

Speech: Dr Liam Fox: Institute for Government speech

Good morning everyone.

When people talk about, or write about, the Department for International Trade, they tend to do so in rather vague terms about what they call 'trade deals'.

While trade policy is an important part of what we do, it accounts for less than 20% of our total staff.

As an international economic department we are responsible for helping sell UK goods and services to the rest of the world, negotiating market access for UK exporters, assisting outward direct investment for UK companies into overseas markets and for foreign direct investment into the UK.

So I am very grateful to the Institute for Government for providing this opportunity to set out how DIT came into existence, its current role and its future ambitions.

And I am proud to lead a department which has a direct and measurable impact on our prosperity.

In 2017/18 alone, we helped UK businesses export goods and services worth around £30.5 billion.

Using analysis by the Institute for Economic Affairs, it is estimated that this could potentially generate around £10 billion for the Exchequer.

Despite a challenging global economic climate, British exports now stand at a record high of £640 billion – that's a year-on-year increase of 3%.

Since the Referendum alone, UK exporters have sold around £1.7 trillion of goods and services to the rest of the world.

What's more, our efforts to keep the UK in the global spotlight as an attractive place to do business has helped stock levels of foreign direct investment hit another record-high of £1.34 trillion.

This has helped generate around 1,500 new jobs across the country each week.

Between 2016 and 2018 we supported more than 3,500 inward investment projects, creating and safeguarding over 170,000 jobs.

And the UK is the number one destination for foreign direct investment in Europe and third in the world last year behind only China and the United States.

It actually seems remarkable to me that three years ago DIT did not even

exist.

When I was asked to set up the new department by the Prime Minister in 2016 we had nothing.

No desks, no phones, no IT, no office and no staff.

In fact, on day one I was 25% of the department!

Today we are a department of nearly 4,000 people, led by an excellent Permanent Secretary in Antonia Romeo and equally excellent Chief Trade Negotiation Adviser, Crawford Falconer.

The UK stands ready to implement an independent and visionary trade policy for the first time in more than 40 years.

It is truly a pivotal moment for the country, and I am delighted to say that we are starting from a position of strength.

I wanted this morning to take a step back, as Bronwen says.

How did we get to this point? Where did we start from? And what lessons does it have for the future?

When I became Defence Secretary in 2010 we were faced with reshaping a dysfunctional Ministry of Defence in real time – with £39 billion inherited departmental overspend, a 7% budget cut to be implemented to help reduce the government deficit, two military conflicts in Afghanistan and Libya, a strategic defence review that had not been conducted for 12 years and the loss of around 37% of our civil servants as a consequence of the above.

People

And this experience was crucial when it came to creating a new department.

While we needed to develop our policies, our strategy and direction, as well as building the very infrastructure from which everything else flows – and all in a very short space of time – we were free from the limitations of someone else's structures and constraints.

We knew we had to be clear about our purpose from the outset.

We had to find a way to incorporate existing organisations like UK Export Finance, our export credit agency.

So we organised ourselves around three very distinct pillars: trade policy, including trade agreements; investment promotion; and export promotion.

And everyone in the department belongs to one of these. And each of the pillars is owned by a dedicated Minister, and a dedicated Civil Service Director General.

We also had to create an organisational plan to implement these three pillars, build HR and finance capabilities, find office space, and –

crucially – find the very best people available to fill them.

Setting up a Departmental Board, including recruiting a team of Non-Executive Board Members led by the excellent Simon Walker, was crucial as it acts as the central coordinating structure of the entire department.

And the Board, which I chair, meets around 10 times a year.

We just held our 27th board on Monday.

It plays a fundamental role in challenging and scrutinizing the department's business, while simultaneously setting our strategic direction and supporting my Ministerial team and senior Civil Servants in delivering our long-term goals.

We publish our agenda to our staff worldwide before the Board sits so they can comment and feed into it, and we inform them of our discussions and decisions afterwards both by email and by video.

But even with this in place, it was clear that we had a problem: the UK had not operated its own independent trade policy for more than 40 years and there were very few civil servants or Government Ministers with direct experience in this highly technical field, and no collective Whitehall memory on which to draw.

All of this could seem daunting, but I actually think that the uniqueness and genuinely ground-breaking nature of the challenges fuelled the excitement and expectation of what lay in store for the department.

But pulling together this team in such a short space of time required a great deal of cooperation across Government.

Now some might think that with more than 430,000 employees scattered across the country and internationally the Civil Service is unwieldy.

Actually, nothing could be further from the truth.

At its best, few organisations are as dynamic and quick to react as the Civil Service.

So when the call went out for help in staffing DIT, other Government departments did all they could to release the people with the right skills.

And our team worked frantically over the summer so we could hit the ground running when Parliament returned from the summer break in 2016.

