



## Department for International Trade

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Lords

Noble Lords, I am writing to thank you for speaking in the QSD “*to ask Her Majesty's Government what progress they are making to increase the export of goods and services to Africa and the Commonwealth,*” and for your warm words of welcome. During my maiden speech I promised to write on a number of issues but I realise that, because of the time constraints, I owed you more answers, so I thought a letter to all of the speakers covering a wider number of points raised might be more satisfactory. I have also included the full version of my maiden speech. (Annex A).

Lord Popat asked about UK infrastructure and runways at Gatwick and Heathrow. Aviation is a vital part of our national infrastructure. It helps bring friends and family closer together, supports jobs and trade, contributes billions to our economy and – critically – it connects us with the world. Specifically on the issue of runways, as my Noble friend will be aware, last year we announced that Heathrow Northwest Runway is the preferred scheme for delivering much-needed new airport capacity in the South East. We are making good progress. We recently published a revised draft Airports National Policy Statement, and are currently listening to views through a consultation exercise. In addition, our new aviation strategy will look beyond a new runway at Heathrow. It will set out an ambitious long term vision for the sector, together with considering how we can make best use of existing capacity at all airports around the country and looking at any future need for new capacity away from Heathrow.

Lord Taylor of Warwick asked if the Government have a strategy to embrace the untapped contribution of Commonwealth faith groups? Faith plays a significant part in the lives of citizens across the Commonwealth and the Government wholeheartedly supports the invaluable work being done by such people. We are committed to ensuring that their voices are heard in Government and, at the upcoming Commonwealth Heads of Government Meeting (CHOGM) in London, we will encourage all Commonwealth members to uphold the values set out in the Commonwealth Charter, including freedom of religion and belief. My office is always willing to be a conduit for connecting any of the groups you mention and the team planning CHOGM to help their voices be heard. The details are above.

Lord Taylor of Warwick and my Noble friend Lord Popat also asked about a Commonwealth Bank. The Government continues to believe (as outlined by my noble friend, Lord Ahmad in June 2017) that the Commonwealth is well served by the existing range of multilateral development banks, to which we contribute approximately £1.5bn, including those focussed

on infrastructure and believes there are more cost-effective ways to support trade in the Commonwealth and in Africa. We are open to discussing other means of supporting trade - particularly at the Business summit leading up to CHOGM

Lord Mendelsohn, Lord Bilimoria and Lord Chidgey raised queries on Economic Partnership Agreements - EPAs. We recognise the need for a smooth transition which minimises disruption to our EPA partners, including South Africa. It is important, as we leave the EU, that EPA countries do not lose their duty free access to the UK market.

Our 29 EPA partner countries, including South Africa, have welcomed our initial proposals to replicate the effects of the EPAs. For most countries the market access they receive is better under EPAs than under a preference scheme. For example, South Africa would not benefit from preferential access without having an EPA in place and this would have a detrimental impact on their emerging motor industry (the UK imported £319 million in vehicles from South Africa) and their economy. And sugar exports from Belize, Barbados and Jamaica, which totalled £30 million in 2016, would have significantly higher tariffs and depending on the type of sugar these tariffs could be as high as 144%. Sugar is a particularly important export for Belize as it accounts for 17% of total export receipts and 10% of Belize's total exports are for the UK so their economies would be at risk.

EPAs also provide greater scope to deepen trade cooperation beyond just tariff preferences. As our development partners move towards middle income status, EPAs help to make our trade relationships fit for the future, retaining the development focus of preferences but providing a more equitable, mature and business-like footing. WTO rules require that unilateral preferences are provided on a non-discriminatory basis to all 'similarly-situated' developing countries. A number of EPA countries are high income and middle income countries. We are working to agree arrangements with those partner countries with existing EU Trade Agreements, to replicate as far as possible the effects of these agreements. This is a technical exercise to ensure continuity in trading relationships, not an opportunity to renegotiate terms.

