



Department for Business & Trade

Gareth Davies
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Dame Meg Hillier MP,
Chair of the Public Accounts Committee
House of Commons
London
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28 March 2023

Dear Dame Meg Hillier,

PUBLIC ACCOUNTS COMMITTEE: PROGRESS OF TRADE NEGOTIATIONS (RECOMMENDATION 3: SUPPORT TO BUSINESSES AND SMEs)

I am writing to you following the Public Accounts Committee report 'Progress of Trade Negotiations' published in March 2022 and the National Audit Office (NAO) report published in December 2022. The Department for International Trade responded to each of the recommendations made in the report in May 2022 and provided a further update to you in November 2022. We thank the Committee for their consideration of the matters relating to their third recommendation. The recommendation asked DIT to write to the Committee within 12 months of the publication of the report to set out how it has supported businesses, particularly small and medium-sized enterprises (SMEs), to take full advantage of existing and newly negotiated trade agreements. Please find our response below:

Supporting SMEs remains a key part of our refreshed Export Strategy, and ensuring they can take advantage of the preferential terms and enhanced market access provided by our FTAs is an export support priority for the Department for Business and Trade (DBT). We are adopting a comprehensive approach to understanding and enhancing the business utilisation of the provisions in the new FTAs, the first of these come into force in the coming months, ensuring they understand how the terms of the agreement shape opportunities in fast growing export markets.

We know that government action is needed to ensure business are aware of the opportunities and SMEs in particular have the support they need to understand and access them. It is acknowledged globally that SMEs are less likely to use preferential terms in FTAs. DBT

research tells us that of those firms who have exported to non-EU markets, a third (33%) of these businesses were aware of whether their goods were eligible for customs duties, and just under half (48%) said that they did not know about their goods' eligibility.

Our approach includes the regular monitoring of preference utilisation rates for exports and imports as part of our overall strategy for monitoring and evaluation of our FTAs. We use a range of surveys, trade data and feedback from business to see how firms understand the opportunities and have the information and guidance needed to take advantage of them.

We will be building on our domestic and international trade promotion campaigns by delivering a new behaviour change campaign dedicated to boosting UK businesses' capability to fully utilise new trade agreements. The campaign will initially focus on Australia and New Zealand as those deals enter into force later this year. This campaign will be supported by a new package of guidance, as well as technical and sectoral explainers, to ensure business understand the deals, what it means for their sector, and how to access the benefits they offer. This package of guidance and explainers will be produced in consultation with Business Representative Organisations to help ensure it meets the needs of business looking to trade with Australia and New Zealand.

We are ensuring our support offer for SMEs will help firms build their capability to effectively trade under our FTAs. The UK Export Academy included a module focused on FTAs in its offer in October 2022. Since then, it has run eight 'Introduction to UK Free Trade Agreements' webinars. These free webinars provide an overview of what FTAs are, and how SMEs can potentially use them to improve their export performance in those markets. They are created in conjunction with subject matter experts within DBT, and are constantly updated to ensure they include the most up-to-date information. These will continue to regularly feature as part of the Academy's offer. Our International Trade Advisors will also be equipped with the knowledge they need to help the firms they are supporting to understand and access the opportunities created by our FTAs. Beyond our export support offer, SMEs benefit from a range of growth support including the free Business Support Helpline, 38 Growth Hubs across England and newly launched Help to Grow website. Businesses can also access government-backed finance from the British Business Bank, such as via the Start Up Loans programme and Recovery Loan Scheme, while the British Business Bank is supporting over £12.2bn of finance to over 96,000 SMEs to help them start, scale and grow.

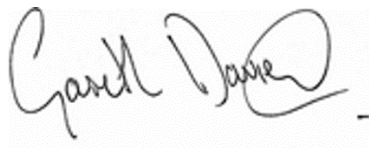
When our trade agreements come into force, we recognise the importance of ongoing efforts to ensure they are delivering for the UK business and will be working to engage business through our formal groups such as the Strategic Trade Advisory Group, Trade Advisory Groups and Thematic Working Groups, in addition to informal discussions across Business Representation Organisations, Trade Associations and with SMEs. This includes work to strengthen feedback systems regarding our programme of trade committees, ensuring ongoing engagement with both bilateral partners and external stakeholders providing meaningful outcomes for businesses.

Our trade agreements are an important component of our overall approach to increasing UK exports as detailed in our export strategy. Our modern trade agreements, and ongoing efforts to remove market access barriers in growing markets around the world, ensure that UK businesses can access opportunities on the best terms possible, while our support offer in the UK and around the world will help them build their exporting capability and connect them to those opportunities.

I hope this information answers your outstanding concerns. Please let me know by reply if there is any further information the Department can provide on them.

I am copying this letter to the Comptroller and Auditor General, the Treasury Officer of Accounts, the Chair of the International Trade Committee and the DG Trade Negotiations at DIT.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gareth Davies', followed by a small horizontal line.

GARETH DAVIES