

Post-Brexit: Towards a trade policy that supports development



Over the coming months the UK will embark in earnest on the process of developing an independent trade policy. This is an opportunity to set the ‘gold standard’ in trade for development, prioritising approaches that support sustainable development, decent job creation and poverty reduction whilst ensuring consumers and businesses can continue to access goods from around the world. To do this the Government needs to set off on the right foot by ensuring that these key principles of sustainability and poverty reduction, are central to our trade policy and are embedded in the Trade & Customs Bills.

The Government could ensure the UK’s trade and development policies are effective by:

- adopting the highest levels of parliamentary and public scrutiny of trade policies and negotiations
- securing and improving market access for developing countries in ways that support their development priorities and build strong partnerships
- ensuring that any future Free Trade Agreements (FTAs) between the UK and richer nations, take account of the potential impact on developing countries.

Strengthen the role of parliament

Given the breadth and impact of trade deals, it is vitally important that MPs and Peers are able to scrutinise and approve them. This should apply to all new deals and arrangements, including those EU deals that the UK is seeking to transition into domestic law, as these will form the basis for our future trade policy. Theresa May said in her recent speech in Florence that the British electorate chose to strengthen the role of the UK Parliament, and devolved administrations, in deciding our laws and recent polling of MPs showed that 86% wanted a role in scrutinising trade deals. This will require significant changes to the current system as the role of UK parliamentarians in the scrutiny and approval of trade deals is currently limited.

Going forwards the following processes need to be in place:

- parliamentary approval of negotiating mandates before beginning formal negotiations

- risk assessments must be conducted to highlight the possible impacts on priority areas including human rights, gender equality, labour rights, environmental protection, implementation of the SDGs and the economic and social impacts on developing countries
- transparency of information and full public consultation must be guaranteed
- full parliamentary debate and an affirmative vote on agreements before they come into force.

In its trade white paper, the Government indicated it intends to use existing EU trade agreements as the basis for ongoing trade relationships after Brexit. Proposals imply the Government will seek to use statutory instruments to push these revised deals through parliament without scrutiny. Parliamentarians face the prospect of being marginalised from the beginning and must assert their right to scrutinise all legislation and treaties.

Seize the opportunity to re-set relationships with developing countries

In June the Government announced that 48 Least Developed Countries (LDCs) will continue to have duty-free, quota-free market access post-Brexit. This pledge is very welcome. When it comes to the wider set of developing countries however, things are less clear and there are a number of paths which the Government could take. The stated intention is to “roll-over” existing EU agreements including FTAs and the more controversial Economic Partnership Agreements (EPAs). This approach is by no means straightforward and would be a missed opportunity to re-set strained relationships with developing countries and put something better on the table.

The EU EPAs are at various stages of implementation and some, particularly those with regions made up primarily of Least Developed Countries, continue to be resisted. These countries want to retain the policy space required to support and expand their domestic industries, and also want to prioritise regional integration, such as the deepening of their customs unions. The EPAs, and any UK deal which seeks to replicate them, are challenged because they:

- require significant levels of liberalisation, including from the poorest countries, which threatens to

undermine local industry and producers who may not be ready to compete with international imports

- include 'trade-plus' issues such as investment protection and government procurement
- undermine regional integration by offering different arrangements to countries within existing customs unions, leading to fragmentation and regional tensions.

It is clear that the Government must maintain existing market access and avoid a 'cliff-edge' for developing countries but there are a number of ways continuity could be delivered. The greatest developmental impact, particularly for regions primarily made up of LDCs, would be achieved by adopting a non-reciprocal preference scheme as an alternative to EPAs. A bespoke UK scheme could improve on existing initiatives by widening the country and product coverage and by incorporating flexible rules of origin which would allow countries to increase their exports of higher-value processed goods.

Given the challenges the Government faces in attempting to replicate multiple agreements, an improved preference scheme is a politically attractive option. It is unilateral so does not require negotiation and would ensure continuity for developing country exporters and UK consumers. It would comply with WTO rules and the UK would be joining a host of other leading economies including the USA, Japan, Australia, New Zealand and Norway which operate similar schemes. Supported by capacity building and well directed aid for trade initiatives, this is an opportunity for the UK to form genuine trade and development partnerships, improve on existing schemes and become a world leader in utilising trade for development.

Assess developmental consequences of FTAs

The Government has started to prepare the way for negotiations on future trade agreements with countries such as the US, Canada, China and Australia. These deals are likely to have implications for developing countries, particularly where they export similar products. For example, a trade deal with Australia would have significant implications for beef exporters in countries such as Namibia.

We are calling for timely, comprehensive and publicly available impact assessments, to be undertaken at the start of any new trade negotiations. This would ensure that future trade policies align with the Sustainable Development Goals (SDGs), and other UK commitments on human rights, modern slavery, environmental protection and climate change. The promise to undertake this kind of exercise could be embedded within legislation, improving upon the existing EU Sustainability Impact Assessments (SIAs). These impact assessments should be updated as negotiations progress.

We look forward to working with MPs and Peers over the coming months, and will be happy to provide further briefings once the Trade & Customs Bills are published. In the meantime parliamentarians can support this agenda by raising the following issues through PQs and debates:

- Emphasising the need for sustainable development to be a core principle of UK trade policy
- Supporting the creation of an improved preference scheme for developing countries
- Demanding a greater role for parliament to shape, scrutinise and ratify all future trade agreements
- Pushing for comprehensive impact assessments to be published for all trade negotiations, including the potential impact on developing countries, gender equality and the environment.

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