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Trade and the Commonwealth: developing countries

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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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The current staff of the Committee are Jake Barker (Committee Specialist), Matthew Chappell (Committee Assistant), Faten Hussein (Committee Specialist), Sean Kinsey (Second Clerk), Ben Shave (Media Officer), Dr Gabriel Siles-Brügge (ESRC IAA/POST Parliamentary Academic Fellow), Anna Sydorak-Tomczyk (Committee Specialist), David Turner (Committee Specialist), Andrew Wallace (Senior Committee Assistant), and Joanna Welham (Clerk).

Contacts

All correspondence should be addressed to the Clerk of the International Trade Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 2539; the Committee's email address is tradecom@parliament.uk.

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Summary

As the UK prepares to leave the European Union, the question of how the UK will trade with developing countries has received media and public attention, especially since the Prime Minister's visit to South Africa, Nigeria and Kenya earlier this year. The question is of great importance to the Commonwealth, because the majority of its member states are developing countries and a number of them have significant volumes of trade with the UK.

The UK currently trades with developing countries—both within and outside the Commonwealth—under EU arrangements, which include both non-reciprocal arrangements (unilateral preferences granted under the EU's Generalized Scheme of Preferences), and reciprocal arrangements (notably the Economic Partnership Agreements (EPAs) that the EU has negotiated with African, Caribbean and Pacific countries). The Government has stated that current levels of access granted to developing countries under the EU's unilateral arrangements will be maintained by the UK after Brexit. We welcome confirmation that this remains the Government's intention, despite the lack of detail provided in the Taxation (Cross-border Trade) Act on the level of access to be provided to non-least developed countries. Although continuity in the short-term is to be welcomed, the Government should also give consideration as to how it can improve the unilateral preferences that it grants in the longer-term. The Government should commit to reviewing these schemes, and set a time-limit for doing so.

Similarly, we recommended in our previous report into *Continuing application of EU trade agreements* that EPAs should be rolled-over, at least in the short-term, to ensure continuity. We would like monthly updates on progress relating to roll-over. We note the evidence on the benefits and negative aspects of EPAs, and reiterate our recommendation from our aforementioned report that the Government should bring forward proposals for a mechanism whereby rolled-over EPAs will be subject to review in respect of issues such as Most Favoured Nation clauses, rules of origin, requirements for economic liberalisation, and sanitary and phytosanitary measures, with a view to potential renegotiation in due course. It may be most beneficial for this review to take place alongside the review of the unilateral preferences, as these and EPAs are closely linked. The Government should set a time limit for such a review and consider whether an explicit review clause would be appropriate for inclusion in the transitioned EPAs.

Although trade relationships between the UK and the Commonwealth have been shaped by a shared history, the organisation is composed of countries at various levels of development. Under World Trade Organization rules, non-reciprocal preferences can therefore not be granted to Commonwealth countries as a group (to the exclusion of other non-Commonwealth countries). However, the majority of Commonwealth countries are developing countries and therefore the UK could strengthen the unilateral preferences it grants to developing countries to the mutual benefit of developing countries and the Commonwealth. The Government may in time also consider whether it wishes to improve the arrangements it currently has with Commonwealth countries, as part of its review of EPAs, or negotiate new trade agreements with Commonwealth partners, to allow for enhanced trade relationships that support trade and development. The Government should also consider how it can pilot new initiatives within the

Commonwealth, especially those linked to trade facilitation, and report back to us. The UK should use its time as Chair-in-Office of the Commonwealth to promote trade with developing countries and promote commitments made at the recent Commonwealth Heads of Government Meeting.

There is a relationship between trade and gender. Women are disproportionately affected by trade policy decisions, particularly in developing countries. UK trade policy should seek to not only “do no harm” but to actively promote gender equality, for example by ensuring that women can “move up the value chain” and that trade liberalisation does not undermine labour rights. The UK has an opportunity to show leadership and develop a truly gender-responsive approach to trade policy and should make the most of this opportunity.

The Department for International Trade (DIT) should publish an analysis of its understanding of the relationship between gender and trade. We also consider that before any trade negotiation, DIT, in close collaboration with the Department for International Development (DFID), should conduct impact assessments relating to the impact of any agreement on gender inequality. There is not yet enough evidence of whether gender chapters in Free Trade Agreements have a positive impact, but the Government should evaluate such chapters where they are in place; analyse the circumstances in which they might be most effective; and use this analysis to guide future trade policy.

Trade policy is critical to supporting development, and will be a key tool through which the UK will work towards achieving the Sustainable Development Goals. We welcome that the relationship between development and trade policy has been set out at the highest political level within the UK, with the Prime Minister being very clear about the importance of the relationship between development and trade.

Despite successes in Aid for Trade, trade and development policy have not always been as aligned as they could be. Recent collaboration between DIT and DFID should be built upon, as it will be critical for ensuring that the UK has effective and holistic trading relationships with developing countries after Brexit. Ensuring that the UK has a coherent trade policy will also mean close alignment with other relevant departments, such as the Foreign and Commonwealth Office, the Department for Business, Energy and Industrial Strategy, the Department for Environment, Food and Rural Affairs and the Department for Exiting the European Union. We commend the commitment to Aid for Trade in addition to existing Official Development Assistance finance. Consideration should be given, however, to whether additional funding for Aid for Trade is needed through DIT.

We expect DFID to play a key role in assessing the impact of, and preparing for, future trade arrangements with developing countries. We expect close alignment between DIT and DFID to help establish comprehensive trade and development partnerships with developing countries. The Government should commit to undertaking and publishing impact assessments before any new trade negotiations, outlining the potential impact that trade deals would have on developing countries.

In the short-term, DFID should work to target supply side constraints in order to facilitate the participation of developing countries in global supply chains. To do this, greater collaboration with both UK companies working with developing countries in their supply chain, and companies based in developing countries, will be necessary.

Trade and sustainable development chapters in the EU's trade agreements have been a positive step. The UK should consider incorporating such chapters in its own future trade agreements and also ensure that it goes further than the EU has by seeking to provide adequate mechanisms for enforcement of their provisions; providing for enhanced dialogue with social partners; and tailoring their provisions to the specific social and environmental needs of partner countries.

The Government should encourage investment into developing markets that supports sustainable development, particularly in the area of infrastructure. Stronger links should be developed between the UK and developing country investment promotion agencies.

UK companies exporting to developing countries need to be supported in a range of ways. It must be borne in mind that this export support may need to be tailored or enhanced for the UK to increase its trade with developing countries. We will return to this issue in future work we do relating to support for exports.

1 Introduction

1. The question of how the UK will trade with developing countries after Brexit is a key one, and it has received media and public attention following the Prime Minister's visit earlier this year to South Africa, Nigeria and Kenya. Of course, this question is also of great importance to the Commonwealth, because the majority of its 53 member states are developing countries and a number of them have significant volumes of trade with the UK.

2. The UK currently trades with developing countries—both within and outside the Commonwealth—under EU arrangements, which include both non-reciprocal arrangements (unilateral preferences granted under the EU's Generalized Scheme of Preferences), and reciprocal arrangements (notably the Economic Partnership Agreements (EPAs) that the EU has negotiated with African, Caribbean and Pacific (ACP) countries). The Minister for Trade Policy, George Hollingbery MP, told us that these arrangements currently cover over 100 developing countries, 44 of which are in the Commonwealth.¹

3. As part of our inquiry, we have considered the effectiveness of these arrangements in the context of how the UK should approach its relationship with developing countries after Brexit in both the short and longer-term. We have also looked at the role of the Commonwealth, the relationship between trade and development policy, and the impact of trade on gender equality. In addition, we have considered how the Government could best support trade with, and investment in, developing countries.

4. Our Report is structured as follows. Chapter 2 considers the EU's unilateral preference schemes, and the possibilities for the UK's own unilateral arrangements with developing countries after Brexit. Chapter 3 examines the EU's Economic Partnership Agreements and Chapter 4 looks at the role of the Commonwealth in the context of the UK's relationship with developing countries. Chapter 5 looks at the relationship between trade and gender, particularly in a development context, and Chapter 6 explores the links between trade and development policy, including the coordination of policy between the Department for International Trade (DIT) and other departments, especially the Department for International Development (DFID). Finally, Chapter 7 considers UK support for investment into, and trade with, developing countries.

5. Over the course of our inquiry we took oral evidence from 23 witnesses, including the Minister of State for Trade Policy, George Hollingbery MP. In addition, we received 33 written submissions. We would like to thank all of those who took the time to provide us with evidence.

6. This inquiry is part of an ongoing series of inquiries into Trade and the Commonwealth. We have also launched an inquiry into Trade and the Commonwealth: Australia and New Zealand, and we will continue to take evidence as part of this inquiry over the coming months.

7. The findings and recommendations of this report are predicated on future UK-EU arrangements providing the UK with the flexibility to independently exercise relevant trade policy competences. We are currently holding a separate inquiry into the impact of UK-EU arrangements on wider UK trade policy.

2 Current unilateral arrangements

Non-reciprocal trade preferences granted by the EU

8. Under World Trade Organization (WTO) rules, developed countries can grant non-reciprocal trade preferences to some or all developing countries (imposing lower tariffs on goods imported from these countries and/or allowing preferential access for service suppliers from these countries, without obtaining any trade preferences in return). The UK currently grants unilateral trade preferences in goods to developing countries under the EU's Generalised Scheme of Preferences (GSP). There are different levels of preferences, depending on the socio-economic status of the country:

- for imports from least developed countries (LDCs), the EU grants duty-free, quota-free access under the "Everything But Arms" (EBA) scheme;²
- for imports from developing countries which are not LDCs, but which meet certain "sustainability criteria" (relating to the ratification of core international conventions on human rights, labour rights, good governance and the environment) and "vulnerability criteria" (relating to the nature of their exports) the EU grants tariff-free access for two-thirds of product categories (under GSP+);
- for imports from developing countries which are not LDCs, and which do not meet the vulnerability and sustainability criteria, the EU grants either tariff-free access or tariff reductions for two-thirds of product categories (under (standard) GSP).³

Level of trade under these arrangements

Value for developing countries

9. The Overseas Development Institute (ODI) and Trade Policy Observatory summarise the value of these arrangements for developing countries exporting to the UK:

The value of the preferential access that developing countries receive to the UK market through the EU's GSP, and particularly its EBA element, is considerable. They save LDC exporters €385 million per year, non-LDC ACP exporters €205 million and Commonwealth exporters €715 million.⁴

10. They also highlight markets which would be affected significantly by the loss of such access:

Although in general the UK is not a major trading partner for developing countries, some small developing countries rely heavily on the UK market. Belize, for instance, has sent nearly one quarter of its goods exports to the

2 The WTO and EU use the United Nations list of Least Developed Countries (LDCs) to define which countries are LDCs.

3 European Commission, '[Generalised Scheme of Preferences \(GSP\)](#)' [Accessed 27/11/18]

4 <https://www.odi.org/sites/odi.org.uk/files/resource-documents/10852.pdf>. These figures are reached by comparing what would be payable under MFN tariffs.

UK over the past five years. Other countries that rely heavily on the UK for their exports include Mauritius (20%), Fiji (15%), Gambia (14%), Sri Lanka (11%), Bangladesh (10%) and St Lucia (9%).

Many of these countries export a narrow range of products that rely on preferences. With no post-Brexit mechanism in place to safeguard these preferences, garments and textiles factories in Bangladesh, cane sugar producers in Mauritius, Fiji and Belize and smallholder banana farmers in St Lucia could go out of business.⁵

Level of UK trade under these preferences

11. In terms of the level of the UK's trade with developing countries, Dr Mendez-Parra from the ODI explained to us that 25% of the UK's imports from developing countries are imported under the different GSP schemes.⁶ William Bain, from the British Retail Consortium (BRC), also provided figures in relation to non-food products:

[...] if we look at it in terms of the retail industry [...] around 38% of non-food items are imported into the UK using one of these three preferential schemes. A considerable amount of the clothing and textiles that we buy online or in retail stores comes in through these preferential schemes.

