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International Trade Committee

UK investment policy: Government Response to the Committee's Seventh Report of Session 2017–19

First Special Report of Session 2019

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International Trade Committee

The International Trade Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Trade and its associated public bodies.

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Committee reports are published on the Committee's website and in print by Order of the House. Evidence relating to this Report is published on the inquiry publications page of the Committee's website.

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The current staff of the Committee are Jake Barker (Committee Specialist), Hannah Barlow (Committee Assistant), Matthew Chappell (Senior Committee Assistant), Nina Foster (Media Officer), Sean Kinsey (Second Clerk), Ben Shave (Media Officer), Anna Sydorak-Tomczyk (Committee Specialist), David Turner (Committee Specialist) and Joanna Welham (Clerk).

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First Special Report

The International Trade Committee published its Seventh Report of Session 2017–19, *UK investment policy*, on 30 July 2019 (HC 998). The response from the Government, and an accompanying letter from Graham Stuart MP, Minister for Investment, were received on 25 September 2019 and are appended below.

Appendix 1: Letter from Graham Stuart MP, Minister for Investment, Department for International Trade

I would like to thank the Committee for its report published on 30 July on the subject of UK Investment Policy. Your work plays a vital part in providing important scrutiny and debate.

I enclose a formal response to the conclusions and recommendations made in the Committee's report and I welcome continued engagement with you.

Appendix 2: Government Response

Recommendations and conclusions made by the Committee are indicated in bold italicised text.

Defining and measuring overseas investment

(***Paragraph 1): Appropriate and effective Government policies in respect of Foreign Direct Investment can only be formulated on the basis of reliable information on the nature and extent of such investment, and how it varies over time. However, there are significant limitations in the data which the Government collects and publishes in this regard.*** (Paragraph 42)

The Government agrees that the provision of Official Statistics on investment does not meet all the current needs of policymakers. In April 2019 DIT collaborated with ONS and has funded the start of a comprehensive investment statistics improvement programme in 2019/20. Developing these statistics is complex and a multi-year project that will require continued funding support beyond 2019/20.

(***Paragraph 2): Figures published by the Department for International Trade relating to numbers of new projects, and of jobs associated with them, are of limited usefulness, given that the Department does not monitor closures of companies associated with inward investment, or downsizing by such companies. We recommend that the Department should consider what steps it can take to make good these deficiencies in its data and report to us on this by the end of this year.*** (Paragraph 43)

DIT first published its inward investment statistics as Official Statistics in 2017 which includes a commitment to ensuring quality and relevance of the statistics to users within proportionate resource. The release is accompanied by a technical annex that includes a quality and methodology note. The statistics are based on the data and management information available. There is currently no readily available source of project divestments and DIT is considering the feasibility of this development and will report to the Committee by the end of the year.

(Paragraph 3): The Department also relies in part on data from private-sector databases, which can be opaque and may be of limited reliability. Where the Department does draw on any private-sector datasets in constructing its own statistics, we recommend that, so far as possible, it should seek and publish information about the sources and methodology employed by the bodies concerned. (Paragraph 44)

DIT publishes information about the sources of all the data used in the published DIT Inward Investment Official Statistics in the technical annex that accompanies the release. It is necessary to use a number of external sources to provide additional information about investment projects where DIT has not been directly involved ensuring we present a complete picture. In support of the recommendation, the Department will add further information to the publication about the methodology used by third-party data providers to make it easier to understand.

(***Paragraph 4): The Office for National Statistics publishes data on the capital value of inward Foreign Direct Investment—but it does not separate out greenfield investment from mergers and acquisitions, or from investment through Special Purpose Entities. We note the Office's desire to generate better data in this regard, possibly by finding ways of reconciling its "top-down" figures (derived from the Balance of Payments) with the "bottom-up" data (relating to specific investment projects) that is gathered by the Department for International Trade. We recommend that the two departments report to us, by the end of this year, on what they are doing to develop such collaboration. We also recommend evaluation of the methodology employed by the US Bureau of Economic Analysis as a possible model for generating a reliable dataset on the capital value of the different categories of inward Foreign Direct Investment.*** (Paragraph 45)

The Government supports the ONS investment statistics improvement programme which will be examining measurement of these areas. DIT is collaborating on this programme. We are aware that ONS is responding separately to the Committee on this recommendation and we will report back on progress with ONS by the end of the year.

