

Business Secretary sets out new subsidies system that works for the UK

- UK to create a new subsidy control system that empowers local authorities and devolved administrations
- new system will be a clear departure from inflexible and bureaucratic EU state aid regime, and tailored to better support start-ups, small businesses and new industries
- consultation on plans will ensure new approach works for the UK and supports businesses and jobs in every part of the country

A new UK-wide system for providing more flexible and tailored financial support to businesses has been set out under plans by the Business Secretary today (Wednesday 3 February), taking advantage of the UK's newfound freedoms as an independent trading nation.

The new subsidy control system, which will be the long-term replacement for the EU's prescriptive state aid regime, will allow the UK to be more dynamic in providing support to businesses, including in innovative, R&D-focused industries, to encourage job creation and growth across all parts of the UK.

Previously, public authorities had to follow a bureaucratic, detailed set of EU controls – and may have needed prior approval from the European Commission before providing vital funds to viable businesses or pursuing key domestic policy objectives.

Under the proposed UK system, local authorities, public bodies and the devolved administrations in Edinburgh, Cardiff and Belfast will be empowered to decide if they can issue taxpayer subsidies by following a set of UK-wide principles. These principles will ensure subsidies are designed in such a way that they deliver strong benefits and good value for money for the UK taxpayer, while being awarded in a timely and effective way.

The new system will be designed to be more flexible, agile and tailored to support business growth and innovation as well as maintain a competitive market economy and protect the UK internal market. At the same time, it will help protect against wasteful spending.

The system would also better enable the government to deliver on key priorities such as levelling up economic growth in the regions, tackling climate change, as well as supporting our economic recovery as we build back better from the COVID-19 pandemic.

Business Secretary Kwasi Kwarteng said:

This is a significant milestone on our historic journey as an independent, sovereign nation.

Our new, more flexible system will empower public authorities and devolved administrations, and ensure fair competition for businesses across the UK.

Now we have taken back control of our money and laws from the EU, we want to use our newfound freedoms to propel the UK to the forefront of innovation and help create the jobs of the future, while also making the UK the best place to start and grow a business.

With a modern, tailored approach to supporting businesses, we will also be able to press ahead with our long-term ambitions to tackle climate change and to level up opportunity as we build back better from the pandemic.

The system will ensure the UK honours its international obligations under World Trade Organisation (WTO) rules, the [UK-EU Trade and Cooperation Agreement](#) and other free trade agreements, and will not be a return to the 1970s approach of government trying to run the economy or bailing out unsustainable companies.

The consultation will seek views from businesses and public authorities on a number of areas, including:

- whether the UK should apply its own additional principles on subsidy control, as well as those set out in the UK-EU Trade and Co-operation Agreement
- how best to ensure transparency across the system
- the possible roles and responsibilities of the independent body that will oversee the new system
- how this independent body could have some role in supporting enforcement of the principles, alongside normal judicial review standards
- how the system could seek to introduce exemptions consistent with our international obligations, such as ensuring subsidies of low value, those given to support natural disaster relief or in response to global economic emergencies

The government has committed to consulting closely with the devolved administrations in Scotland, Wales and Northern Ireland, so that all 4 parts of the UK can take advantage of the greater flexibility afforded by leaving the EU.

A UK-wide subsidy control regime will ensure that subsidies do not unduly distort competition within the UK's internal market. For example, it will ensure that a Welsh firm is not unfairly undercut or disadvantaged by a subsidy decision in England, and vice-versa. It will also mean that big companies cannot play off the regions, nations, towns, and cities of the UK against each other in a competition to benefit from taxpayer subsidy – protecting the dynamic and competitive market economy across the UK.

The government has always been clear that the regulation on subsidy control

is a reserved matter. The UK Internal Market Act 2020 clarifies that the UK Parliament alone should legislate for the regulation of subsidies. The Act also helps to ensure that there is no confusion or ambiguity in law about the interpretation of the State aid elements in the Northern Ireland Protocol.

