RESPONSE TO COMMITTEE OF PUBLIC ACCOUNTS RECOMMENDATIONS FOR THE DEPARTMENT FOR INTERNATIONAL TRADE

The Committee for Public Accounts made two recommendations for the Department for International Trade in its 37th report of session. I am writing in response to recommendations three and eight.

PAC recommendation (3): The Committee expects both Departments, by July 2018, to report to the Committee on progress in their engagement with Devolved Administrations, setting out what has been achieved and the risks and challenges that remain.

We accepted the recommendation to update on our engagement with the Devolved Administrations. I apologise for the delay in writing. As the report reflects, we have worked with the Devolved Administrations across a range of trade policy issues. We have consulted with them closely on the progression of the Trade Bill and continue to work with their trade promotion bodies to cooperate effectively on shared trade promotion activity to support UK businesses.
Trade and Investment Promotion

DIT supports trade and investment in all parts of the UK, including through our online services, our overseas network and our international events programme. Trade support services (including support through online services on great.gov.uk, our overseas posts, international events and missions) are available to all companies in the UK.

The Department and the Devolved Administrations work concurrently to pursue trade and investment promotion for British businesses, as both Her Majesty’s Government and the Devolved Administrations have competence to do.

At an operational level, DIT officials meet with counterparts in the Devolved Administrations every four to six weeks to ensure effective co-operation on events and shared promotion activity. DIT works closely with the Devolved Administrations to create local investment opportunities for international investors in regeneration and infrastructure. Projects in Scotland and Northern Ireland were recently promoted by the International Trade Secretary on the online one-stop-shop invest.great.gov.uk. Work on a portfolio of investment opportunities in Wales is underway.

I met with senior officials from the Welsh and Scottish Governments earlier this year to explore future collaboration with the Devolved Administrations. One of the actions from my meeting with the Scottish Government was for DIT to reinstate the Executive Forum, bringing together DIT’s Directors General for Exports and Investment with the senior leaders of the Devolved Administrations’ trade and investment promotion arms. This forum has the aim of improving strategic, operational alignment between the Department and the trade and investment promotion agencies in the Devolved Administrations. The meeting took place on 9 November and it was a productive session.

There is also sector-specific alignment between UK Government officials and officials in the Devolved Administrations. For example, DIT’s Education sector team include all three of the Devolved Administrations in their network meetings and send the Devolved Administrations a quarterly newsletter to keep them informed of updates on DIT news and events. Additionally, the Department’s Digital, Data and Technology team engage and seek input from the Devolved Administrations when iterating digital services on the great.gov.uk platform. Likewise, DIT’s Aerospace team has held planning and knowledge-sharing days with their counterparts in Wales and Northern Ireland in the last year and plan to hold a similar event in Scotland next month. The Department intends to continue working collaboratively with counterpart teams on trade and investment promotion, to offer businesses in the Devolved Nations support that is complementary and accessible.

To amplify the support that the UK Government provides to English regions, Scotland, Wales and Northern Ireland and, importantly, to hear from local businesses on their priorities and asks of Government, in 2017 the International Trade Secretary reconvened The UK Board of Trade in his capacity as President of the Board of Trade. The Board of Trade works to convey the benefits of trade and investment across the
whole country, with meetings rotating around the United Kingdom. Each meeting is accompanied by business receptions, events and potential media opportunities on export or investment deals. At each event, the President of the Board of Trade presents Board of Trade Awards, which celebrate exporters and inward investors from each area. It met earlier this year in Stirling, where several Scottish businesses were presented with Board of Trade Awards. The Board will also meet in Wales later this week.

**Trade policy**

DIT has committed to work closely with the Devolved Administrations and draw on their essential knowledge and expertise as we develop and deliver a UK trade policy that benefits business, workers and consumers across the whole of the UK, reflecting the needs and individual circumstances of England, Scotland, Wales and Northern Ireland.

