



National Audit Office

Report

by the Comptroller
and Auditor General

The Department for International Trade

Preparing for trade negotiations

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Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value-for-money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency; and good-practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £741 million in 2017.



National Audit Office

The Department for International Trade

Preparing for trade negotiations

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

15 May 2019

This briefing sets out government's plans and progress to date in opening up overseas markets to UK businesses.

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Key facts

£665bn

Total UK imports in 2018. Top imported goods include cars (£33bn), medicines (£25bn) and clothing (£20bn)

£634bn

Total UK exports in 2018, contributing around 30% to UK GDP

50%

of all food consumed in the UK is imported, of which around two-thirds is from the EU

£55.1m

2018–19 budget for Trade Policy Group within Department for International Trade (DIT)

1,300

Approximate number of staff employed by DIT in its overseas network, working in 108 different countries

34

Number of trade agreements the UK currently has with non-EU countries through its membership of the EU, representing 11% of UK trade, and which government is seeking to continue after EU Exit

164

The number of members of the World Trade Organization (WTO)

27

The number of WTO members with which the UK currently trades on WTO rules for tariffs, including the US, China, Brazil and Australia. In 2018 around 30% of UK total trade was accounted for by these 27 WTO members

4

The number of proposed trade agreements DIT has already consulted on, covering the USA, Australia, New Zealand, and the Trans-Pacific Partnership (CPTPP)

About this briefing

The Department for International Trade (DIT) was established in July 2016 in response to the UK's decision to exit from the European Union (EU). DIT aims to secure UK and global prosperity by promoting international trade and investment, and championing free trade. DIT's role sits alongside that of the Department for Exiting the European Union (DExEU), which is responsible for negotiating the future UK–EU relationship, including the terms of trade.

This briefing sets out government's plans and progress to date in opening up overseas markets to UK businesses. It focuses in particular on preparations for negotiating free trade agreements. This is a new competency for the UK government, and one which could have long-lasting implications for UK citizens and significant areas of the UK economy, such as food and financial services.

As this is an emerging area of government activity, we have not audited the value for money of government's overall approach.

The aim of the briefing is to:

- identify matters that government could consider at this early stage to help it achieve value for money;
- set out issues that the National Audit Office (NAO) will examine in future value-for-money reviews; and
- assist Parliament in its understanding and scrutiny of trade agreements.

Context

DIT was formed in July 2016 to develop government trade policy following EU Exit. It has overall responsibility for promoting British trade across the world, including negotiating Free Trade Agreements (FTAs) and opening up overseas markets to UK businesses. In July 2018, DIT consulted on four major proposed new FTAs.

- Trade is vital to the UK economy. The UK imported £665 billion of goods and services in 2018. The UK is the world's sixth largest exporter, exporting £634 billion of goods and services in 2018 (about 30% of total UK gross domestic product (GDP)).
- People in the UK use imported goods every day. Cars, medicines and clothing are among the top imported goods by value, and half of all food consumed in the UK is imported.
- Following EU Exit, the UK government will be in charge of its own international trade policy for the first time in around 40 years. It set out its policy intentions in its white paper: *Preparing for our future UK trade policy* in October 2017, and in subsequent ministerial statements to Parliament. DIT is an international economic department responsible for promoting international trade and investment, and championing free trade.
- An important component of DIT's role is negotiating FTAs. These agreements aim to open up overseas markets to UK exports, and open up the UK market to overseas imports of goods and services.
- DIT has set up a Trade Policy Group (TPG) to oversee trade negotiations in addition to other areas of trade including trade remedies, trade disputes, geographical trade policy and other trade policy issues. TPG has around 650 staff and a budget of £55.1 million for 2018-19, and plans to draw in staff from other relevant departments.
- The UK currently benefits from 38 trade agreements through its membership of the EU, representing around 14% of UK trade. DIT is seeking to continue 34 of these agreements following EU Exit.
- The UK is a member of the World Trade Organization (WTO), which underpins the global trading system and has 164 members. Members agree levels of market openness and rules guiding trade policy. These terms apply unless members have agreed to go further through a separate trade agreement. The UK currently trades on 'WTO terms' for tariffs with 27 countries (including the United States and Australia).
- DIT has consulted on four proposed FTAs with the **United States, Australia, New Zealand** and the 11 countries that make up the **Trans-Pacific Partnership** (a global trading bloc where the UK is exploring potential accession).
- DIT's role sits alongside the work of DExEU in negotiating the future UK-EU relationship, including the terms of trade. About 49% of UK trade is with the EU.

Matters for consideration

Planning a long-term strategy

The coherence of DIT's overall negotiating strategy will depend on whether government departments work effectively together.

New trade deals will cover policy areas that cut across different parts of government, and the devolved administrations. For example, financial services are the responsibility of HM Treasury (HMT), while the Department for Environment, Food & Rural Affairs (Defra) cover environmental provisions. DIT is likely to be negotiating trade deals at the same time that DExEU is negotiating the future UK–EU partnership. Government has established governance structures at ministerial and official level, chaired by Cabinet Office, to agree DIT's negotiating mandates, including red lines where government has agreed it will not compromise (pages 13, 17, 23 and 24).

The effectiveness of DIT's trade negotiations will rely to a great extent on sufficient programme management arrangements, in particular to deal with any capacity constraints.

DIT is simultaneously leading government's efforts to negotiate the UK's continuation of 34 EU–third country trade agreements, while also preparing four new trade agreements. The new trade deals are large, complex, resource-intensive deals, and will require both specialist skills and staff from other government departments who have also created trade teams. DIT aimed to complete re-negotiation of the continuity deals by 29 March 2019, the date the UK was originally due to leave the EU. It has so far signed ten, and has re-allocated staff from the new deals onto the continuity negotiations to provide extra capacity. DIT is in the early stages of developing a programme function to oversee negotiations, including a skills database to identify and track negotiating skills across government (pages 19, 20, 21 and 29).

Managing multiple negotiations

Negotiating trade deals is a new competence for government, and DIT will be relying on relatively inexperienced staff.

The UK has not required trade negotiation skills for the past 40 years because the European Commission has negotiated agreements on behalf of the UK. After it leaves the EU, the UK will negotiate on its own behalf against highly experienced trading partners. DIT's Trade Policy Group, which oversees all trade negotiations, has grown from 119 staff when it was established in 2016 to around 650 staff in 2019. The group is also supported by 66 lawyers, and 86 trade analysts from the wider department and a team of 60 Department for International Development (DFID) staff leading on UK trade with developing countries. DIT considers it still needs 135 additional staff (page 28).

Trade negotiations will involve complex trade-offs between different policy priorities, and require strong discipline across government.

For example, the US has set out in its negotiating objectives its intention to open up the UK market for a wide range of US goods and services. This includes, for example, food products, where US regulatory arrangements are currently very different from the UK. Reductions in tariffs can also erode the benefit that the UK accords to some developing country products to help them export to the UK. Trade-offs in negotiations will impact differently on the interests of different sectors or areas of the UK. For example, unlike the UK as a whole, Scotland is a net exporter of fish, while London and the south-east of England account for more than 60% of the UK's service exports. Where negotiations may be outside of mandate (red-lines), DIT has indicated Cabinet approval will be sought to resolve issues (pages 24, 25 and 26).

DIT will need to secure good coordination with government's many international networks to create the right conditions for negotiations.

This will include close working with the Foreign & Commonwealth Office (FCO) on sharing of intelligence and data to understand issues such as market access barriers and to identify and manage wider non-trade related issues. DIT has policy objectives and staff promoting UK trade and investment internationally, with a network of over 1,300 staff based overseas. DIT has developed an IT system to capture and analyse barriers to trade. FCO staff use this system and DIT intends to roll it out more widely in due course. FCO also provides a 'One HMG' platform which facilitates the delivery of government's priorities overseas through FCO's international presence (pages 17, 18, 23 and 24).

Engaging with Parliament, business and civil society

Government has committed to a transparent and inclusive trade policy, which will require active engagement with business and civil society throughout negotiations.

In 2018 DIT conducted public consultations on its four proposed priority trade deals. It has announced the membership of its main expert advisory group, and will publish the consultation responses, negotiating objectives and economic analysis before entering formal negotiations. A lack of engagement can be problematic for trade deals. For example the recent Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU faced criticism from a wide range of stakeholders who did not consider their views were taken into account (pages 14, 26, 27 and 30).

The success of an FTA will depend on DIT, alongside other relevant government departments, supporting UK exporters effectively.