(Paragraph 5): The Government regularly cites statistics on Foreign Direct Investment from various sources; in doing so, it needs to be careful not to risk giving the impression of cherry-picking figures so as to convey the most favourable impression possible. In the presentation of investment data, care must be taken always to give the full picture, with clear distinctions made between: stocks and flows of investment, greenfield investment, and mergers and acquisitions; and year-on-year changes and multi-year trends. We recommend that the Department for International Trade should consider commissioning the Office for National Statistics, or some other appropriate body at arm's length from the Government, to publish on a regular basis a comparison and synthesis of the various statistical data-sources on UK Foreign Direct Investment, to give the fullest possible picture of trends and developments. (Paragraph 46)

Statistics and statistical analysis published by both Government departments and ONS are produced at arm's length under the Code of Practice for Official Statistics and under the direction of the Head of Profession for statistics. DIT's Core Statistics Book on trade and investment is published as Official Statistics. DIT will discuss with ONS and the Office for Statistics Regulation (OSR) the best way of helping users understand the complex landscape of investment statistics.

Investment liberalisation and investment protection

(Paragraph 6): While we appreciate that International Investment Agreements fall within the portfolio of the Trade Policy Minister, we were disappointed by the limited amount that the Investment Minister said to us on this topic. Although we did take evidence from the senior official responsible for International Investment Agreements, the Director General for Trade Policy, he too was only able to provide us with limited information. Regarding the Government's plans on post- Brexit UK International Investment Agreements neither the Minister nor the Director General for Trade Policy was able to set out even basic lines of policy. The Minister argued that the duty of sincere cooperation, which the UK is currently under as an EU Member State, prevents the Government from formulating such a policy until after Brexit. However, we find it hard to discern any credible legal basis for this claim. Furthermore, we note that the Government is already taking steps to develop a post-Brexit trade policy, through its consultation on a number of prospective trade agreements; and that Trade Working Groups are conducting scoping talks with several prospective trade agreement partners. The Government needs to have a policy in place for the eventuality of a Brexit scenario in which there is no transition period—which could occur on 31 October 2019. We are alarmed that no such policy seems yet to have been formulated. (Paragraph 112)

The UK already has an investment policy regime, demonstrated by our stock of around 90 bilateral investment treaties (BITs), which provide a high standard of legal treatment for UK investors in the countries concerned, underpinned by access to investor-state dispute settlement (ISDS) through ad hoc arbitral tribunals. The UK is actively participating in discussions in multilateral fora which are considering reforms of ISDS linked to the International Convention on the Settlement of Investment Disputes (ICSID) and the United Nations Commission on International Trade Law (UNCITRAL). This is the starting point for our post-Brexit approach to investment treaty policy.

After Brexit, the UK will regain full control over its ability to negotiate international investment agreements, either as chapters within FTAs or standalone BITs. This includes the content of such agreements and the states with whom we negotiate. We will seek to achieve the correct balance between the interests of UK investors operating overseas and foreign investors in the UK, while also seeking to minimise risks to the UK Government. The Government will publish outline FTA negotiating objectives ahead of engaging in trade negotiations.

(Paragraph 7): In formulating its policy on International Investment Agreements, the UK cannot just go back to the approach it used before 2009 (when negotiating such treaties became a formal EU competence), given how hugely controversial international investment policy has since become and how significantly the policy environment has, in consequence, changed. We recommend that the Government should clarify where it stands on investment protection standards and dispute resolution mechanisms for investors. It must carefully consider and fully evaluate specific alternatives to conventional Investor-

State Dispute Settlement provisions—including the EU's Investment Court System and its proposal for a Multilateral Investment Court. The Government should also consider the compatibility of investment liberalisation and investment protection provisions in International Investment Agreements with UK policies in the areas of development, climate and human rights. (Paragraph 113)

When negotiating international investment agreements the Government will wish to ensure that such agreements protect UK investors overseas from discriminatory, arbitrary or unfair treatment, and/or expropriation without compensation and that UK investors have access to an independent means of legal redress where they have been subject to such treatment by a host government.

The Government supports the use of arbitration as a means of dispute settlement, which provides an impartial process in which both parties can have confidence. Arbitration is a widely used means of resolving disputes that arise between parties, including under international law and domestic law, such as contract law. Those acting as arbitrators are typically highly qualified legal practitioners and adhere to high ethical standards to ensure independence and impartiality during proceedings.