In terms of the numbers that have been reported to the BRC, total imports via the GSP, GSP+ and EBA in 2015 were 3 billion. The total within footwear imports beyond that reported to the BRC was 6 million, and that is out of total UK imports of clothing and footwear that year of 23 million from the ONS figures in the Pink Book.⁷

12. Daryl Jopling, Head of Risk at Debenhams, told us that “circa 50% of our textile imports come from GSP, GSP+ or EBA countries, especially things like knitwear and cotton products”.⁸

The future of UK unilateral preferences after Brexit: continuity in the short-term

13. The Government has confirmed that it will “seek to transition all existing EU trade agreements and other EU preferential arrangements” after Brexit.⁹

14. The Taxation (Cross-border Trade) Act 2018 makes provision for the Secretary of State to establish unilateral preference schemes through regulations.¹⁰ The Act specifies that a scheme for LDCs “must provide for a nil rate of import duty to be applicable to all [...] except arms and ammunition”, and therefore commits to retaining the level of access currently granted to LDCs under the EU's EBA scheme.¹¹ No such detail is provided in the Act for the level of access to be provided to other developing countries. When we asked

5 Ibid, page 31

6 [Q6](#)

7 [Q251](#)

8 [Q253](#)

9 Department for International Trade, [Preparing for our future UK trade policy](#), October 2017

10 [Section 10](#) of the Taxation (Cross-border Trade) Act 2018

11 [Section 10\(3\)\(a\)](#) of the Taxation (Cross-border Trade) Act 2018

the Minister for Trade Policy, George Hollingbery MP, about this, he confirmed that it was the Government's intention for the access provided under GSP and GSP+, and not just EBA, to be maintained for developing countries.¹²

15. Many witnesses welcomed the Government's aim of providing continuity in the current arrangements in the short-term.¹³

The future of UK unilateral preferences after Brexit: the longer-term

16. In evidence to us, the Minister highlighted that although continuity was the main aim for now, in the longer-term the Government may make changes to the unilateral preferences it grants:

We are not intending to change in the short term, but there will be, when there is time, space and ability—time to re-examine and see whether we can produce a better UK specific scheme.¹⁴

Simplification of the scheme

17. A number of witnesses made proposals for how the schemes might change in the future. The ODI proposed quite an extensive change, involving having only two different tiers of market access. They explained:

The new UK preferential regime should be based on key principles for an effective trade policy, among them simplicity. It should be based on two tiers (instead of the existing three): a general regime and a target regime. To simplify the selection of beneficiaries, the general regime should include all low and lower-middle income countries - as defined by the World Bank - and non-high income Small Islands Developing States (SIDS). Countries in this tier should receive a 50% preferential access. In those products whose Most Favourable Nation (MFN) tariff is less than 5%, beneficiaries should receive full preferences.¹⁵

Reducing the number of products that are considered sensitive

18. A number of witnesses suggested that the UK reduce the number of products which are considered "sensitive" under current arrangements (and therefore do not receive duty-free access under standard GSP). The Fairtrade Foundation told us that "there may be products that were considered "sensitive" by the EU in which there is no UK producer interest".¹⁶ Primark argued that the number of sensitive areas should be pared back to the bare minimum, and proposed that "sensitive" status "should only ever apply to any product for which there is substantial UK domestic production (or production of a close substitute)".¹⁷ The British Retail Consortium, however, told us that any change to sensitive products should be viewed "with great care", given the impact it can have.¹⁸

12 [Q434](#)

13 See for example, Primark ([TCD0004](#)), Scotch Whisky Association ([TCD0003](#))

14 [Q434](#)

15 Overseas Development Institute ([TCD0020](#))

16 Fairtrade Foundation ([TCD0012](#))

17 Primark ([TCD0004](#))

18 British Retail Consortium ([TCD0032](#))

Graduation and avoiding the cliff-edge

19. Some witnesses drew attention to the “cliff-edge” that developing countries can face when they graduate out of LDC status and therefore lose significant preferences. When we heard from the Minister, he acknowledged the danger of countries facing such a “cliff edge”, but stated that, as the Government was seeking to transition existing arrangements, any consideration of how this could be avoided was “for the future”. He told us that:

I think that structure is as it is in the EU. It is built in. There is a three-year transition phase that flattens out somewhat and we have said time and again and rather boringly now that we are seeking to transition, not to complicate matters upfront. There is probably some work to be done there in the future as and when we look at our own general scheme of preferences, our own unilateral preferences programmes, to see what we can do to iron out that issue. Clearly at the moment it is a challenge.¹⁹

Rules of Origin

20. A significant number of witnesses felt that the rules of origin were an area where improvements could be made by the UK in establishing its own unilateral preferences scheme. Rules of origin dictate that the originating status of goods must be proved in order for them to qualify for preferential treatment in respect of tariffs. For goods that are not “wholly obtained or produced” in a given territory, these may involve requirements specifying a percentage of local/domestic content (or other “substantial transformation/sufficient working or processing” of raw materials or components from elsewhere).²⁰

21. William Bain from the British Retail Consortium told us that rules of origin are “undoubtedly the biggest issue” with current preferential arrangements.²¹ He told us, in the context of textiles and clothing:

[...] they are quite restrictive. There is a double transformation rule. [whereby at least two stages of production are needed to confer origin, e.g. where yarn is turned into fabric and the fabric into clothing]. If you look at the EU’s economic partnership agreements with developing countries, there is a single transformation rule [whereby only a single stage of production is needed to confer origin, e.g. clothing manufactured from fabric would benefit from preferences regardless of the origin of this fabric]. It is basically less complex for the exporting country to get the goods into the UK at a lower price under the EPAs than under the unilateral preferences. That is something that could be addressed because it is a significant problem for developing countries.²²

22. Traidcraft pointed out to us that countries in the standard GSP scheme are only able to cumulate within specified regional groupings, and cannot cumulate goods from countries party to EPAs, and argued that this causes negative effects:

19 [Q440](#)

20 World Customs Organization, ‘[Comparative Study on Preferential Rules of Origin](#)’ (Version 2017) World Customs Organization, ‘[Comparative Study on Preferential Rules of Origin](#)’ (Version 2017)

21 British Retail Consortium ([TCD0032](#))

22 [Q257](#)

Cumulation is not allowed to occur from an EPA country into a country eligible for Everything But Arms. This means that LDCs are hindered in their ability to incorporate goods from neighbouring countries into supply chains for processing and further export. For example it may not be possible for a producer in Sierra Leone to claim originating status if incorporating materials from Ghana in a processed good.²³

23. Dr Vickers from the Commonwealth Secretariat told us that, in relation to the EU's rules of origin, "The UK can do away with a lot of these line-by-line, product-specific, sector-specific [rules], and just adopt a universal rule, almost like Australia and Canada do."²⁴

24. In its written evidence to the Committee, the ODI also stressed the importance of not only facilitating cumulation between beneficiaries of unilateral preferences, but also between the recipients of unilateral preferences and other UK trade partners. It stressed that this may only be possible where "rules of origin are compatible with those in the free trade agreements (FTAs) that the UK may negotiate".²⁵ Currently, beneficiaries of the EU's various GSP tiers all benefit from "bilateral cumulation" with the EU.²⁶ In evidence to our inquiry into the Continuing application of EU trade agreements after Brexit, we were told by the UK Trade Policy Observatory that the "EU can be quite difficult in agreeing to diagonal cumulation" and "typically only" does so "if ALL the countries involved [...] have free trade agreements among themselves, and all apply the EU's rules of origin".²⁷

25. We return to the issue of rules of origin in the next chapter, as it was also raised in the context of the EU's EPAs.

Preference erosion

26. Professor Tony Heron from the University of York has written several pieces on preference erosion (the diminishing value of preference margins in the wake of other trade liberalisation efforts) and the tension between the continued viability of trade preferences (unilateral and in the form of reciprocal agreements, such as the EPAs) as a development tool and wider patterns of trade liberalisation. Professor Heron argues that while preference erosion "is now viewed as inevitable *and* desirable", those most exposed to the effects of preference erosion "will find themselves even further marginalised in the world trade system" in the wake of trade liberalisation carried out through FTAs.²⁸

27. In oral evidence, Dr Mendez-Parra, Senior Research Fellow at the ODI, spoke of a need to "strike a balance".²⁹ The Fairtrade Foundation recommends impact assessments to ensure preference erosion is considered if the UK grants tariff reductions in future trade negotiations.³⁰

28. The Government has stated that current levels of access granted to developing countries under the EU's unilateral preferential arrangements will be maintained by

23 Traidcraft ([TCD0002](#))

24 [Q329](#)

25 Overseas Development Institute ([TCD0020](#))

26 European Commission, '[Rules of origin – Generalised Scheme of Preferences](#)', [Accessed 27/11/18]

27 UK Trade Policy Observatory ([EUT0009](#))

28 Ibid p. 136

29 [Q19](#)

30 Fairtrade Foundation ([TCD0012](#))

the UK after Brexit. We welcome the confirmation that this remains the Government's intention, despite the lack of detail provided in the Taxation (Cross-border Trade) Act on the level of access to be provided to non-least developed countries. Continuity is key in providing much needed certainty for both developing countries and UK businesses. It is disappointing that a lot of detail relating to the access for non-least developed countries has been left to regulations, but we will continue to monitor how the Government's expressed intentions are translated into legislation.

29. Although continuity in the short-term is to be welcomed, the Government should give consideration to how it can improve the unilateral preferences it grants in the longer-term. The Government should commit to reviewing these schemes and set a time limit for doing so. The review should consider a range of options, including extending eligibility for certain preferences, and streamlining the preferences offered. Rules of origin must also be reviewed with the aim of improving preference utilisation. As part of this review, the Government should also consider how best to ensure countries do not face a cliff-edge when graduating out of eligibility for certain preferences. Of course, in considering extending the reach of the schemes, it is important to balance the benefits of providing greater access with the negative impacts that can be caused by preference erosion. The Government should also give due regard to possible implications of changing the unilateral preference arrangements it has with developing countries in terms of the ability of developing country exporters to subsequently benefit from diagonal cumulation between the UK, the EU, and the developing country concerned. The Government should consider a more flexible approach to rules of origin cumulation across different categories of least developed countries (e.g between beneficiaries of Everything But Arms and parties to Economic Partnership Agreements) in order to assist developing countries build viable supply chains regionally, where this is compatible with World Trade Organization arrangements.

3 Economic Partnership Agreements

30. The EU's Economic Partnership Agreements (EPAs) are reciprocal arrangements that the EU has with African, Caribbean, and Pacific (ACP) countries. These are not the only Free Trade Agreements (FTAs) the EU has with developing countries, but we have focussed on these agreements as they are of the greatest relevance to Commonwealth developing countries while also being the most explicitly development-focused of the EU's trade agreements with developing countries. The EU describes its Economic Partnership Agreements as follows:

EPAs are WTO-compatible trade agreements, but they go beyond conventional free-trade agreements by focusing on ACP development, taking account of their socio-economic circumstances and including cooperation and assistance to help ACP countries implement the agreements. To respond to ACP concerns, EPAs foresee very specific asymmetries in their favour, such as the exclusion of sensitive products from liberalisation, long liberalisation periods, flexible rules of origin, and special safeguards and measures for agriculture, food security and infant industry protection. EPAs are also designed to be drivers of change that will kick-start reform and strengthen good economic governance, which will help our partner countries attract investment and boost economic growth.³¹

31. If a country has an EPA with the EU, then this trade agreement replaces any unilateral preferences the country may have been eligible for.³² EPAs, generally speaking, provide more generous market access than preferences granted under the EU's unilateral preference schemes.