There is not a day goes by when I am not impressed by the dedication, drive and professionalism of those who have helped create DIT, and delivered world-class advice and delivered out objectives as the structures bedded in.

Learning

However, while we had some very experienced people from the outset, they did

not necessarily come with the policy expertise that we required.

That's why we made it an early priority to reach out to the people who already had the expertise that we needed, holding consultations with trade experts around the world.

We were able to draw on the skills and expertise from strategic partners such as Canada, Australia and New Zealand who advised us, for example, on establishing our own trade remedies function.

And there was a great deal to learn, with policy details like procurement, intellectual property, tariffs or rules of origin requiring a whole new level of understanding, or a different perspective in the context of an independent UK trade policy.

That's why we unveiled the International Trade Profession last year.

This is the newest Civil Service profession and is designed to recruit and train a new generation of international trading talent.

More than 2,500 civil servants have joined so far and are being equipped with the skills they need to make our country the great trading nation that we can be.

Another challenge was the need for DIT to become a credible, data-driven, intelligence-led and more efficient organisation.

This meant developing our analytical, statistical and data science capabilities, and rolling out a new range of surveys and data collections to inform the development of trade and investment policy.

We laid the groundwork to build solid relationships with the ONS and HMRC to deliver the necessary trade statistics, and we pushed forward with the OECD and WTO cutting-edge initiatives developing new measurements of digital trade and Trade in Value Added.

I remember when we started commenting on the lack of data that seemed to be there and I remember saying that if I made decisions when I was still practising medicine on the basis of the same level of information I would probably have found myself up in front of the General Medical Council.

But we have built that capability and are continuing to build it today.

We made sure businesses were involved in helping shape the department from the outset by opening a channel of communication to understand what mattered to them, while at the same time opening the eyes of many companies to the potential of what was coming down the track.

And we expanded our World Trade Organisation mission in Geneva as a very early priority in fact within days, to lay the foundations for when we take up our seat as independent member.

Vision

So having got the right people in the right places, we needed to set a clear direction for the department.

So in my first major speech as Secretary of State I made the case in Manchester for free trade and an open and liberal trading environment and warned about the dangers of protectionism.

I said there that “free trade has, and will continue to, transform the world for the better, and the UK has a golden opportunity to forge a new role for ourselves and importantly for the rest of the world.”

I believe this passionately and setting out this intellectual creed from the start was essential in shaping DIT’s culture and its direction.

But in a department the size of DIT, with a presence in 108 countries, political direction by my excellent team of Ministers and myself can only go so far on a day-to-day basis.

So we wanted to create a set of values that went to the very heart of everything we do.

We called it the DIT Spirit.

Central to this is our “vision to create a UK that trades its way to prosperity, to stability and to security”.

Our values of being Expert, Enterprising, Engaged and Inclusive guide how we deliver our vision and what we expect of one another.

These values are in turn underpinned a raft of behaviours that we expect all staff to model.

By setting out our values so early and clearly, we have been able to build a culture of trust and purpose which, in less than three years, is I think established, coherent and cohesive.

This is reflected in our People Survey results, which have shown consistent improvement in the level of employee engagement across the department.

If, of course, there’s a downside, it’s when the Treasury tell me we’ve got a very high application to job ratio and therefore there’s no free-market case to see our salaries go up!

Senior leadership team

Now the efforts of our early senior leadership team to build capacity at pace were quite remarkable.

A single Departmental Plan needed to be built, publicly outlining our core strategic objectives, and how we were going to achieve them.

Trade and investment sector teams, spread across several organisations, had to be brought together: from UKTI, UK Export Finance, the Trade Directorate

team at the Department for Business, Innovation and Skills, and overseas teams from the FCO.

Other teams such as the Trade Policy Group needed to be scaled up very quickly. And teams that didn't even exist, including our corporate functions such as the Ministerial Strategy Directorate, Private Offices, Finance, HR and Communications functions all needed to be built.

Future

Everyone involved in DIT has been in some way involved in something groundbreaking.

As the Institute for Government has said, the UK is unique in carrying responsibility for export promotion, export finance, trade remedies and international negotiations in a single department.

We also carry export licensing on top of that.

This sets us apart from so many of our strategic partners such as Australia, or Canada, the EU, or the United States.

Indeed, across the non-EU G20 countries only China and Indonesia have a separate trade department. Which puts us in a strong position.

We are an international economic department of state, which has brought together skillsets in trade promotion, trade policy, foreign direct investment, outward direct investment and export promotion in one place.

We also convened The Board of Trade for the first time in 150 years to champion exports, inward investment and outward direct investment, but most importantly to ensure that their benefits are spread across all parts of the United Kingdom.