As the UK develops our new trade and investment policy, we shall be considering a wide range of options in the design of future bilateral trade and investment agreements, including recently proposed innovations such as the EU's Investment Court System (ICS) and proposals for the establishment of a Multilateral Investment Court (MIC). The Government will also ensure that provisions in international investment agreements are compatible with policy in other areas, including development, climate and human rights.

The ICS has been included in agreements the EU has concluded with Canada, Singapore and Vietnam. However, it is not yet operational, so we are unable to compare its effectiveness to ad hoc arbitration, which has been a means of dispute resolution that has worked well for UK investors over many years

UK investors have brought around 70 ISDS cases. The ICS mechanism also involves a financial commitment to a permanent standing court in each investment agreement in which it is included, whereas ad hoc arbitration has no fixed costs for the parties to the agreement. The UK will have to consider whether the ICS would be effective in a bilateral context and would represent value for money, especially as the UK has never been a defendant in an investment dispute before a tribunal.

Discussions on the proposed MIC are at an early stage as part of ongoing negotiations on the reform of ISDS at UNICTRAL. It is too early to predict what conclusions countries will reach on whether or not the idea of a MIC should be pursued. However, as with the ICS, it will be important for the UK to consider whether a permanent court will improve the efficiency of investment dispute resolution and/or value for money for countries, including the UK. As negotiations progress, it will also be important that the interests of all stakeholders, whether in the business, legal or from civil society are fully considered.

(Paragraph 8): Another area the Government must consider is that of potentially including provisions in International Investment Agreements to counterbalance investor rights, such as enshrining investor obligations, allowing for state counterclaims or "carve-outs" from investment protection. If the Government chooses not to adopt any such provisions, it must explain the reasoning behind that decision. (Paragraph 114)

Investment protection provisions have the objective of providing legal certainty for investors regarding the treatment that their investments will receive. These provisions can, for example, protect an investor from having assets seized without due process or compensation.

As the Committee will be aware, Investment Treaties only place obligations on the governments which are party to the treaty. However, investors are bound by national laws in the territories where they operate, and the Government expects UK investors to observe local laws, including to pay due taxes, and to comply with environmental, labour and human rights legal obligations.

The Government also expects UK investors to behave responsibly in local communities by observing the standards set out in international instruments such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

When negotiating new investment agreements, the UK Government has been clear that we and our treaty partners will retain the right to regulate and to determine policy.

(Paragraph 9): As well as failing to develop a policy in respect of International Investment Agreements, the Government has little to say in respect of its policy at the multilateral and plurilateral levels in relation to investment liberalisation and investment protection. We recommend that the Government set out, in its response to this Report, what approaches it plans to take at these levels. (Paragraph 115)

The UK is an active participant in multilateral and plurilateral discussions on investment policy that are on-going in international fora, including the World Trade Organisation, the United Nations and the World Bank. Where these discussions cover areas of EU competence (shared or exclusive) the European Commission normally has a negotiating mandate, as agreed by EU Member States. The UK is a member of these bodies in its own right. After Brexit, we will continue to participate in these discussions with an independent voice, and will seek to influence them in line with broader UK investment policy interests and priorities.

The Trade-Related Investment Measures (TRIMs) and the General Agreement on Trade in Services (GATS) agreements are the bedrock of the world's investment liberalisation regime. The UK is a strong advocate for free trade and the rules-based system. As such, this Government is committed to continue to advocate for market liberalisation around the world once we take our independent chair at the WTO.

Countries including the UK are engaged in discussions aimed at modernising the international framework for the resolution of investment disputes at the United Nations Commission on International Trade Law (UNCITRAL) and the World Bank's International Centre for Settlement of Investment Disputes (ICSID). The UK has been clear in these negotiations that it wishes to ensure that any proposals which emerge from these discussions improve the efficiency, cost effectiveness and transparency of dispute resolution, while maintaining its independence.

A further set of multilateral negotiations in which the UK is engaging is on possible reforms to the investment protection provisions in the Energy Charter Treaty (ECT).

The UK supports the renegotiation of these provisions to seek consistency with the most modern and innovative investment treaty practice and to clarify and better define the standards of protection for investors and investments.