32. The general parameters of the EU's relationship with ACP countries are set by the Cotonou Agreement, signed in 2000 and in force since 2003. It is the most comprehensive partnership agreement between developing countries and the EU. Under the Agreement's trade pillar, ACPs benefited from non-reciprocal trade preferences from 2001–2007 and, after this, from 2008, the unilateral preferences were to be replaced by reciprocal full EPAs between the EU and several ACP regions (intended to cover issues beyond trade in goods). Initially, only the Caribbean region signed up to such an EPA, with other states not benefitting from EBA signing up to 'interim' (goods-only) EPAs to avoid falling back on the standard GSP and thus face higher tariffs.³³ A Market Access Regulation (MAR) was adopted by the EU in December 2007, which provisionally applied EPA preferences from 1st January 2008 for countries that had concluded such agreements, but had yet to sign, ratify and implement them. In May 2013, the EU amended the MAR to exclude, from 1st October 2014, countries that have not taken the necessary steps to ratify any previously concluded EPAs. The European Centre for Development Policy Management point out that:

31 European Commission, 'EPA Factsheet', February 2017, [Accessed 27/11/18]

32 Official Journal of the European Union, 'Regulation (EU) No 978/2012 of the European Parliament and of the Council', Article 4 25/10/12, [Accessed 27/11/18]

33 European Commission, 'Economic Partnership Agreement with the East African Community: Briefing', April 2018, [Accessed 27/11/18]

These countries had to do so [ratify the EPA] or conclude a new (regional) EPA to be reintegrated under the MAR 1528/2007. For those not having done before 1st October 2014, they automatically fall, after that date, under the Generalised System of Preferences (GSP).³⁴

33. At present, interim (or ‘stepping stone’) EPAs are being provisionally applied for Ghana, Cameroon, Côte d’Ivoire, Mauritius, Seychelles, Zimbabwe, Madagascar, Papua New Guinea and Fiji, while regional EPAs have been concluded with West Africa and the East African Community and are being provisionally applied in the case of Southern African Development Community. Only the agreement with the Caribbean has been fully ratified by both parties and is the only EPA to deal substantially with issues beyond market access in goods, notably trade in services and investment (see below).³⁵

Government position on EPAs after Brexit and progress

34. As mentioned in the previous chapter, the Government has stated that it will “seek to transition all existing EU trade agreements and other EU preferential arrangements” after Brexit.³⁶ In terms of EPAs, when the Minister appeared before us in September, he told us that:

We are ... working with 30 partner Governments in Africa, the Caribbean and Pacific countries to transition all agreed EPAs. Only last week I signed a joint statement confirming that the EPA between the UK and the five Southern African customs union countries, and Mozambique, will be ready to enter force as soon as the EU deal no longer applies to the UK.³⁷

35. He went on to talk about progress with other EPA partners:

We are making very good progress with other EPA partners. There are issues with some of them, plainly, and it is nothing that the UK can really control. There are parliamentary issues on one side of that, time available, there are certain complications with the structure of some of them and how many people have signed them and haven’t and whether they are ratified or not, so it is not an absolute given that we can get them all transitioned. I can tell you that we are in very earnest, real and proper conversations and negotiations with all partners with EPAs to try to make that happen, and it is absolutely our intention to deliver upon that.³⁸

36. Giving evidence alongside the Minister, Paul Walters, Deputy Director of Development Trade Agreements at the Department for International Trade, said:

It is true to say that the SACU [Southern African Customs Union] agreement is the most advanced. It is of the highest economic value to both sides, and we have been able to make substantial progress on that. The other six

34 European Centre for Development Policy Management, ‘[Dossier: FAQ - Economic Partnership Agreements](#)’, [Accessed 27/11/18]

35 European Commission, ‘[Overview of Economic Partnership Agreements](#)’, June 2018, [Accessed 27/11/18]; International Trade Committee, ‘[Continuing application of EU trade agreements after Brexit](#)’, First Report of Session 2017–19, March 2018, pp. 36–43

36 Department for International Trade, [Preparing for our future UK trade policy](#), October 2017

37 [Q359](#)

38 [Q370](#)

agreements are not too far behind and we are working very closely with our partners on that. There is a balance of interest. We are very keen to achieve continuity and our partners are too.³⁹

37. A significant proportion of the evidence that we received did acknowledge that in order to provide certainty for UK businesses and developing countries alike, it was practical to extend the current EPAs in the short term post-Brexit.⁴⁰ As the ODI put it, this was the “safest and quickest way of avoiding the cliff edge on Brexit day”.⁴¹ We also recommended that the government seek to extend the application of these agreement in the short-term in our report into *Continuing application of EU trade agreements*, published earlier this year.⁴²

Future of EPAs in the longer-term

38. In this inquiry we heard criticism of EPAs, including relating to their reciprocal nature and the argument that they undermine regional integration.⁴³ Some suggested that ACP countries had been under inappropriate pressure to sign EPAs.⁴⁴

39. Some of these arguments were also raised in our previous inquiry into *Continuing application of EU trade agreements after Brexit*. In our report following this inquiry, published in March 2018, we called on the Government to review EPAs:

The Government should bring forward proposals for a mechanism whereby rolled-over Economic Partnership Agreements will be subject to review in respect of issues such as Most Favoured Nation clauses, rules of origin, requirements for economic liberalisation, and sanitary and phytosanitary measures, with a view to potential renegotiation in due course.⁴⁵

40. In its response to our report, the Government stated that “transitioning EPAs is not the limit of the Government’s ambition and we will look to see how we can improve upon these trade arrangements.”⁴⁶

41. Some of the EU’s EPA make provision for review: for example, the CARIFORUM EPA, the agreement between the EU and the Caribbean region, has a provision requiring the review of the agreement every five years, and one such review has so far taken place (in 2013–14, following the implementation of the agreement in 2008). As well as highlighting some areas for improvement, the review concluded that:

The current single, five-yearly monitoring exercise should be broken down into more frequent—but more targeted and detailed—sector-specific “snapshots”, rotating across major areas of the Agreement, which are then

39 [Q416](#)

40 See for example [Q177](#), ACP/LDC Sugar Industries Group ([TCD0033](#)), Overseas Development Institute ([TCD0020](#)), Scotch Whisky Association ([TCD0003](#))

41 [Q32](#)

42 International Trade Committee, ‘[Continuing application of EU trade agreements after Brexit](#)’, First report, 2017–19, HC 520, March 2018

43 See for example APPG Africa & Royal African Society ([TCD0026](#)), Fairtrade Foundation ([TCD0012](#)), [Q30](#)

44 See for example [Q55](#), Overseas Development Institute ([TCD0020](#))

45 International Trade Committee, ‘Continuing application of EU trade agreements after Brexit’, First Report of Session 2017–19, March 2018, p. 12

46 International Trade Committee, ‘[Continuing application of EU trade agreements after Brexit: Government Response to the Committee’s First Report](#)’, Second Special Report of Session 2017–19, May 2018

compiled with more aggregated indicators at the five-year mark. This will arguably make the Five-Year Review not only more detailed, but also more manageable, for both the EU and CARIFORUM. A focused discussion of a single sector on an annual basis may provide a more fruitful dialogue than trying to tackle all areas of the Agreement in one five-yearly sitting.⁴⁷

Addressing mode 4 provisions

42. Both Dr Ben Richardson, Associate Professor in International Political Economy at the University of Warwick and the ODI cite “Mode 4”, the General Agreement on Trade in Services (GATS)-defined category dealing with trade in services delivered by natural persons, as something to address as a priority within EPAs. The ODI, for example, states that it is important to avoid the use of restrictions on the import of services under Mode 4 to address migration issues.⁴⁸ The International Centre for Trade and Sustainable Development describes the Mode 4 provisions in the Caribbean Forum of ACP states (CARIFORUM) EPA:

... [The EPA] categorizes services providers accessing the other party’s market by length of stay allowed, skill levels, and according to their link to a legal entity or self-employment. Moreover, because European Union EPA commitments on mode 4 go significantly beyond the EU GATS commitments and conditional services offers, better treatment is granted to CARIFORUM than to other WTO Members. Cross-border and mode 4 commitments in the Agreement will also help to increase prospects for supplying services cross-border. This growth is augmented by greater access to technological advances and services providers need to enter Europe for marketing and contract negotiation.⁴⁹

43. Written evidence that we received from Dr Ben Richardson, however, stated that these provisions had not been properly implemented. According to research carried out on the first five years of the CARIFORUM EPA (2008–2013), along with interviews conducted in the region in 2016, Dr Richardson found that:

EU Member States had not provided access to “service suppliers” from the Cariforum states as per the agreement. This was intended to allow professionals like accountants and architects, as well as “cultural producers” like musicians and artists, to work temporarily in the EU (i.e. as a Mode 4 Trade in Services).⁵⁰

44. As a result, Dr Richardson argues:

If the EPAs are to link trade and development in the context of a rebooted UK-Cariforum EPA, at the very least the poor implementation of Mode 4 trade must be addressed.⁵¹

47 European Commission, [Monitoring the implementation & results of the CARIFORUM-EU EPA agreement: Final report - Executive summary](#), September 2014

48 Overseas Development Institute ([TCD0020](#))

49 International Centre for Trade and Sustainable Development, [‘Turning mode 4 commitments into business: the CARIFORUM-European Community EPA’](#), Trade Negotiations Insights, Vol 7, No 10, December 2008

50 Dr Ben Richardson ([TCD0031](#))

51 Dr Ben Richardson ([TCD0031](#))

Rules of origin and preference erosion

45. Some of the issues outlined in chapter one relating to preference erosion and restrictive rules of origin were also raised in the context of EPAs (though cumulation and other rules of origin provisions in EPAs are generally more generous).⁵²

46. Economic Partnership Agreements are a controversial aspect of the EU's trading arrangements with developing countries. Despite this, as we recommended in our previous report on Continuing application of EU trade agreements after Brexit, Economic Partnership Agreements need to be rolled-over at least in the short-term to ensure continuity in trading arrangements between developing countries and the UK after Brexit. We appreciate the Minister's frankness in saying that there may be challenges in the roll-over, but this has come very late in the day. *Until now, the Government has reassured us that roll-over will be straightforward. Given that we are in the final months before the UK leaves the EU, we would like monthly updates from the Department, in the form of correspondence from the Minister, about progress with roll-over, including the identification of challenges and how the Government plans to address them.*

47. Although some witnesses pointed to the benefits of Economic Partnership Agreements, the evidence also pointed to the negative effects that they can have. *We reiterate our recommendation from our March 2018 report into the Continuing application of EU trade agreements that the Government should bring forward proposals for a mechanism whereby rolled-over Economic Partnership Agreements will be subject to review in respect of issues such as Most Favoured Nation clauses, rules of origin, requirements for economic liberalisation, and sanitary and phytosanitary measures, with a view to potential renegotiation in due course. It may be most beneficial for this review to take place alongside the review of the unilateral preferences, as these and Economic Partnership Agreements are closely linked. The Government should set a time limit for such a review and consider whether an explicit review clause would be appropriate for inclusion in the transitioned Economic Partnership Agreements. It should take account of the recent finding of the CARIFORUM Economic Partnership Agreement review, which was that future reviews of the agreement should take place more frequently than at five-year intervals, with the option of yearly targeted "snapshots".*

52 See for example APPG for Africa and the Royal African Society ([TCD0026](#)), Trade Justice Movement ([TCD0010](#))

4 The Commonwealth

What is the Commonwealth?