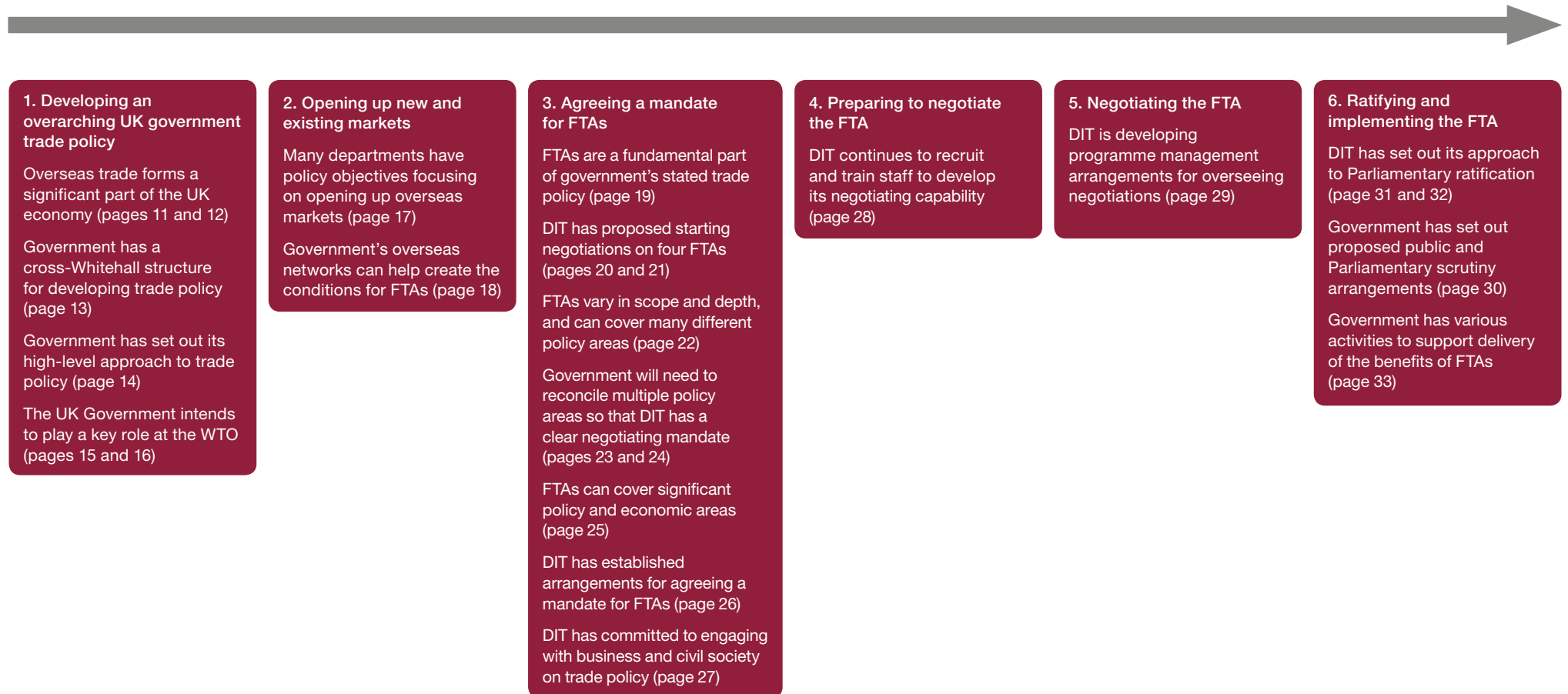
Once ratified, an FTA provides the legal framework for trade with new partners but may not on its own deliver an increase in exports without UK businesses seeking new commercial opportunities. DIT, FCO and the Department for Business, Energy & Industrial Strategy (BEIS) have a number of existing functions which are intended to support UK businesses: such as assistance to exporters and economic diplomacy, and instigating remedial action if a trading partner fails to abide by the agreement (page 33).

Securing final ratification of trade deals will depend on ensuring Parliament has scrutinised the agreements.

FTAs are treaties requiring scrutiny and ratification in Parliament before they come into force. DIT has published details of how it intends to seek ratification of FTAs and the arrangements for allowing Parliament, and others to scrutinise trade deals. DIT will work within the existing framework of the Constitutional Reform and Governance Act, publish the treaty text and impact assessment, and enable scrutiny of the FTA by an independent Parliamentary committee. DIT also plans to work with the devolved administrations to secure legislative consent for any necessary UK-wide legislation (pages 30, 31 and 32).

Structure of the briefing

The main body of this briefing is structured around the key stages that are involved in developing trade policy in pursuit of free trade deals with new partners. It sets out the detailed observations that underpin our matters for consideration.

