

UK trade preferences

**Submission to the Department of
International Trade**

September 2021

Introduction

The TUC exists to make the working world a better place for everyone. We bring together more than 5.5 million working people who make up our 48 member unions.

The TUC welcomes the opportunity to respond to the Department of International Trade's consultation on UK trade preferences.¹

The TUC believes the UK's trade preference system should provide Global South countries with unilateral tariff-free access to the UK's market on the condition of respect for fundamental ILO standards and progress towards the realisation of the UN Sustainable Development Goals, in particular Goal 8 on Decent work.

The TUC is concerned that the government plans to exclude middle and low income countries that have trade deals with the UK from the trade preference scheme in the future. Rather than receiving unilateral tariff-free access to UK markets, these countries will now only receive tariff-free access to UK markets if they lower tariffs on UK imports.

This approach goes against the African Union's proposal for a Common and Enhanced Trade Preference System for Least Developed and Low Income Countries, which proposes that the Economic Community for West African States (ECOWAS) and East African Community (EAC) are treated as a Least Developed Country regions.

Requiring middle and low income countries to lower tariffs on UK imports will mean some UK imports will be cheaper than domestic products in these countries, putting their domestic industries at risk. This will displace workers from the formal to informal sectors, with women particularly at risk of displacement as they are more likely to be on precarious contracts that can be terminated at short notice. Furthermore, lowering tariffs to UK agricultural goods risks undermining domestic agricultural sectors which raises threats to food security as well as employment in the agriculture sector.

Furthermore, the TUC is concerned that the UK's trade agreements with middle and low income countries threaten to undermine regional integration by requiring countries to introduce different tariff rates to other countries in the customs union bloc to which they belong. The TUC and the Confederation of Trade Unions in Kenya (COTU-K) jointly raised this concern in relation to the UK-Kenya trade deal in November as the deal requires Kenya to set different tariff rates to those applied in the rest of the East Africa Community customs bloc.²

The TUC believes the government should disapply its trade agreements involving middle and low income countries including Ghana, Kenya, South Africa and instead provide them with tariff free, quota free access for their goods to the UK market on a unilateral basis.

¹ Department of International Trade (2021) 'Consultation on UK trade preferences', available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/100357/5/gsp-consult-questions.pdf

² TUC (2020) 'Campaign groups respond to announcement a UK-Kenya trade deal has been finalised', available at: <https://www.tuc.org.uk/campaign-groups-respond-announcement-uk-kenya-deal-has-been-finalised>

The TUC is concerned there has been no consultation by the government with unions over its negotiations with middle and low income countries. Trade unions in both the UK and countries receiving trade preferences must be consulted by the government on the design of the new trade preference scheme before it is implemented to ensure it will benefit workers.

In our response to the consultation, the TUC will respond to questions most appropriate for us to answer.

Response to consultation

Labour standards

The TUC believes that all UK trade preferences must be conditional on adherence to the fundamental International Labour Organisation standards and human rights contained Schedule 2, Part 1 of the Trade Preferences Scheme (EU Exit) Regulations 2020.³ This should be a requirement of both the General and Enhanced framework. Countries receiving UK trade preferences should also demonstrate how they are making progress towards the UN Sustainable Development Goals.

The TUC is concerned that the trade agreements Kenya, Ghana, South Africa and other middle and low income countries have signed with the UK do not contain enforceable provisions on labour standards, with no possibility for applying penalties when workers' rights are abused, or role for trade unions to trigger investigations into violations of workers' rights.

Involvement of trade unions

As noted above, trade unions in both the UK and countries receiving trade preferences must be consulted by the government on the design of the new trade preference scheme before it is implemented to ensure it will benefit workers.

Once the trade preference scheme is in place, the government should establish a trade union monitoring body comprised of trade unions in countries that receive UK trade preferences to monitor and help enforce commitments to fundamental ILO standards in countries receiving UK trade preferences.

The process to enforce ILO standards in a country receiving UK trade preferences must involve the following steps:

1. The government convenes an independent panel of labour law experts.
2. Trade unions report any suspected violation of international labour rights conventions in a country receiving trade preferences to the independent panel.
3. The independent panel conducts an investigation within 30 days of the violation being reported by a trade union

³ HM Government (2020) The Trade Preference Scheme (EU Exit) regulations, available at: <https://www.legislation.gov.uk/uksi/2020/1438/contents/made>

4. If a violation is found, the country in question will be given 30 days to address the violation – similar practices are found in the enforcement process of the US-Mexico-Canada agreement.
5. If trade unions in the country in question report that the violation is continuing after 30 days, trade preferences will be suspended. The government should provide support to trade unions in the country in question to increase their capacity to address labour rights violations.
6. A process for monitoring the country in question is established, with trade unions asked to regularly report whether the labour violation has been addressed.
7. If trade unions report the violation has been addressed, trade preferences will be restored to the country.

Expansion of trade preference coverage

The TUC welcomes the government's proposal to make more goods eligible for the trade preference scheme. This must be conditional on respect for fundamental labour standards and human rights, as discussed above. Expanding the range of goods eligible for trade preferences in countries that can demonstrate respect for fundamental labour standards will support good jobs in export industries.

As stated above, the TUC believes that the government should disapply its trade agreements involving middle and low-income countries including Ghana, Kenya, South Africa and instead provide them with tariff free access to the UK market on a unilateral basis.

Rules of origin requirements

The TUC welcomes the government's proposal to expand the cumulation possibilities for Least Developed Countries. This will enable Least Developed Countries whose exports involve inputs from a number of other Least Developed Countries to still be eligible for UK trade preferences. However inputs should not be counted for cumulation purposes from countries where fundamental labour standards are not being respected.

The consultation notes that 'in the context of the UK GSP consultation, the Government is proposing to simplify the rules of origin requirements for least developed countries through simplification of Product Specific Rules and expanding cumulation opportunities.' Any simplification should not reduce the reporting requirements for the origin of goods. It is crucial the country of origin is identified to ensure only countries where unions can verify adherence to fundamental labour standards receive trade preferences.