

Written evidence submitted by the Fairtrade Foundation (TB04)

Fairtrade Foundation input to the Public Bill Committee considering the Trade Bill

1. The Fairtrade Foundation recently provided briefing for MPs ahead of second readings of both the Taxation (Cross-Border Trade) Bill and the Trade Bill and this additional input is primarily taken from [that briefing](#), a [recent paper](#) which we worked on with Traidcraft and other development NGOs, and from [this paper](#) which the Trade Justice Movement and others have worked on to highlight issues of process for the agreement of trade deals.
2. Taken together, these Bills aim to prepare the UK to become an independent trading nation in the event of leaving the Customs Union. The Fairtrade Foundation has not taken a view on whether or not this outcome is desirable – our intention, whether the UK applies the common external tariff or not, is to ensure that policy decisions and trade deals improve prospects for developing countries and producers.

Summary of Key Issues:

Across both pieces of legislation, and any further trade bill that may follow, we are asking the government to ensure consistency and support for poverty reduction and the Sustainable Development Goals (SDGs) and to secure:

- An improved unilateral preference offer/scheme for developing countries;
- A commitment to conduct thorough and timely impact assessments, which take account of the impact trade policy decisions and trade deals (including between two wealthier countries) might have on poorer countries and producers;
- A revised process for debate and approval of trade deals, including through enhanced parliamentary scrutiny and decision-making.

3. By way of background, it may be helpful to understand how Fairtrade supply chains are impacted by trade and customs arrangements. The Fairtrade market in the UK is worth £1.6bn and certified goods exported to the UK include ‘fresh produce’, primarily bananas and flowers, sugar which is refined in the UK and re-exported across the EU, and products like coffee and cocoa which are often processed in other EU countries for sale in the UK. A thriving Fairtrade market is therefore dependent on an effective trading relationship with the EU 27, as well as a healthy trading relationship with developing countries themselves.

Scope of Legislation:

4. The **Customs Bill** intends to grant powers to the UK government to set tariffs and apply other financial measures. Among other things, the Bill proposes the establishment of a preference scheme, initially rolling over the EU preference scheme, and would enshrine the offer of duty-free, quota-free access for the Least Developed Countries (LDCs) in law.
5. The **Trade Bill** intends to grant powers to the government to ‘roll-over’ trade deals signed between the EU and another country or group of countries. This includes controversial Economic Partnership Agreements (EPAs) with developing countries and Free Trade Agreements (FTAs) with Fairtrade-exporting countries in Latin America and the Caribbean.

This is being presented as a technical exercise but the Bill does include “Henry VIII” powers¹ and the explanatory notes published alongside the Bill say that, “it may also be necessary to substantively amend the text of the previous EU agreements...”²

6. As drafted, the Bill does not set out a process for agreeing future trade deals but knowing the government’s intention is for a transitional agreement with the EU that allows the UK to negotiate on trade, it is imperative that a revised process is proposed in legislation by March 2019. If the government plans to bring forward a second trade bill during this parliamentary session, then it should clarify its intention to do as soon as possible. If not, then this bill appears to be the only opportunity to bring forward the required changes. In cross-party polling this year (weighted to reflect current composition) carried out for Fairtrade Foundation & TJM by Dod’s Research, 86% of MPs agreed that there must be parliamentary scrutiny and approval of new trade and investment agreements.

Questions / Amendments to the Trade Bill

i) Rolling Over ‘Existing’ Deals

7. The Trade Bill as drafted³, focuses on existing deals signed between the EU and other countries or groups of countries. There are currently over 40 agreements⁴ and the countries with which the EU has these deals account for nearly £140bn of UK trade. These deals include Economic Partnership Agreements (EPAs) with ACP (African, Caribbean and Pacific) countries, and also Free Trade Agreements (FTAs) with Latin American countries such as Colombia and Panama. Whilst these developing countries account for a relatively small amount of UK trade, taken the other way round, we can see that trade with the UK is significant for many of these countries. Trade with the UK accounts for 29% of exports from Belize and 7.5% of Kenya’s exports⁵.
8. Whilst we strongly support the government’s intention around *continuity*, the Fairtrade Foundation has two concerns regarding the proposed roll-over of existing EU deals. Firstly, we are worried that the process may take longer and be more complex than planned, potentially leaving some countries exposed to a ‘cliff-edge’ scenario in March 2019. For example, there are Tariff Rate Quotas (TRQs) to be divided up in relation to products like bananas and sugar. If there are substantial changes to existing agreements, then this must also be acknowledged, and parliamentarians allowed to engage in the process of agreeing revised deals (see below on process).
9. Secondly, we are worried that rolling over the EPAs, at a time when some African leaders are calling for a pause and rethink, risks locking in flawed deals and an approach which has been problematic especially in sub-Saharan Africa. Countries like Nigeria and Tanzania are still refusing to sign these deals⁶, and where a country is an LDC, there is no incentive for them to sign (and nor should there be), as they will be guaranteed access through the Duty-Free, Quota-Free commitment, due to be enshrined in law through the Customs Bill. An