We continue to seek input from the Devolved Administrations in the development of the UK’s future trade policy. A deep dive with the Devolved Administrations was held in March to agree how best to deliver this engagement. At the deep dive, we agreed to establish a series of regular senior official level engagements, as well as a programme of technical trade policy discussions. We are taking this programme of engagement forward now. I held a roundtable with senior officials from the Scottish Government in June which included discussions on the role of the Devolved Administrations in the UK’s future trade policy. Further roundtables have been confirmed for the coming months.

In July Minister Hollingbery visited Scotland to meet with the Scottish Government and with Scottish business representative organisations to discuss DIT’s preparations for EU Exit, the Trade Bill and public consultations on proposed future trade agreements. In October Minister Hollingbery attended a DIT consultation event for external stakeholders in Cardiff, after which he met with the Welsh Government to discuss ongoing relationships with DIT.

The DIT Second Permanent Secretary has met with officials from Scotland and Northern Ireland. In September the Second Permanent Secretary met with officials from both Scottish Development International and the Scottish Government. In October the Second Permanent Secretary visited Belfast to speak with businesses on our Free Trade Agreement (FTA) consultations.

During July senior DIT officials also held meetings with officials from Scottish Development International, the Welsh Government and the CBI Wales. DIT officials hold regular (six-weekly) senior officials’ meetings with representatives from the Devolved Administrations. Senior officials’ meetings were held with Wales in July, Northern Ireland in August and Scotland in September.

Policy roundtables have been held on multiple subject areas with the Devolved Administrations in July and September, including services, market access, the World Trade Organisation, agriculture, fisheries, food and drink, trade agreement continuity,
state-owned enterprises and trade disputes. This approach will ensure that the Devolved Administrations are able to inform the development of UK trade policy positions as we prepare for the negotiation of trade agreements once we leave the EU.

Furthermore, in July the Department launched public consultations on future trade policy, giving the public across all parts of the United Kingdom the opportunity to share their views on prospective trade agreements. They closed at midnight on Friday 26 October.

We were in contact with all three Territorial Offices to organise events to support consultations in Belfast, Edinburgh and Cardiff. The Territorial Offices suggested stakeholders for us to invite to the events. For example, in Belfast, we worked with Invest Northern Ireland, an Arm’s Length Body of the Department for the Economy (Northern Ireland), who hosted the consultation event in their Belfast office.

The Scottish and Welsh Government will be providing their views on DIT’s consultation shortly. The Northern Ireland Civil Service has already published a range of statistical analysis on the four priority FTAs.

Future Aims

The Department is focussed on developing and sustaining relationships with the Devolved Administrations, businesses, stakeholders and people in the Devolved Nations. This will contribute to the overarching goals of improving communication, cooperation and collaboration between the separate nations of the United Kingdom; and increasing HMG visibility in the Devolved Nations. DIT is developing plans to further engage with the Devolved Nations, including exploring how to better support DIT teams to work more effectively with counterpart teams in the Devolved Administrations, recognising that collaboration delivers the best outcomes for British business.

PAC recommendation (8): DIT should write to the Committee, again within two months, explaining how it is using strong analysis of the impact of different options on sectors and regions to inform its decisions about trade and inward investment policy.

We accepted this recommendation. DIT has recently developed and launched a new Export Strategy in August 2018 and changed its approach to promoting Foreign Direct Investment (FDI). Both take into consideration EU Exit preparation, and planning and are informed by analysis. Similarly, our Trade Policy and Sectors Strategies have been developed taking into account the UK Government’s preparations for EU Exit and are underlined by EU Exit analysis provided by DExEU and the Cabinet Office to shape our overall policies.
Export Strategy

The Export Strategy has been developed following extensive engagement with businesses and business organisations across the country, including local Chambers of Commerce, Trade Associations, Local Authorities, the Devolved Administrations, and Local Enterprise Partnerships, to understand how best to support businesses, across different sectors and regions, to export or export more.

The Strategy sets out the four core functions of Government to support UK businesses in partnership with the private sector. Government will:

- Encourage and inspire businesses that can export but have not started or are just beginning, placing a particular focus on peer-to-peer learning;

- Inform businesses by providing information, advice and practical assistance on exporting;

- Connect UK businesses to overseas buyers, markets and each other via services on our great.gov.uk platform, using our sector expertise and our networks in the UK and overseas; and

- Place finance at the heart of our offer.