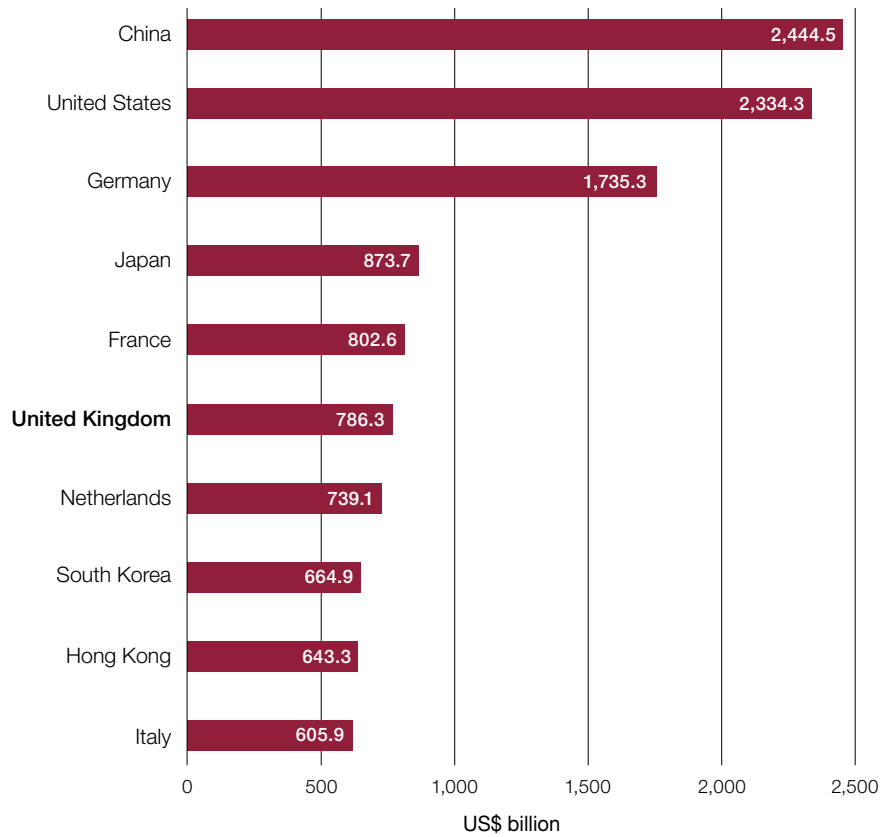


Developing an overarching UK government trade policy

Overseas trade forms a significant part of the UK economy

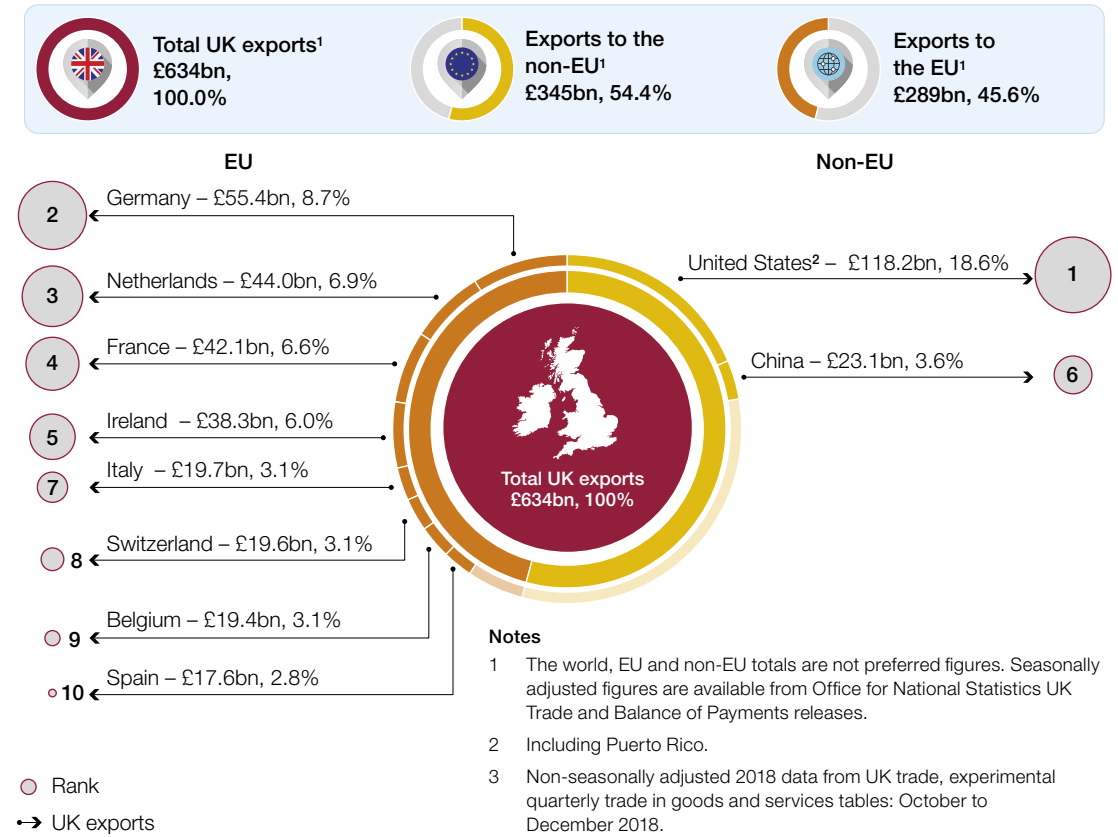
Exports

The UK is the sixth largest exporter in the world



Source: United Nations Conference on Trade and Development

Top 10 UK export markets for Goods and Services in 2018



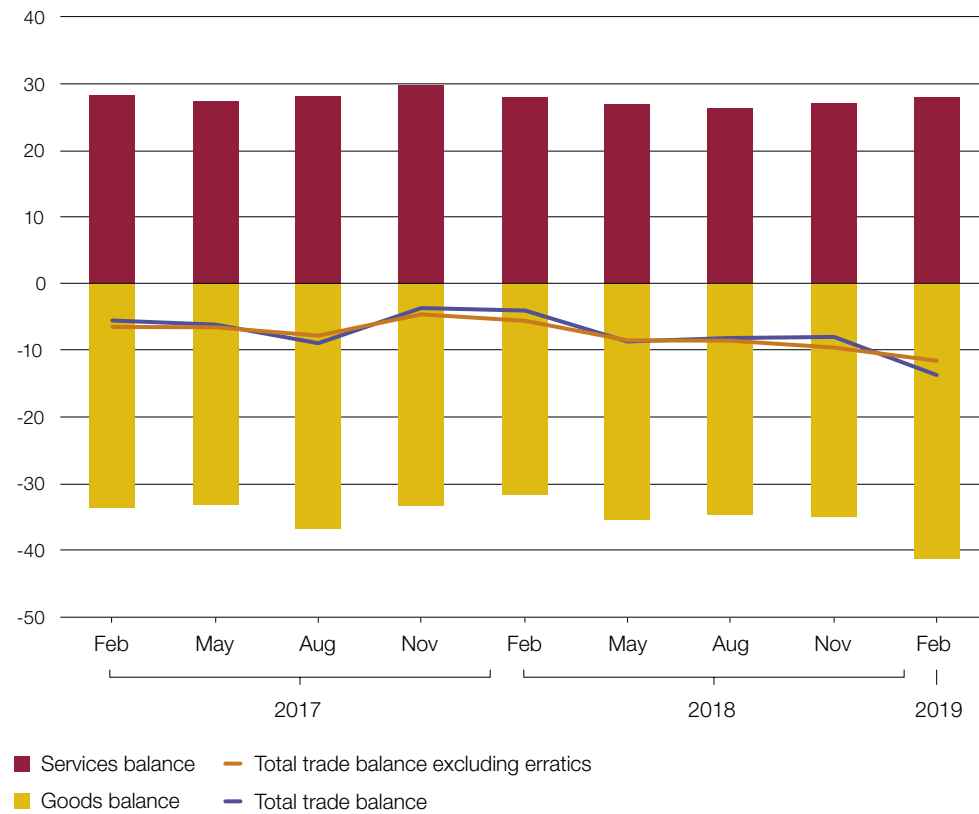
Source: Department for International Trade, Trade and Investment Core Statistics Book (last updated 1 May 2019)

Overseas trade forms a significant part of the UK economy

Imports

The UK imports more than it exports

£ billion, seasonally adjusted



Source: Office for National Statistics: UK trade February 2019 (last updated 10 April 2019)

Key goods imports and import markets for the UK

Top goods imports by the UK in 2018 (seasonally adjusted)

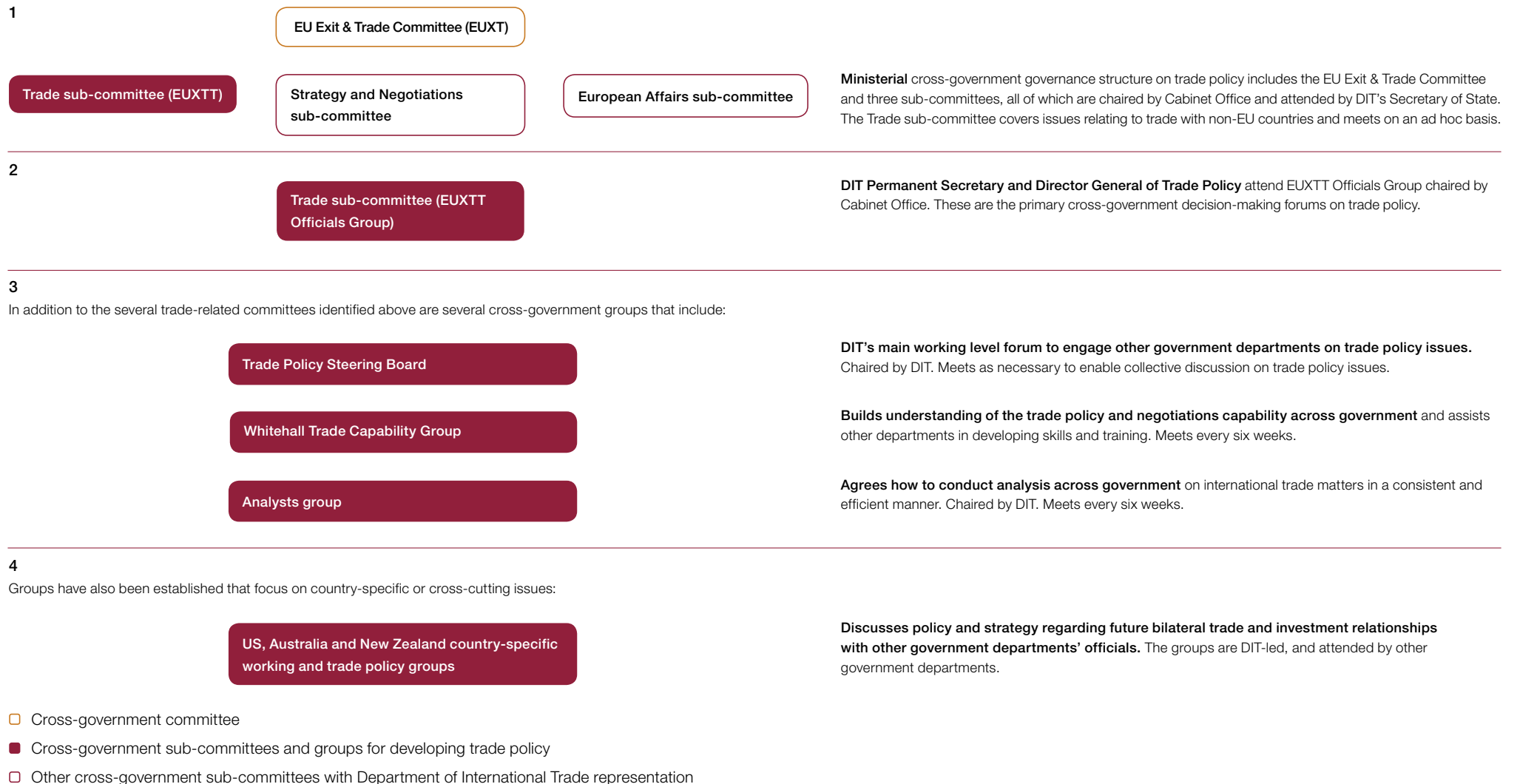
1. Cars (£33bn)
2. Medicinal and pharmaceutical (£25bn)
3. Refined oil (£23bn)
4. Mechanical power generators (£21bn)
5. Clothing (£20bn)

Top UK import markets in the year ending September 2018 (seasonally adjusted)

1. Germany
2. China
3. Netherlands
4. United States
5. France

Source: Department for International Trade, Trade and Investment Core Statistics Book (last updated 1 May 2019)

Government has a cross-Whitehall structure for developing trade policy



Government has set out its high-level approach to trade policy

The government's white paper of October 2017, *Preparing for our future UK trade policy*, set out the UK government's approach to developing the UK's future trade policy.

It made the following commitments with regards to the UK's future trade policy:

- To continue to respect the **role of Parliament**, and the importance of the business and the **wider stakeholder community** in preparing for and giving effect to an independent UK trade policy.
- To seek the input of **the devolved administrations** to ensure they influence the UK's future trade policy, recognising the role they will have in developing and delivering it.
- To take views from **all the English regions** to acknowledge the important part they will play in the future prosperity of the UK.
- To build our understanding of the interests, attitudes and concerns about our future trade policy – across Parliament, the devolved administrations, devolved legislatures, local government, business, trade unions, civil society and the public from **every part of the UK**.
- To put the **Industrial Strategy at the heart of our trade policy**, to build a global economy that works for everyone.
- To ensure that our commitment to scrutiny and engagement that is **inclusive, meaningful** and **transparent** is coherent with the need to ensure we do not undermine our negotiating position.
- To continue to support a **rules-based global trading** environment.

“We will ensure the way we develop our own trade policy is transparent and inclusive so that concerns are heard and understood, and the right facts are available.”

Government white paper, October 2017

“To ensure that our new agreements and future trade policy work for the whole of the UK, it is vital that Parliament, the devolved administrations, local government, business, trade unions, civil society and the public from every part of the UK have the opportunity to engage and contribute from the outset of the process.”

Secretary of State, Dr Liam Fox, Trade policy debate, House of Commons, 16 July 2018

“For the first time in more than 40 years the UK will have the chance to decide who we trade with and on what terms. Those decisions must work for the whole of the UK, and that is why we are making this unprecedented commitment to transparency and inclusiveness.”