48. The Commonwealth describes itself as follows:

The Commonwealth is a voluntary association of independent and equal sovereign states. Its special strength lies in the combination of its diversity and shared inheritance. Its members are bound together by respect for all states and peoples; by shared values and principles; and by concern for the vulnerable.⁵³

49. The Commonwealth is connected by a network of more than 80 intergovernmental, civil society and professional organisations, including the Commonwealth Secretariat, which supports member states, and the Commonwealth Foundation, which supports civil society.

50. 31 Commonwealth members are small states, with a population of under 1.5 million, and 24 members are small island developing states.⁵⁴ A number of members are considered eligible for GSP preferences, including 15 countries which are LDCs and therefore eligible for EBA.⁵⁵

Trade between the UK and Commonwealth

51. Dr Brendan Vickers, Economic Adviser in the Trade, Oceans, and Natural Resources Directorate of the Commonwealth Secretariat, described the trading relationships that the UK has with Commonwealth countries:

There are very important and strong trade linkages between the UK and many Commonwealth countries; not all Commonwealth countries. I would say that trade between the UK and Commonwealth seems to be concentrated around seven countries. Those would be Singapore, India, South Africa, Nigeria, Malaysia, Bangladesh and Pakistan, but if you look at how the UK trades with Commonwealth countries I think you can distinguish between those Commonwealth countries that send a large share of their total world exports to the United Kingdom—and there we have around seven Commonwealth countries that send more than 10% of their total world exports—and those countries that send between 5% and 10%. If you look at the UK market, the UK is an extremely important niche market for a number of products, including your traditional usual suspects, if you like. These would be things like beef, bananas, sugar, fish, citrus, fresh vegetables, textiles and apparel products. If you go into the Caribbean particularly, the UK is an important driver of services and I think this is quite significant. If you look at tourism spend in the Caribbean, British

53 http://thecommonwealth.org/sites/default/files/inline/CommonwealthSecretariatStrategic_Plan_17_21.pdf, page 1

54 Commonwealth Secretariat, 'Fast Facts on the Commonwealth', February 2018, [Accessed 27/11/18]

55 http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155840.pdf.

tourists are found to spend seven times more than the average tourist in the Caribbean, so many of the Caribbean countries depend on exports of services to the UK.⁵⁶

52. Dr Vickers went on to say:

In our trade review we have looked at the UK's trade with the Commonwealth and we find that that is around 10% of its world trade, but that is also the fifth lowest of all 53 countries. The UK has the fifth lowest share of intra-Commonwealth trade compared to the other 53. That is largely because the trade is focused on the European Union, the United States and to some degree China. The largest import partner in the Commonwealth for the UK is India. It takes around 21% of its exports. I guess it is not an either/or.⁵⁷

53. Sian Thomas from the Fresh Produce Consortium told us that 13% of imports of fresh fruit and vegetables comes from Commonwealth countries.⁵⁸ Ashok Kallumpram from Premier Textiles Ltd, meanwhile, told us that for his business, imports from the Commonwealth made up 73% of total imports.⁵⁹

54. In addition to trade volumes, there are other elements to the trading relationship. The Minister for Trade Policy, George Hollingbery, for example, referenced the findings of a 2015 Commonwealth Secretariat report that found that trade costs between Commonwealth countries were 19% lower compared to other country pairs due to factors such as a shared language.⁶⁰

Particular arrangements for Commonwealth developing countries

55. In evidence to us, witnesses highlighted issues that could arise when making particular trade arrangements with Commonwealth countries. Matt Grady from Traidcraft told us that “When you look at tariff measures, it is difficult to do something for the Commonwealth and then retain alignment with WTO rules.”⁶¹ Jean Blaylock from the Trade Justice Movement also emphasised to us that the Commonwealth “is not a body that is intended for doing trade negotiations”.⁶² Professor Tony Heron told us, in terms of international trade law, the Commonwealth as a bloc is “nothing more than a historical accident”⁶³ and the Fairtrade Foundation said that the Commonwealth “cannot be a “defined group” for the purpose of trade policy and agreements,

56. Under WTO rules, and following Brexit, the UK would be able to legally negotiate FTAs with other states, including, if it so wished, all or certain Commonwealth countries.⁶⁴ Granting non-reciprocal trade preferences unilaterally to Commonwealth countries as a group, however, would potentially fall foul of WTO rules as it would entail discrimination

56 [Q325](#)

57 [Q328](#)

58 [Q198](#)

59 [Q254](#)

60 [Q359](#), see also Razzaque, M., Salamat, A., Keane, J. and Gosset, L. (2015). ‘[A Rising Commonwealth Tide: Emerging Dynamics of Intra-Commonwealth Trade and Investment](#)’

61 [Q77](#)

62 [Q33](#)

63 [Q332](#)

64 WTO, ‘[The basic rules for goods](#)’, [Accessed 27/11/18]

between countries (in violation of the MFN principle) not covered by Article XXIV or (potentially) the enabling clause (which allows for unilateral trade preference schemes, but only where they are premised on explicitly developmental criteria).⁶⁵

57. Despite these limitations, some witnesses did however highlight the role of that the Commonwealth could play from a trade perspective. Dr Mendez-Parra from the ODI argued:

I like the idea of the Commonwealth also serving as a model for the rest of the world. There is a role for the Commonwealth to play for the rest of the world. There are some areas where it may be easier to reach agreements that could potentially benefit the multilateral system within the Commonwealth, given these characteristics. I am strongly against any sort of hard type of prohibitions, calling it preferential regimes or free trade areas within the Commonwealth, because that may potentially create the wrong incentives for the developing countries.

There are some aspects on the soft side that clearly could be implemented, such as increasing connectivity to facilitate trade, promoting green growth through trade, and expanding trade finance. This is an area where there is a major gap in developing countries. I think on this side there is something that can be done within the Commonwealth.⁶⁶

58. In written evidence, the ODI outlined some key “policy priorities” that they believe should be supported by the UK in order to advance closer ties within the Commonwealth to the advantage of its collective membership, including the implementation of the WTO Trade Facilitation Agreement and expanding trade finance for small and medium enterprises.

59. Similarly, Dr Vickers told us that the Commonwealth could be used as the “world’s ultimate network of networks” in connecting traders and investors,⁶⁷ while the Fairtrade Foundation told us that it could be a “coalition of the willing” used to pilot initiatives and support achievement of the Sustainable Development Goals.⁶⁸

60. Regarding preferential trading arrangements, the Minister told us that there was “no special arrangement being created for Commonwealth countries”.⁶⁹ Paul Walters, Deputy Director, Development Trade Agreements, Department for International Trade, said that when thinking about future changes to the Commonwealth trade relationship, “we will need to be very mindful of our position in the WTO”,⁷⁰ while the Minister stated that:

I suspect that if one wished to put together an EPA based entirely around Commonwealth members it could probably be made WTO compliant. That is probably the actual political reality. I do not think there is an appetite in the Commonwealth to do this.⁷¹

65 WTO, ‘Principles of the trading system’, [Accessed 27/11/18]; WTO, ‘Differential and more favourable treatment reciprocity and fuller participation of developing countries’, [Accessed 27/11/18]

66 Q34

67 Q330

68 Fairtrade Foundation (TCD0012)

69 Q371

70 Q372

71 Q376

61. He also stated that “we have not done as much as I think we could have done” in the Commonwealth, and that “we certainly have not concentrated on trade”.⁷²

Commonwealth Heads of Government Meeting

62. In April 2018, the UK hosted the Commonwealth Heads of Government Meeting (CHOGM), when leaders from all the member countries came together in London and Windsor. They reaffirmed common values, addressed shared global challenges and agreed how to work to create a better future for all citizens, particularly young people. Prime Minister Theresa May is the current Commonwealth Chair-in-Office, whose holder is the current host of the meeting, until the next CHOGM, and is a two year role.⁷³

63. The outcomes of CHOGM, which took place mid-way through our inquiry, were often referred to in evidence. Dr Vickers told us of some tangible CHOGM outcomes from the perspective of the Commonwealth Secretariat, including the adoption of the Commonwealth Connectivity Agenda, which is linked to the declaration that has an objective of reaching a target of US\$2 trillion of trade by 2030 in terms of intra-Commonwealth trade.⁷⁴

64. Helen Dennis from the Fairtrade Foundation believed that the networks and relationships that CHOGM has engendered can be leveraged to promote positive outcomes including future opportunities for young people, sustainability and fairness.⁷⁵ The positive outcomes of CHOGM in relation to gender were also emphasised,⁷⁶ which will be covered in more detail in the next chapter.

65. **Although trade relationships between the UK and the Commonwealth have been shaped by a shared history, the organisation is composed of countries at various levels of development. Under World Trade Organization rules, non-reciprocal preferences can therefore not be granted to Commonwealth countries as a group (to the exclusion of other non-Commonwealth countries).**

66. **However, the majority of Commonwealth countries are developing countries, and therefore the UK could strengthen the unilateral preferences it grants to developing countries to the mutual benefit of developing countries and the Commonwealth. The Government may in time also consider whether it wishes to improve the arrangements it currently has with Commonwealth countries, as part of its review of Economic Partnership Agreements, or negotiate new trade agreements with Commonwealth partners, to allow for enhanced trade relationships that support trade and development.**

67. *There is a possibility of piloting new initiatives, especially linked to trade facilitation, in the Commonwealth (within World Trade Organization rules). The Government should review how it may do this and report back its findings to us.*

68. *The UK should use its time as Chair-in-Office of the Commonwealth to promote trade with developing countries and promote commitments made at the Commonwealth Heads of Government Meeting.*

72 [Q362](#)

73 The Commonwealth, ‘Our governance’, [Accessed 27/11/18]

74 [Q335](#)

75 [Q77](#)

76 [Qq290–291](#)

5 Trade and gender

The relationship between trade and gender

69. The connection between trade and gender was reflected in the outcomes of CHOGM, which took place earlier this year. The CHOGM Communiqué, “Towards a Common Future”, stated:

To promote inclusive and sustainable economic growth, Heads resolved to address systemic barriers to women’s full and equal participation in the economy by taking a gender-responsive approach to the development of trade policy, and to promote women’s economic empowerment.⁷⁷

70. In the course of our inquiry, we also received evidence on the relationship between trade and gender. Marion Sharples, Policy and Communications Officer at the Gender and Development Network, told us that:

Women continue to experience significant economic and social disadvantage, be that in high levels of unemployment, lower pay, poor working conditions and a disproportionate share of unpaid domestic and care work. Trade does have the potential to advance women’s rights and gender equality by expanding decent work opportunities for women and contributing to sustainable economic development, but in many cases, this potential has not been fulfilled so far. Trade, and the agreements that establish its rules, have impacted negatively on the lives of many women.⁷⁸

71. She went on to suggest some of the reasons for this, including FTAs driving down labour standards by creating a more competitive environment, and making it more difficult for women farmers and women-led small and medium sized enterprises to compete with international exports.⁷⁹

72. Action Aid told us that women “face economic discrimination at every level”.⁸⁰ According to their research, ActionAid calculates that “women in developing countries could be at least US\$9trillion better off if their pay and access to paid work were equal to that of men”. They state that:

Such entrenched gender inequalities mean that women and girls can endure particularly negative impacts of trade policy - as workers, producers, primary care-givers and consumers. The impacts are most harshly felt by women from the poorest and most marginalised communities.⁸¹

73. Thao Hoang Phuong, Country Director of Action Aid Vietnam, told us, “the fact is that 70% of the poor people in the whole world are women, so trade and gender is [...] interlinked”.⁸²

77 The Commonwealth, [Commonwealth Heads of Government Meeting Communiqué, “Towards a Common Future”](#), April 2018

78 [Q290](#)

79 [Q290](#)

80 ActionAid UK ([TCD0018](#))

81 ActionAid UK ([TCD0018](#))

82 [Q290](#)

