

BUILDING A WORLD-LEADING UK TRADE POLICY



As the UK looks afresh at its post-Brexit international relationships with the EU and the rest of the world, this is the moment for government and business to work in partnership.

There is a great deal of potential if the UK gets trade policy right: choice and low prices for consumers; growth and prosperity shared more equally across the UK; and the ability to pursue the UK's goals on international development and the environment. To achieve these ambitions, the guiding star for the UK's trade strategy must be evidence from the whole economy. That starts with providing a clear, meaningful route for businesses to offer their expertise.

The key concepts that underpin trade are notoriously complex. From rules of origin to the web of national regulations that underpin services trade, the negotiations will not be simple. The task ahead is unprecedented. Untangling 40 years of economic and regulatory integration with the UK's largest trading partner, the EU, should not be underestimated. With a potential US trade deal on the horizon and ambitious timescales attached to it, it is critical the negotiations with the UK's two largest trading partners support one another.

Businesses can help the new government to maximise the benefits of international trade. It is firms, not government, that trade the bulk of goods and services across the world. They are experiencing the market access barriers that governments want to knock down and can advise on the most serious and the most solvable of these. They are striking deals across the world every day and have deep relationships with key decision makers. In the boardrooms of multinationals across the globe, British CEOs fight for investment in the UK worth billions of pounds and know first-hand what can win the argument for the UK as a more attractive place to invest.

Utilising this expertise, these relationships and this insight, as well as learning from best practice from leading trading nations, should be a top priority for the new UK government. The short timeframes in which the government will be operating in necessitate moving quickly. Building on existing government engagement architecture and the strides made by the Department for International Trade, will help in this endeavour.

If business and government can work together closely, comprehensively and transparently throughout every stage of negotiations, from mandate setting through to implementation, the benefits of international trade can be shared across the country.

Summary of findings

The CBI has found three key principles that underpin the world's most successful trading nations:

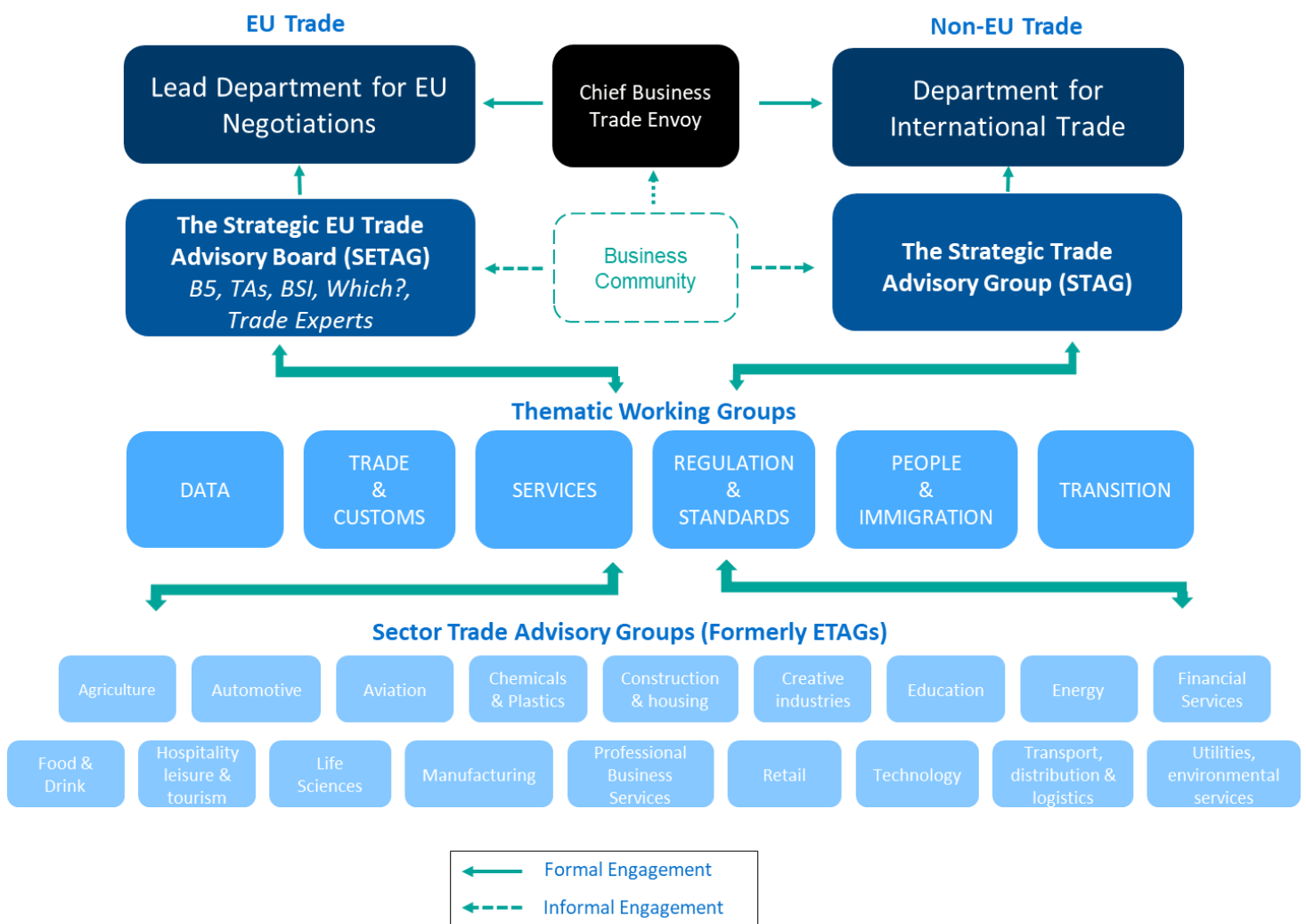
- A strong mandate built through consultation would give UK negotiators maximum leverage abroad.
- Formal business engagement structures are critical to getting trade policy right, and informal channels of communication can complement this.
- Transparency would build buy-in at home and ensure trade works for business and consumers.

