

Recommendations to inspire Free Trade Agreement (FTA) utilisation

Now is the time to build a collective strategy between business and government to drive growth – FTA utilisation should be a key part of this mission.

Business supports the UK's ambitious trade agenda. While pressure on fiscal and monetary policy remains, global trade is a key lever for growth. To ensure the impact of trade deals with countries around the world is fully realised, there should be a clear thread of business engagement running through pre, during and post negotiation. Strengthening the process at each stage will better arm UK negotiators, get business buy-in, and increase take-up of the FTA by UK firms for the good of the wider economy.

Summary of recommendations

Drawing on CBI member experiences and expertise, the whole FTA process can support greater utilisation by:

Phase 1: A partnership approach between business and government from the start will provide the best trade deals for the UK in the long-term. This increased awareness will also result in more firms taking advantage once it has been signed.

- Develop a genuine two-way dialogue between business and government once the consultation is launched.
- Gain a deeper understanding of the business position on negotiating priorities before setting the mandate and red lines, including through TAGs/TWGs and conversations with key industry stakeholders.

Phase 2: During the negotiation phase business can provide vital insights, including on live negotiating text, to ultimately fulfil the economic potential following the signing of a deal.

- Enable business to better understand trade-offs and be brought into the process in a more constructive way to prevent concern from spreading.
- Prioritise testing offers and trade-offs with business during negotiation rounds.

Phase 3: To promote the use of FTAs a continuous campaign is needed, building on the Export Strategy, and adopting a more strategic approach with the private sector.

- Help businesses of all sizes understand where new opportunities or trade facilitation measures have been secured by translating the FTA into practical information.
- Focus on practical advice and guidance, not only on what the opportunities are but how to access them for both goods and services firms, with Business Representative Organisations and Trade Associations used as key partners.
- Develop a close partnership with private sector stakeholders and other government departments, helping to build an effective feedback loop with businesses using trade deals.
- Champion the UK globally with a proactive approach to trade shows and missions.

Phase 1: A partnership approach between business and government from the start will provide the best trade deals for the UK in the long-term. This increased awareness will result in more firms taking advantage once it has been signed

Businesses are the ones experiencing the market access barriers which can be resolved through an FTA. 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 do business. Utilising this expertise and insight, as well as learning from best practice from leading trading nations, should be a continuing priority for the Government.

Develop a genuine two-way dialogue between business and government once the consultation is launched

Business welcomes engagement through the Trade Advisory Groups (TAGs) and Thematic Working Groups (TWGs). To strengthen the variety of feedback and evidence base for negotiating teams, DIT should:

- Run regional events as part of the consultation phase to maximise awareness across the country and make it easier for businesses to engage, especially SMEs.
- Build on the 'town hall' events which were previously run for the US, CPTPP, Australia and New Zealand FTAs in 2018, and partner with business organisations to get local businesses in the room. In a recent survey the Institute of Export & International Trade¹ found that 66% of business wanted more education, and 69% wanted more technical support around FTA's.
- Work with other government departments such as DEFRA, BEIS, HMT, and DCMS to coordinate activity, incorporating trade opportunities and discussion on FTAs into all business-facing government events.

Member in the chemicals sector: For specialised sectors such as chemicals it is important not to forget the downstream when engaging with businesses, as rules and regulations still apply. This has been forgotten by DIT previously, meaning that benefits are going unrealised as companies operating in these sectors have not taken advantage of better market access.

Gain a deeper understanding of the business position on negotiating priorities before setting the mandate and red lines, including through TAGs/TWGs and conversations with key industry stakeholders

- There is always additional nuance to written submissions, as commercial sensitivities cannot be put in written consultation responses, including where businesses could live with certain conditions not being met.
- Present different options to stakeholders so that it's a genuine consultation process rather than government sharing a single proposal. That will tease out where the real opportunities/risks lie.
- With genuine dialogue once the public bundle is published, stakeholders are more able to support government messaging externally with projected outcomes from the FTA.

