they are existing members and good allies.¹² The Department told us that, although it had started to negotiate with the US, concluding five rounds of negotiations, the current administration is reviewing all of its negotiations and is currently not negotiating with anyone.¹³

7. In addition to the programme of negotiations, the Department also needs to implement and review existing agreements.¹⁴ The Department told us that it has set up governance committees to provide an overview of how FTAs are being implemented in practice and to discuss issues arising. However, these implementation processes are at relatively early stages.¹⁵ We asked the Department about the work it may need to do to renegotiate the continuity agreements that the UK was originally party to as an EU member, where the EU may have made certain concessions without any benefit to the UK. The Department told us that the picture is mixed, and with some of these agreements, the UK made a clear commitment to come back to the overall deal to consider further opportunities. These include Canada and Mexico (where the Department has already run consultations), and South Korea, Turkey and Switzerland, but the Department said that it is not the case that every country wishes to re-negotiate existing agreements.¹⁶ However, we note the important point that the Department's workload is more than the headline negotiations.¹⁷

8. The Department aims to secure agreements with countries representing 80% of total UK trade by the end of 2022. This aim is stated in the Department's 2020–21 annual report and accounts and is a government manifesto commitment. The National Audit Office (NAO) report stated that 64% of total UK trade is covered by trade agreements, including agreements in principle, and the UK's Trade and Cooperation Agreement with the EU which represents 47% of UK trade.¹⁸

9. We noted that the Department is quite a long way from reaching the 80% target and asked the Department when it expects to meet it. The Department told us that it thinks it will reach the 80% target but that the timescale will be challenging.¹⁹ The NAO found that joining the CPTPP and a new agreement with India would represent 0.4% and 1.5% respectively.²⁰

10. A deal with the US would contribute 16.8% towards achieving the 80% target as the US is the UK's largest trading partner.²¹ However, negotiations with the US are not currently progressing. The Department told us that in the meantime it is concentrating

10 Q 31

11 Q 36

12 Q 41

13 Q 6

14 Q 9; C&AG's report 3.38 – 3.40

15 Q 9

16 Q 39

17 Q 40

18 Q 6; C&AG's report, paras 20, 4.2

19 Chair's opening remarks, Q 6

20 C&AG's report, para 4.6

21 Q 6; C&AG's report, para 4.6

on improving market access to the US.²² In particular, the Department said that the Government has negotiated to end the US ban on UK beef and lamb, and is also pursuing a state-by-state approach to allow the UK to trade more at a state level with large economies such as California. The Department added that this activity also keeps the onus on a free trade agreement with the US as a whole.²³

11. We asked the Department about the value of state-to-UK bilateral agreements, in terms of contributing to the 80% target. The Department could not tell us and thought this would be hard to calculate. The Department said that it had not set a target for increasing market access at a state level.²⁴ We also emphasised that the lifting of the ban on beef and lamb is only an achievement if it actually has an impact on British exports to the US. Defra told us that the ban on lamb was lifted at the end of 2021 so there have been no impacts yet. However, it estimates that, over five years, the lifting of the ban could be worth more than £30 million to the sector. Defra told us that it is working closely with the sector and the devolved administrations to ensure that the benefits are realised.²⁵

22 Q 6

23 Q 7

24 Qq 7–8

25 Qq 75, 76

2 Outcomes of trade agreements

Measuring the Department's progress

12. The Department set out four measures in its Outcome Delivery Plan (ODP) for 2021–22 to measure its progress on its programme of trade negotiations. One of these measures, described in the previous section, is the percentage of UK trade with partners with whom the UK has a trade agreement. The NAO found that the other three outcome measures in the Department's ODP are the projected, rather than secured, benefits and outcomes of each concluded trade agreement, and that the Department has not set any associated targets for these measures.²⁶ We noted that it is really important that it is clear to Parliament where things have gone well and where they have not. We asked the Department if it would work with the NAO to develop a set of metrics that can be used to report to Parliament on its progress with its programme of trade negotiations.²⁷ The Department agreed to this, stating that it had a good starting point with the existing measures in its ODP and other published material.²⁸