Based on these principles, the CBI has developed ten recommendations for how to build a world-leading UK trade policy:

1. Build a strong mandate underpinned by business engagement.
2. Secure comprehensive buy-in for the negotiations by publishing mandates.

3. Set up a high-level 'Strategic EU Trade Advisory Group' (SETAG) for the EU negotiations.
4. Establish a series of Thematic Working Groups to tackle cross-cutting issues.
5. Expand the remit of DIT's Expert Trade Advisory Groups (ETAGs) to create a series of Sector Trade Advisory Groups to provide detailed, technical advice for specific sector negotiations for EU and non-EU trade.
6. Appoint a new Chief Business Trade Envoy to coordinate the gathering of business intelligence, ensure coherence of policy, and provide businesses with a single point of contact.
7. Take business delegations to negotiating rounds to strengthen the UK's presence and give negotiators easy access to technical expertise.
8. Publish proactively the membership of advisory groups.
9. Release summaries of negotiating rounds as they are completed.
10. Use Non-Disclosure Agreements only when essential.

A comprehensive and coherent structure for business engagement on EU and non-EU trade:



How to build a world leading trade policy

Principle 1: A strong mandate built through consultation would give UK negotiators maximum leverage abroad.

The first step to be addressed in the process leading to a free trade agreement is for the negotiators to secure a mandate. This mandate describes what must be covered, and in some cases, what may be covered, by the negotiations. This is often initially defined in broad terms as economies usually aim for comprehensive free trade agreements. The mandate tells the negotiators the parameters within which they can negotiate on all aspects of the trade deal, whether on goods, services or investment.

The US is well known for taking tough negotiating stances, particularly on procurement and agriculture. This stems from mandate setting with business and the administration's approach of adopting a very clear focus on the priorities of domestic companies.

The EU has always sought consensus for its negotiating mandate, as it allows the European Commission to carry out the bulk of the negotiations. The European Commission will often exploit the tightness of its mandate by resisting demands of its negotiating partners or pointing to statements from Member States that support the Commission's stance. For example, the Commission now backs French calls for the Paris Agreement on climate to be a prerequisite in any trade deal.