As set out in the UK Internal Market (UKIM) Act 2020, the Business Secretary will provide a draft of the proposed response to this consultation to devolved authorities and consider any representations they may have before a final response is published.

The consultation will run for a minimum of 8 weeks. Subject to the outcomes of this consultation, the government will bring forward primary legislation to establish in domestic law a system of subsidy control that works for the entirety of the UK.

The government has previously published guidance for public authorities on the [UK's subsidy control international commitments](#). This covers the relevant commitments in Free Trade Agreements, including the UK-EU Trade and Cooperation Agreement, the World Trade Organisation rules on subsidies and the Northern Ireland Protocol.

The Protocol on Ireland / Northern Ireland, part of the UK-EU Withdrawal Agreement, contains provisions relating to subsidy control. Article 10 of the Protocol provides that the EU State aid rules will continue to apply in the limited circumstances where the subsidies affect trade in goods or wholesale electricity between Northern Ireland and the EU. The EU's declaration in the Joint Committee has clarified that subsidies granted in Great Britain are only in scope of Article 10 where there is a genuine, direct link between the subsidy and companies in Northern Ireland.

Peru and UK meet virtually to discuss issues of bilateral importance

Lima, 02 February 2021 – Representatives of the governments of the United Kingdom and Peru met virtually today for the III Meeting of the Political Consultations Mechanism. The two countries celebrated their diverse bilateral relationship that goes back to Peru's independence. The UK indicated that it will collaborate with the bicentennial celebrations, including the development of a National Botanical Garden in Peru and pre-Columbian Peru exhibition at the British Museum in London.

During the dialogue, both sides welcomed the recent entry into force of the UK – Colombia, Ecuador and Peru Trade Agreement, and the progress in the process of Reconstruction of Peru's Northern Regions under the Government-to-Government Agreement framework. They agreed to strengthen their cooperation in science and health, and highlighted the importance of joint cooperation to

fight the COVID-19 pandemic.

Both countries said they will continue to promote long-term trade and investment, and Peru welcomed the United Kingdom's interest in joining the Comprehensive and Progressive Agreement of the Trans-Pacific Partnership (CPTPP). In addition, they agreed to advance negotiations on a double taxation convention. Peru reiterated its interest in achieving a short-stay visa waiver for Peruvian citizens travelling to the UK.

Hugo Shorter, Director for the Americas at the Foreign, Commonwealth and Development Office said:

The Peru-UK Political Consultations Mechanism Meeting – the second I have led from the UK side – is a chance to take stock of the strong bilateral relationship between our two countries and identify opportunities for further cooperation.

Today we discussed everything from the UK's ground-breaking government-to-government agreement to help solve Peru's infrastructure needs, to joint research into Peru's unique biodiversity, to tackling the greatest global challenges in climate change and COVID-19

Both sides agreed on the importance of continuing the positive momentum to address climate change challenges ahead of COP26, highlighting their increasing commitments during the Climate Ambition Summit 2020. Fiona Clouder, COP26 Regional Ambassador for Latin America, said:

I am delighted to have attended the III UK Peru political consultations, the discussion around climate was very fruitful and I am sure we will keep the momentum to strengthen our cooperation and move towards a low carbon and resilient future together".

The UK emphasised its continued commitment to Peru in the fight against organised crime and other threats to stability, including corruption.

In turn, both delegations discussed the current regional situation and particularly highlighted the efforts of the Lima Group and the International Contact Group in the search for a peaceful, democratic and constitutional solution to the political and multidimensional crisis in Venezuela.

Finally, the delegations welcomed the recent announcement by the COVAX Facility that a first batch of COVID-19 vaccines will be delivered to Peru in the near future.

UK applies to join Pacific free trade area where Chile is a member

The UK government is formally applying to join one of the world's largest free-trade areas, to position the UK at the heart of emerging economies in the Pacific and support jobs across the UK.

UK International Trade Secretary Liz Truss spoke with Ministers in Japan and New Zealand on Monday morning (1 February 2021) to request to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the first formal step before negotiations start later this year.

