<u>**Report of the 2nd IES-GES Exchange Program**</u>

The 2nd Exchange Program between the Indian Economic Service (IES) and Government Economic Service (GES), United Kingdom was designed as a forum for technical assistance through a three month secondment. As a part of this exchange, I was posted to the Department for International Trade (DIT), UK.

1. **Overview**

The Department for International Trade (DIT) was created shortly after the vote on Brexit, in order to form an independent trade policy for the UK and to prepare for and negotiate trade deals for the UK after exiting the EU. For this purpose, the UK government created the post of Her Majesty's Trade Commissioners (HMTCs) for heading the global operations of DIT, focussing on export promotion, inward and outward direct investment, etc. Much like the territorial divisions created by our government in various ministries/departments like External Affairs, Commerce, etc., the UK government has divided the operations of the Trade Commissioners to cover nine geographical areas: Africa; Asia-Pacific; China; Eastern Europe and Central Asia Network (EECAN); Europe; Latin America; Middle East; North America and South Asia. A Trade Commissioner was appointed for each of these regions. Further, at the time of the exchange program, preparations for an independent agreement with WTO were ongoing at DIT and operations to continue existing trade agreements post-Brexit were underway, with the UK rolling over many of its existing trade relations with non-EU countries.

Given that the Department was newly created, it was very interesting to observe how their approach was different from an organisation that was already established, since it was a departure from 'the way things are done'; During my time there, DIT was in the process of evolving its short term and long term plans to execute DIT's vision and its various functions, which was evidenced in how it was trying to structure work and involve international experts in trade, academics and the private sector in order to streamline their approach and adopt best practices.

2. **Structure of DIT and organisation of work**

DIT is divided into four broad divisions-Trade Policy, Negotiation, Legal and Analysis. The work of each of these divisions is summarised as follows:

- **Trade Policy Group** works on designing and planning UK's trade negotiating strategies, developing market access strategies and establishing a trade remedies framework and developing the UK's trade policy positions.
- **Negotiation Group** is responsible for continuing the UK's trade relations with partners with whom it had trade arrangements under the EU, and using those trade relations for developing deeper trade ties with priority countries and to establish the UK's independent WTO Membership
- **Legal group** provides legal advice and support and is further divided into teams like EU exit, trade remedies, Free Trade Agreements (divided by territories eg Asia Pacific, Western Europe, etc), trade disputes, market access, etc.
- **Analysis Group** is headed by a Chief Economist and supports the Trade Policy group by analysing global trade flows and their forecasts to identify opportunities for the

UK. Various teams operate under this group for identifying areas for market access and improving export performance through the Analysis group's efforts in generating data through numerous stakeholder surveys (that are available Department-wide) and developing innovative models for utilising the data for improving UK's trade.

The above four groups are further sub divided into various teams and sub-teams, with different mandates and an overarching goal of evolving the UK's independent trade strategy, promoting UK's trade interests through the work of Trade Commissioners and deepening trade relations with existing partners and securing trade relations with new partners.

3. Tasks performed

At DIT, I was a part of the Analysis Group, with my work concentrated in the Country & Region Evidence & Statistics Team (CREST), which provides trade evidence and analysis for supporting trade policy. The role of CREST was to provide evidence of export and investment opportunities for the UK so that the same could be used in the Regional Trade Plans (RTPs) for each of the nine regions and be used for evolving a negotiating strategy for the UK's future trade agreements with countries in these regions.

My work at CREST was in three areas:

i. Forecast of global import demand

In my initial few days at DIT, I was tasked with using the IMF's World Economic Outlook reports and datasets to analyse the trends in global import demand and to break the data down for each of the nine regions created by DIT and highlight the countries within each region where the import demand would be the highest. South Asia was found to be the fast growing in demand for imports at 8.6%, with ~32% of the growth in import demand attributed to India. Asia Pacific was the next biggest region for growth in import demand at 5.3%, with maximum demand attributed to ASEAN countries. The excel sheet created would be used for automating this analysis for the next data series released by the IMF.

ii. 'Enhance Model'

The team had created a statistical model for identifying areas where the UK's export performance was below its potential.

The model also sought to identify if the gap in actual performance measured against its 'benchmark potential' was on account of high tariffs in partner countries or non-tariff barriers, so that the results could be presented to the appropriate teams working on these two different issues. High to moderate trade opportunities in countries for products of UK's comparative advantage were identified. The results were visualised at country, region and product level (across countries/regions) to find the areas of greatest market opportunity for UK exports.

