



White Paper - Preparing for our future trade policy

Response from Scotland's International Development Alliance to questions laid out in Section 4 - Supporting developing countries to reduce poverty.

What elements should a UK unilateral trade preference scheme include to maximise the development impact?

Many developing countries rely on trade with the UK to create jobs, boost economic growth and reduce poverty. Scotland's International Development Alliance advocates, at a minimum, as this white paper pledges, that existing unilateral preference regimes should at least be rolled over to avoid damaging developing countries as it leaves the EU. The roll-over of existing Free Trade Agreements (FTAs), especially Economic Partnership Agreements (EPAs), with other developing countries needs to be prioritised.

Initially, the preferential access of the Least Developed Countries (LDCs) to the UK market must be extended post-Brexit to avoid a damaging effect on trade and employment. According to the ODI, African countries (which make up the majority of LDCs) stand to lose up to €425 million in exports to the UK if current market access is not maintained post-Brexit.

However, the Alliance also encourages the UK Government to go further and replace the EU's Economic Partnership Agreements with systems that are simpler, fairer and more universal for different types of developing countries. EPAs require "reciprocal" reductions in trade barriers to EU producers. Whilst more open trade is desirable for both parties, EPAs can expose developing countries' markets to competition from the economically advanced economies before they are ready, and artificially skew their imports away from the best supplier and towards EU products.

Therefore, a single "Generalised System of Preferences", which removes tariffs and quotas for a wider range of developing countries without requiring the reciprocal approach in EPAs would maximise the development impact.

Recent research has shown that development impact will be maximised if Lower Income Countries (LICs), Lower-Middle Income Countries (LMICs) and other vulnerable countries are eligible for a generalised system of preferences, rather than only LDCs.¹ Replacing EPAs with a broader Generalised System of Preferences would also remove the risk that the EU's trade deals may not apply after Brexit.

This could have a greater positive developmental impact than existing EU initiatives by:

1 Mendez-Parra, M., 2017. Designing a new UK preferences regime post-Brexit. <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11757.pdf>

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- waiving tariffs and quotas on all products except arms in a single scheme
- extending eligibility to the most economically vulnerable countries based on objective criteria
- improving on existing EU provisions by incorporating flexible rules of origin to allow countries to increase their share of export of higher-value processed goods
- supporting developing country regional integration goals

What complementary measures can the UK offer to maximise the benefits of trade arrangements with developing countries?

Any future UK unilateral trade preference scheme should ensure stability for commercial relationships and investment decisions by committing to offer this for at least 10 years.

Furthermore, it is important to make sure free trade agreements with wealthier countries are proven to be 'policy coherent', and in doing so, do not undermine the ability for developing countries to compete on a level playing field. To do this, we must ensure that UK trade and investment policies are compatible with international commitments on the environment, climate change, human rights and the Sustainable Development Goals.

In preparing a 'Generalised System of Preferences' the UK Government should endeavour to engage with all developing countries that currently have preferential access to the EU market well in advance of the end of the Article 50 negotiating period.

Additionally, the UK government should explore the legal options for alternatives to the current patchwork of EPAs and other preferential trade schemes as well as ways of addressing non-tariff barriers to trade with developing countries.

Finally, it is also important that the UK Government acknowledges the complexities of African regional integration and that it investigates ways to minimize disruption caused by post-Brexit trade arrangements. The impact of new trade arrangements with other developing countries on those that benefit from existing trade agreements and preferences must be carefully assessed.

This short paper lays out several examples of current practices that should be considered before any replacement system is adopted. If any examples or clarification on any of the above points are desired, please do not hesitate to contact Scotland's International Development Alliance at the contact details set out below.

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