Trade and gender: positive initiatives

Programmes and initiatives

74. We were given some positive examples of trade-related initiatives being used to further women's economic empowerment. Dr Vickers particularly emphasised the SheTrades initiative, which the UK recently provided almost £7 million further support for and which “tries to promote gender and trade and women's economic empowerment”.⁸³ It aims to do this by enabling the increased participation of women-owned businesses in trade.⁸⁴ Anvish Malde of Wealmoor, meanwhile, mentioned a project that his company was undertaking with the World Bank, in order to develop a women's empowerment and entrepreneurship programme in West Africa.⁸⁵

75. The Minister highlighted the Government's support from the SheTrades initiative in oral evidence, and told us that the Government “wants to make trade more inclusive”. He also said:

We have talked about the McKinsey report that talks about \$28 trillion if you could create parity between the sexes across the world, \$12 trillion if you can just get local countries to match the best performer in their region. There is a huge amount to be done. Is it the place for a Department for Trade to be doing that?⁸⁶

Gender chapters in trade deals

76. Action Aid pointed to recent trade deals, such as the Canada-Chile FTA, which have “broken positive new ground by including a specific gender chapter”. They argue that such a chapter:

[...]grounds the agreement in existing global commitments, such as the Convention on the Elimination of all Forms of Discrimination Against Women, and pledges to, amongst other things, establish a trade and gender committee to help build women's networks, strengthen labour standards and support the particular needs of women so that they can benefit equally from trade.⁸⁷

77. Action Aid also points out, however, that UNCTAD, the United Nations Conference on Trade and Development, have said that these chapters remain “light touch”, being non-binding and lacking clear milestones. Furthermore, Action Aid warns that:

The policies they contain must be backed by political will and resources to ensure their effective implementation if they are to be more than mere rhetoric. Stand-alone gender chapters should also not detract from applying a strong gender lens across all sections of any trade deal, including

83 [Q335](#)

84 SheTrades, ‘[SheTrades Commonwealth](#)’, SheTrades News, 01/06/18

85 [Q246](#)

86 [Q449](#)

87 ActionAid UK ([TCD0018](#))

binding chapters, that recognises women are not a homogenous group and prioritises addressing risks and impacts to the rights of women facing multiple deprivations.⁸⁸

Commonwealth Heads of Government Meeting outcomes

78. As mentioned in Chapter 4, positive outcomes from the CHOGM were highlighted in evidence. Arif Zaman, of the Commonwealth Businesswomen's Network, told us that CHOGM was “the first time ever that the heads of Governments across all 53 countries acknowledged that trade is not gender neutral and there are specific impacts that relate to women across the Commonwealth”.⁸⁹ Dr Vickers from the Commonwealth Secretariat also emphasised these positive outcomes and praised Mr Zaman's organisation and its work:

There is a Commonwealth initiative, the Commonwealth Businesswomen's Network. It has a very strong focus and footprint in Africa. I think there are chapters in almost all the Commonwealth countries, using it as a platform to link up women traders, women-headed firms, SMEs, also looking at the potential around the digital economy and digital trade, and e-commerce is so vital for connecting small businesses within the Commonwealth and with other countries.⁹⁰

Solutions

Removing barriers to participation and empowering women through trade

79. Arif Zaman from the Commonwealth Businesswomen's Network told us that:

Frankly, whether it is a low-income woman entrepreneur or a higher income woman, if they cannot open a bank account—89% of our Commonwealth countries have at least one piece of legislation on the books holding women back economically in terms of starting a business or growing a business—what difference is it going to make?⁹¹

80. In order to better empower women through trade policy, we were told, it is important to encourage women to “move up the value chain”⁹² and address areas in the production chain that are currently having a dampening impact upon women's rights. Diversification of economies, according to Action Aid, “is key” in promoting “sustainable, inclusive growth, increased productivity and decent work for all”.⁹³ However, there is evidence that even when a crop has traditionally been produced by women, as the Gender and Development Network point out, “the move to producing it for export leads men to take over production and/or marketing, resulting in more income and employment opportunities for men than women”. Women are further disadvantaged by restrictive laws and cultural norms, and,

88 ActionAid UK ([TCD0018](#))

89 [Q290](#)

90 [Q350](#)

91 [Q292](#)

92 [Q293](#)

93 ActionAid UK ([TCD0018](#))

in complying with complicated international regulations and measures, they are further disadvantaged by discrimination in education which may mean they are more likely to lack the “necessary technical expertise” to meet various standards.⁹⁴

Public procurement

81. Public procurement was mentioned by Arif Zaman as potentially a “significant lever” in improving women’s empowerment. He gave the example of Kenya, where “30% of public contracts have to go to women-led businesses” and pointed to the “massive opportunity” that procurement holds.⁹⁵

Impact assessments

82. In order to fully ensure that trade deals “do no harm” as well as positively impact women, some of our witnesses suggested producing impact assessments. Both the Gender and Development Network and Action Aid told us in oral evidence that this was vital.⁹⁶ Marion Sharples from the Gender and Development Network told us that:

[...] we cannot simply present a tick box of things that need to be done in trade agreements in order to make them gender equitable. It has to be done per trade agreement and per the countries that are involved. One key element of doing that is doing gender impact assessments that should happen ex-ante and also ex-post periodically.⁹⁷

83. The Gender and Development Network recommend in a briefing paper that gender and human right impact assessments should be carried out before the negotiation of all new trade agreements, possibly based on the toolbox developed by UNCTAD.⁹⁸ Action Aid also agreed in oral evidence, with Thao Hoang Phuong telling us that at the very least, these assessments should “serve as a baseline for both sides to see what would be the progress or the result”.⁹⁹ Impact assessments will also be covered in further detail in the next chapter.

84. We put the idea of gender impact assessments to the Minister when he appeared before us, and he did commit to consider this as an idea. He mentioned the numerous sectors that women could be “immediately impacted by being empowered to deliver certain things in certain communities” and discussed impact at a “very local level”. He did however express reservations that in some cases:

Clear opportunities that can be exploited with targeted funding and targeted assistance would be more effective than having a generic across-the-board commitment, which would be very difficult to monitor. It might make people feel better about the fact it was in there but I would be somewhat sceptical about whether it would actually benefit women on the ground.¹⁰⁰

94 Gender & Development Network, [‘Making trade work for gender equality’](#), July 2017, [Accessed 27/11/18]

95 [Q315](#)

96 [Q316](#)

97 [Q316](#)

98 Gender & Development Network, [‘Making trade work for gender equality’](#), July 2017, [Accessed 27/11/18]

99 [Q316](#)

100 [Q451](#)

85. At a base level, the Government has a “unique opportunity” according to Action Aid, to “demonstrate its commitment to women’s rights and gender equality”. In order to do this, they state, the Government should ensure that “any new trade and investment deals it strikes not only “do no harm” to women and girls in developing countries, but positively contribute towards the fulfilment of their human rights, in ways that previous trade agreements have not”.¹⁰¹ Trade deals should be consistent with international human rights agreements, and consistent with governments’ commitments to gender equality¹⁰² as well as upholding Commonwealth commitments to uphold gender equality and “basic human rights”.¹⁰³

Involvement of women in formulating trade policy

86. It is also important to involve women themselves in discussions around trade policy, as we were told by Action Aid, who stated that:

Trade deals must be negotiated in a transparent and democratic manner, entailing the full and meaningful participation of women - including those from the poorest and most marginalised communities - to ensure their rights are protected and progressed.¹⁰⁴

87. The Gender and Development Network agreed with this, stating that trade policy must be developed in a transparent way that involves consultation with civil society, including women’s movements.¹⁰⁵

88. **There is a relationship between trade and gender. Women are disproportionately affected by trade policy decisions, particularly in developing countries.**

89. **The Commonwealth Heads of Government Meeting led to positive outcomes on gender and trade, but it is important that these are followed through. The UK should be a leader in this area in establishing its trade policy after Brexit and use the role of Chair-in-Office to set an example. UK trade policy should seek to not only “do no harm” but to actively promote gender equality, for example by ensuring that women can “move up the value chain” and that trade liberalisation does not undermine labour rights. The UK has an opportunity to show leadership and develop a truly gender-responsive approach to trade policy and should make the most of this opportunity.**

90. *The Department for International Trade should publish an analysis of its understanding of the relationship between gender and trade. We also consider that before any trade negotiation, the Department, in close collaboration with the Department for International Development, should conduct impact assessments relating to the impact of any agreement on gender inequality. We welcome the Minister’s commitment at the evidence session to examine this proposal further.*

101 ActionAid UK ([TCD0018](#))

102 Gender & Development Network, ‘[Making trade work for gender equality](#)’, July 2017, [Accessed 27/11/18]

103 The Commonwealth, ‘[Charter of the Commonwealth](#)’, [Accessed 27/11/18]

104 ActionAid UK ([TCD0018](#))

105 Gender & Development Network, ‘[Making trade work for gender equality](#)’, July 2017, [Accessed 27/11/18]

91. *There is not yet enough evidence of whether gender chapters in Free Trade Agreements have a positive impact, but the Government should evaluate such chapters where they are in place; analyse the circumstances in which they might be most effective; and use this analysis to guide future trade policy*

6 Coordination of trade and development policy

Overview

92. Earlier this year, the Secretary of State for International Development, Penny Mordaunt, made five pledges for the future of UK aid, the first of which was to:

[...] develop alongside the Department for International Trade a bold new Brexit-ready proposition to boost trade and investment with developing countries and promote sustainable economic development and job creation. Development policy will not exist in a vacuum. It will be part of a joined-up response to the challenges and opportunities we face as a country. This new offer will provide a clear “win-win” for Britain and the world’s poorest.¹⁰⁶

93. In evidence to us, the Minister said:

[...] we genuinely think we can help both sides of the argument: we can do good for British companies, British consumers and the general prosperity of the country, at the same time as doing exactly the right thing for bilateral partners, particularly in Africa but across Asia and in the Caribbean.¹⁰⁷

94. Some of the witnesses to this inquiry did warn, however, of a risk that development policy might start to be directed towards trade interests. Written evidence from Global Justice Now stated that “trade is not always synonymous with better developmental outcomes”,¹⁰⁸ while Jean Blaylock from the Trade Justice Movement told us:

Trade policy needs to be coherent with development objectives. We always have to be very clear that there should be no directing of development objectives according to trade interests. So long as that is clear, then to set objectives and plans that are supportive of the sustainable development goals, Agenda 2030, our human rights commitments, our commitments on workers’ rights, and our environmental and climate commitments would be a very useful approach.¹⁰⁹

95. The ODI says that “support to development requires a multi-dimensional approach” and that “aid, trade and investment constitute a three-legged support to the UK’s development strategy.” As an example, they say that “any policy aimed at improving exports from developing countries needs to acknowledge the market access restrictions in the destination countries and must provide for the creation of provision capacities and the necessary infrastructure.”¹¹⁰

106 <https://dfidnews.blog.gov.uk/2018/01/15/britain-will-no-longer-fund-the-good-works-foreign-governments-can-fund-themselves/>

107 [Q364](#)

108 Global Justice Now ([TCD0021](#))

109 [Q35](#)

110 Overseas Development Institute ([TCD0020](#))

“Aid for Trade” policy

96. At the World Trade Organisation’s Ministerial Conference in Argentina in December 2017, the Secretary of State for International Trade announced new funding amounting to £18 million to “help the world’s poorest through trade”. According to the press release:

The £18 million funding from the Department for International Development will help 51 of the world’s poorest countries produce products fit for export, trade more easily across borders and access untapped new markets which have the potential to create thousands of jobs and lift their citizens out of poverty.¹¹¹

97. £16 million of the funding will go to the WTO’s Enhanced Integrated Framework (EIF) programme, which helps governments and businesses build the capacity, infrastructure and policies needed to successfully export and trade. A further £2 million will go to the WTO’s Standards and Trade Development Facility which helps developing countries meet international agricultural standards, enabling them to export more produce. Dr Fox also committed UK support for a Gender Declaration by WTO members, which will seek to ensure that women have equal access to the benefits of global trade.