13. The Department has published an impact or scoping assessment for each new FTA it is pursuing to help businesses and the public understand the potential economic benefits of the agreement and to support Parliamentary scrutiny.²⁹ For example, the impact assessment for the UK-Australia free trade agreement (FTA) projects that the agreement will lead to an increase in UK GDP of £2.3 billion in fifteen years.³⁰ We questioned whether the Department was putting too many resources into trade negotiations given the relatively small impact the agreements are expected to have on the economy. In response, the Department told us that it expects any long-term increase to GDP to be a permanent, annual increase. It also said that it spends about £50 million to £70 million a year doing these trade negotiations, and that there are few government programmes that would deliver that rate of return.³¹ The Department also explained to us that its assessments do not cover all potential impacts and that they are just forecasts of the future. For example, they do not cover secondary impacts that agreements could have, such as changes in production as a result of innovation, or wider geopolitical impacts such as furthering the UK's environmental, human rights, animal welfare and wider agendas.³²

14. We asked what the Department was doing to measure the actual benefits of trade agreements. The Department told us that it is committed to monitoring and evaluating the impacts of agreements.³³ For example, it has committed to publishing monitoring reports for the Australia and Japan agreements two years after they enter into force and

26 C&AG's Report, para 4.2 and Figure 13

27 Q 81

28 Qq 34, 81

29 C&AG's report, para 4.2; Qq 16, 30, 73

30 Qq 4, 10

31 Q 4

32 Qq 27, 30

33 Q 30, 34, 54

evaluating the agreements within five years.³⁴ The Department said it recognises that it will be challenging to deliver the forecast impacts and ensure the agreements are being used by businesses.³⁵

Use by businesses

15. We asked the Department how it planned to support businesses, particularly small and medium-sized businesses (SMEs), to take advantage of the opportunities in trade agreements.³⁶ The Department's 2020 survey of UK registered businesses found that just 28% of surveyed businesses who exported to non-EU countries knew whether the goods they most frequently exported were eligible for reduced customs duties.³⁷ In our 2020 report on government support for exporters, we raised concerns that the Department was not doing enough to support small and innovative businesses to export.³⁸

16. The Department acknowledged that "agreements are only as good as the businesses that utilise them".³⁹ It told us that its new export strategy, published in November 2021, had been informed by our previous report on support for exporters, and that a particular focus of the new strategy was on supporting small businesses to export.⁴⁰ For example, it said as a result of our report it was working more closely with UK Export Finance which is focusing more on small and medium-sized enterprises (SMEs) in the work that it does.⁴¹ The Department's new export strategy includes a 12-point plan to encourage UK exports and it explained to us that the big change that it has made is the introduction of the Export Support Service. The Department said that this service aims to help small UK businesses to trade with the EU, though the Department intends to widen this to the rest of the world in the future. It told us that it had received positive feedback from businesses on its new strategy, including from organisations like the Federation of Small Businesses.⁴² We asked the Department why it had cut the Tradeshow Access Programme and funding for the British Chamber of Commerce overseas, if it wanted businesses to export more. The Department wrote to us after the evidence session to explain that it has replaced the Tradeshow Access Programme with a new UK Tradeshow Programme which was launched as part of its 2021 export strategy. The new programme continues to support businesses to exhibit at trade shows and it also supports smaller companies to visit tradeshows prior to exhibiting to help them make a choice about whether exhibitions should be part of their export strategy.⁴³

17. We asked the Department how it would benchmark its trade promotion activities against those of countries such as Singapore and Hong Kong. The Department said that it

34 Q 30; C&AG's report, para 4.19; Department for International Trade, *Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and Australia*, 2021, part 8: Plans to monitor and evaluate the agreement