Investment promotion and investment facilitation

(Paragraph 10): In conducting our inquiry, it has been very difficult to form a coherent overall picture of all the facets of the Government's approach to investment promotion and investment facilitation. There is no single summary and we have had to piece together information from various sources. We recommend that the Department for International Trade should publish an overarching strategy (in a similar format to that of the 2018 Export Strategy), summarising the different aspects of its work in this area and explaining clearly how they fit together in a coherent and unified way. This should include outlining how the Government's approach in respect of unilateral measures to promote and facilitate investment relates to its policy regarding investment provisions within the framework of international agreements. The Government also needs to set out clearly how exactly its investment strategy links to the cross-departmental Industrial Strategy and how in this regard the Department for International Trade relates to the Department for Business, Energy & Industrial Strategy and other relevant departments. (Paragraph 186)

The Government's approach to investment promotion and facilitation has a clear aim: to maximise wealth creation for the whole of the UK. Our priorities are documented in our Single Departmental Plan, and progress against them summarised in our annual report.

Over the past 18 months, the Department for International Trade has been implementing a new FDI promotion strategy which will strengthen our ability to deliver against this aim. It has a three part approach: making use of data in new ways to measure the economic impact of projects; identifying opportunities across the UK with the greatest potential for international investment through the High Potential Opportunities programme; and targeting Government support where it will make the biggest difference for the economy.

We developed this approach in partnership with colleagues across Whitehall, local government and business. Investment policy has been documented in both Industrial Strategy (IS) Green and White papers, and we have continued to collaborate across government on initiatives linked to the IS for example on Local ISs and Sector Deals.

We have carefully considered the need for transparency and openness about our investment strategy whilst maintaining our competitive advantage relative to other investment promotion agencies. We have noted that direct relationship management and support for organisations is more effective than strategy and guidance documentation in influencing investors. Our view is that Investment Promotion Agencies don't generally publish detailed investment strategies because of the likelihood of a competitive response such as the generation of counter-narratives. We therefore do not accept the Committee's recommendation to publish an overarching investment strategy, but we will continue to engage with the Committee, BEIS, other Government Departments, Devolved Administrations and local partners across England to ensure a unified approach to maintaining the UK's position as Europe's leading destination for investment.

(Paragraph 11): We recommend that, as part of its suite of services to inward investors, the Government must develop a one-stop shop for business registration and a "single electronic window". Such services are desirable because they enhance transparency about the requirements that foreign investors must meet, as well as streamlining bureaucracy, so that it forms less of a barrier to investors. (Paragraph 187)

It is our ambition to develop a universal 'digital first' offer for business that helps them to successfully navigate the UK business and trading environments, identify investment opportunities and maximise their potential. This offer will be multi-channel, data-driven, and highly personalised, and will enable DIT to provide high quality support to businesses at scale by proactively serving content, data, and digital services to users at the right time in their journey, only connecting businesses with DIT's bespoke offline support when appropriate. It will also provide a compelling destination for DIT marketing activity, which will leverage the platform to support campaign activity.

This universal 'self-serve' offer will increase DIT's reach, delivering support to users at a significantly lower cost per transaction. It will also reduce the effort DIT staff and partners spend on providing generic advice and guidance for trade and investment and so allow them to deliver tailored and targeted bespoke support only to the most valuable businesses.

This tiered offer will help to mitigate the risk of EU Exit negatively impacting trade and investment, and enhance the UK's position as a major investment destination by helping businesses in the UK and overseas to navigate the UK business environment and highlighting to them opportunities that could help them to grow.

(Paragraph 12): We welcome the liaison that already goes on between the Department for International Trade and partner organisations at the devolved and local levels in respect of investment promotion and investment facilitation, but there needs to be more joined-up governance in this respect. Adequate attention must be paid to involving partner agencies at all levels in both outbound and inbound trade missions, so as to maximise their impact. The Government should show, as part of its investment strategy, that it is working closely with the university sector in attracting inward investment, given the crucial role of higher education institutions play in the investment "ecosystems" of their local areas. (Paragraph 188)

The government is committed to collaborating with partner organisations such as Local Enterprise Partnerships, Local Authorities and Universities to deliver our investment goals. DIT recognises the importance of academia and higher education in the R&D ecosystem and UK innovation offer, which leverages a great deal of international investment. Through working with universities and in alignment with the Industrial Strategy, DIT is committed to supporting HMG's target of increasing R&D expenditure to 2.4% of GDP.