Member in the chemicals sector: We appreciate the engagement through TAGs, but some topics are too niche even for these groups and timescales too short to do proper engagement, as the tough business environment makes it harder to service DIT requests.

Phase 2: During the negotiation phase business can provide vital insights, including on live negotiating text, to ultimately fulfil the economic potential following the signing of a deal

The CBI and our members have welcomed the increased transparency through the FTA process and the sharing of text, most recently on the India FTA. We appreciate the sessions with Chief Negotiators on specific chapter discussions which provide valuable insight not only into what is currently being negotiated but also the direction of travel, and the more candid thoughts on what is achievable. This helps generate trust in the process.

Enable business to better understand trade-offs and be brought into the process in a more constructive way to prevent concern from spreading

Open and honest conversation, bringing business on the journey, should lead to greater uptake once the deal is signed. This can be helped by:

- Using targeted working groups on specific FTA chapters outside TAGs/TWGs led by business organisations such as the CBI. These are well received and should be used more to facilitate tricky conversations.
- Treating an FTA being signed as the baseline. Business involvement in this process should showcase that the UK will look to further build on the economic relationship once the deal has been signed.

Members across sectors including fashion, energy, and services: The long-term value of an FTA is maximised by ongoing engagement in-market after implementation. DIT have an opportunity to increase the focus around this to further support UK exports. For example, despite the UK-Japan FTA being in place, the fashion industry needs more advice and guidance on the ground to break into the market.

Prioritise testing offers and trade-offs with business during negotiation rounds

Real time consultation must be a priority to maximise success with negotiating text shared extensively with stakeholders under NDA, along with an explanation as to what the legal text means in practice. As negotiations progress, if the aspects of the strategic approach are undeliverable it is important to manage expectations as soon as possible. Whilst industry understands that an FTA is only closed when all chapters are agreed, it is important to have transparent and open communication throughout.

Member in the telecommunications sector: Greater coordination is needed across Whitehall, especially with DCMS for the telecommunications sector. We would be keen to sign more NDAs if this allowed access for our policy specialists who can provide better insight to DIT on specific issues at a technical level. The limited number of NDAs allowed per organisation stifles that flow of specialist information.

- Early stages: as negotiations start to crystallise detail including market access offers, negotiators should test positioning with TAGs/TWGs in a much more consultative fashion with a two-way dialogue, as is currently done with chapters that have been closed.

- Final rounds: key trade-offs should be tested with engagement groups to gauge potential impact, and the Strategic Trade Advisory Group (STAG) should be used as a genuine sounding board with a remit to boost macro-economic impact and wider government objectives e.g., growth and levelling up.
- Agreement in Principle: the draft text should continue to be discussed with transparency around trade-offs and the reasoning. Where potential opportunities/risks have been significantly missed, officials should work with relevant TAGs/TWGs on final amendments in limited areas where necessary.

Phase 3: To promote the use of FTAs a continuous campaign is needed, building on the Export Strategy, and adopting a more strategic approach with the private sector

Business welcomes the 12-point plan in the Export Strategy, and the CBI is working across the private sector and with the other major business representative organisations to continue to promote the opportunities that increased exports provides to business. We are fully engaged with DIT teams, including the policy hub aligned to the Export Support Service and market access teams. We are also leading the Trade in Services Council (TISC) to drive ambition for services trade, with the goal of supporting companies across the wide range of services sectors to trade globally for the benefit of UK growth and prosperity.

Help businesses of all sizes understand where new opportunities or trade facilitation measures have been secured by translating the FTA into practical information

To drive up utilisation rates the government should:

- Work with the CBI and financial/professional services firms in our membership to better consolidate data on trade flows, including from HMRC, to target export promotion more strategically by sector/market. There is significant under utilisation of data to identify new trade corridors as close to real time as possible.
- Leverage existing government programmes and initiatives across departments, such as the Help to Grow scheme, to ensure export advice is more widespread across business-facing activity.
- Use innovative channels to communicate such as TV adverts with real business case studies, building on the *Made in the UK, Sold to the World* campaign.