35 Q 34

36 Q 53

37 C&AG's Report, para 4.16

38 Committee of Public Accounts, *Government support for UK exporters*, Twenty-First Report of Session 2019–21, HC 679, 28 October 2020

39 Q 4

40 Q 52

41 Q 57

42 Qq 52, 54

43 Letter from Permanent Secretary, DIT, to the Chairs of the Public Accounts Committee and the International Trade Committee, 4 February 2022 <https://committees.parliament.uk/publications/8916/documents/152325/default/>

had developed an analytical framework to sit alongside the new export strategy that would be used to measure its success.⁴⁴ It told us that it was moving away from taking credit for deals made by large companies where the Department's role was questionable and focusing more on SMEs instead. However, when we asked about the outcomes of a specific export support activity—a virtual mission held by the Department to raise awareness of the UK-Japan trade agreement attended by around 250 businesses—the Department was unable to say if it had led to any export deals being signed.⁴⁵

18. We received written evidence from Logistics UK, asking for specific provisions to be included in future FTAs to make it easier for UK businesses to trade with the rest of the world. These include, for example, commitments to clear goods at the border within a pre-determined timeframe and cooperation between tax authorities to simplify requirements.⁴⁶ Logistics UK would also like government to pursue Mutual Recognition Agreements and Customs Cooperation Agreements in addition to pursuing FTAs, as it said these agreements can lead to useful benefits for businesses without going through the full FTA process.⁴⁷

Impact of trade agreements on agriculture and carbon emissions

19. The FTA with Australia signed on 17 December 2021 removed almost all tariffs and quotas on agricultural products from Australia over 15 years. Tariff-free beef quotas, for example, would increase from a current 4,669 tonnes to 35,000 tonnes immediately after the agreement comes into force, a 7.5-fold increase in the tariff-free quota.⁴⁸ We asked the Department whether this means that British farmers were disadvantaged in return for the bigger, macroeconomic benefits of concluding an agreement with Australia.⁴⁹ The Department told us that this was not the case and that the deal includes four safeguards to protect the agriculture sector, including a 15-year transition period that it considers will protect the farming industry against a rapid rise in beef and sheep meat imports.⁵⁰ The Department acknowledged that Australia is a competitive producer of beef, but that it would be unlikely that Australia would divert its exports to the UK because it makes a lot of profit in East Asia. It also said that the size of the total UK domestic market for beef is large relative to the level that Australia would be allowed to export to the UK in the first year of the agreement.⁵¹

20. We asked Defra for its assessment of the effect of the Australian FTA on British agriculture. Defra said that it was confident that the phasing in of the liberalisation and the safeguards provide a period of adjustment for the UK agriculture sector, particularly as it goes through major domestic challenges following EU exit.⁵² The Department for International Trade also suggested that Australian imports may displace European beef that is currently imported to the UK. Defra confirmed its modelling showed that new imports mainly, but not entirely, displace existing imports and would not necessarily

44 Q 53

45 Qq 55–57

46 [PTN0002](#)

47 [PTN0002](#)

48 C&AG's report, para 3.25, Figure 11

49 Q 20

50 Qq 10–11; 18–19

51 Qq 11, 20

52 Q 12

damage UK production.⁵³ Defra told us that it is also doing a lot to help the sector to reorient itself towards exports, such as by setting up a food and drink export council and by working with overseas trade attaches to open up new markets in places like China and the Gulf.⁵⁴

21. We asked why the National Farmers Union is so pessimistic about the trade agreement. The Department admitted that there were risks and downsides to the deal and that a body which represents the interests of farmers would be concerned about the downside, although the Department considered the downside to be very unlikely.⁵⁵ We acknowledged that a trade deal requires compromise on both sides. However, the National Farmers Union may have concerns that farmers have been disadvantaged by the agreement so that the UK can gain access to Australia's financial services market.⁵⁶

