

TRADE BILL – SUBMISSION

30 January 2017

The Trade Bill is the government's first major opportunity to set the tone on new arrangements post EU. Over 50% of UK GDP relies on trade, not including the value of UK trade to UK trading partners. The Bill covers a lot of ground - 36 trade agreements with 88 countries and 9 trade blocs, equivalent to half the world. There is a lot at stake in terms of jobs, livelihoods and investments. The UK is the only G7 country re-writing its trade relationships – this is an important moment to innovate, set new global standards and demonstrate leadership.

Whilst the Bill sets out four important frameworks for an independent trade policy; trade remedies, EU/EU third party trade agreements, procurement and customs data it demonstrates a lack of acknowledgment of the problems with current trade policy and a lack ambition and vision in setting a new benchmark for inclusive engagement. The government's assumptions on rolling over existing terms with third party trade agreements are problematic and against the run of thinking in the international community. To put things in perspective, there is no precedent for the process the UK government is about to undertake. If the government wants to deliver new deals at the pace and scale required, it is hard to see how that will happen without fresh thinking and new processes. The idea that trade decisions can be bolted onto existing structures assumes the existing decision-making structure for trade is working well and that trade is something that can bolted onto the day job. It is rare for business groups, unions, NGOs and global experts to appear together and agree on an issue but on the need for better, more inclusive and democratic engagement there is a consensus, as demonstrated at the Public Bill Committee.

CONTEXT

Since the EU referendum, there has been wide acknowledgement across the international community (G7, G20, World Trade Organization, International Monetary Fund, International Chamber of Commerce ...) that the disconnect on trade was underestimated. Too many people have not benefited from trade and action is now

needed to develop a more inclusive model, particularly in regard to more investment in skills and trade infrastructure to keep pace with rapid technological change. The UK government, to its credit, has been perhaps the most vocal in this argument on the global stage, as we saw at the World Trade Organization Ministerial Conference in Buenos Aires in December last year. To be credible to the international community, the UK must practice at home what it promotes overseas many of whom are watching the with interest, and looking for exemplars of good governance and accountability on trade policy. The Trade Bill is a perfect opportunity to do exactly this with few countries are better placed than the UK to innovate a new path.

The underlying issues are well documented – stagnating old industrialised cities and regions, too many people without the skills to compete for jobs, large social and regional disparities, older generations struggling to keep pace with changing technology etc.... To address these issues requires a change in the way the UK government handles trade policy. The UK has become one of the most centralised of the G7 countries with wide disparities across the regions, a stubborn trade deficit and a history of underperformance on productivity and competitiveness.

NO MENTION OF HOW THE GOVERNMENT WILL DELIVER RESULTS

The Bill covers four technical areas; setting up a Trade Remedies Authority, maintaining an open procurement market, implementing agreements with other countries and enabling HMRC to collect and share relevant data, all of which have been well covered in Committee discussions.

Critically, the Bill fails to cover three central issues:

1. **The need to be more inclusive** in the development and implementation of trade policy. The government needs to set out a new vision and organised framework for how it will engage with business, unions, civil society, NGOs in a way that build public trust in the decisions being made;

“The Trade Bill provides key measures that are required to build a future trade policy”¹

2. **The need for more democratic oversight on the treatment of trade so** decisions are fully transparent and decision makers more accountable;
3. **The need for policy connectivity** to ensure trade policy delivers opportunities for everyone.

“We believe the Bill is fit for purpose, as it merely continues what we have at the present time.”¹

Trade impacts all areas of public policy with the more sensitive decisions often requiring compromise from one or more stakeholder group, be that local communities, business or government. A farmer in the Yorkshire Dales might well want to have a say if the UK was negotiating a new deal with New Zealand where lamb can be produced cheaper and more efficiently. The same principle would apply to steel communities in a deal with China, NHS nurses in a deal with the USA or an SME in the auto supply chain in the deal with the EU. It is in the government’s interests that all of these groups are in agreement with each other and on side with government if we want to give the government’s negotiators any chance of success in delivering deals of the scale and pace the government is suggesting.