(Paragraph 13): We recommend that the Government spell out more clearly the role being played by HM Trade Commissioners, the Prime Minister's Trade Envoys and UK Business Ambassadors in relation to investment and show how exactly their work is making a difference. (Paragraph 189)

Last year we appointed 9 Her Majesty's Trade Commissioners (HMTCs) across 9 global regions; Europe, Eastern Europe and Central Asia Network (EECAN), Middle East, Africa, South Asia, Asia-Pacific, Latin America and Caribbean (LATAC), North America. Before this, DIT and UKTI coordinated through a leadership network in over 80 markets, which constrained our ability to set regional strategic objectives and manage delivery across the world. HMTCs cooperate closely with HM Ambassadors and High Commissioners, the wider diplomatic network, and other HM government colleagues based in countries in their region, in a joined-up and coordinated government effort overseas to promote UK trade and prosperity. They set long-term strategic direction through regional trade plans, build relationships with investors and secure investment from their regions. They are also responsible for delivering departmental objectives across Exports, Market Access and Trade Policy—including their interdependencies with investment.

Trade envoys are a network of PM appointed parliamentarians, drawn from across the political spectrum. The trade envoys engage with one or more emerging markets where substantial trade and investment opportunities have been identified by UK government. They support the drive for economic growth by building on the UK's existing relations with these markets and maximising bilateral trade, thereby generating real and long-term benefits for the UK. The Trade Envoy programme began in 2012 and continues to go from strength to strength. There are 25 trade envoys covering 53 markets.

The Prime Minister's Business Ambassadors network closed on 3 January 2019. The Business Ambassadors were business leaders who worked with the government to promote the UK's excellence internationally, including highlighting trade and investment opportunities for UK businesses, and working to help secure inward investment to the UK. Going forward, five new Business Councils will advise on how to create the best business conditions in the UK after our exit from the European Union (EU).The role of each Business Council will be to provide the Prime Minister and his ministerial team with regular, high-level advice and policy recommendations on critical issues for their sectors, enabling companies to invest, grow and succeed in the UK.

(Paragraph 14): The Government must acknowledge fully the importance of the work done by staff on the ground in overseas posts in relation to promoting both inward and outward investment. There is clear evidence that cuts in overseas representation have had a negative impact and we recommend that the Government should ensure sufficient resources are dedicated to this area. The UK faces significant competition from some other European nations in promoting UK investment abroad and must not fall behind. The Government must study how competitor nations work in this regard with a view to learning from their approach. The Government should also review the skill-set of staff in overseas postings, to ensure that they are able to work in concert with business to recognise and tackle adequately barriers and sources of friction in relation to market entry. The Government should in addition consider whether regular rotation of staff around overseas posts might not be the most effective approach and whether more prolonged postings would be more appropriate, in so far as this could facilitate the accumulation of in-depth local knowledge. (Paragraph 190)

The Government recognises that our overseas teams make a hugely important contribution to UK and global prosperity through their work to promote and finance international trade and investment and champion free trade.

The Department for International Trade is committed to ensuring we have the right people and capabilities in place overseas to maintain the UK's position as a leading destination for inward investment. The importance of this is recognised across Government and we were able to secure additional funding in the Autumn Statement 2018 to expand DIT's network in Europe.

The UK's position as the leading destination for investment in Europe has been maintained—whether assessed in terms of the volume of investments made (projects) or the value of capital invested (stock), despite resource fluctuations.

However, the Government is not complacent—we recognise the need to learn from our competitors. To this end, we regularly review best practice and identify opportunities to improve; an example is part of our work to establish a "one-stop-shop" digital platform that acts as gateway for investors that are interested in the UK. We also recognise the need continually to strengthen the knowledge and skills of our network and have several initiatives underway to address this, including:

- the International Trade Profession & FDI Academy – dedicated learning and development courses to upskill our network, including overseas investment officials;
- Developing Sector Knowledge (DSK) Programme – an immersive learning and development programme that brings officials from overseas markets to the UK to learn about the UK offer in different sectors;
- Sector Directors – appointment of new Sector Directors to help drive expertise and sectoral leadership through our network;

(Paragraph 15): Outward investment, as well as inward investment, can bring many economic and other benefits to the UK. We recommend that the promotion and facilitation of outward investment should continue to form a key part of Government's investment strategy. This should include emphasis on pursuing other goals, such as those related to sustainable development, human rights, and climate, through outward investment. (Paragraph 191)

The Government's Export Strategy announced a range of measures to support businesses to invest overseas and expand into new markets. We continue to support Outward Direct Investment (ODI) that has a substantial positive impact on the UK economy, which can include; wealth generation, productivity and competitiveness increases, higher export potential, improvement in bilateral relationships and employment growth back in the UK.