22. Defra told us that it has looked very carefully into the question of carbon emissions.⁵⁷ Its analysis so far suggests that carbon emissions resulting from shipping goods from Australia to the UK are not the most significant factor when looking at the carbon footprint of different sorts of production. The Department for International Trade added that it has modelled the environmental impact of the UK's agreement with Australia and it does not think the greenhouse gas emissions of UK production will change much although transport has to be looked at as a whole.⁵⁸ We asked Defra whether emissions outside territorial waters are counted when measuring the UK's carbon emissions. Defra did not know but said that the quantitative assessment of environmental impacts is a very live topic across the world.⁵⁹ The Department for International Trade wrote to us after the evidence session to confirm that its transport emissions modelling uses the whole distance between two trading partners, and captures the emissions associated with travel in non-territorial waters. It applies sensitivity analysis using the shortest and longest typical maritime routes between two trading partners to estimate the distance travelled by shipping freight.⁶⁰ The NAO noted that the UK's target to achieve net zero emissions by 2050 is set on a territorial basis and does not include emissions from goods produced overseas and traded with the UK.⁶¹

53 Qq 21–22

54 Q 12

55 Q 13

56 Q 14

57 Q 23

58 Q 24

59 Q 26

60 Letter from Permanent Secretary, DIT, to the Chair of the Public Accounts, 4 February 2022 <https://committees.parliament.uk/publications/8916/documents/152325/default/>

61 C&AG's report, para 3.6

3 Transparency and scrutiny

Transparency of information

23. When we asked the Department about its overarching trade strategy it told us that it aims to have “an open trade environment that promotes jobs and wages and reduces poverty”. The Department plans to achieve this through trade negotiations and the right protections against unfair practices at both bilateral and multilateral level, while promoting exports and investment.⁶² However, the NAO found that it was unclear how trade policy aligns with other policy objectives, and how any trade-offs required may impact on business associations, civil society and consumer groups. For example, it is unclear how the government’s international trade ambitions help to achieve domestic and wider policy objectives in areas including agriculture, the environment, international development and human rights.⁶³ Evidence we received from Which? supported the NAO’s recommendation that the Department should set out an overarching trade strategy so that it is clear how its trade policy supports wider policy objectives and how it will use trade negotiations, alongside other levers to achieve its objectives.⁶⁴

24. We asked the Department whether it thought that the general public knew about trade. The Department told us that based on its survey, the public was “highly supportive of the trade agenda”.⁶⁵ However, the NAO noted that the Department has identified public concerns about the actual or feared impact of its trade agenda, and a lack of belief in the potential benefits as a key strategic risk to achieving its objectives.⁶⁶ Similarly, evidence submitted by Which? shows that consumers have limited awareness of the status and implications of the government’s trade negotiations. For example, two thirds of respondents to a Which? survey felt that the UK government currently provides ‘too little’ information about new trade deals it is negotiating.⁶⁷ The Department acknowledged that there is a “big communication issue” for the Department at an official and ministerial level to set out what it is it does and why it does it.⁶⁸

25. Which? also highlighted the importance of reflecting consumer interests more generally and suggested that a consumer chapter should be included in each trade agreement.⁶⁹ The Department confirmed that the UK-New Zealand trade agreement will include a “first ever” chapter on consumer protection and it said that it wants to test appetite in this area with other partners – where partners are equally interested in pursuing this. The Department said that consumer chapters serve to improve cooperation and to ensure the benefits are more clearly explained to consumers.⁷⁰ It wrote to us to explain that the consumer protection chapter that the UK is negotiating with New Zealand aims to uphold consumer protection rights and ensure that consumers continue to benefit from trade

62 Q 3

63 C&AG’s Report, paras 16, 25

64 [PTN0001](#)

65 Q 47

66 C&AG’s Report, para 16

67 [PTN0001](#)

68 Q 48

69 [PTN0001](#)

70 Qq 58–60

in both online and offline settings. For example, the agreement is currently expected to include commitments requiring goods to be of satisfactory quality at the time of delivery and requiring services to be performed with reasonable skill and care.⁷¹