¹ <http://researchbriefings.files.parliament.uk/documents/CBP-8073/CBP-8073.pdf>

² <https://publications.parliament.uk/pa/bills/cbill/2017-2019/0122/en/18122ennew.pdf> p.11

³ <https://publications.parliament.uk/pa/bills/cbill/2017-2019/0122/18122.pdf>

⁴ <http://researchbriefings.files.parliament.uk/documents/CBP-8073/CBP-8073.pdf>

⁵ <https://atlas.media.mit.edu>

⁶ <http://allafrica.com/stories/201711270824.html>

alternative would be to offer equivalent market access, still securing continuity, through a different route i.e. through a new UK preference scheme. *For this reason, it is crucial that the two Bills work hand in hand*, and that there is enough flexibility in the Customs Bill to allow for a more generous preference scheme.

ii) Enshrining Impact Assessments in Law

10. The Fairtrade Foundation would like to see the UK set a gold standard in ‘impact assessment’ work on trade, thoroughly considering whether or not a deal will support a country’s development and protect national policy space (also a target included within the SDGs). Impact assessments should apply to the countries directly involved in any potential deal, and also to countries that may be affected indirectly by a bilateral deal, e.g. as a result of preference erosion. For example, a free trade deal between the UK and Australia could impact on Namibian beef exports. Lowering or eliminating tariffs on Brazilian sugar could impact on other ACP exporters. These impact assessments should deal with a range of perspectives and consider gender, inequalities, labour rights and environmental consequences, should be produced in a timely way, commissioned independently, and before a negotiating mandate is established. *We would like to see the Trade Bill amended to secure this commitment in law as part of a process for agreeing future trade deals, and any revised existing EU deals.*

iii) Trade Policy Guided by Poverty Reduction and the Sustainable Development Goals

11. As we have also set out in relation to the Customs Bill, we would like to see the *Trade Bill amended to enshrine poverty reduction and achievement of the SDGs as key principles of UK trade policy*. An additional concrete measure could also be the exclusion of ISDS (Investor-State Dispute Settlement) clauses from trade deals given their potential impact on policy space.

iv) Revised Process for Agreement of Trade Deals

12. We are strongly of the view that without any commitment from the Secretary of State to bring forward another Bill this year focused on future trade deals, amendments are required to *this Trade Bill* to establish a revised process for the scrutiny and approval of trade deals, with particular attention paid to the role of parliament. Under current rules⁷, which would apply if no action is taken before March 2019, UK parliamentarians would have less input and control over UK post-Brexit trade policy than UK MEPs have over EU trade policy. This issue has been explored in a number of other recent articles and briefing papers including from the [Hansard Society](https://www.hansardsociety.org.uk/blog/trade-bill-highlights-parliaments-weak-international-treaty-role)⁸ and the [Institute for Government](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IFGJ5448_Brexit_report_160517_WEB_v2.pdf)⁹.

⁷ The CRAG Act 2010

⁸ <https://www.hansardsociety.org.uk/blog/trade-bill-highlights-parliaments-weak-international-treaty-role>

⁹

https://www.instituteforgovernment.org.uk/sites/default/files/publications/IFGJ5448_Brexit_report_160517_WEB_v2.pdf

13. The Fairtrade Foundation is supporting [proposals from the Trade Justice Movement](#) which cover a range of areas, also set out in Early Day Motion (EDM) 128¹⁰ and detailed in this recent briefing¹¹. We would like to see:

- 1. The right of parliament to set a thorough mandate to govern each trade negotiation, with a remit for the devolved administrations*
- 2. The right of the public to be consulted as part of setting that mandate*
- 3. Full transparency in negotiations*
- 4. The right of parliament to amend and to reject trade deals, with full debates and scrutiny guaranteed and a remit for the devolved administrations*
- 5. The right of parliament to review trade deals and withdraw from them in a timely manner*

14. Fairtrade supporters have already expressed concern that deals might be done in the dark, without any opportunity to debate the impact on developing countries – 20,000 of them have signed a petition to the Trade Secretary on this issue.

January 2018

¹⁰ <https://www.parliament.uk/edm/2017-19/128>

¹¹ http://tjm.org.uk/documents/reports/TJM_SecuringDemocracyInUKTradePolicy_2017_web.pdf