DIT press release quoting Secretary of State, Dr Liam Fox, 16 July 2018

The UK government intends to play a key role at the World Trade Organization (WTO)

The WTO is the place where member governments try to sort out the trade problems they face with each other. It plays a key role in supporting free trade and in resolving trade disputes. Countries set out minimum levels of market access they will give to trading partners. The WTO currently has 164 member states.

The UK government's plans at the WTO:

- The UK has been a member of the WTO since its creation in 1995, and is currently represented by the EU. The WTO's General Council is the main decision-making body. After the UK leaves the EU, the UK will sit on the General Council and all other WTO bodies independently from the EU.
- The UK government has set up a WTO Oversight Board, which brings together officials from central government to provide oversight and decision-making on all aspects on the UK's membership of the WTO, including coordinating the UK's approach on the WTO's technical and specialist committees.
- While a member of the EU, the minimum levels of market access into the UK market is determined as part of the EU's common commercial policy. The government is replicating these minimum levels and establishing UK-specific commitments in preparation for EU Exit. In March 2019, DIT published its temporary tariff regime in the event of a 'No Deal' scenario.
- The UK government is also currently a member of the WTO's Government Procurement Agreement (GPA), which aims to open government procurement markets. DIT is working to ensure the UK can continue to participate in the agreement once it is no longer covered through its membership of the EU.

How the World Trade Organization is organised

Ministerial Conference

General Council
Committees on:
 Trade and Environment / Trade and Development / Sub-Committee on Least-Developed Countries / Regional Trade Agreements / Balance of Payments Restrictions / Budget, Finance and Administration
Working parties on:
 Accession
Working groups on:
 Trade, debt and finance / Trade and technology transfer
Inactive
 Relationship between Trade and Investment Interaction between Trade and Competition Policy / Transparency in Government Procurement

Council for Trade in Goods

General Council meeting as
Dispute Settlement Body

General Council meeting as
Trade Policy Review Body

Appellate Body
 Dispute settlement panels

Plurilateral:
 Information Technology Agreement Committee

Council for Trade-Related Aspects of Intellectual Property Rights

Council for Trade in Services

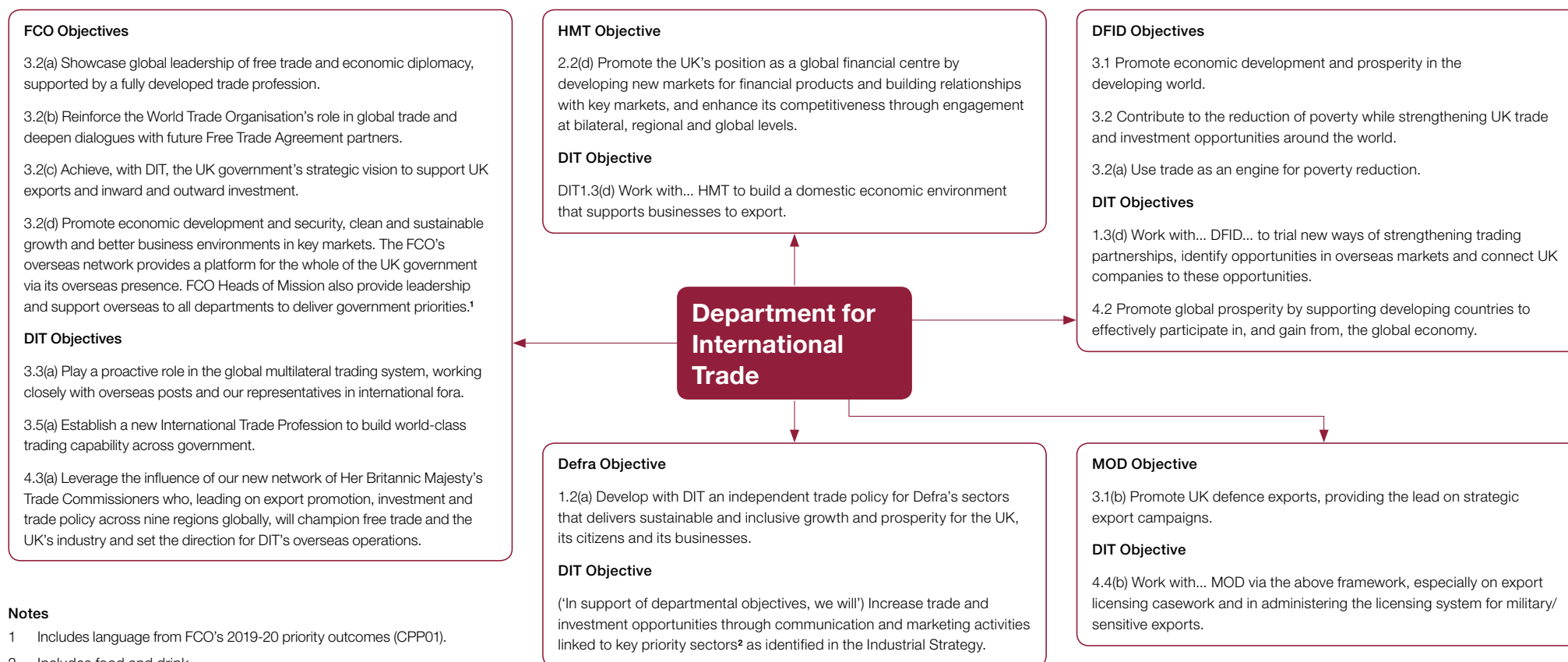
Plurilaterals:
 Trade in Civil Aircraft Committee
 Government Procurement Committee

Trade Negotiations Committee

Opening up new and existing markets

Many departments have policy objectives focusing on opening up overseas markets

Government departments set out their policy priorities in their Single Departmental Plans. These show that DIT, HMT, DFID, FCO, Defra and the Ministry of Defence (MOD) all have objectives which relate to promoting trade in overseas markets.



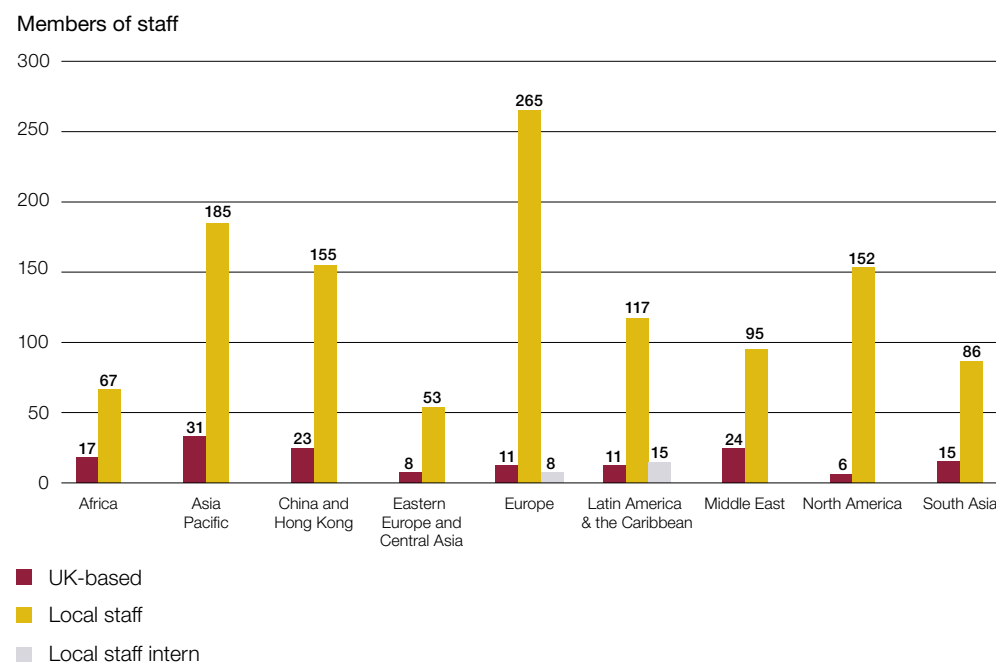
Government’s overseas networks can help create the conditions for free trade agreements

The UK government overseas is represented by 31 bodies. These range from departments with existing overseas staff, such as the FCO and DFID (which provide, for example, diplomatic, consular and development services), to bodies which have recently established an international arm, such as Defra to promote UK food products. The FCO provides a single “One HMG” corporate services platform supporting 30 departments and the devolved administrations, through its overseas presence.

Coordination of work on trade

- DIT has a network of more than 1,300 staff based overseas in embassies and consulates. In 2018, DIT reorganised its overseas network into nine geographical regions, each led by a Regional Trade Commissioner. Each Trade Commissioner will lead on trade policy overseas on behalf of the UK government, and will cooperate closely with the FCO’s and other government staff in their region.
- DIT’s nine regional trade areas are: Africa, Asia Pacific; China; Eastern Europe and Central Asia; Europe; Latin America; Middle East; North America; and South Asia.
- DIT is developing a new digital IT system to improve how market access barriers are identified and how it harnesses government interventions to resolve them. The system is intended to provide a single view of barriers that UK businesses experience in overseas markets, and help determine the DIT and wider government response and inform policy positions for trade negotiations.
- DIT and other government staff already have access to the system and businesses are due to gain access shortly.