(Paragraph 16): We are not convinced of the adequacy of the performance metric currently employed by the Department for International Trade regarding involvement in inward investment successes, measured in project numbers. We recommend that the Government should do more to demonstrate that its efforts are directly responsible for those investment successes for which it seeks to claim credit. We heard about the work that the Department is undertaking on gauging the impact of Foreign Direct Investment in terms of Gross Value Added, as an aid to targeting its efforts. This is potentially welcome, provided that the measure of Gross Value Added that is used is sufficiently robust. The Government should also go further than developing this measure. Data are needed on the impact of the different types of Foreign Direct Investment; and the Government should, in concert with partner organisations, develop devolved-nation and regional targets for investment, as well as net targets for the capital value of investment flows and

numbers of associated jobs. We recommend examining the targets used in the Republic of Ireland as a possible model. In terms of targeting its efforts, the Government should also be much more strategic about promoting inward investment, with greater emphasis in its investment strategy on attracting investment in high value- added sectors. In particular, the UK must actively seek to maintain its pre-eminent position as a location for European and global headquarters of international businesses. (Paragraph 192)

The Government is improving its understanding of the impact DIT has on investment projects landing into the UK by developing a new monitoring and evaluation framework. This work will allow DIT to understand better the influence its investment promotion activities have on investment into the UK and help us to prioritise service delivery which delivers the greatest benefit to the UK economy.

Furthermore, going beyond the standard global practice of measuring FDI Project quantities and jobs created that result from investment, DIT continues to develop additional measures (including Gross Value Added, GVA) to understand better the impact of foreign investment on the UK economy. These have been incorporated into operational plans in the department and over time will support more strategic management conversations on where effort should be prioritised.

The Government is committed to ensuring FDI boosts prosperity across the whole of the UK—and is aware of the practices of competitor Investment Promotion Agencies such as in the Republic of Ireland in setting regional targets. The UK Government approach is to work to support the needs of the investor, positively promoting investment based on what the communities across the whole of the UK have to offer. For example, the Northern Powerhouse and Midlands Engine have helped build a stronger regional narrative, increasing the proportion of projects that land outside of London and the South over recent years. We continue to identify and target promotion against strategic opportunities that are suffering from structural under-investment because of a lack of market information through our High Potential Opportunities programme.

(Paragraph 17): We welcome the Government's support for an Investment Facilitation Agreement through the World Trade Organization (along the lines of the existing Trade Facilitation Agreement)—but this must be supportive of sustainable development, human rights and climate goals. We recommend that the Government consider the potential inclusion of investment facilitation provisions in bilateral International Investment Agreements (as in the model developed by Brazil) and report back to us on this. (Paragraph 193)

The Government is considering a wide range of options in the design of future bilateral trade and investment agreements and in doing so will look at international model agreements for best practice. Any agreements concluded by the UK Government should support the interests of UK investors in the states concerned, including to facilitate the establishment of and reduce barriers to, investments in the first place and to ensure that they benefit from a high standard of legal protection during the period of their investment.

Regulation of UK inward investment

(Paragraph 18): While the UK has one of the most liberalised investment regimes in the developed world, there is still a need for some degree of regulation in respect of inward investment. (Paragraph 206)

(Paragraph 19): We note that, while the 2017 Conservative Manifesto expressed opposition to inward investment "driven by aggressive asset-stripping or tax avoidance", there has been no indication that the Government is taking any action to implement this. We recommend that the Government should set out clear policy on what it considers to constitute economically harmful investment—and state how it plans to act against it. (Paragraph 207)

(Paragraph 20): Regarding investment screening, we recommend that the Government provide more clarity on how the balance will be struck between promoting and facilitating inward investment, on the one hand; and safeguarding national security, on the other. In particular, the Government must set out in some detail what the role of the Department for International Trade will be in the envisaged new investment screening regime—as well as which Cabinet minister will take the ultimate decision on whether or not to block an investment. This information should be provided in the Government's response to the White Paper on National Security and Investment. (Paragraph 208)

The Government agrees that an open approach to international investment must include appropriate safeguards to protect our national security – particularly in a world where the threats faced by global economies are evolving – and in a small minority of investments there are national security considerations which should be scrutinised. We will respond in more detail in the Government's response to the White Paper on National Security and Investment.