98. We were told by Dr Vickers of how important it is to recognise that the UK is a global champion, donor, and thought leader in Aid for Trade (AfT).¹¹² ODI, however, says that the UK should give more towards this initiative, stating that:

Doubling AfT can increase merchandise exports by 3.5% in developing countries. More specifically, doubling AfT to improve trade facilitation may lead to a reduction in the importing costs by 5%. This not only brings benefits to the beneficiary countries that see cheaper inputs in their production processes, it constitutes a benefit for UK’s - and other countries” - exporters.¹¹³

99. Dr Vickers also told us:

Aid for Trade is not just about implementing existing agreements or negotiating existing agreements or dealing with bottlenecks in the supply chain or at the ports and the harbours. Fundamentally, for all our developing country members, it is productive capacity to trigger structural transformation, economic diversification, diversify the exports.¹¹⁴

Coordination of policies

100. We took evidence on the level of cross-Whitehall coordination, especially between DIT and DFID.

101. Arif Zaman, from the Commonwealth Businesswomen’s Network, talked of the importance of having a “joined-up base approach, rather than more siloed”, in order to ensure that different goals are met.¹¹⁵ In order to achieve this “holistic approach”, as

111 <https://www.gov.uk/government/news/uk-announces-18-million-to-help-worlds-poorest-through-trade>

112 [Q349](#)

113 Overseas Development Institute ([TCD0020](#))

114 [Q349](#)

115 [Q304](#)

Thao Hoang Phuong, Country Director of Action Aid Vietnam told us,¹¹⁶ coordination must exist across several different Government departments. The Fairtrade Foundation agreed with this, telling us that, although there was some positive coordination through the joint DIT/DFID “Trade and Development” team, it would like to see cross-Whitehall “coordination involving the Department for International Trade, Department for Environment, Food and Rural Affairs, Department for Business, Energy and Industrial Strategy and the Department for Exiting the European Union”, as well as a “commitment to policy coherence for development and achievement of the SDGs set out in trade legislation”.¹¹⁷ In order to fully strengthen its resolve to policy coherence in this way, a submission from STOPAIDS recommended that the UK “follow the UN High Level Panel’s recommendation to establish an inter-ministerial panel to strengthen policy coherence between trade and intellectual property, the right to health and public health objectives”.¹¹⁸

102. Protection Approaches, which works to strengthen prediction, prevention, and protection approaches to identity-based violence worldwide, was particularly concerned at what it felt was a lack of coordination between the Foreign and Commonwealth Office, Department for International Trade and Department for International Development, stating that:

While the successful promotion of international trade is evidently a matter of national interest so too is the pursuit of global stability, security and development. The absence of a cross Government mechanism tasked with viewing UK decision-making through a security and development “lens” has resulted in a trade policy that is at times inconsistent - or in direct contradiction to—the UK’s development policy and its stated national and international commitments to human rights.¹¹⁹

103. Protection Approaches goes on to provide a case study of Burma/Myanmar in its written evidence, stating that “concerns about Myanmar and the Rohingya, expressed by the UK at the UN, were not matched by the Government’s trade policy, diplomatic efforts or international development focus” and that these “discrepancies” needed to be addressed in future trade agreements and relationships.

104. The Minister told us that co-ordination between DIT and other departments, especially DFID and the Foreign and Commonwealth Office (FCO), was going well, and that the different departments seemed to:

understand each other’s agendas and not be sensitive to each other’s agendas and knowing where the boundaries were. But in the middle of all of this was what is at the heart of those words from the Prime Minister: there is a change of mood about what aid is and should be and how it should be made sustainable, and I think that has been bought into by a great many on the ground.¹²⁰

116 [Q294](#)

117 Fairtrade Foundation ([TCD0012](#))

118 STOPAIDS, MSF, UAEM, Just Treatment and Health Poverty Action ([TCD0022](#))

119 PROTECTION APPROACHES ([TCD0017](#))

120 [Q380](#)

Interaction between DFID and businesses trading with developing countries

105. We have heard in oral evidence of a lack of interaction between DFID and businesses. Anvish Malde of Wealmoor, a fruit and vegetable wholesaler, told us that there has “not been too much interaction that has been forthcoming either from DFID or ourselves”, and that he would welcome “a greater level of interaction”.¹²¹ William Bain, from the British Retail Consortium, also told us that, as a practical suggestion, his company would welcome greater use of DFID’s “development tracker” [DFID’s online tool detailing information on its projects] to “help connect retailers to DFID projects on the ground and local businesses in the exporting country in the developing world”.¹²²

Trade and Sustainable development chapters in FTAs

106. There was also support during our inquiry for the Trade and Sustainable Development chapters in EU trade agreements, which contain rules on areas such as labour and environmental standards, combating illegal trade, tackling climate change and promoting corporate social responsibility.¹²³ Giles Derrington, Head of Policy: Brexit, International and Economics at techUK told us that techUK supported the sustainability chapters as a “sensible thing” and that “if you are going to promote global business, it has to be promoted in a sustainable way”.¹²⁴ The National Farmers Union does however point out that the European Commission has found this challenging in the past, as effective implementation remains a challenge, in both law and practice, which requires efforts to engage with FTA partners.¹²⁵ In terms of reaching further, the British Retail Consortium also state that there is a debate as to what else these chapters could include, stating:

There is a debate across Europe on which terms should be included within future trade agreements and whether these should extend further than the core areas on avoiding slavery, collective bargaining, the abolition of child labour, freedom of association and the right to collective bargaining, to as on regulation of working hours, pay rates, and health and safety conditions.¹²⁶

Impact assessments

107. One solution to the lack of coordination put forward in our evidence was a greater use of impact assessments when negotiating trade deals. Jean Blaylock from Trade Justice Movement told us:

it is important to do impact assessments of plans, and that is something that could be quite useful to bring the development angles into the way that trade policy is done, impact assessments of potential trade deals looking at what would be the development impact, the human rights impact, the gender impact, the environmental impact, the social impact, all of these things. For instance, I know at the minute the Department for International

121 [Q231](#); [Q246](#)

122 [Q280](#)

123 European Commission, ‘[Sustainable Development](#)’, [Accessed 27/11/18]

124 [Q107](#)

125 National Farmers’ Union ([TCD0014](#))

126 British Retail Consortium ([TCD0032](#))

Trade has just done a trade policy review with India, a developing country. The only thing that they looked at was the impacts for exporters. It is a very narrow assessment and one that I find quite worrying.¹²⁷

108. This approach was supported by several witnesses,¹²⁸ including Dr Ben Richardson, who told us that, when negotiating trade policy, “at the very least, there ought to be a recognition that people will be affected”.¹²⁹

109. The Trade Justice Movement also advocated the use of impact assessments for new trade deals:

[...] impact assessments should be carried out when trade deals are initially considered, and before decisions are made to start negotiations. These impact assessments should look at economic, social, human rights, environmental and regional impacts, including impacts on workers’ rights and gender equality, and they should include the impact of a potential deal in developing countries. The impact assessments should be published and communicated in plain English. As well as supporting decision-making, these impact assessments would also help improve coordination and coherence.¹³⁰

110. In oral evidence, the Minister did not appear to see assessments of potential impact as within the brief of DIT, especially economic impact, and told us that he believed this was “the province of the Treasury and/or DExEU”.¹³¹ He told us that this was partly due to “limited resources in the Department”,¹³² but did state that the Department was “absolutely clearly aware of any potential impact, particularly on our bilateral partners”.¹³³

Consultation with developing countries

111. Any change in trade or development policy will of course impact developing countries themselves. Traidcraft told us that:

The Government would be advised to focus on listening and responding to the needs of our trading partners, and ensuring coherence with DFID policies and our commitments to the SDGs. This could include maximising the impact of its non-reciprocal trade preference scheme and developing this from a narrow trade relationship into wider regional trade, development and political co-operation partnerships.¹³⁴

112. Written evidence from the Ornamental Aquatic Trade Association also raised the fact that “when communities are involved in making their livelihood more sustainable everyone benefits”.¹³⁵ Evidence from the APPG on Africa meanwhile, states that DIT

127 [Q35](#)

128 See for example, Traidcraft ([TCD0002](#)); Scotch Whisky Association ([TCD0003](#))

129 [Q184](#)

130 Trade Justice Movement ([TCD0010](#))

131 [Q425](#)

132 [Q428](#)

133 [Q427](#)

134 Traidcraft ([TCD0002](#))

135 Ornamental Aquatic Trade Association ([TCD0008](#))

and DFID must work closely to “give African governments the freedom to help their communities flourish” as well as allowing “adequate policy space for them to choose their own development paths and support regional integration and development priorities”.¹³⁶

Investor-State Dispute Settlement (ISDS) mechanisms

113. One of the most controversial elements to come out of the (now suspended) EU-US Transatlantic Trade and Investment Partnership (TTIP) negotiations and the completed EU-Canada CETA negotiations have been proposed provisions on investor-state dispute settlement (ISDS). ISDS involves independent tribunals adjudicating whether investors have been treated unfairly by host states and accordingly awarding compensation. An amended model of investor protection, the “Investment Court System” has been included in CETA and the EU-Vietnam FTA (and the EU is also seeking similar provisions in a standalone investment agreement with Japan).

114. The Fairtrade Foundation told us that it believes ISDS mechanisms should be ruled out of future deals due to the fact that they can “undermine a country’s policy space”,¹³⁷ a proposal supported by the Trades Union Congress.¹³⁸ Matt Grady from Traidcraft told us that, prior to leaving the EU, the Government could usefully commit to revisiting and removing ISDS from the UK’s existing bilateral investment treaties.¹³⁹ Written evidence from Global Justice Now referred to ISDS mechanisms as part of the “negative externalities of trade” policy and stated that:

Instead of damaging investor-state dispute settlement (ISDS) mechanisms that grant multinationals one-sided advantages in investment related disputes, alternative mechanisms could be elaborated that grant communities recourse against foreign investors that break international human rights standards.¹⁴⁰

115. We are currently undertaking a separate inquiry into wider UK investment policy and will be returning to these issues during the course of that inquiry.¹⁴¹

TRIPS Provisions

116. The EU was a key supporter of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), negotiated during the 1986–1994 Uruguay Round, which introduced intellectual property (IP) rules into the multilateral system for the first time.¹⁴² As the European Commission states:

Intellectual property rights (IPRs) (such as patents, trademarks, designs, copyrights or geographical indications) enable European inventors, creators and businesses to prevent unauthorized exploitation of their creations, and in return to get compensation for their investment.¹⁴³

136 APPG for Africa and the Royal African Society ([TCD0026](#))

137 Fairtrade Foundation ([TCD0012](#))

138 Trades Union Congress ([TCD0011](#))

139 [Q84](#)

140 Global Justice Now ([TCD0021](#))

141 International Trade Committee, ‘UK investment policy inquiry’

142 WTO, ‘Intellectual Property: protection and enforcement’, [Accessed 27/11/18]

143 European Commission, ‘Intellectual property’, [Accessed 27/11/18]

117. Witnesses to our inquiry discussed IP, with Giles Derrington from techUK, telling us that IP protections are vitally important in tech, for example.¹⁴⁴ The Trade Justice Movement and STOPAIDS, meanwhile, cautioned against including “TRIPS Plus” provisions within FTAs, which extend the term of a patent beyond the twenty-year minimum, and “restrict access to more affordable generic medicines” in developing countries.¹⁴⁵ This written evidence points to the “potentially detrimental effects of various aspects of the TRIPS package on public health and development” and advocates for the UK to support developing countries use of TRIPS flexibilities.¹⁴⁶