DIT staff working overseas (headcount) by region and employee type



Note

1 Headcount data is sourced from DIT’s official ERP system and collated on the last working day of the month. The table above shows the headcount of staff working overseas as at the end of March 2019 by region and employee type. UK-based staff are Civil Servants employed by DIT, local staff are employed locally by the embassy, local interns are employed locally by the embassy on a short term basis.

Source: Data and graph provided by Department for International Trade (as at end March 2019)

Agreeing a mandate for free trade agreements (FTAs)

FTAs are a fundamental part of government's stated trade policy

Alongside negotiating the future UK–EU relationship, the government has committed to continuing the agreements that the UK has benefited from as part of EU–third country agreements, while also making new trade relationships with countries where it does not have any current agreement.

Continuity trade agreements

- Government is seeking to replicate existing EU FTAs entered into during the UK's EU membership. There are currently 38 such agreements covering 71 trade partners, representing around 14% of the UK's total trade.
- Government is seeking to replicate 34 of these agreements after EU Exit, covering 11% of UK's total trade, before they cease to apply to the UK. At the end of April 2019, the UK had signed 10 agreements, representing around half of the value of bilateral trade between countries party to the 34 trade agreements. The other four agreements cover Japan, Turkey, San Marino and Andorra, representing some 4% of the UK's total trade.¹

New trade agreements and relationships

- The UK trades on WTO terms for tariffs with 27 WTO members.
- DIT has proposed new FTAs with the US, Australia, New Zealand and the Trans-Pacific Partnership (covering 11 member nations). DIT's main selection criteria were: no current FTA; likely economic, strategic and political benefit to the UK; and likelihood of reaching an agreement in a reasonable timeframe.
- DIT is also exploring and developing trade relationships with other countries.

Note

¹ Percentages do not sum due to rounding.

DIT has proposed starting negotiations on four FTAs

DIT launched public consultations on four proposed FTAs in July 2018. This included an overview of the existing relationship on trade and investment and country-specific trade data

United States

Total trade¹ between the United Kingdom and the United States was worth £190.5 billion in 2018.

Examples of commonly traded goods and services between the UK and the United States in 2018.



Exports: The UK exported £24,715 million in machinery and transport.



Exports: £1,798 million in UK beverages and tobacco were exported.



Imports: £11,012 million in other business services were provided by the US.

Note

¹ Total trade includes imports and exports of goods and services.

Australia

Total trade between the UK and Australia was worth £15.3 billion in 2018.

Examples of commonly traded goods and services between the UK and Australia in 2018.



Exports: The UK exported £2,103 million in machinery and transport.



Imports: £1,077 million in travel services.



Imports: £244 million in Australian beverages and tobacco were imported.

Trans-Pacific Partnership (CPTPP)

CPTPP members account for 13% of global GDP and £95.8 billion of UK trade in 2018.

The CPTPP country members include: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Examples of commonly traded goods and services between the UK and CPTPP in 2018.



Exports: The UK exported £4,713 million in chemicals.



Exports: £1,281 million in UK beverages and tobacco were exported.



Imports: £3,491 million in financial services were provided by the CPTPP countries.

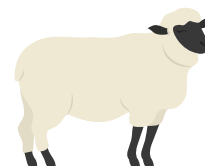
New Zealand

Total trade between the UK and New Zealand was worth £2.8 billion in 2018.

Examples of commonly traded goods and services between the UK and New Zealand in 2018.



Exports: £274 million in travel services provided.



Imports: £377 million in New Zealand food and live animals were imported.



Imports: £261 million in New Zealand beverages and tobacco were imported.

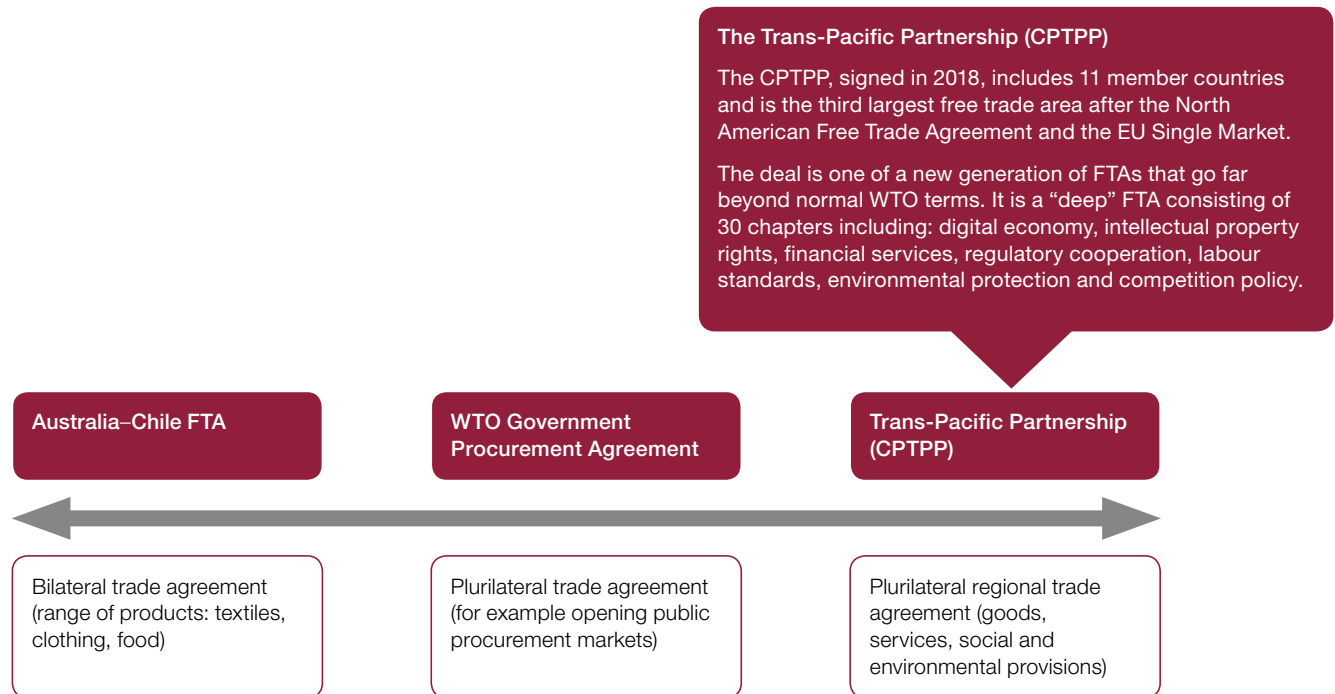
Note

1 Total trade includes imports and exports of goods and services.

FTAs vary in scope and depth and can cover many different policy areas

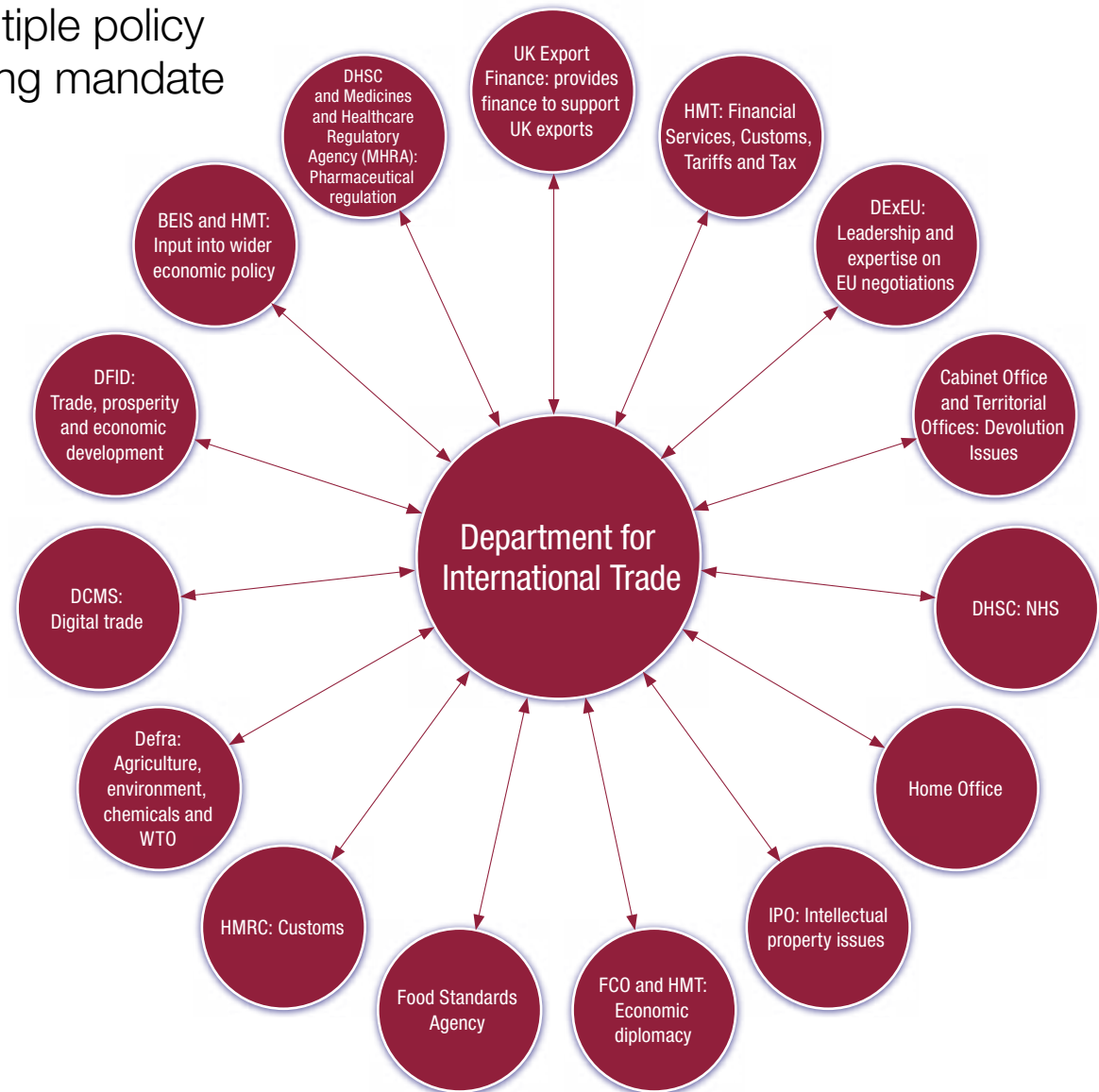
Free trade agreements establish more favourable terms of trade between countries than those set out at the WTO. They range from purely lowering tariffs, to deep integrated trading blocs which remove trade barriers through mutual recognition of regulatory arrangements or harmonisation, and may allow liberalisation of capital, goods, services and people.