On the subject of concerns regarding our partners not carrying out sufficient consultation domestically before agreeing the deals, we understand that we should not tell our partners how to act in this regard. However, as outlined in our White Paper 'Preparing for our future UK trade policy', we remain committed to a transparent approach to international trade and will continue to promote engagement with all interested stakeholders. The Government has set out its intention to follow an ongoing consultation process regarding new Free Trade Agreements.

We are committed to working with our friends and allies in the Commonwealth to remove barriers and liberalise the global trading environment and look forward to building upon these relationships. We will continue to develop options to improve our preferences once we have secured a successful transition and will use the structured dialogues within EPAs to further improve them.

Lord Sheikh raised Islamic finance. We appreciate the valuable role the APPG plays in promoting UK Islamic Finance both domestically and internationally. HMG welcomed your recent contribution to the UK Islamic Finance Week and in particular, in hosting the delegates of the Global Islamic Finance Investment Group (GIFIG) in Parliament in September. Going forward, we would very much welcome more collaboration with APPG. Please do get in touch to propose how you can further support DIT in our goal to export UK expertise in Islamic Finance as well as attract more business into the UK.

Lord Howell of Guilford raised the business FORUM at CHOGM next year. The Business Forum will take place from 16-18 April as part of CHOGM. It is one of four three day forums - the others being Youth, Women and People with Heads of Government due to arrive mid-

week for the Heads of Government meeting at Lancaster House on 18th and a retreat at Windsor Castle on 19th. We are expecting officials and businesses from across the 52 Commonwealth nations to attend. DIT is working closely with the Commonwealth Enterprise and Investment Council - where MY Noble friend, Lord Marland is the Chairman - to shape the agenda for the Business Forum and ensure that it is both a well-delivered event, and is impactful for British and wider Commonwealth business. The forum will include Roundtable and Plenary sessions that cover a range of key sectors including Technology, Financial Services, Infrastructure, Cyber, Health, Education and Creative Industries. We are seeking to attract high profile figures to speak at the Business Forum including leaders from Global Businesses and the Secretary of State.

I would also like to clarify my comment on UKEF and SMEs that "UKEF provided £3bn of support in 2016/17 and 79% of the companies receiving that support were SMEs."

Finally, I am also committed to holding a meeting in early January to allow further discussion on this important subject. I am happy to confirm that this will take place at 1:30-3pm on 9<sup>th</sup> January.

I hope this is a useful response but please do not hesitate to contact me to discuss further.

I am copying this letter to Lord Popat, Lord Howell of Guildford, Viscount Waverley, Lord Risby, Lord Taylor of Warwick, Lord Sheikh, Lord Bilimoria, Lord Chidgey and Lord Mendelsohn. I have asked for a copy of this letter to be placed in the Parliament Library.



**Baroness Fairhead**

Minister of State for Trade and Export Promotion

Department for International Trade

## **Annex A**

My maiden speech in full

Lord Popat to ask Her Majesty's Government what progress they are making to increase the export of goods and services to Africa and the Commonwealth

My Lords, it is an extraordinary honour and privilege to address your Lordships House. As a tomboy, growing up in the North East, I defy anyone to have predicted I'd be standing here today! I do so with humility.

I thank my noble friend Lord Popat for calling this important debate and look forward to addressing some of the powerful challenges raised.

Whilst spending most of my life outside politics, I have never been in doubt about the significance and seriousness of this place.

Over 20 years ago, I spent a day visiting this chamber and the committee rooms with the Industry and Parliament Trust. I was impressed by the quality of debate, the detailed scrutiny and the sage advice from these benches. Over the years, my respect has not wavered.

But, over the past few weeks, I confess also to being bowled over by the generosity, warmth and exceptional levels of patience shown from right across this House.

I'd like to give particular thanks to my noble friends Lady Evans of Bowes Park, the Chief Whip, Lords Courtown and Younger and Ladies Sugg and Neville-Rolfe who have been a source of immense support.

So too the Doorkeepers, Police Officers, the Clerk of Parliament and Black Rod, who have guided me through the mass of corridors, procedures and protocols with unfailing accuracy and welcome smiles.