We will be meeting tomorrow in Belfast and I've been fortunate enough to have senior individuals from across the political parties with experience, Patricia Hewitt, for example, former Secretary of State at DTI, is one of our members, Brian Willson also has joined us.

We have also established a network of Her Majesty's Trade Commissioners who are responsible for our nine global regions.

They were selected from the very best talent, across both the public and private sector, for their expertise in specific markets from China to the US and everywhere in between.

Their job, alongside our Trade Policy Group and our partners across the world, is to secure the best market access, trade and international relationships that the UK will need as demand from growing markets in Asia and growing technology change over the next decade and more.

And our trade commissioners set priorities for wide geographical areas and promote the department's work overseas, but they are responsible for their

own regional trade plans, setting out our ambitions in those regions for exports, outward direct investment and foreign direct investment back to the UK.

Now, there were those, and probably still are those, who believe that such a level of autonomy given by a Secretary of State to our Trade Commissioners was, to use the words of Yes Minister, “a very brave decision, Minister”.

But I think our trust has been shown to be very well placed.

And I’ve always said there’s no point in having the most intelligent and most intuitive staff if you don’t allow them to use their intelligence and their intuition to be able to serve the organisation better.

As a department we’ve have continued to run the Exporting is GREAT campaign to raise awareness among UK businesses about how exporting can help firms to grow.

We have launched the online great.gov.uk platform which has, among other things, a live directory of exporting opportunities.

For the first time anywhere, a Government – this Government – is putting business directly in touch with potential customers overseas.

Some 149,300 exporting opportunities have been advertised since the service’s launch to UK businesses.

And we are continuing to support the excellent work of UK Export Finance, the world’s first credit agency which this year celebrates its 100th birthday.

Its ground-breaking and innovative work remains as relevant today as it did when it was first created, with some £50 billion worth of financing available in 65 international currencies.

Last year we launched the new Export Strategy to make Britain a 21st century exporting superpower.

Through this we are informing, connecting and financing businesses of all sizes in a bid to increase our exports from 30% to 35% of our GDP moving us towards the top of the G7.

One thing that struck me, however, is that not everyone understands the value of what we sell.

So, this morning’s check you’re awake quiz: if I were to ask you to rank the following sectors in order of their estimated export contribution to the UK economy, with the greatest at the top, what would you say?

So you have insurance and pensions, whisky, defence, and education. Where do you rank them from one to four?

Well, it may surprise you to learn that based on the latest figures education would come top with £19.9 billion.

Based on the latest ONS figures, the total export of insurance and pension services from was just behind at £18.8 billion.

The defence sector comes in at £5.9 billion in the same period.

And whisky exports, according to the ONS, were £5 billion last year.

Now, drawing comparisons is always a minefield and I want to make clear that while these are official figures, I'm not strictly comparing like with like.

But I think it gives us an idea of the huge diversity and strength of the UK's exports – and not always in sectors that the public might readily think of as being exports for the UK.

We've also secured a deal with the WTO to remain within its Government Procurement Agreement, providing access to the £1.3 trillion a year's worth of procurement opportunities in the global public tender market in a no deal scenario.

We have agreed a no deal tariff policy across Whitehall to minimise costs to business, mitigate price impacts on consumers, and support UK producers against unfair trade practices. In the event of a no deal exit, 87% of total imports to the UK by value will be eligible for tariff-free access.

We have also set up a Trade Remedies Investigations Directorate to ensure the UK can continue to provide support to domestic industries to counter unfair subsidies or dumping. And we have worked to ensure we have bilateral agreements in place to ensure continuity of trade with key markets currently covered by existing EU trade arrangements worth £71 billion, whether that is in the event of no deal, or probably more importantly after the proposed implementation period. I could go on, but I think you get the picture.

Conclusion

What we have achieved in three years is working for Britain and I would just like to say that I'm enormously proud and grateful to my team.

We are helping businesses access new markets, with new tools and new technologies to improve the living standards of people around the world, who are benefiting from greater choice at lower prices.

This in turn helps drive global prosperity, contributes to global stability and security, and underpins the Government's agenda for a Global Britain.

We're on the cusp of striking out with our own trade policy for the first time in more than four decades. When we do so we will have the freedom to shape a better future, not just for ourselves and our own people, but for the wider world too.

As I've often said, we don't see trade as an end in itself; we see trade as a means to an end.

It is a way by which we can spread prosperity.

Spreading prosperity helps underpin social cohesion; social cohesion underpins political stability; and political stability is the building block of our collective security.

And it's a continuum that cannot be interrupted without unwanted consequences. All we require is the courage to seize the opportunities that are out there and my department stands ready to help the country do just that.

Thank you.

Dr Liam Fox speaks at the Institute for Government