

## **UK Trade Policy – towards the gold standard in fair and sustainable trade**

As the UK closes in on the end of the Brexit transition on January 1<sup>st</sup>, 2021, future trade policy is rapidly being set in place. Agreements made in the coming months will set frameworks for our future trade with much of the world until long-term FTAs are agreed.

This is taking place at a moment when the COVID-19 pandemic has delivered a deep shock to global trade and the wellbeing bound up in traded goods. It has reminded us that the UK and communities around the world are all profoundly interdependent for the food and supplies that we depend on. Here in the UK, up to 15 percent of our food comes from Asia, Africa and Latin America. The need to build a resilient, sustainable future in trade should be clear.

We should not miss this unique opportunity to adopt a trade policy that supports a fair, sustainable and resilient future for all. We suggest the following overarching principles to guide decision making:

### **Fairtrade principles for future UK trade policy:**

- 1) **In ‘building back better’ from the COVID-19 pandemic, future UK trade policy must support fair, sustainable and resilient supply chains – supporting farmers, workers while shoring up future UK food security.**
  - ➔ Our supply chains are only as strong as their weakest link. People paid poverty wages will struggle to deal with future shocks. Resilience means ensuring that those in our supply chains have the income, resources and capacity to respond quickly and safely in the face of shocks<sup>1</sup>, to continue providing for themselves and their families, as well as to the UK consumer.
- 2) **An overarching trade strategy that works in support of the Sustainable Development Goals (SDGs<sup>2</sup>), tackling the climate crisis, and our proud commitment to uphold human rights around the world.**
  - ➔ We need a joined up approach to trade policy consistent with sustainable development. This includes ensuring that Future Trade Agreements (FTAs) incentivise the kind of decent work, sustainable job creation, and development goals that the UK public want to see and which is required if we want to tackle supply chain risks.
- 3) **Do no harm! Future UK trade policy must *at a minimum* guarantee existing market access for developing country farmers and workers.**
  - ➔ The new tariff schedule, UK GSP and future FTAs must not result in reduced access to the UK market for developing country producers. We should not see increased tariffs, and should avoid preference erosion for developing countries arising from new FTAs.

But our ambition should be higher. We have the opportunity to improve the offer currently granted to developing countries, and set the ‘gold standard’ in trade for development policy.

### **Fairtrade policy in practice – UK trade policy supporting a sustainable future:**

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<sup>1</sup> We may be seeing evidence that fairer and more sustainable supply chains are more robust in the face of the crisis. For example, Fairtrade farmers and workers have been able to call on reserves from Fairtrade premium funds to set in place health and social protection measures to buffer, to an extent, the immediate impact of COVID-19.

<sup>2</sup> The SDGs set targets for using trade as an instrument in support of poverty reduction, notably under goal 17. See for example <https://unctad.org/en/Pages/DITC/Trade-Analysis/TAB-Trade-and-SDGs.aspx>

Here we summarise our main recommendations for government at this time.

### **1) Free Trade Agreements – consider knock-ons for developing countries and the wider sustainable development implications.**

- ➔ The UK is currently negotiating independent FTAs with a number of countries, including the US and Australia, with Japan now agreed.
- ➔ There must be consideration of the impact of FTA proposals on developing countries. Serious impacts could come from preference erosion, or from non-tariff measures.
- ➔ FTAs can reinforce or undermine sustainable development objectives. For example, agreements can promote “green tech” and can also increase high carbon trade. FTAs should encourage shared pursuit of global decarbonisation ambitions and incentivise good quality work. Sustainability and environmental chapters must be enforceable.

### **2) Impact assessments**

- ➔ Impact assessments are vital to ensure this policy coherence between future UK trade policy and sustainable development priorities. They should be produced in a timely way, commissioned independently, and published before a negotiating mandate is established.
- ➔ Impact assessments should apply to the countries directly involved in any potential deal, and also to countries that may be affected *indirectly* by a bilateral deal.

### **3) Preferences for developing countries**

- ➔ We welcome the confirmation of Duty Free Quota Free (DFQF) access for Least Developed Countries (LDCs).
- ➔ However, this offer does not apply to other vulnerable developing countries<sup>3</sup> which fall under Economic Partnership Agreements (EPAs) or FTAs. Without arrangements in place, these countries could lose their market access at the end of the transition period. This could have a catastrophic impact on farmers and workers who are already struggling as a result of COVID-19. The UK must ensure that roll over arrangements for countries including Kenya, Cote D’Ivoire and Ghana are set in place ahead of January 1<sup>st</sup>, 2021, which are at least as beneficial to those countries as existing arrangements.
- ➔ The UK now has the opportunity to go further than existing schemes<sup>4</sup>, and improve the offer to developing and low income countries, potentially by extending duty free tariff coverage (after considering the risk of preference erosion). This might allow more farmers and workers to benefit from selling their products to the UK.
- ➔ The new Global Tariff Schedule plays an important role in ensuring existing market access. Careful consideration needs to be given to ensure that the current schedule will not risk eroding preferences for developing countries<sup>5</sup>.

### **4) Policies that work in support of a living income for farmers**

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<sup>3</sup> The following “roll-over” deals remain outstanding: Ghana, Côte D’Ivoire, and Cameroon.

<sup>4</sup> The UK has agreed to roll over the preferences currently granted to developing and low and lower-middle income countries under EU schemes, which reduces to zero the tariffs applied to certain products, such as cocoa beans and bananas.

<sup>5</sup> <https://www.fairtrade.org.uk/~media/FairtradeUK/What%20is%20Fairtrade/Documents/MP%20briefing%20on%20MFN%20tariffs.pdf>

- ➔ Farmers and workers at the bottom of the supply chain often receive very little of the final value of the processed product. For example, cocoa farmers only receive a small percentage of the retail price of a chocolate bar (around 3-6%) in spite of growing and harvesting the cocoa on which its production depends<sup>6</sup>.
- ➔ We are keen to see policies which look to address the barriers that exist to farmers in developing countries moving up the value chain to the next stage of the production process - and thereby improved income for farming communities.
- ➔ Trade policy has a role to play here, by ensuring that tariff regimes encourage trade in higher value added goods, and that rules of origin enable developing countries to manufacture and trade goods within global value chains.

## 5) Effective and transparent scrutiny of trade deals

- ➔ Transparent and effective scrutiny of ongoing and future trade deals will help the Government ensure that FTAs align with existing commitments on climate, human rights and the SDGs, and is an important opportunity for 'buy-in' on the direction of UK trade policy from the public and civil society.
- ➔ By contrast, the absence of parliamentary scrutiny on trade deals could diminish public trust in UK trade policy at a moment when open and informed discussion of our trading future is badly needed.
- ➔ The Fairtrade Foundation would like the Government to include provisions to ensure that MPs have a say on negotiating mandates, with a binding vote once a deal has been agreed<sup>7</sup>.

*This document is a Fairtrade Foundation briefing note for members of the All-Party Parliamentary Group for Fairtrade.*

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<sup>6</sup> ['Paying the price of chocolate: Breaking cocoa farming's cycle of poverty'](#), Confectionary News (2014)

<sup>7</sup> One proposal for establishing parliamentary scrutiny was set out in NC4 to the Trade Bill 2019-20, tabled by Jonathan Djanogoly MP: [https://publications.parliament.uk/pa/bills/cbill/58-01/0120/amend/trade\\_rm\\_rep\\_0708.pdf](https://publications.parliament.uk/pa/bills/cbill/58-01/0120/amend/trade_rm_rep_0708.pdf)