Finally can I offer special thanks to my supporters the noble Lords Sherbourne and Burns whose wise counsel now and through the years has been utterly invaluable.

So why – after 3 decades in the private sector, do I now feel an inexorable pull to public service– and to international trade in particular? Because it matters. No more so than now.

I believe businesses can - and should be - a force for good. I've seen companies large and small bring jobs, opportunity and hope to homes up and down the country. I've seen the private sector rise to address national issues, whether to support our universities or to support the peace process in Northern Ireland – I am proud to have played a small part in Northern Ireland Challenge - a private sector initiative aimed at building economic wealth.

But business can only succeed if government responds to their needs, provides the right environment and gives the right support. And nowhere is that more critical than in the area of International Trade. And I hope I can be of some help:

International trade has been one of the three defining elements in my life: alongside family and education.

My parents grew up in the tenement buildings of Leith in Edinburgh; none of their predecessors had been to university, but supported but their families, their lives were transformed by university and actuarial education and the opportunities of international business.

For my part, the support of a loving family and education at Yarm Grammar School, Cambridge and Harvard opened up a world of opportunities, allowing me to work for global companies in sectors as diverse as chemicals and financial services, education and aerospace.

And family remains at the heart of my life. Which certainly keeps me grounded...

I remember an occasion, just after I'd been promoted, my children left me a screensaver on my computer – it was a picture of tractor perched on top of a telegraph pole. It said “ Just because you're at the top, doesn't mean you're useful!” Little darlings! But they made an important point.

And I believe that the most successful businesses are those who focus on clear, inspiring goals with everyone working towards that end – this requires genuine collaboration where challenge is embraced and addressed, not shied away from.

This is true for government too – our ability to drive real change depends upon collaboration – cross departments, cross countries, cross parties – towards a shared goal.

My Lords, let me turn first to Africa...

A glorious, dynamic region whose workforce is predicted to exceed that of China and India by 2034 and where business spending and household consumption is growing.

And yet, as my noble friend, Lord Popat pointed out, the UK is not taking sufficient advantage of the huge trading opportunities.

Indeed, although UK trade with Africa has doubled since 1999, trade with this great continent has decreased since its peak in 2012. There must be no shying away. We need to act.

The good news is that by focussing on Africa there are signs of building momentum - Over the last year, UK goods exports to Sub Saharan Africa have grown at an average annual rate of 2.0%.

A key goal for The Department for International, established just over a year ago, is to help businesses increase exports and investment.

This involves firing up and supporting the ambition of UK companies to export more, by removing barriers to trade, giving tailored support, promoting the UK's capabilities and opening up new markets.

But what does this mean in practice for Africa? Let me give you a flavour:

We're being clearer about our priority sectors and markets; highlighting opportunities where UK companies have the appetite and capacity to compete. [technology, infrastructure, mining, oil and gas, agriculture, education]

We've doubled the funding available through UK Export Finance to over £20bn and can now provide financial support in 6 African currencies for projects with UK suppliers. Our goal is to ensure that no viable export deal fails for lack of finance or insurance.

In Uganda, for example, UKEF has supported the construction of an international airport at Kabaale pulling through £100m exports for UK businesses.

We're improving co-ordination – one of the 9 newly announced Regional Trade Commissioners will be based in Africa; and next month, we'll launch the Trade Services Unit with a data hub platform as a one-stop-shop for business leads and information.

We've established an innovative, consortia-led approach to infrastructure projects with the Africa Infrastructure Board, established by the DIT Africa team which had its inaugural meeting in Johannesburg in September.

Through this approach, the Board is helping land the biggest infrastructure deals on the continent, pulling through the UK supply chain.

We're investing in our Government to Government relationships – with 8 ministerial visits in the last year including the Secretary of State's visits to Uganda, Ethiopia, S Africa and Mozambique.

I have visited Africa many times in the past and it is a truly great continent and I will be making my first visit there as Minister early next year.

These visits are augmented by the excellent work of our superb Embassy staff and of course, our Trade Envoys. To you, we owe our thanks. I'm also delighted that Trade Envoys roles now cover 17 African countries up from 15 last year.