Supply-side and regulatory barriers to trade

118. In order to further improve trade with developing countries, we were told that it was important for other, supply-side barriers to be addressed. These included improvements of infrastructure on the ground in developing countries, as we were told by witnesses including the ACP/LDC Sugar Industries Group¹⁴⁷ and Helen Dennis from the Fairtrade Foundation.¹⁴⁸ William Bain told us that:

The key issues are around the infrastructure. It is about having the energy networks and the road networks in place so that we can get the goods to market, get the goods to port. These have been the key issues as well in connection with the social and environmental standards in terms of ensuring that the role of women is respected, at developing country level, in terms of ownership of assets; that is absolutely vital in helping women get into exports to the UK and the EU.¹⁴⁹

119. Professor Heron also told us that aid spending should deliberately be used to target supply-side constraints like legal or bureaucratic capacity.¹⁵⁰ Traidcraft said:

To maximise the effectiveness of preference schemes [...] Supply-side constraints such as lack of adequate inputs, skilled staff, lack of business advisory services, equipment or weak legal systems and infrastructure must be addressed through carefully targeted aid for trade.¹⁵¹

120. Targeting these constraints will require reforms, however, as highlighted by TradeMark East Africa, who point to the need for “more technical and financial assistance to LDCs, and more investment from AfT organisations”, but reducing these barriers would have a “huge positive impact for trade across the [African] continent, as well as for UK trade interests”.¹⁵²

144 [Q156](#)

145 STOPAIDS, MSF, UAEM, Just Treatment and Health Poverty Action ([TCD0022](#)). See also Trade Justice Movement ([TCD0010](#))

146 STOPAIDS, MSF, UAEM, Just Treatment and Health Poverty Action ([TCD0022](#))

147 ACP/LDC Sugar Industries Group ([TCD0033](#))

148 [Q74](#)

149 [Q275](#)

150 [Q348](#)

151 Traidcraft ([TCD0002](#))

152 TradeMark East Africa ([TCD0023](#))

121. Regulatory barriers to trade were also raised, especially around sanitary and phytosanitary measures (SPS), and witnesses questioned whether some of these might be rethought by the UK post-Brexit. Discussing citrus “black spot” (a fungal disease affecting citrus plants) in particular, Dr Vickers said:

I think there is an opportunity there for the UK post-Brexit to have a look at what some of these measures are that are in place. Are they unnecessarily onerous? Can they rescind some of them? For example, when it comes to citrus, the UK is not a citrus producer, so the transmission of this [citrus black spot] to southern Europe is also not an issue.¹⁵³

122. Trade policy is critical to supporting development, and will be a key tool through which the UK will work towards achieving the Sustainable Development Goals. We welcome that the relationship between development and trade policy has been set out at the highest political level within the UK, with the Prime Minister being very clear about the importance of the relationship between development and trade.

123. Despite successes in Aid for Trade, trade and development policy have not always been as aligned as they could be. The Government should be mindful of this, and not expect that the alignment of the policies will happen without a significant degree of effort from both the Department for International Trade and Department for International Development. We welcome recent joint-working programmes between Department for International Development and Department for International Trade. This collaboration should be built upon, as it will be critical for ensuring that the UK has effective and holistic trading relationships with developing countries after Brexit, but ensuring that the UK has a coherent trade policy will also mean close alignment with other relevant departments, such as the Foreign and Commonwealth Office, Department for Business, Energy and Industrial Strategy, Department for Environment, Food and Rural Affairs and Department for Exiting the European Union. Mechanisms for ensuring effective co-ordination within government should be considered.

124. We commend the commitment to Aid for Trade in addition to existing Official Development Assistance finance, and the blueprint that this establishes in Departments working with each other on cross-cutting issues. Consideration should be given, however, to whether additional funding for Aid for Trade is needed through the Department for International Trade.

125. We expect the Department for International Development to play a key role in assessing the impact of, and preparing for, future trade arrangements with developing countries. We expect close alignment between the two Departments to help establish comprehensive trade and development partnerships with developing countries. The Government should commit to undertaking and publishing impact assessments before any new trade negotiations, outlining the potential impact that trade deals would have on developing countries. These should be detailed and include information on issues like human rights and gender inequality, as outlined above.

126. In the short-term, the Department for International Development should work to target supply side constraints in order to facilitate the participation of developing

countries in global supply chains. To do this, greater collaboration with both UK companies working with developing countries in their supply chain, and companies based in developing countries, will be necessary.

127. Trade and sustainable development chapters in the EU's trade agreements have been a positive step. The UK should consider incorporating such chapters in its own future trade agreements and also ensure that it goes further than the EU has by seeking to provide adequate mechanisms for enforcement of their provisions; providing for enhanced dialogue with social partners, and tailoring their provisions to the specific social and environmental needs of partner countries.

7 Support for investment and exports

128. In its recently published Export Strategy, the Department for International Trade says that it will:

[...] support businesses to trade and invest in developing countries by strengthening business partnerships and finding mutually beneficial commercial opportunities which are aligned with our development objectives and promote inclusive economic growth.¹⁵⁴

129. It goes on to say:

Building the conditions for trade and investment in developing countries will support economic development, and help drive growth and job creation. As a secondary benefit, it will open opportunities for UK businesses and so we want to enhance collaboration between DFID, FCO, DIT and UKEF to ensure UK firms are well positioned to take advantage of this.¹⁵⁵

Supporting investment in developing countries

130. As discussed in previous chapters, improvements in infrastructure are critical in order to tackle barriers to trade. In order to help developing countries to encourage investment, Jean Blaylock from the Trade Justice Movement told us that:

[...] there is a lot that the developing countries would be wanting to do to encourage investment, to develop infrastructure, to be able to offer tax breaks for strategic areas, to encourage start-ups in an area that they would like to diversify the economy into. It is also important to ensure that trade deals are not limiting those policy tools for the developing country to be able to use because sometimes that is the effect of a trade deal. It imposes a straitjacket and things that the country might want to be able to do—for instance, to require joint ventures as part of investment so that there is a transfer of skills and a build-up of knowledge; to require that countries have a local presence so that they are subject to regulation and so forth—can be outlawed by a trade deal and that is something that is very worrying.¹⁵⁶

131. Dr Mendez-Parra told us that the UK needs to work on the “marketing side” of developing countries, by making them more attractive to investment and trying to encourage British firms to invest in these countries, while “facilitating the macroeconomic stability of these countries and working on the tax regimes and the regulatory framework of these countries”.¹⁵⁷

132. TradeMark East Africa summarise the main worries that UK businesses have in relation to investment in developing countries in written evidence to our inquiry. They cite red tape, unpredictability and risk in the investment climate, and the need for a more level playing field as key concerns and recommend support for targeted interventions

154 Department for International Trade, [‘Export Strategy: supporting and connecting businesses to grow on the world stage’](#), August 2018, p. 44

155 Ibid. p. 69

156 [Q41](#)

157 [Q43](#)

aimed at improving the trade environment. These include simplified trade, customs and transit procedures as well as enabling regulatory and legal regimes that equally promote and protect domestic and foreign investment.¹⁵⁸

133. We were also told that the Government must further support UK businesses to invest in developing countries by ensuring that trade agreements do not restrict the ability of governments to establish entry and operational requirements on FDI.¹⁵⁹ Others stressed that by empowering investment promotion and economic development agencies, investors could be assisted with their entry and establishment, as well as subsequent operational challenges, according to the ODI, who state that these agencies are crucial to identifying markets. They state that:

Stronger links between UK and developing country investment promotion agencies would create an important channel for business information flows to UK companies, including about opportunities for investment (and exports) abroad.¹⁶⁰

134. As with concerns around development finance outlined earlier in this report, some of the evidence we received did caution that investment should not undermine development goals. Global Justice Now stated that ODA should be used to advise developing countries to ensure that UK multinationals engaged in FDI were contributing to economic development in a recipient country, for example,¹⁶¹ while the Trade Justice Movement state that the Government needs to have an effective ability to regulate the actions of UK companies to ensure that rights and development are not undermined.¹⁶²

Supporting UK exporters

135. The ODI state that on the ground, improvements in trade facilitation would benefit UK exporters as well as FDI, as mentioned above.¹⁶³

136. The Scotch Whisky Association highlighted some of the challenges UK exporters can face in exporting their products to developing countries:

Businesses exporting to developing countries face a number of tariff and non-tariff barriers and often encounter difficult and volatile trading conditions. Amongst the particular challenges exporters face in those markets are crime and corruption, currency fluctuation and poor infrastructure to name but a few.¹⁶⁴

137. We also received evidence that the Government needs to practically support UK businesses in exporting to developing country markets. The National Farmers' Union, for example, state that the Government should support businesses by providing market research and intelligence in order to better "grasp the benefits" of trade opportunities and that:

158 TradeMark East Africa ([TCD0023](#))

159 ActionAid UK ([TCD0018](#))

160 Overseas Development Institute ([TCD0020](#))

161 Global Justice Now ([TCD0021](#))

162 Trade Justice Movement ([TCD0010](#))

163 Overseas Development Institute ([TCD0020](#))

164 Scotch Whisky Association ([TCD0003](#))

there is also a need for a more efficient export certification system. Otherwise there is the risk that our exporters will not be able to make the most of the market access opportunities into foreign markets.¹⁶⁵

138. In order to effectively support trade with developing countries, the Government should encourage investment into these markets that supports sustainable development, particularly in the area of infrastructure. Stronger links should be developed between the UK and developing country investment promotion agencies.

139. UK companies exporting to developing countries need to be supported in a range of ways. We know that the Department for International Trade already does significant work in the area of export promotion, but it must be borne in mind that this support may need to be tailored or enhanced for the UK to increase its trade with developing countries. We will return to this issue in future work we do relating to support for exports, in light of the recent publication of the Government's export strategy.

165 National Farmers' Union ([TCD0014](#))

Conclusions and recommendations

Current unilateral arrangements

1. The Government has stated that current levels of access granted to developing countries under the EU's unilateral preferential arrangements will be maintained by the UK after Brexit. We welcome the confirmation that this remains the Government's intention, despite the lack of detail provided in the Taxation (Cross-border Trade) Act on the level of access to be provided to non-least developed countries. Continuity is key in providing much needed certainty for both developing countries and UK businesses. It is disappointing that a lot of detail relating to the access for non-least developed countries has been left to regulations, but we will continue to monitor how the Government's expressed intentions are translated into legislation. (Paragraph 28)
2. *Although continuity in the short-term is to be welcomed, the Government should give consideration to how it can improve the unilateral preferences it grants in the longer-term. The Government should commit to reviewing these schemes and set a time limit for doing so. The review should consider a range of options, including extending eligibility for certain preferences, and streamlining the preferences offered. Rules of origin must also be reviewed with the aim of improving preference utilisation. As part of this review, the Government should also consider how best to ensure countries do not face a cliff-edge when graduating out of eligibility for certain preferences. Of course, in considering extending the reach of the schemes, it is important to balance the benefits of providing greater access with the negative impacts that can be caused by preference erosion. The Government should also give due regard to possible implications of changing the unilateral preference arrangements it has with developing countries in terms of the ability of developing country exporters to subsequently benefit from diagonal cumulation between the UK, the EU, and the developing country concerned. The Government should consider a more flexible approach to rules of origin cumulation across different categories of least developed countries (e.g between beneficiaries of Everything But Arms and parties to Economic Partnership Agreements) in order to assist developing countries build viable supply chains regionally, where this is compatible with World Trade Organization arrangements.* (Paragraph 29)