A US trade official told the CBI: *"Being able to call on an extensive pool of expertise across all sectors of the economy prepares us well for the negotiation phase and helps ensure we understand the needs of firms across the country."*

Recommendation 1: Build a strong mandate underpinned by business engagement.

- Effective business engagement during mandate setting would allow the UK to understand its crucial offensive and defensive interests in each area of the economy. A mandate based on economic evidence from business would give UK negotiators clear objectives, ensure the final agreement works for maximally for the economy and ultimately help with the ratification process.
- Rigorous mandate setting would also allow the UK to set out coherent policy positions on how EU and non-EU trade deals should align. This would avoid a possible trade trilemma between domestic business priorities, asks for the future US relationship, and protections for firms that trade with the EU.

Recommendation 2: Secure comprehensive buy-in for the negotiations by publishing mandates and confirming them with stakeholders.

- Building support throughout the country and across stakeholder groups for trade deals is crucial to success. Growing buy-in needs to start at the beginning of the process by showing sufficient transparency and making the negotiating objectives public in draft form, followed by a real consultation with businesses and other stakeholders across the country.
- The Department for International Trade (DIT) has committed to publishing mandates in advance of non-EU trade negotiations, as well as undertaking open consultation with firms, which is welcome. Ensuring mandates are published early, so as to be useful to stakeholders and decision makers will maximise the effectiveness of engagement throughout the process of negotiations.

Principle 2: Formal structures for engagement are critical in getting trade policy right, and informal channels of communication can complement this.

The US approach to stakeholder engagement is relatively formal and robust, with about 700 'cleared advisors' from the private sector and civil society serving on a number of steering, policy and technical committees. This ensures evidence and advice from the business community is fed in systematically before and during negotiations.

Mexico reaps the benefits of close business and government dialogue, particularly at negotiating rounds. Building business delegations around official negotiations and using a “Cuarto de Junto” - a ‘room next door’ - approach gives negotiators access to business intelligence quickly. The Cuarto de Junto is kept close to developments, allowing business representatives to play an important advocacy role.

Mexican trade officials told the CBI: *“Besides the benefits of having immediate feedback from the business community, the Mexican negotiators rely on the ‘Cuarto de Junto’ for several aspects around the negotiations, such as lobbying with local authorities and with business communities in the geography we’re negotiating with.”*

Recommendation 3: Set up a high-level ‘Strategic EU Trade Advisory Group’ (SETAG) for the EU negotiations.

- Establishing a SETAG to operate alongside DIT’s Strategic Trade Advisory Group (STAG) would give the government quick, evidence-based business insight on major macro level decisions for EU and non-EU trade. These steering groups would help shape negotiating objectives during the mandate setting phase, resolve trade-offs during negotiating rounds, and ensure business can access appropriate information to help them plan and grow during periods of uncertainty.

Recommendation 4: Establish a series of Thematic Working Groups to tackle cross-cutting issues.

- Setting up Thematic Working Groups would provide more detailed commercial insights on key cross-cutting issues such as data, customs and people, including a holistic view of where sectors have different priorities. Thematic Working Groups would play an important role in avoiding duplication across committees and ensure that the advice being fed into government reflects the needs of the whole UK economy.

Recommendation 5: Expand the remit of DIT’s Expert Trade Advisory Groups (ETAGs) to create a series of Sector Trade Advisory Groups to provide detailed, technical advice for specific sector negotiations for EU and non-EU trade.

- Sector Trade Advisory Groups, formed out of existing Expert Trade Advisory Groups (ETAGs), would add a lot of value to government negotiators by helping officials understand what specific technical provisions would mean in practice for businesses during negotiating rounds.
- The UK is lucky to have a large number of high quality sectoral Trade Associations with deep technical knowledge, as well as close relationships with experts embedded within companies. This asset should be utilized to support the government from outlining key offensive and defensive interests through to ensuring negotiators have the evidence required to take difficult decisions.