Member trade association specialising in exports: Cross departmental working should include utilisation of the Business Growth Directorate at BEIS for FTA promotion to encourage companies to become exporters.

Members across sectors including food and drink, defence, and services: Publicising FTA benefits should take many forms including roadshows, webinars, emails, toolkits, and social media campaigns. The focus should be on practical advice in collaboration with Trade Associations and Business Groups.

Focus on practical advice and guidance, not only on what the opportunities are but how to access them for both goods and services firms, with Business Representative Organisations and Trade Associations used as key partners

In a recent CBI SME survey, 37% of respondents would turn to government advice and guidelines to access help, advice and support for international trade (rising to 57% of those who already import or export). 29% would turn to business organisations such as the CBI – rising to 40% of those who already import or export. Peer to peer advice comes in third, showing that government should help to facilitate this, building on the rollout of the Export Academy and Export Champions initiatives.

Guidance should tie into the already good advice provided by government on the export journey. Integrating into existing channels will improve impact as the more avenues available the more complex the system for a business, especially a small one, to navigate.

- The Export Academy should have a dedicated strand around FTA utilisation and identify the practical benefits of an agreement.
- Segment guidance into dedicated strands for those companies already exporting and looking at new markets, and those that have never exported or stopped exporting, to ensure the guidance is targeted in the right way.
- Each FTA should be supported by an SME Dialogue, along the lines of the first-class UK-US SME Dialogue.
- Restructure the government website to make information and updates on trade deals much more informative and easier to use. The UK has fallen behind international competitors with our digital interface. GOV.UK is not adequate when compared to Australia, Canada, and the EU in terms of practical advice for businesses online.
 - It is much harder to navigate and needs to show better linkages across departments as trade is so cross-cutting and there are multiple places to search for information. Great work has already been done to make information available and continuing to make it easier and quicker to find will help more businesses take advantage of it.
 - A well-structured website highlighting the status of the negotiations, recent news around the negotiations as they progress, easy access to the relevant documents, and summaries of the chapters could provide businesses with valuable information regarding each FTA.

Member in the defence industry: SMEs with the capacity to export need better education on FTAs. Government should create toolkits for each FTA to maximise awareness and utilisation.

Member in the defence industry: The UK Defence and Security Exports (DSE) already do great work promoting exports and working across Whitehall. Learnings should be taken across other sectoral teams.

Member in the wholesale FMCG industry: GOV.UK advice is geared toward brand owners and manufacturers and needs to cascade down the chain of impact, including for wholesalers.

Websites, online guides and toolkits, and email are the most popular channels for accessing help, support and advice relating to international trade in a recent CBI SME survey.

Practical information such as better identification of distributors and agents in market will also assist with uptake.

- Initial guidance should be entry level and should point to private sector and other sources for advanced technical and legal guidance, e.g., Institute of Export and International Trade, financial and professional business services, and customs intermediaries.
- Provide a best practice guide to where and how to access advice, with approximate costs to allow SMEs to perform a cost benefit analysis when embarking on decisions over using FTAs.
- Provide guidance on market selection to help firms understand the volume and value of the specific markets they are looking to expand to, including checklists for market entry.
- Quick and simple guides should be the default, with answers to 'so what' questions such as tariffs and tax, as without this, businesses will continue to trade the way they know already, not taking advantage of the benefits unlocked by the FTA (e.g., duty and tariff reductions).
- Business welcomes the Trade Envoy programme and the Tech Envoy in San Francisco. DIT should explore appointing more Tech Envoys in emerging markets to capitalise on our world leading capabilities in this sector.

Member trade association specialising in exports: DIT should develop a free-of-charge or nominal cost Distributor identification Service for manufacturers and an Agent Identification Service for service companies. The average cost of a DIT report is £3000. If a UK Exporter wishes to export to 30 countries across 20 market sectors this will cost approximately £1.8m, which is nearly 3 times the average UK company turnover. At 10% profitability it would take companies in this range 30 years to finance the reports.

