

Statement to Parliament: Dr Liam Fox speaks at the Trade Bill second reading

Free and fair trade is fundamental to the prosperity of the United Kingdom.

That is something on which all sides of this House can agree.

As globalisation and new technology have changed the face of the world economy, the old barriers of distance and time have been eroded.

In an age where data, knowledge and expertise are traded as readily as cars, or steel, even the simplest transactions are no longer confined to one country, or even one continent.

The United Kingdom is one of the world's leading trading nations.

The total value of our trade with the rest of the world is equivalent to over half of our gross domestic product.

We are the most popular destination for foreign direct investment (FDI) in Europe, and last year FDI created or safeguarded an estimated 108,000 jobs.

British companies operate across the globe, with an international reputation for quality and expertise that few nations can match.

This has enabled us to boost the total value of our exports by around 14% in the last year, to some £617 billion.

Our current success is, of course, built upon a long and proud trading tradition.

From our unilateral adoption of free trade in the 1840s, to our instrumental role in founding the World Trade Organization, the United Kingdom has been at the heart of international trading innovations.

Often, we have led the way, using our economic and diplomatic influence to guide the world towards a free-trading future, confident in the benefits that the rules-based global trading system can bestow.

Yet, for more than 4 decades, the United Kingdom has been unable to fulfil that leadership role.

But soon, this country will once again be able to pursue an independent trade policy, whether unilaterally or within bodies such as the WTO.

We will be able to unlock some of the key areas of global growth.

Able to offer preferential market access to developing nations of our

choosing.

Able to develop closer economic links with our Commonwealth partners.

And able to influence, as we once did, the future of international trade.

Madam Deputy Speaker, this government believes that we have an unprecedented opportunity to regain our former influence in trade policy.

The United Kingdom will be able to put in place a trade policy that acts in our own interest, and that of our friends and allies.

Trade is not only about self-interested commercial gain.

It is also about nurturing developing economies, eliminating poverty, and building partnerships for the future.

Closer to home, trade ensures that British consumers can access quality goods at a reasonable price, and foreign investment creates jobs and protects livelihoods the length and breadth of the country.

Fundamentally, we will have the power to choose our own economic destiny, and chart our own course to a brighter and more prosperous future.

Yet for all our high political ideals, we also recognise that trade is carried out not by governments, but by individual enterprises.

To operate, they require certainty and stability.

Confidence is a very valuable commodity indeed – the UK has been economically successful partly because our stability, our access to wider markets and our regulatory environment all inspire confidence in investors and international firms.

It is why we attracted the highest number of new foreign direct investment projects in our history last year.

Before we can begin to forge new trading relationships, we must act to prevent disruption to our existing trade environment.

As the Prime Minister has said, our ambition is to forge a deep and special new partnership with our European friends and allies.

We will retain the bonds of friendship, security and trade that have united Britain and Europe for so long.

If we are to achieve this, before we leave the European Union, we must put in place the essential legal powers and structures that will enable the UK to operate an independent trade policy.

That is what our trade legislation seeks to achieve. In this, as in all our legislation, the Department for International Trade will be guided by what delivers the greatest economic advantage to the UK, and ensures the continued confidence of our partners and allies.

The Bill contains 6 delegated powers, allowing the government to make regulations to support and develop its trade policy. Two of these powers allow the government to amend primary legislation.

Those powers relate to ensuring the continuity of EU trade agreements into a UK-only context and to the collection of exporter information by HMRC. Both of those powers are subject to significant restrictions on how they can be used.

The trade agreement continuity powers are limited in scope. In particular they can only be used to amend primary legislation where this forms part of retained EU law.

We intend to use these powers to make necessary amendments to domestic legislation as part of this transition project.

Through taking these powers we can be sure that we have the ability to efficiently implement all obligations of these existing trade agreements in our new context.

The EU's trade agreements which we are intending to transition and which are within the scope of this Bill will have already been scrutinised by Parliament's EU Committees. Those free trade agreements which the UK has already ratified have also been through the normal Parliamentary scrutiny process.

The Bill simply aims to enable us to continue those existing trading arrangements, allowing us to provide certainty and reassure international partners, businesses and investors.

The aims of the legislation

Madam Deputy Speaker, the new legislation that we have brought forward has 4 primary aims.