“The Bill gives the Government power to use ... a “Henry VIII power”. The Government justifies this on the grounds of “flexibility, transparency and efficiency” and the need to put a framework in place in the short time available before Brexit.¹”

It is a myth that consultation slows decisions down unnecessarily. The Transatlantic Trade and Investment Partnership [TTIP] was an excellent example of what happens when there isn’t a framework in place that stakeholders have confidence in. TTIP negotiations collapsed, losing 5-7 years of negotiation time with no sign of an opportunity to re-start discussions. It was a colossal waste of resources which could have been easily avoided if the engagement process had been better organised and more inclusive. The same fate was narrowly avoided with the EU-Canada deal for the same reasons – the issues in Wallonia could very well apply in a host of UK regions for exactly the same reasons. Good quality engagement throughout the decision making process would prevent such scenarios happening in the future.

The sheer volume and scale of negotiations the UK government will need to contend with is unprecedented. This alone ought to be more than sufficient to make the case to include a new model for consultation and engagement within the Trade Bill. Lack of oversight in policy development does not reduce criticism, quite the contrary, it generally increases it and in a context where time is of the essence must be avoided. The solution is not to ignore the issues or overrule dissenters with Henry VIII powers but to propose more transparent dialogue at every stage of the process.

“Parliament has no formal role, structures or procedures for scrutinising treaties; and it does not have to debate, vote on or approve treaties Trade agreements can be scrutinised via the usual Parliamentary means such as Parliamentary Questions, debates and select committee inquiries¹”.

36 AGREEMENTS, 88 COUNTRIES, 9 TRADE BLOCs – 50% OF THE WORLD

The government wants to come back to Parliament at a later date with what sounds like an informal proposal on consultation and engagement. That implies the government is proposing to roll over existing terms with 36 trade agreements, 88 countries and 9 trade blocks, equivalent to half the world, without any change to the current, informal consultation processes. It also assumes, the business case for an agreement with the UK is the same as the EU and that 62 non-EU countries don't ask for amendments to the existing terms (contrary to international thinking).

“The EU's trade agreements which we intend to transition and which are within the scope of this Bill, will have already been scrutinised by Parliament's EU Committees....The Bill simply aims to enable us to continue those trading agreements.

It's worth noting that in the time the UK has been a member of the EU, there have been many new members of the WTO [40-50]. During this time, the UK has been a prominent member of the EU negotiation team securing [sometimes tough]

concessions on behalf of the EU from these members in their dealings with the EU. With the UK leaving the EU, this is a window of opportunity for these countries to review their terms and capitalise on the UK being in a weaker negotiating position. Governments and negotiators know this with some already signalling that they will strengthen their positions by negotiating within their regional groups i.e. Ghana. If countries do want to review terms, what is the structure for engagement in this process? The idea that it all happens through informal, ad hoc consultation and Prime Ministers Questions is unlikely to fill anyone with confidence including the third party countries the UK is negotiating with.

The Secretary of State has publicly acknowledged the need to do things differently and consult in a better way in which case now is the moment for the government to come forward and set out what this new model is. Trade is too important and too technical to deal with through conventional government consultations, Prime Minister's Questions and Committees. Trade arrangements

“Many other countries’ Parliaments are more involved in treaty scrutiny, not least because treaties now cover a wide range of important policy areas.”

are not something that can bolted onto the ‘day job’. Trade policy tends to be highly technical, has a wide range of domestic and international policy implications and affects most of the country on a day to day basis.

CONCLUSION

A free trade model that works for everyone and leaves no one behind means a new, more structured system for transparent and inclusive dialogue between all the stakeholders affected by trade policy. Re-negotiating 36 agreements with 88 countries, 62 of which are non-EU without a formal, transparent and democratic structure at the same time as introducing Henry VIII powers will send all the wrong signals no matter how hard the government tries to say otherwise and when there is an extraordinary opportunity to do the opposite and lead the world. It is unnecessary, sets completely the wrong tone particularly in the current context where trust and confidence in government and business is at an all-time low.

There needs to be a more structured approach that provides organised forums for the international community, business, unions, NGOs and civil society organisations to engage on the issues and make consensus based decisions. This would go a long way to re-building public trust. There is no way to duck the issue of engagement – it needs addressing head on and at the beginning of the process. At a minimum, the Trade Bill ought to be signalling what this new system will look like. The Transatlantic Trade and Investment Partnership (TTIP) and Canada-EU agreement (CETA) should be a wake-up call. These are two deals with 29 countries – to deliver the results the UK government has promised, it needs to negotiate 36 deals with 88 countries in a timeframe that has never been seen before.

Editor's Note

ICC is the largest world business organisation representing 6.5 million companies of all sizes and sectors in over 130 countries and the only business organisation with UN Observer Status. ICC United Kingdom represents the interests of British companies within the ICC and provides a voice for British business at the G20, UN and WTO.

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