Member in the fintech sector: We are keen to see progress on DIT's proposed 'Fintech Champions' programme. That was a great idea and would have been a useful vehicle to drive engagement post-FTA but seems to have gone nowhere. 'Champions' across key sectors could form a core of trade missions to drive forward realising opportunities from FTAs.

Develop a close partnership with private sector stakeholders and other government departments, helping to build an effective feedback loop with businesses using trade deals

It is important to make use of internal and external stakeholders to provide information to business and gain feedback on how the trade deal is working in practice.

- Use sectoral teams, linking in with organisations such as the CBI, to get the right information to industry. Extend guidance through supply chains, especially for industries which sit outside of FTAs (e.g., defence and security).
- Support sectoral based trade associations and business representative organisations in disseminating opportunities, especially across the regions and nations of the UK. Use TAGs as sector-by-sector vehicles for FTA utilisation.
- Endorse industry advisory groups on specific areas of FTAs which can inform discussion at the formal committees set up through the trade deal, with transparent timetables for these joint dialogues and formal mechanisms for engagement.

- Post-implementation, business groups and trade associations are in a good position to consult with members to identify challenges they face trading under new rules and identifying opportunities to expand on the provisions laid down in agreements. The Market Access and Implementation TWG is a good starting point for this work.

Member in the services sector: Duty overpayment still occurs on imports, showing benefits aren't being realised. Government should have figures on this duty overpayment and should target the sectors that are consistently overpaying. At the moment it is taking other countries flagging to UK businesses that they aren't using the benefits of the FTA that has been signed.

Member in the manufacturing sector: It is important to communicate the comparative advantage gained by an FTA by sector to help business understand its value. There needs to be a comparison to trading arrangements pre and post FTA, such as tariff rates. With this knowledge, businesses will be able to target the market more aggressively.

Champion the UK globally with a proactive approach to trade shows and missions

Although financial incentives can play a part in FTA utilisation, other avenues should also be developed while the economic environment is challenging for the Treasury.

Better identification of opportunities is vital. In a recent CBI survey 15% said limited knowledge about international markets impacted their ambition to trade internationally and 8% of SMEs surveyed stated they found it difficult to identify overseas business opportunities.

- Greater communication of the benefits of trade shows and linking businesses to one another to share best practice will improve the impact of the programme.
- A schedule of Ministerial visits or His Majesty's Trade Commissioner (HMTTC) activity should be published in advance to allow business plenty of time to organise attendance, either on the trip or as complementary activity.
- Communicate opportunities around trade missions and Ministerial visits to business representative organisations for them to inform their delegation plans.
- Communicate opportunities regarding available export incentives for businesses looking to expand their operations to international trade, e.g., sector specific funding/opportunities or more general funding such as the Internationalisation Fund.

Member in the professional services sector: The South by South West (SXSW) funding decision was made too late to allow businesses to attend. We need a more strategic forward plan for funding of at least 6 months, but ideally 12, to allow businesses to plan attendance at shows.

Member in the creative industries sector: The flow of information around trade missions and shows is worse than pre-pandemic. It's very important for major markets such as the US and developing markets such as in South East Asia.

- Make better use of the experienced network of HMTCs to maximise FTA utilisation, drawing on their market knowledge and expertise. This can be especially helpful for conversations around outbound and inward investment and to give sight of Ministerial visits.

Member in the services sector: Trade missions are massively important, especially in areas of the world like Asia where selling face to face is crucial. Building reputation and networks can provide high impact for business. There used to be a great programme, but it now seems scattergun and lacking strategy. Inward Missions are just as important.

Member in the pharmaceutical industry: For the pharmaceutical industry, ensuring that commitments within FTAs are upheld is as important as encouraging individual businesses to engage with the opportunities afforded by these deals. Engagement with business should inform joint dialogues with FTA partners through implementation and monitoring committees.

- One of the ways these are managed is through specific working groups or joint committees of the parties which monitor the implementation of the agreement and provide a forum for further discussions on key areas. E.g., the Working Group on Medicinal Products under the joint EU-UK Trade Specialised Committee on Technical Barriers to Trade.

We hear from counterpart trade associations in other countries with more mature trade policy agendas that these are essential avenues to ensure FTAs remain fit for purpose.