Firstly, as I have already mentioned, it aims to prevent disruption to UK businesses and consumers.

Earlier I alluded to the importance of the UK's ability to access other markets across the world.

Currently, as a member of the European Union, we are part of around 40 free trade agreements across the world.

Maintaining that market access for UK companies is a priority. That is why, as we leave the EU, we seek continuity and have therefore been very public about our aim to enter into our own agreements with our partner countries which maintain the effects of the free trade agreements currently in place with the EU.

The Bill will create new powers to make regulations, where required, to ensure we can fully implement these free trade agreements, and our other

existing trade agreements, as we leave the EU.

By ensuring continuity in our existing trade arrangements, we will provide certainty and stability for workers, consumers, businesses, and our international trading partners.

Secondly, we want to maintain UK businesses' guaranteed rights to access global public procurement markets worth approximately £1.3 trillion per year.

The GPA, or [Government Procurement Agreement](#), is a plurilateral agreement, within the framework of the WTO, which aims to create an open market for government procurement among participating nations.

These include many of the world's major economies, such as the United States, Japan and Canada, as well as the EU states.

Currently, we participate in the GPA through our membership of the EU.

It is worth pointing out that the UK creates around £68 billion of procurement opportunities within the GPA annually – over 25% of the total EU offering.

After we leave the EU, however, the UK will need to join the GPA as an independent member, not only to safeguard continuity of access for UK companies overseas, but also to ensure that we can tap into international expertise and obtain the best deal for the taxpayer here in the UK.

The powers in clause 1 of the [Trade Bill](#) will allow us to make regulations implementing our obligations under the GPA as an independent member, reflecting our new status within the GPA.

Parliament will be able to scrutinise the terms of our membership of the GPA through the [Constitutional Reform and Governance Act](#) (CRaG) before we join.

It also is worth my reminding the House that decisions about public services, for example the National Health Service, will be made by UK governments, including devolved administrations, not our trade partners.

As we leave the EU, the UK will continue to ensure that rigorous protections for the NHS and other public services are included in all trade agreements to which it is party.

Now, the third aim for the Bill, Madam Deputy Speaker, together with the [Taxation \(Cross Border Trade\) Bill](#), the Bill will create a new UK trade remedies framework, overseen by an independent body – the Trade Remedies Authority.

It is important to remember that free trade does not mean trade without rules.

Trade remedies are a vital safety net for firms operating in the global market place, protecting them from injury caused by unfair trading practices such as dumping or trade-distorting subsidies, as well as from unforeseen

surges of imports.

After its creation, the TRA will be required to prepare both an annual report on the performance of its functions and an annual statement of accounts.

These documents will then be laid before the House of Commons, ensuring that Parliament is able to fully scrutinise the TRA's functions and financial activity.

Closely linked to this is the Bill's fourth aim. We want to enable HMRC to collect and share essential data on the United Kingdom's trade flows.

This will enable DIT, as well as bodies such as the Trade Remedies Authority, to perform essential trade functions such as providing evidence to WTO panel's ruling on trade disputes.

It will also provide a vital insight into our export performance during our development of trade policy.

Explaining the Trade Bill – Powers

Before I explain further about the process, it seems a good juncture to correct some of the misunderstandings that seem to have grown up, deliberately or otherwise, around the Bill itself.

As I explained earlier, the Bill contains 2 powers that allow the government to amend primary legislation – the power in clause 2 to implement trade agreements the UK adopts, and the power in clause 7 to allow HMRC to collect exporter information.

Both of these powers are limited in scope, and restricted in their use.

Contrary to the belief of some in this House, including it seems the Shadow Secretary of State for International Trade, this Bill does not legislate for powers that could be used when implementing new free trade agreements with countries with whom the EU does not have a free trade agreement before exit day.

An article in the Guardian, written by the Honourable Member for Brent North, incorrectly asserted that the government would only be obliged to present the text of new Trade Agreements under the convention of the [Ponsonby Rule](#).

Yet, as I mentioned earlier, scrutiny of new agreements requiring ratification is ensured by the Constitutional Reform and Governance Act 2010.

There is no attempt to bypass parliamentary scrutiny, or to obtain sweeping new authority for the government over this country's trading structures.