26. The Department said that it is its job to explain, engage and communicate and that when communicating information about trade agreements, it tries to set out what this might mean for consumers.⁷² We asked the Department why its forecast of the value of UK exports arising from the agreement with Australia had increased by 600% from £900 million in June 2020 to £6.2 billion in December 2021. The Department could not tell us what the difference was, and we considered the lack of clarity to be a failing of some of the Department's documentation and its communication to parliamentarians. It thought that the majority of the rise was due to changes in its approach to modelling the forecast economic benefits, as part of continuous improvement, and that this is set out in publicly available documents.⁷³ The NAO also underlined the need for the Department to provide greater transparency in the impact assessment for the UK-Japan trade agreement. The report said that the Regulatory Policy Committee, academics and the two Parliamentary committees leading scrutiny have highlighted that the costs to businesses and environmental impacts are areas where better quality information is required.⁷⁴

Parliamentary scrutiny of trade deals

27. The Department has made additional commitments beyond the statutory framework under the Constitutional Reform and Governance Act 2010 (CRAG) for Parliamentary scrutiny of trade agreements, but the Parliamentary committees responsible for trade agreements scrutiny have called for Parliament to have a stronger formal role.⁷⁵ We expressed concerns that the Department did not share proper information in a timely manner given that scrutiny of trade agreements is important to ensure that people understand trade deals and that members of Parliament can justify them to constituents. For example, sharing of the text of the Japan agreement by the Department was delayed and the International Trade Committee did not have the full time it expected to scrutinise the agreement.⁷⁶ Although the Department shared the final agreement with Australia three months ahead of triggering CRAG, we did not feel that it was generous enough given that that the International Trade Committee needs to produce a report alongside.⁷⁷

28. The opportunity for Parliament to view negotiating objectives at the outset would aid its scrutiny of trade agreements.⁷⁸ There is a precedent in Parliament to share privileged information between government and select committees. For example, this Committee routinely sees privileged information and the Intelligence and Security Committee sees documents on a confidential basis. The Department said that it is not refusing to share the text of the agreement and is increasing the time that it allows for scrutiny, but it understands that it needs to improve.⁷⁹

71 [Letter from Permanent Secretary, DIT, to the Chair of the Public Accounts, 4 February 2022](#)

72 Qq 14, 61

73 Qq 67–69, 79

74 C&AG's Report, para 4.10

75 C&AG's Report, para 19

76 Qq 70–73

77 Qq 71

78 Q 73

79 Q 72

29. We also note that the House of Lords International Agreement Committee reported that the statutory framework under CRAG is insufficient to facilitate robust and effective scrutiny of international agreements. As stated in the NAO report, the International Agreement Committee has called for Parliament to strengthen its formal role earlier in the process and for provision of the agreement text ahead of signature, and that Parliament's consent should be required prior to ratification through a new mechanism beyond CRAG.⁸⁰

Formal minutes

Wednesday 9 March 2022

Members present:

Dame Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown

Peter Grant

Kate Green

Sarah Olney

Progress with trade negotiations

Draft Report (*Progress with trade negotiations*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 29 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Forty-fifth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 14 March at 3:30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 19 January 2022

James Bowler CB, Permanent Secretary, Department for International Trade; **Crawford Falconer**, Chief Trade Negotiation Adviser and Second Permanent Secretary, Department for International Trade; **Amanda Brooks**, Director General Trade Negotiations, Department for International Trade; **Katrina Williams**, Director General International & Borders, The Department for Environment, Food and Rural Affairs; **Beatrice Kilroy-Nolan**, Director General Trade and Brexit Opportunities, Cabinet Office

[Q1-82](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

PTN numbers are generated by the evidence processing system and so may not be complete.

- 1 Logistics UK ([PTN0002](#))
- 2 Which? ([PTN0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2021–22

Number	Title	Reference
1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635

Number	Title	Reference
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

Session 2019–21

Number	Title	Reference
1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379

Number	Title	Reference
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935

Number	Title	Reference
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941