- FTAs can take many forms: bilateral, plurilateral – a sub-set of WTO members (such as the Trans-Pacific Partnership – see diagram); or multi-lateral.
- FTAs vary in scope and level of ambition. Less complex agreements focus more on trade in goods and the elimination of tariffs. In recent times the scope and depth of FTAs has grown, extending beyond goods to trade in services, digital economy, intellectual property, investment and establishing provisions that harmonise areas such as labour, competition, consumer and environmental standards.



Government will need to reconcile multiple policy areas so that DIT has a clear negotiating mandate

The broad scope and depth of FTAs (covering areas including goods, services, intellectual property, consumer, labour and environmental standards) may involve policy areas of many central government departments and devolved administrations. Government will need to take account of multiple policy interests in seeking to agree trade negotiation mandates.



Notes

- DHSC: Department of Health and Social Care.
- DCMS: Department for Digital, Culture, Media & Sport.
- HMRC: HM Revenue & Customs.
- IPO: Intellectual Property Office.
- NHS: National Health Service.

BEIS

We want to improve global standards of consumer protection; improve cross-border enforcement outcomes to protect UK consumers from harm; and ensure consumer views and protections are a key part of our negotiations for new Free Trade Agreements.

Modernising Consumer Markets, BEIS consumer green paper

DFID

“DFID’s approach to trade will centre on poverty reduction. The UK’s exit from the European Union (EU) creates a unique opportunity to... bring together UK trade policy, aid that unlocks barriers to trade and investment promotions to reduce poverty. We will help partner countries get the best out of global trade negotiations, to benefit from trade access and to reduce trade costs.”

DFID Economic Development Strategy

DCMS

Deliver international engagement, trade promotion and inward investment strategies for digital, tech, cultural and creative industries. Deliver an engagement programme on digital and cultural policy with international institutions and countries around the world.

DCMS Single Departmental Plan

Defra

“We have been clear – across government, from the Prime Minister down – that we will not lower our standards in pursuit of trade deals.”

Secretary of State for Environment, Food & Rural Affairs, Speech to the National Farmers Union, 19 February 2019

Food Standards Agency

“After we leave the EU, the public will... see the science and evidence base and have confidence that the FSA will continue to put the consumer first, so that we all have safe food, and food we can trust.” Statement by the chair of the Food Standards Agency at *Quarterly board meeting, 13 March 2019*

Home Office

Control legal migration – manage net migration at sustainable levels: the tens of thousands. Continue to build and manage an immigration system that meets the economic and social needs of the UK, including by reducing net migration to sustainable levels.

Home Office Single Departmental Plan

FCO

Work around the world to strengthen our prosperity. Promote economic development and security, clean and sustainable growth and better business environments in key markets.

FCO Single Departmental Plan

Devolved administrations (includes Scotland, Wales and Northern Ireland)

“The UK government... recognises the devolved administrations’ direct interest in our future trade arrangements... we will continue to work closely with them to deliver an approach that works for the whole of the UK, reflecting the needs and individual circumstances of England, Scotland, Wales and Northern Ireland, and drawing on their essential knowledge and expertise.”

DIT Trade White Paper: Preparing for our future UK trade policy – government response

“While there are many similarities, there are also some significant differences between different parts of the UK in terms of existing trade flows...”

Scottish Government submission, UK Trade Policy Transparency and Scrutiny inquiry, International Trade Committee

DHSC

Ensure the health and care system lives within its means, now and in the future; and is accountable to ministers, Parliament and taxpayers for efficient and effective delivery.

DHSC Single Departmental Plan

FTAs can cover significant policy and economic areas

Before entering into FTA negotiations, countries usually publish their negotiating objectives. For example, the US government has published its FTA objectives for a trade deal with the UK, and the New Zealand government has also consulted on its objectives for a trade deal with the UK. This page provides an example of the US government's objectives. These set out its economic interests in opening up UK markets to US goods and services including industrial and agricultural products, digital commerce, intellectual property, and US regulatory practices (which are different to current practices in the UK). The UK government intends to publish negotiating objectives for proposed FTAs before negotiations begin.

Overview of the UK government's consultation on a proposed US FTA

The UK aims to pursue an ambitious bilateral trade agenda:

- A UK–US FTA would aim to build on the existing trade and investment relationship, benefiting both economies while ensuring that the UK meets its international obligations and maintains its high standards of consumer, labour, animal and environmental protection.
- DIT is preparing for possible negotiations with the United States after the UK leaves the EU. The UK government has consulted members of the public, businesses, trade experts and any other interested organisations to help inform this work.
- If the UK government decides to launch formal negotiations with the United States, it will also engage on specific issues as negotiations progress.

Source – DIT Consultation on trade negotiations with the United States, Overview, July 2018

Summary of the US' specific negotiating objectives

The US Trade Representative published a summary of the US Government's specific negotiation objectives. These include:

- **Trade in Goods:** Secure comprehensive duty-free market access for US industrial goods and comprehensive market access for US agricultural goods in the UK.
- **Human, animal and plant health:** Expediently remove unwarranted barriers that block the export of US food... Obtain commitment that the UK will not foreclose export opportunities to the United States by requiring third countries to align with non-science-based restrictions.
- **Digital commerce:** Ensure nondiscriminatory treatment of digital products... Establish rules to ensure that the UK does not impose measures that restrict cross-border data flows... Establish rules to prevent governments from mandating disclosure of computer source code or algorithm.
- **Rules of Origin:** Ensure that the rules of origin incentivise production in the territory of the parties, specifically in the United States.
- **Trade in Services:** Secure commitments from the UK to provide fair and open conditions for services trade including rules that prohibit discrimination against foreign services suppliers.
- **Government Procurement:** Increase opportunities for US firms to sell US products and services to the UK... Establish fair, transparent, predictable and non-discriminatory rules to govern government procurement in the UK.

Source – Office of the United States Trade Representative, United States–United Kingdom negotiations, Summary of Specific Negotiating Objectives, February 2019

DIT has established arrangements for agreeing a mandate for FTAs

DIT's proposed trade deals may cover the policy interests of a number of different government departments requiring trade-offs between different objectives during negotiations. DIT is working on arrangements to secure a clear mandate.

Economic analysis to inform negotiation preparations

- Prior to launching any FTA negotiations, DIT has committed to publishing a scoping assessment covering the economic and strategic rationale for the FTA.
- DIT will also publish government's negotiating objectives as agreed by the Cabinet, and a consultation response.

Chief negotiator role

To ensure that each FTA negotiation is coordinated and led effectively, DIT intends to appoint a chief negotiator for each FTA with a remit to work across departments. DIT intends that the chief negotiator on an FTA will have the authority to make trade-offs during negotiations within the mandate, and clarity on the points at which further direction is required from the Cabinet.

Interactions with the future UK-EU relationship

DIT is likely to negotiate new trade deals alongside DExEU's negotiations with the EU on the future relationship. DIT is working with DExEU to agree processes and shared high-level plans to ensure that negotiating rounds are coordinated.

Mandate and negotiation 'red lines'

Other government departments and the devolved administrations have a strong interest in areas of policy that intersect with trade policy. DIT is working across government to agree negotiating mandates and positions through the Cabinet Office governance structure of EUXTT where DIT is represented by the Secretary of State. This includes determining government's red lines, which set out issues where trade-offs cannot be made without ministerial approval.

DIT is designing a negotiating model which sets out the roles and responsibilities of chief negotiators, negotiating team members (DIT and other government departments) and other senior officials. This will include processes relating to conflict resolution across government. It has based its model on delegating authority within the mandate agreed by EUXTT, enabling negotiating teams to make progress while being clear on the points at which further direction is required from the Cabinet.