The Department’s digital services are a destination that has been established to encourage and support UK businesses to export. On the great.gov.uk platform UK businesses can sign up to receive information to assist them with exporting, access business opportunities and connect with overseas buyers.

DIT will continue to engage with businesses and stakeholders across different regions in the UK and sectors to improve its export support services and as we consider the broader policy and regulatory changes across Government that will have a systemic and long-term effect on the UK’s export performance.

Foreign Direct Investment (FDI) Strategy

In addition to its role in promoting British exports, DIT works to safeguard and enhance the UK’s position as a world-leading destination for foreign investment by targeting Government support where it is most valued and impactful. This will support growth, drive productivity, create jobs and deliver wealth creation across the whole of the UK.

Since its establishment as a Government Department, DIT has cemented its reputation as one of the most respected investment promotion organisations in the world. In April we changed our approach to FDI with the objective of pro-actively targeting DIT promotional support against the projects that have greatest potential to deliver economic benefits across the whole of the UK. This includes comprehensive new metrics to better indicate the impact of FDI on the economy, improved investment services delivered
through a new partnership, and the High Potential Opportunities programme, which is identifying emerging sectors, supply chain gaps or other strategic opportunities failing to fulfil their full investment potential due to a lack of market information. Together, these improvements will deliver a flexible, resilient model for promotion, capable of responding to changes in the investment landscape—either from macroeconomic factors affecting key markets, or factors affecting the UK as we leave the EU.

**Trade Policy**

DIT is leading a programme of policy development across Government which is underpinned by analysis within DIT and in other Government Departments. This analysis aims to provide a detailed understanding of the UK’s trade policy options and priorities when the UK leaves the EU.

One example of this is the impact assessment of the Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada published in May 2018. This used Computable General Equilibrium modelling to assess the sectoral impacts of CETA and provided information on which regions might be most affected by the agreement. We intend to use a range of analytical and modelling techniques to assess the sectoral and regional impacts of future trade negotiations.

This programme of analysis is supported by a comprehensive stakeholder engagement programme in collaboration with sector departments, and the recently concluded public consultations on proposed FTAs for the US, Australia, New Zealand and accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. As well as looking at total UK impacts we are developing our evidence base to cover impacts by sector and by region. For example, the information packs that accompanied these public consultations included information on how much each region of the UK exports to those markets under consideration.

DIT is also establishing a Strategic Trade Advisory Group to advise Ministers on trade policy and negotiations, as well as a number of sector and thematic stakeholder groups to facilitate expert technical policy exchanges on specific sector and thematic issues of relevance to the UK’s independent trade negotiations.

We set out our transparent and inclusive approach in the DIT policy paper ‘Preparing for our future UK trade policy’ published in October 2017 and the International Trade Secretary confirmed the Government’s commitment to this approach in his oral statement to Parliament on 16 July 2018. Our objective is to establish an informed, well-evidenced independent trade policy, which draws on knowledge and experience from stakeholders across the whole of the UK to ensure our new international trade agreements and future trade policy benefit the whole of the UK.
Sectors

DIT’s UK-based sector teams are teams of civil servants and sector specialists who work with industry and the DIT international network on export and inward investment promotion, whilst also supporting sector specific trade policy priorities. The strategic focus of sector teams is typically set on an annual basis, with industry partners such as trade associations and industry councils engaged where relevant in shaping priorities including market focus and where Government can add value. The focus of the teams is then kept under review to respond to market intelligence, including feedback from UK exporters and overseas investors, and also intelligence provided by others in Government including DExEU. Further to this, business-facing sector teams regularly use their industry networks to help engage and feedback industry views into relevant policy departments to help provide evidence for policy development. An example of this was the recent cross-Government DIT-supported industry roundtables that took place in Downing Street over summer and autumn, with more planned for the coming months.

DIT will continue to work with you and the Committee of Public Accounts, and I will respond separately to your letter of 16 October.

I am copying this letter to my Secretary of State, the Treasury Officer of Accounts and the Comptroller and Auditor General.

Yours ever

ANTONIA ROMEO