The CBI represents a wide range of business voices across the whole UK. Our mandate comes from our members who have a direct say in what we do and how we do it.

The CBI is a non-political, Royal Charter organisation that speaks for 190,000 businesses, employing seven million people, equating to one-third of the private sector workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

This submission has been formed in partnership with the Institute for Export and International Trade¹, British Exporters Association (BExA), Trade Associations and CBI Members of all sizes and sectors, across the United Kingdom.

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¹ The Institute of Export and International Trade is a charity founded in 1935, with offices in five locations: Peterborough, London, Bangor (Northern Ireland), Nairobi (Kenya) and Brussels (Belgium). We have over 7200 members consisting of businesses and individuals representing the complete supply chain from manufacturing to logistics. The main purpose of IOE&IT is to enhance the UK's export performance and professionalise those involved in international trade through training and education.

Annex: International Best Practice

Australia

Australia maintains real time involvement of business by keeping online consultation live throughout the process with a dedicated email inbox for each negotiation. This is particularly useful when monitoring the trade-offs between offensive and defensive interests – areas where business wants the other side to open its markets and as opposed to areas in the domestic market businesses wish to protect. This also reflects the importance of commercial realities changing through the long process of negotiation a trade agreement.

United States of America

“The US system of gathering evidence from stakeholders is relatively formal and robust, with about 700 ‘cleared advisors’ from the private sector and civil society (in addition to the general requests made for public input for each negotiation). 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.”
US trade official

New Zealand

New Zealand successfully incorporates informal channels of communication by appointing an official ‘trade envoy’, who holds responsibility for being the link between government and stakeholders, including the formal committees. The individual is kept abreast of feedback loops and can advise negotiators on business representatives that are well placed to advise on specifics.

New Zealand’s ‘Trade for All’ agenda

“When the current government took office it recognised the need to include a wide range of stakeholders from business and civil society on trade policy. The government sees trade as a tool to share prosperity and address societal concerns, whether on the environment or on labour standards. Much like DIT’s Strategic Trade Advisory Group, the inclusion of consumer groups, trade unions and NGOs has supported the New Zealand government’s efforts to set a bold and ambitious agenda on trade. The current negotiations with the EU are the first to be supported by the Green Party in New Zealand and the country’s trade policy has benefitted greatly from an inclusive approach.”

New Zealand trade official

India

Members in the defence industry used India as a good example of a country which uses roadshows with stakeholders to maximise the effectiveness of trade agreements. Importantly they use real examples and case studies as part of this process to promote peer to peer learning.

Mexico

The Mexican 'room next door' approach probably allows for the closest real-time interaction, with a steering committee accompanying the Mexican negotiating teams and being able to advise negotiators on granular details. This level of input and guidance from the private sector is mutually beneficial. In a series of meetings in Mexico City in September 2019, the CBI found both government and business representatives speak highly of the value of close interaction. The business delegation accompanies officials to negotiating rounds and is kept close to developments, so much so that during the US-Mexico-Canada (USMCA) negotiations, the US business community was gaining more insights from Mexican companies than their own administration.

"Since the negotiation of NAFTA in the mid-90s, Mexican trade negotiators have worked closely with the private sector. At that time, they came up with the "Cuarto de Junto", or "Side Room". It is a group formed of private sector representatives and gives the government a direct channel of communication whenever they need to quickly raise specifics with business. The group also plays an important advocacy role; more recently, during the US-Mexico-Canada renegotiations of NAFTA or USMCA, members of Cuarto de Junto were the ones leading certain sectoral discussions with the US and Canadian negotiators, being influential in promoting the merits of the trade agreement outside of government. Besides the benefits of having immediate feedback from the business, the Mexican negotiators rely on the "Cuarto de Junto" for several aspects around the negotiations, such as lobbying with local authorities and with American and Canadian business communities."

Mexican trade officials

ⁱ <https://www.export.org.uk/news/622748/UK-urged-to-take-advantage-of-free-training-to-kick-start-their-exports-.htm>