UK membership would enhance trade with CPTPP nations, including Chile, by opening up new markets and opportunities for UK businesses while encouraging greater inward investment and strengthening the UK's ties with the Indo-Pacific region and the Americas. Membership would also help the UK go further and faster in areas like digital trade and services. Last year trade from the UK to CPTPP member nations in these fields hit £18.7 billion and joining now would create an opportunity to unleash other sectors of the UK's economy.

The UK's accession would increase CPTPP's combined GDP from £9 trillion to £11 trillion. Last year, trade between the UK and the 11 member countries was worth more than £111 billion and has grown on average at 8% each year since 2016.

More specifically, trade between the UK and the three Latin American CPTPP member countries was over £7 billion in the final four quarters to the second quarter of 2020, (Chile £1.8 billion, Mexico £4.5 billion, Peru £764 million) and its accession will increase its opportunities in the fastest growing sectors in these countries: agriculture, manufacturing, healthcare and life sciences and in a vast majority of other sectors such as automotive, food and drink, mining, digital and financial services.

The UK's membership to CPTPP is a key part of the UK's Government's plan to position the UK at the centre of a network of modern free trade deals that drive jobs and economic growth.

UK Prime Minister, Boris Johnson said:

One year after our departure from the EU we are forging new partnerships that will bring enormous economic benefits for the people of Britain.

Applying to be the first new country to join the CPTPP demonstrates our ambition to do business on the best terms with our friends and partners all over the world and be an enthusiastic champion of global free trade.

International Trade Secretary Liz Truss said

Our ambition, as an independent trading nation, is to champion free trade, fight protectionism and remove barriers to trade at every opportunity – all of which are values that CPTPP member countries promote.

CPTPP is an exclusive club of fast-growing countries who trade together, and our accession would secure increased trade and investment opportunities for all members and put the UK at the centre of a dynamic, free-trade area.

Spencer Mahony, Her Majesty's Trade Commissioner for Latin America and the Caribbean, said:

I am delighted that the UK has officially notified CPTPP members of its intention to join. CPTPP membership will complement the bilateral trade deals the UK has across Latin America and support our efforts to increase UK trade with this exciting region.

Latin America is a dynamic, innovative and increasingly open region, with huge growth potential. Chile, Mexico, and Peru, just like the UK, are advocates for free trade and a rules based global trade system. CPTPP represents a further opportunity to work closely with them on this agenda.

Notes to Editors

- CPTPP is a trade agreement between 11 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam), covering 500 million people, and representing 13% of global GDP in 2019; rising to 16% if the UK were to join
- The UK will publish its negotiation objectives, scoping analysis, and consultation response in advance of negotiations expected to start later this year
- Data sources: ONS UK trade: all countries, non-seasonally adjusted, Q2 2020 ; IMF World Economic Outlook, October 2020 ; ONS, Modes of Supply, 2019

Further information

If you want to know more about the UK's accession to the CPTPP and Chile, please contact [Gabriel Henriquez](#), Trade and Economic Policy Officer, British Embassy Santiago.

For more information about the activities of the British Embassy in Santiago, follow us on:

[Russia: UK responds to Navalny sentencing](#)

Press release

Foreign Secretary Dominic Raab has called for the immediate release of Alexey Navalny after his sentencing in Moscow.



Foreign Secretary Dominic Raab said:

The UK calls for the immediate and unconditional release of Alexey Navalny and all of the peaceful protesters and journalists arrested over the last two weeks. Today's perverse ruling, targeting the victim of a poisoning rather than those responsible, shows Russia is failing to meet the most basic commitments expected of any responsible member of the international community.

Published 2 February 2021

[Letter on COVID-19 vaccine rollout in Scotland, 2nd February 2021](#)

[unable to retrieve full-text content] Letter from Secretary of State for Scotland, Alister Jack, to Scottish First Minister, Nicola Sturgeon, on the COVID-19 vaccine rollout.