Economic Partnership Agreements

3. Economic Partnership Agreements are a controversial aspect of the EU's trading arrangements with developing countries. Despite this, as we recommended in our previous report on Continuing application of EU trade agreements after Brexit, Economic Partnership Agreements need to be rolled-over at least in the short-term to ensure continuity in trading arrangements between developing countries and the UK after Brexit. We appreciate the Minister's frankness in saying that there may be challenges in the roll-over, but this has come very late in the day. *Until now, the Government has reassured us that roll-over will be straightforward. Given that we are in the final months before the UK leaves the EU, we would like monthly updates from*

the Department, in the form of correspondence from the Minister, about progress with roll-over, including the identification of challenges and how the Government plans to address them. (Paragraph 46)

4. Although some witnesses pointed to the benefits of Economic Partnership Agreements, the evidence also pointed to the negative effects that they can have. *We reiterate our recommendation from our March 2018 report into the Continuing application of EU trade agreements that the Government should bring forward proposals for a mechanism whereby rolled-over Economic Partnership Agreements will be subject to review in respect of issues such as Most Favoured Nation clauses, rules of origin, requirements for economic liberalisation, and sanitary and phytosanitary measures, with a view to potential renegotiation in due course. It may be most beneficial for this review to take place alongside the review of the unilateral preferences, as these and Economic Partnership Agreements are closely linked. The Government should set a time limit for such a review and consider whether an explicit review clause would be appropriate for inclusion in the transitioned Economic Partnership Agreements. It should take account of the recent finding of the CARIFORUM Economic Partnership Agreement review, which was that future reviews of the agreement should take place more frequently than at five-year intervals, with the option of yearly targeted “snapshots”. (Paragraph 47)*

The Commonwealth

5. Although trade relationships between the UK and the Commonwealth have been shaped by a shared history, the organisation is composed of countries at various levels of development. Under World Trade Organization rules, non-reciprocal preferences can therefore not be granted to Commonwealth countries as a group (to the exclusion of other non-Commonwealth countries). (Paragraph 65)
6. However, the majority of Commonwealth countries are developing countries, and therefore the UK could strengthen the unilateral preferences it grants to developing countries to the mutual benefit of developing countries and the Commonwealth. The Government may in time also consider whether it wishes to improve the arrangements it currently has with Commonwealth countries, as part of its review of Economic Partnership Agreements, or negotiate new trade agreements with Commonwealth partners, to allow for enhanced trade relationships that support trade and development. (Paragraph 66)
7. *There is a possibility of piloting new initiatives, especially linked to trade facilitation, in the Commonwealth (within World Trade Organization rules). The Government should review how it may do this and report back its findings to us. (Paragraph 67)*
8. *The UK should use its time as Chair-in-Office of the Commonwealth to promote trade with developing countries and promote commitments made at the Commonwealth Heads of Government Meeting. (Paragraph 68)*

Trade and gender

9. There is a relationship between trade and gender. Women are disproportionately affected by trade policy decisions, particularly in developing countries. (Paragraph 88)

10. The Commonwealth Heads of Government Meeting led to positive outcomes on gender and trade, but it is important that these are followed through. The UK should be a leader in this area in establishing its trade policy after Brexit and use the role of Chair-in-Office to set an example. UK trade policy should seek to not only “do no harm” but to actively promote gender equality, for example by ensuring that women can “move up the value chain” and that trade liberalisation does not undermine labour rights. The UK has an opportunity to show leadership and develop a truly gender-responsive approach to trade policy and should make the most of this opportunity. (Paragraph 89)
11. *The Department for International Trade should publish an analysis of its understanding of the relationship between gender and trade. We also consider that before any trade negotiation, the Department, in close collaboration with the Department for International Development, should conduct impact assessments relating to the impact of any agreement on gender inequality. We welcome the Minister’s commitment at the evidence session to examine this proposal further.* (Paragraph 90)
12. *There is not yet enough evidence of whether gender chapters in Free Trade Agreements have a positive impact, but the Government should evaluate such chapters where they are in place; analyse the circumstances in which they might be most effective; and use this analysis to guide future trade policy.* (Paragraph 91)

Coordination of trade and development policy

13. Trade policy is critical to supporting development, and will be a key tool through which the UK will work towards achieving the Sustainable Development Goals. We welcome that the relationship between development and trade policy has been set out at the highest political level within the UK, with the Prime Minister being very clear about the importance of the relationship between development and trade. (Paragraph 122)
14. Despite successes in Aid for Trade, trade and development policy have not always been as aligned as they could be. The Government should be mindful of this, and not expect that the alignment of the policies will happen without a significant degree of effort from both the Department for International Trade and Department for International Development. We welcome recent joint-working programmes between Department for International Development and Department for International Trade. This collaboration should be built upon, as it will be critical for ensuring that the UK has effective and holistic trading relationships with developing countries after Brexit, but ensuring that the UK has a coherent trade policy will also mean close alignment with other relevant departments, such as the Foreign and Commonwealth Office, Department for Business, Energy and Industrial Strategy, Department for Environment, Food and Rural Affairs and Department for Exiting the European Union. Mechanisms for ensuring effective co-ordination within government should be considered. (Paragraph 123)
15. We commend the commitment to Aid for Trade in addition to existing Official Development Assistance finance, and the blueprint that this establishes in

Departments working with each other on cross-cutting issues. Consideration should be given, however, to whether additional funding for Aid for Trade is needed through the Department for International Trade (Paragraph 124)

16. We expect the Department for International Development to play a key role in assessing the impact of, and preparing for, future trade arrangements with developing countries. We expect close alignment between the two Departments to help establish comprehensive trade and development partnerships with developing countries. The Government should commit to undertaking and publishing impact assessments before any new trade negotiations, outlining the potential impact that trade deals would have on developing countries. These should be detailed and include information on issues like human rights and gender inequality, as outlined above. (Paragraph 125)
17. In the short-term, the Department for International Development should work to target supply side constraints in order to facilitate the participation of developing countries in global supply chains. To do this, greater collaboration with both UK companies working with developing countries in their supply chain, and companies based in developing countries, will be necessary. (Paragraph 126)
18. Trade and sustainable development chapters in the EU's trade agreements have been a positive step. The UK should consider incorporating such chapters in its own future trade agreements and also ensure that it goes further than the EU has by seeking to provide adequate mechanisms for enforcement of their provisions; providing for enhanced dialogue with social partners and tailoring their provisions to the specific social and environmental needs of partner countries (Paragraph 127)

Support for investment and exports

19. *In order to effectively support trade with developing countries, the Government should encourage investment into these markets that supports sustainable development, particularly in the area of infrastructure. Stronger links should be developed between the UK and developing country investment promotion agencies.* (Paragraph 138)
20. UK companies exporting to developing countries need to be supported in a range of ways. We know that the Department for International Trade already does significant work in the area of export promotion, but it must be borne in mind that this support may need to be tailored or enhanced for the UK to increase its trade with developing countries. We will return to this issue in future work we do relating to support for exports, in light of the recent publication of the Government's export strategy. (Paragraph 139)

Formal minutes

Wednesday 21 November 2018

Members present

Angus Brendan MacNeil, in the Chair

Marcus Fysh	Julia Lopez
Sir Mark Hendrick	Catherine West
Chris Leslie	Matt Western

Draft Report (*Trade and the Commonwealth: developing countries*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 139 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 28 November at 9.45 am]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 21 March 2018

Maximiliano Mendez-Parra, Senior Research Fellow, Overseas Development Institute; **Jean Blaylock**, Trade Justice Movement. [Q1–49](#)

Matt Grady, Senior Policy Advisor, Traidcraft; **Helen Dennis**, Policy & Advocacy Manager, Fairtrade Foundation. [Q50–90](#)

Wednesday 28 March 2018

Aleyne Johnson, Head of Government Relations and Citizenship, Samsung, and **Giles Derrington**, Head of Policy: Brexit, International and Politics, techUK. [Q91–163](#)

Wednesday 2 May 2018

Gerald Mason, Senior Vice President Corporate Affairs, Tate & Lyle Sugars; **Paul Kenward**, Managing Director, British Sugar, and Board Member, AB Sugar; and **Dr Ben Richardson**, Associate Professor in International Political Economy, University of Warwick. [Q164–195](#)

Wednesday 9 May 2018

Ian Michell, Technical Director, Flamingo Group; **Sian Thomas**, Communications Manager, Fresh Produce Consortium; and **Avnish Malde**, CEO, Wealmoor. [Q196–249](#)

Wednesday 6 June 2018

William Bain, Europe and International Policy Adviser, British Retail Consortium, **Ashok Kallumpram**, Managing Director, Premier Textiles Ltd and **Daryl Jopling**, Head of Risk, Debenhams. [Q250–288](#)

Thao Hoang Phuong, Country Director, Action Aid Vietnam, **Marion Sharples**, Policy and Communications Officer, Gender and Development Network and **Arif Zaman**, Executive Director, Commonwealth Businesswomen's Network and Deputy Director, Centre for Research and Enterprise, London School of Business and Management. [Q289–323](#)

Wednesday 20 June 2018

Professor Tony Heron, Professor of International Political Economy, University of York, and **Dr Brendan Vickers**, Economic Adviser in the Trade, Oceans, and Natural Resources Directorate, Commonwealth Secretariat. [Q324–353](#)

Tuesday 4 September 2018

George Hollingbery MP, Minister of State for Trade Policy, Department for International Trade; **Rachel Turner**, Director of Economic Development and Europe, Department for International Development; **Paul Walters**, Deputy Director, Development Trade Agreements, Department for International Trade. [Q354–453](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

TCD numbers are generated by the evidence processing system and so may not be complete.

- 1 ACP/LDC Sugar Industries Group ([TCD0033](#))
- 2 ActionAid UK ([TCD0018](#))
- 3 African Solutions to African Migration ([TCD0013](#))
- 4 African Solutions to African Migration ([TCD0029](#))
- 5 APPG for Africa and the Royal African Society ([TCD0026](#))
- 6 British Egg Industry Council ([TCD0007](#))
- 7 British Retail Consortium ([TCD0032](#))
- 8 BSI ([TCD0005](#))
- 9 Dr Ben Richardson ([TCD0031](#))
- 10 Fairtrade Foundation ([TCD0012](#))
- 11 Fresh Produce Consortium ([TCD0006](#))
- 12 Global Justice Now ([TCD0021](#))
- 13 Justin Moore ([TCD0025](#))
- 14 National Farmers' Union ([TCD0014](#))
- 15 Ornamental Aquatic Trade Association ([TCD0008](#))
- 16 Overseas Development Institute ([TCD0020](#))
- 17 Primark ([TCD0004](#))
- 18 PROTECTION APPROACHES ([TCD0017](#))
- 19 SADC Sugar Producers Consultative Forum ([TCD0016](#))
- 20 Saferworld ([TCD0028](#))
- 21 Samsung Electronics ([TCD0030](#))
- 22 Scotch Whisky Association ([TCD0003](#))
- 23 STOPAIDS, MSF, UAEM, Just Treatment and Health Poverty Action ([TCD0022](#))
- 24 TATE & LYLE SUGARS ([TCD0015](#))
- 25 Trade Justice Movement ([TCD0010](#))
- 26 Trade Law Centre (tralac) ([TCD0019](#))
- 27 TradeMark East Africa ([TCD0023](#))
- 28 Trades Union Congress ([TCD0011](#))
- 29 Traidcraft ([TCD0002](#))
- 30 Transparency International UK ([TCD0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Continuing application of EU trade agreements after Brexit	HC 520
Second Report	UK-US Trade Relations	HC 481
Third Report	UK Trade Remedies Authority	HC 743
Fourth Report	UK arms exports during 2016	HC 666
First Special Report	UK trade options beyond 2019: Government Response to the Committee's First Report of Session 2016–17	HC 585
Second Special Report	Continuing application of EU trade agreements after Brexit: Government Response to the Committee's First Report	HC 1042
Third Special Report	UK Trade Remedies Authority: Government Response to the Committee's Third Report	HC 1424
Fourth Special Report	UK-US trade relations: Government Response to the Committee's Second Report	HC 1440