Recommendation 6: Appoint a new Chief Business Trade Envoy to coordinate the gathering of business intelligence, ensure coherence of policy, and provide businesses with a single point of contact.

- Officials with responsibility for business engagement in Number 10 and across Whitehall are greatly valued by the business community. A similar role relating to trade negotiations would be a positive step for government and businesses alike. This senior official could head up a new trade policy unit which would help co-ordinate across government departments with a stake in trade negotiations, minimising duplication and creating a more effective way of working, as well as providing more space to others to focus on more domestic needs.

Recommendation 7: Take business delegations to negotiating rounds to strengthen the UK’s presence and give negotiators easy access to technical expertise.

- Informal business delegations would help UK negotiators make the right strategic decisions during real-time negotiations. This should include a range of business organisations and Trade Associations which hold the address books of the business community, as well as companies from the membership of the steering groups.
- Informal business delegations accompanying negotiators would allow the UK to act in an agile manner during talks, supporting the government’s ambition for speed, as well as creating greater links between UK businesses and those in the nations we want to deepen links with.

Principle 3: Transparency would build buy-in at home and ensure trade works for business and consumers.

Governments worldwide are finding that public concerns on trade are necessitating an opening up of transparency, and it is becoming increasingly crucial for ratification of trade agreements.

The EU and US experienced the consequence of a lack of focus on transparency with the difficulties around the Transatlantic Trade and Investment Partnership (TTIP). The failure of the European Commission to make a detailed, proactive and transparent case from the beginning allowed trade sceptics to set the agenda, making it more difficult for a positive case to be made for the potential benefits to business and consumers of the trade agreement.

Critical engagement on Brexit preparation, particularly no deal, has been conducted under Non-Disclosure Agreements (NDAs). While there is a place for NDAs to protect commercial interests and genuinely sensitive information, this has hampered the effectiveness of business consultation, especially when government has communicated to separate groups of business simultaneously but prevented them from cross-referencing. In some cases, UK business organisations found European Trade Associations and diplomats a better source of information than the UK government.

A Brussels trade official told the CBI: *“We learnt many important lessons from the failed TTIP negotiations, and one was that consistent transparency is an antidote to misinformation. This is now the standard EU approach and it is hard to see any downsides to transparency in trade policy.”*

Recommendation 8: Publish proactively the membership of advisory groups.

- Being open and transparent about organisations and individuals advising on the negotiations would help the government build trust and confidence in its approach, critical to securing public support. It also creates a greater level of accountability within government when it comes to ensuring diverse representation in consultation – including diversity of business size, markets and sectors.
- Clarity on the makeup of steering groups would allow companies to understand the best routes to feed in intelligence.

Recommendation 9: Release summaries of negotiating rounds as they are completed.

- Businesses need certainty to make investment decisions. Being able to access appropriate information and keep up to date with negotiations would help them make decisions for the future.
- Publishing as much information from negotiating rounds as possible, with an explanatory memorandum to give relevant context, would maintain confidence in the negotiations and allow firms to feed in relevant intelligence to officials.
- Opportunities to be briefed in large groups by officials and to ask questions throughout the EU withdrawal negotiations have also been appreciated and should be looked at more broadly as a way to maintain transparency and buy-in.

Recommendation 10: Use Non-Disclosure Agreements only when essential.

- Businesses recognise the need for NDAs in limited circumstances. Using NDAs as sparingly as possible will strengthen the effectiveness of consultation and help align government and business interests.

Conclusion

The UK government has a unique opportunity to build a world-leading trade agenda in partnership with the business community. If the UK's trade priorities are driven by evidence, new trading relationships with the EU and the rest of the world can boost the prospects of people and communities across the whole country.

Drawing on the experience of its members, and its relationships with politicians and trade officials worldwide, the CBI has compiled this template for build a world-leading trade policy based on lessons from international best practice. A trade policy that provides a clear, meaningful way for businesses to feed in all their experience and expertise into government will create the greatest value from the UK's opportunities across the world – and ultimately support prosperity across the country.

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