Rather, the government seeks powers in Clause 2 which we think necessary for us to fully implement in UK law non-tariff obligations of the transitioned existing EU-third country trade agreements that we adopt. Any tariff-related obligations in such transitioned agreements will be implemented using powers conferred by the Taxation (Cross-border Trade) Bill, which had its second

reading in this House yesterday.

When the UK enters directly into its own arrangements with our partner countries, the government will seek as far as possible to maintain the effects of the existing arrangements they have with the EU.

This means that we will be able to deliver the continuity those businesses, consumers and our trading partners, this House, and our colleagues desire.

It will maintain market access and allow us to continue to abide by our obligations to our international trading partners.

The UK has used the [European Communities Act 1972](#) to implement existing EU trade agreements and the GPA.

The [EU Withdrawal Bill](#) will repeal the 1972 Act. This means that the UK will require a new way to ensure that our transitioned agreements are fully implemented in UK law and remain operable over time.

Clauses 1, 2, 3 and 4 of the Trade Bill will give the government the necessary powers to do so in relation to the non-tariff elements of those transitioned agreements, including amending legislation where necessary.

They will also grant these powers to the devolved administrations to ensure that they too can implement transitioned agreements, and reflect the UK's independent GPA membership, in areas that fall within their devolved competence.

With regards to the powers to implement free trade agreements; these powers will only be available if the partner country has signed an FTA with the EU before exit day.

In other words, and as I said earlier, this Bill does not legislate for powers that could be used when implementing new free trade agreements with countries with whom the EU does not have a free trade agreement before exit day.

The government is taking a similar approach with the GPA, looking to maintain the guaranteed access created by our current participation, to ensure stability and continuity for UK businesses.

As I mentioned earlier, the UK participates in the GPA through our membership of the European Union. Clearly, if we are to retain the benefits of the GPA, we will soon have to join as an independent participant.

This legislation will enable the UK government to make any changes required in domestic law as part of the UK becoming an independent member of the GPA, as well as providing the power to make changes in future to reflect new countries joining the GPA or existing countries withdrawing from it.

It is both in the UK's best interests for its businesses to continue to have guaranteed access to the GPA's global procurement markets, and for us to continue to work with our partners in the GPA to address trade barriers

within the government procurement sector.

We intend for the UK to join the GPA while maintaining our existing terms of participation. Clause 1 will allow the UK to legislate to reflect our new independent GPA status.

The Bill also provides powers for HMRC to collect and share trade data. These include the power in Clause 7 allowing primary legislation to be amended to provide for HMRC collecting exporter information.

Clause 8 of the Trade Bill will grant HMRC the authority to share data with those bodies that require it in order to carry out a range of public functions relating to trade.

Currently, HMRC collects a range of data from import and export declarations.

This data is shared with the European Commission, as well as other government departments and public bodies under information gateways governed by EU law.

Such gateways will, of course, cease to apply once we leave the European Union, and numerous functions currently carried out by the European Commission will be transferred back to the United Kingdom.

Therefore, HMRC will need to be granted the legal authority to request data from exporters and share that data to ensure the continued smooth operation of the UK's trade frameworks, and clear and informed policymaking from my own department.

The powers contained within Clauses 7 and 8 of this Bill will grant that authority, nothing more.

Conclusion

Mr Speaker, the time will come when we can begin to forge new trading relationships across the world, building a truly global, outward-facing Britain; a country at the very heart of International Trade.

But this Bill is not about those new relationships. Instead, it is about preserving and ensuring continuity.

We want to protect the access to global markets that is so vital to thousands of British businesses.

We want to abide by our obligations to those economies that have already negotiated FTAs and other trade agreements with the European Union.

This Bill grants us the powers necessary to achieve these aims.

We bring it to its second reading with an eye to the future. The Bill is explicitly designed to prepare for our departure from the European Union, whilst building the foundations that will facilitate successful future trading relations with the wider world.

I hope that members from all sides of the house recognise the value of this Bill and the measures that it contains, as well as its importance in helping to provide much needed certainty to businesses and consumers as our departure from the EU approaches next year.

Trade is an issue that transcends party politics. It is an intrinsic part of our very way of life and our prosperity.

The Bill is just the beginning. But it is the first step towards a stable, secure and prosperous future, for the United Kingdom, and our friends beyond.