In preparation for, and during negotiations DIT Trade Commissioners, and FCO Heads of Mission will play an important role acting as a conduit between the core negotiating team and the broader set of stakeholders in partner countries. DIT's trade negotiations coordination model sets out the roles and responsibilities for overseas staff as part of the extended negotiating team.

DIT has committed to engaging with business and civil society on trade policy

Government considers it important to engage business and civil society to inform the development of FTAs. It is keen to avoid the problems encountered by the recent trade negotiations between the US and the EU.

Working with business, trade unions and civil society

DIT has a number of groups to support the development of FTAs:

- The Strategic Trade Advisory Group (STAG) – made up of 16 experts representing all UK nations and drawn from a diverse range of interests and expertise including business, trade unions and non-governmental organisations.
- Expert trade advisory groups (ETAG). DIT will set these up to consist of stakeholders with expertise in particular sectors to contribute to detailed policy development.
- These groups are expected to meet at least three to four times a year and will be subject to a membership review process.

DIT also has various networks to engage with stakeholders in business, civil society and academia on international trade policy, for example through stakeholder briefings and roundtables. It has wider public engagement through ‘Town Hall’ style briefings, webinars and bilateral and group engagement.

DIT has a network of nine regional offices and around 230 international trade advisers across England who engage with Local Economic Partnerships, elected mayors and combined authorities with the aim of boosting trade across the regions.

Pre-negotiation consultation on prospective FTAs

In July 2018 DIT launched four consultations ahead of negotiations on prospective trade agreements with the US, Australia, New Zealand and the Trans-Pacific Partnership. In total DIT received more than 600,000 responses – among the highest ever received for a UK public consultation.

During the consultations on the four proposed FTAs, ministers and senior officials ran events across the UK, including in each of the nine English Regions and in Belfast, Cardiff and Edinburgh.

“If we are to learn the lessons from agreements such as TTIP, we need to ensure that people are able to express their views and feel that they have been taken into account. I want people to feel invested in this process and that the benefits of free trade are shared across the length and breadth of the UK.”

Secretary of State, Oral statement to Parliament, 16 July 2018

Preparing to negotiate the FTA

DIT continues to recruit and train staff to develop its negotiating capability

As a member of the EU, trade negotiation has been led by the European Commission on behalf of the UK and other EU members. Following EU Exit negotiating trade deals will become a competence of the UK government. This means that it is building capability in the UK for the first time in more than 40 years.

Developing DIT's trade skills

DIT's Trade Policy Group, which oversees the department's activities in opening up overseas markets, has grown from 119 staff when it was set up in 2016 to around 650 staff in February 2019, and is also supported by 66 lawyers and 86 trade analysts from the wider department and a team of 60 DFID staff leading on UK trade with developing countries. The staff numbers include employees, contractors, those on loan from other government departments and secondees from external organisations. DIT considers that it still needs to recruit an additional 135 people across the Trade Policy Group.

Developing an international trade profession

In May 2018, DIT launched the cross-government International Trade Profession, designed to attract, build and retain those wishing to build a career in this area. The UK's Chief Trade Negotiator is based in DIT and heads up the International Trade Profession, which now has more than 2,700 members from across 25 departments and arm's-length bodies, and 14 heads of profession across 12 departments to lead and champion its work.

Developing trade skills across government

DIT has developed a programme of trade policy training in partnership with the FCO Diplomatic Academy's Trade Policy and Negotiation Faculty. DIT told us that by March 2019, it and the Faculty had offered more than 1,000 places on its trade policy foundation and practitioner level training, and by April 2019 DIT had offered more than 400 available places for expert-level trade policy training.

DIT has also developed an accelerated programme of trade policy and negotiations skills training, including the Trade Negotiations Simulation Programme which is designed to upskill those leading and supporting frontline FTA negotiations. DIT will be negotiating with countries that are highly experienced in trade negotiations.

Negotiating the FTA

DIT is developing programme management arrangements for overseeing negotiations

DIT may pursue its four new trade negotiations simultaneously. Overseeing these will be a complex task, requiring different skills, resourcing levels and engagement with multiple bodies at different stages.

DIT's plans for programme management

In April 2019 DIT set up a small team to run its programme management function, which is intended to oversee negotiations. The function is very much in development, but it is intended that it will be responsible for:

- strategic advice and planning, for example ensuring that capacity constraints have been factored into plans;
- resourcing and coordination, for example running all processes around scheduling and prioritisation decisions where there is a timing or resourcing conflict during negotiations; and
- logistics and external engagement (including communications), including escalating major issues, decisions or interventions to the relevant governance forum where required.

DIT is developing IT to support the programme function. This is intended to enable secure collaboration and file sharing within DIT, other government departments and overseas advisers. DIT has rolled out an initial version of the tool and a training plan in April 2019.

Coordination of input from across government

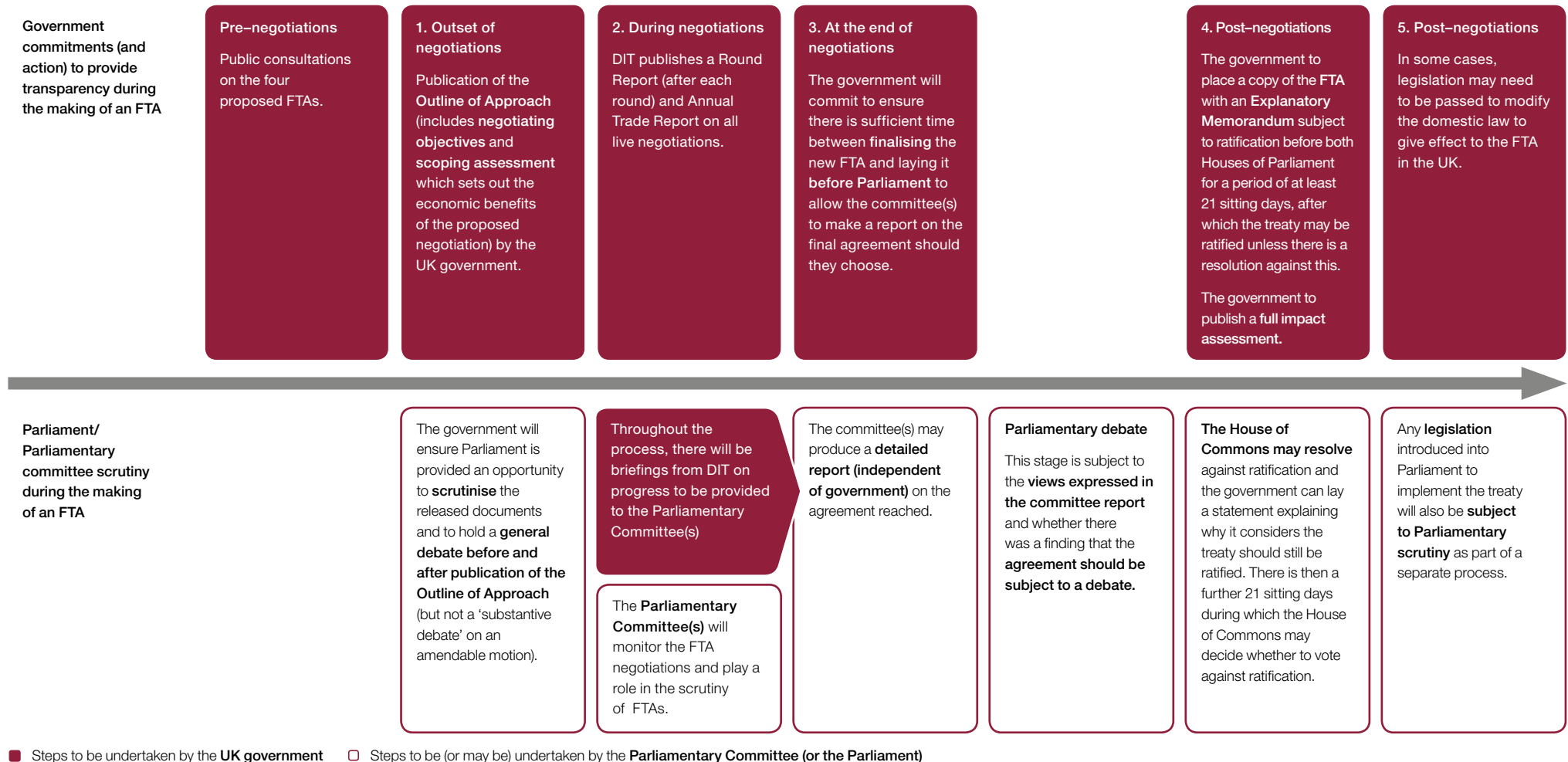
Although DIT has policy responsibility for leading the majority of trade negotiations, it will need to rely on other government departments for specialist input and support. Other departments have developed teams with specialist expertise. For example, Defra has developed a team which will provide advice and negotiating expertise on issues such as agri-food market access, and provide specialist input on technical barriers to trade.

DIT will need to identify the right individuals with the necessary skills and experience to support upcoming negotiations, and also to identify where capability gaps exist.

DIT has trialled a database of skills and capabilities with DIT teams. It intends that, once fully developed, the database will capture information for all those involved in negotiations across government, including the role an individual is performing and their current capability levels. It has not yet set a date for when the database will be operational.