The exercise was very detailed and had been in preparation for months before my joining the team. The model assumptions for measuring UK's potential performance involved a study of various papers and journals and assessing the pros and cons of each alternate before settling on the methodology. The model had been run for the Africa region and the results were rolled out to various teams across DIT and at the Trade commissioner level. The learnings from the

roll out of the Africa model were then applied to the Enhance model for the world. I was tasked with running the model in excel and to be involved in the Q&A for the Enhance model.
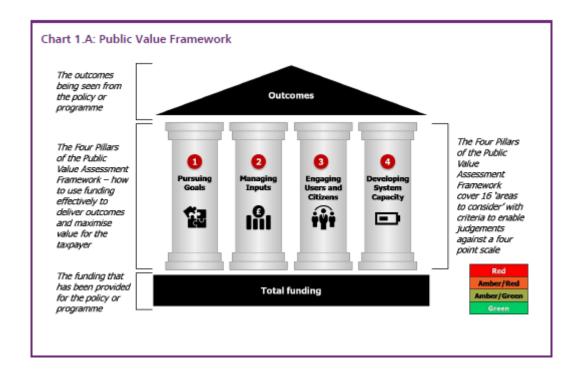
It became very clear from the application of the first formula that such a model for the world would need the use of R programming language. The results of excel and R were compared to have another line of testing before fully adapting to R. Since this model was created at the ITC HS 2 digit-level with all products being divided into 97 chapters (as per the World Customs organisation), it is clear that running the model at the more meaningful 6/8/10/12 digit level for policy action would involve even more data and greater reliance on R**. It must be mentioned that the UK government has been proactively teaching R to all its analysts across all government departments, so that they may be able to harness big data and provide meaningful results efficiently.**

Another important takeaway from this model was the need for team work and involvement of different economists to discuss and deliberate the assumptions of the model. The discussions were lengthy and extremely detailed, with team members being encouraged to question each step and trying to find other effective alternates. Finally. the results of the model were broken down for each of the regions, product groups, etc. to be used by all sub teams working on different regions/ product sectors.

iii. Productivity

The UK government is focused on enhancing productivity in its working with a view to moving away from the 'input-driven culture' with productivity and performance measured on the basis of inputs and resource allocated (e.g. budgets, staff, etc.) towards measuring productivity through the delivery of outcomes. The government commissioned a study on how the government can ensure it is delivering maximum value for money. Sir Michael Barber submitted the Public Value Review (hereafter, the Barber review) in November 2017[1] to provide a practical guide for structuring work in government departments, in order to maximise resource use and focus on an outcome-based approach. The Barber review suggested a public value framework as given below:

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[1] Can be accessed at :
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/660408/ PU2105_Delivering_better_outcomes_for_citizens_practical_steps_for_unlocking_public_value_web.pdf

Chart 1.A: Public Value Framework

The Barber Review suggested that the a government department should structure its work based on the four pillars of the framework, with the department's vision being the goal pursued, resource use being efficient and effective through the use of modern technologies and innovative techniques for doing work, incorporating user and taxpayer views to provide better information for decision making and creating capacity for future utilisation. The total funding given to any government department should be used in accordance with this framework, with an assessment of each pillar made at the time of department review, with green as the colour code for good performance and red as bad performance.

In parallel, the Industrial Strategy of the UK government highlighted the five drivers of productivity: Ideas (i.e. innovation), People (skilled labour), Infrastructure, Business Environment (similar to ease of doing business) and Places (balanced growth).

At DIT, I was tasked with combining the productivity drivers highlighted in the Industrial Strategy with that of the process of structuring work advised in the Barber review and map out whether the activities of DIT fit the Barber framework and are geared towards increasing productivity through being innovative, increasing skills, interfacing with other departments and citizens, etc.

This task allowed me to have a better understanding of the work done across the Department in various teams such as the numerous tools being created like the Market Access portal to capture, categories and escalate market intelligence, Business Intelligence tool for coordinating the interactions of product sector teams, investment teams and services teams, analysis of the economic impact of Foreign Direct Investment (gross value added, improvement in research, employment generated), etc. As this task was given to me in the early stages of my secondment, it allowed me to interact with various teams in DIT and to understand the vision of the department better. Further, since the idea of measuring government productivity is new across

the world, it was very beneficial to see the evolution of ideas and approaches to enhance productivity and think of ways to implement the same in my work.

4. Work Culture

The organisation followed a very flat structure, without strict hierarchy in workplace interaction. An open plan seating system and seating of all analysts on the same part of the office allowed for greater peer learning. Constant learning was encouraged, through tools like "concept of the day" wherein, each team member would email an approximately 500 word explanation of any concept they chose. Some examples of concepts of the day I read were "trade openness, operation research, visualising data through maps", etc. Since this exercise was more informal in nature and voluntary, it allowed for an easy exchange of information among the team while also being fun. Team learning was also encouraged through Learning and Development (L&D) sessions wherein, team members would volunteer to give an hour long talk on topics of importance to the work. For instance, one of the statisticians in the team was taking a series of sessions on R.

The thrust on usage of evidence and data in decision making in the UK government was very clear from the sheer number of economists, statisticians and data scientists employed across departments. The importance on continuous up gradation of skills and learning through everyday interactions as well as formal training programs was very inspiring.

The method of recording and communication was based on the best practices followed by the private sector through the use of Sharepoint and Office 365, Skype for business and official email.

5. Feedback

I would highly recommend all colleagues to apply for this program. It allowed for an exposure to the working of another government and the way work is organised and approached at. The colleagues I had in the UK government were very generous with their time and extremely kind in their interactions with me. The workplace environment allowed for healthy peer learning and building a network with officers in the UK government.

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