[My noble friend Lord Risby has been an exemplary Trade Envoy with 16 visits to date resulting in extraordinary access provided in Algeria, and I look forward to hearing further updates following the visit with the LSE and Islamic Finance.]

We also recognise that Trade and Development do not need to be mutually exclusive – indeed together they can achieve much.

A recent example is in Ghana, when after a successful visit by another Trade Envoy, the Honourable Adam Afriyie MP, a project called Aqua Africa was agreed worth US\$82 million. Working in collaboration with the Government of Ghana, they will help lift 600,000 Ghanaians from daily water poverty; 80% of the technology is to be sourced from the UK.

I will be working closely with DIFD and the FCO to help developing communities across Africa trade their way out of poverty in an inclusive way - with UK business help - which brings benefits to the local communities.

That is why, when we leave the EU, the government will roll over the existing unilateral trade preference schemes and EPAs – and has a clear intent to extend those schemes further.

And of course, companies can also contribute to the Africa's development by doing more than just exporting - by helping nations build their skills and capabilities. This is an area where UK business has a great track record

For example, in South Africa, the Jaguar Land Rover plant not only takes on local staff but trains around 30 apprentices each year, all of whom come from under-privileged communities.

These are just some of the reasons why we can aspire to become partners of choice.

But there is more to do. At the G20 in July this year, my Right Honourable Friend, the Prime Minister signalled a new, long term approach to Africa. We are taking on this challenge and expect to be able to report back with progress at a later date.

My noble friend also mentioned the importance of Britain harnessing the shared ties of the Commonwealth.

As a seven year old I remember attending the Commonwealth Games in Edinburgh. That impression of a family of nations, with a shared spirit, coming together has never left me.

This government hopes to rekindle that shared spirit by hosting next year's Commonwealth Heads of Government Meeting ( CHOGM), following on the with the UK welcoming 52 Heads of Government and thousands of businesses. Pay tribute to my noble friend Lord Price for his role in building the ambition for this event – and for his contribution to Trade policy generally.

CHOGM is a spectacular opportunity; it's the first time UK have hosted the event in 20 years, it has been given enormous backing by the Prime Minister who has identified four areas of focus: Trade and Prosperity, Sustainability, New Security Challenges, like Cyber and Fairness.

A Cabinet Office team, led by Tim Hitchens, is working with member states and across government to define actions which can feed into the future agenda.

As the noble Lords have stated, this will be preceded by four parallel summits, including the Business summit.

I am hugely encouraged by prospects for this summit as a result of the work of my noble friends, Lords Marland and Howell ( and the Commonwealth Enterprise and Investment Council & Royal Commonwealth Society), building on the success of the Commonwealth Business Summit in Malta.

For the trading opportunity is enormous: We share as the noble Lord Bilimoria once said "The Commonwealth Factor - shared values and culture, common language and legal systems, which result in it being, on average, 19% cheaper to trade with fellow Commonwealth countries.

And as Intra Commonwealth trade is projected to surpass \$1trillion by 2020, I want to help British businesses to get a sizeable piece of the pie while building mutually beneficial trading relationships.

[My noble friend Lord Popat raised the idea of creating a Commonwealth Bank. I believe this has already been addressed. We believe there are more cost effective ways to encourage trade and that this areas is are already well-served by Multi-Lateral Development Banks which benefit from over £1.5 bn of UK funding.]

My remit is clear. I want to make a difference – or to use my children's words, to be useful! To increase our country's International Trade and Investment; to support the ambition of UK companies large and small, opening up new markets, promoting their abilities and building stronger trading relationships with our partners.

The future prosperity and stability of our African and Commonwealth partners is inextricably linked to our own. We've started to see some green shoots of trade improvement, but there is a lot do.

We will need to work across government, with businesses and with trading partners.

I want to harness the considerable experience and expertise in this House. I realise we've only just scratched the surface today, so I would like to hold a meeting early in the New Year to listen further to your views and suggestions.

I very much look forward to working with you.