Government has set out proposed public and Parliamentary scrutiny arrangements for FTAs

Parliamentary scrutiny and public consultation through the stages of making a FTA



Ratifying the FTA

DIT has set out its approach to Parliamentary ratification

FTAs are treaties that need to be ratified by Parliaments. DIT has set out its approach to how it will engage Parliament and devolved administrations, provide for Parliamentary scrutiny, and seek ratification.

Parliamentary scrutiny during negotiations

- DIT has committed to briefing the relevant Parliamentary committee throughout negotiations (see overleaf). At the end of the negotiations the Parliamentary committee may produce a detailed report on the final agreement. The report would be independent of government and assist Parliament and public understanding of the agreement and its potential implications.
- If the committee's report indicates that the agreement should be subject to a debate prior to Parliamentary scrutiny, the government "would consider and seek to meet such requests where (they) are made within a reasonable timeframe and subject to Parliamentary timetables".

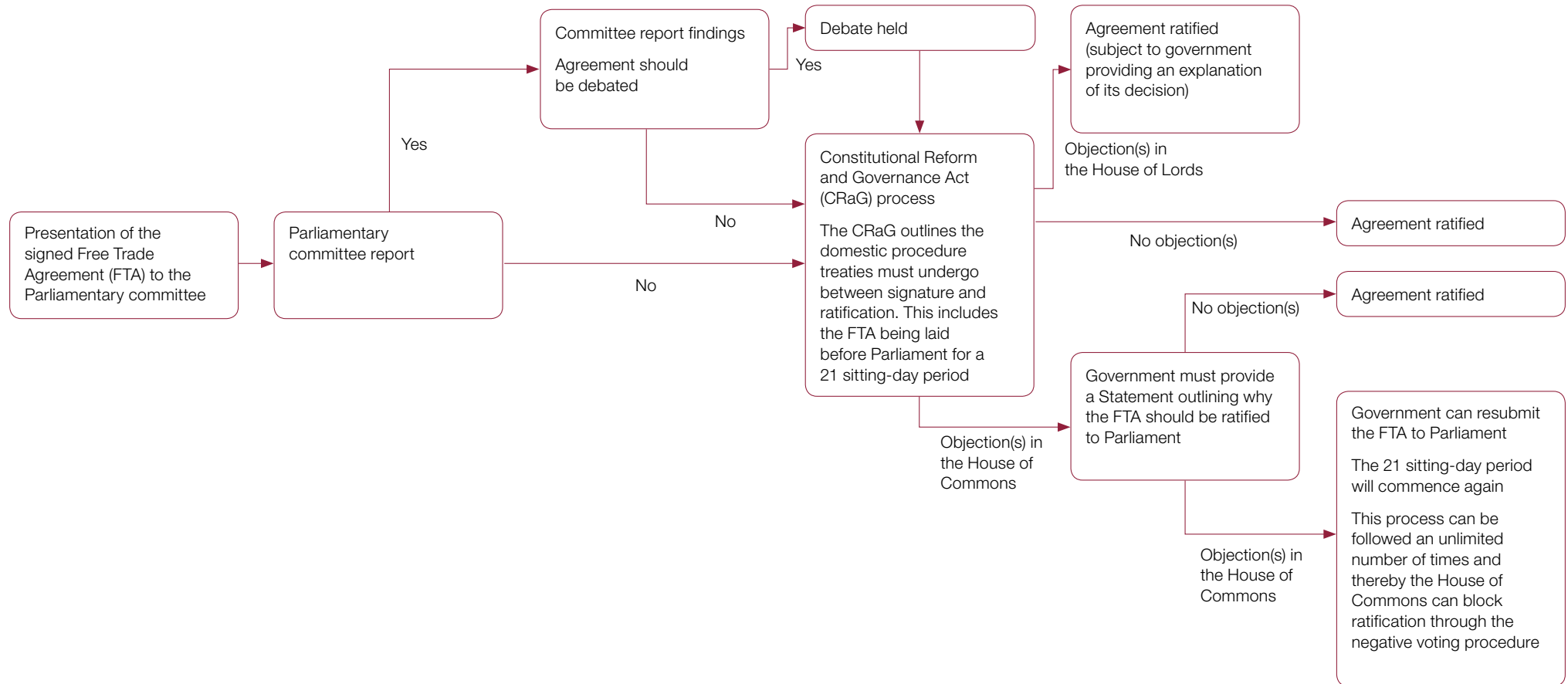
Ratification and legislative changes

- At the end of negotiations the government will lay the full treaty text before Parliament and publish an Explanatory Memorandum. It will also publish a full impact assessment.
- Parliament's role in ratification of treaties is outlined in the Constitutional Reform and Governance Act 2010 (CRaG) Legislative Framework (post-FTA negotiations). Government has stated that it will use this legislation to seek ratification.
- Depending on the terms of the trade agreement, a comprehensive and deep new FTA may require a combination of legislation as well as some statutory measures. If changes to primary legislation are necessary the government will need to bring forward a bespoke bill for the FTA to provide an opportunity for Parliament to scrutinise all the legislative changes before the FTA is ratified.

The devolved administrations and legislatures

- Where a new FTA requires legislation in order to implement, the UK government has indicated it continues to respect the devolution settlements and will work with the devolved administrations to secure legislative consent for UK-wide legislation where appropriate.
- The government has stated it recognises that the devolved legislatures also have a strong and legitimate interest in future trade agreements, and that it will be for each devolved legislature to determine how it will scrutinise their respective governments.
- The UK government has stated that the means by which the UK Parliament works with its devolved counterparts is a matter for the legislatures themselves, in line with their existing inter-Parliamentary ways of working.

Government's proposed approach to Parliamentary scrutiny and ratification of FTAs



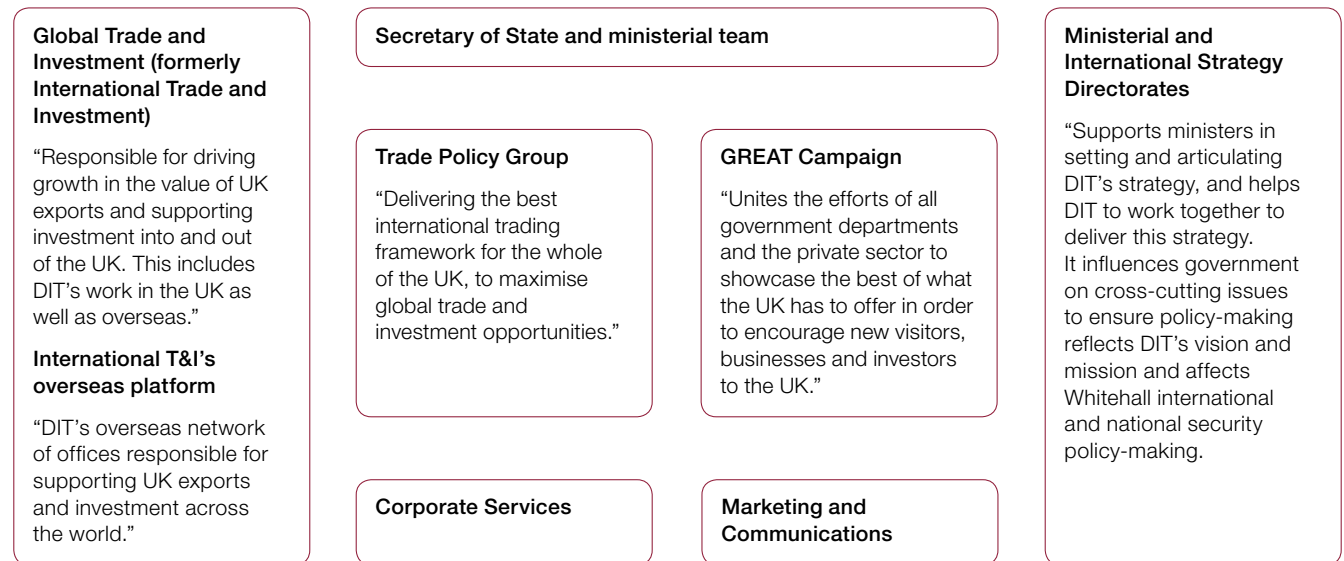
Implementing the FTA

Government has various activities to support delivery of the benefits of FTAs

Multiple government departments have activities that are important in ensuring the benefits of an FTA are fully realised.

- Once ratified, an FTA provides the legal framework for trade with new partners but will not on its own deliver more trade unless businesses act to exploit the new commercial opportunities available.
- DIT’s activities to promote UK exports sit under its different policy objectives (see diagram). Alongside promotional activity, such as the GREAT campaign.
- DIT is reliant on its overseas networks to promote UK exports. Other government departments have activities and networks which support businesses, for example BEIS and DFID, which have policy objectives to support UK businesses.
- DIT has committed to evaluate and review FTAs post-implementation to ensure UK businesses are taking advantage of the opportunities and the trading partner is abiding by the terms of the ratified FTA.

Department for International Trade structure



Source: Department for International Trade, Annual Report and Accounts 2017-18, page 56
 Department for International Trade, Explanatory Memorandum 2018-19

Case example: New Zealand

The New Zealand government publishes online the stakeholder responses to proposed FTA negotiations for purposes of transparency, but also to inform existing and potential businesses with how to make the best use of exporting opportunities.

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