HOUSE OF COMMONS

International Trade Committee

Oral evidence: Trade and the Commonwealth: Developing Countries, HC 667v

Wednesday 6 June 2018

Ordered by the House of Commons to be published on 6 June 2018.

Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mr Nigel Evans; Mr Marcus Fysh; Julia Lopez; Faisal Rashid; Catherine West; Matt Western.

Questions 250 - 323

Witnesses

I: William Bain, Europe and International Policy Adviser, British Retail Consortium, Ashok Kallumpram, Managing Director, Premier Textiles Ltd and Daryl Jopling, Head of Risk, Debenhams.

II: 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.

Written evidence from witnesses:

– Action Aid UK

Examination of witnesses

Witnesses: William Bain, Ashok Kallumpram and Daryl Jopling.

Q250 **Chair**: Welcome to this session on trade and the Commonwealth and developing countries. We have in front of us today a very august panel, not least one of the members who is a former Member of Parliament. It is good to see Mr William Bain again. Can I ask the panel to introduce themselves formally, just for the record, name, rank and serial number, please?

Ashok Kallumpram: Ashok Kallumpram. I am the Managing Director of Premier Textiles Limited, based in Stockport.

William Bain: William Bain, Brexit and International Trade Policy Adviser for the British Retail Consortium.

Daryl Jopling: I am Daryl Jopling, Head of Risk and Chair of the Brexit Committee for Debenhams plc.

Q251 **Chair:** Thank you all very much. Your attendance here this morning is much appreciated. Can I first ask Mr Bain, what volume of clothing and textiles does the UK import on average every year? What are we talking about as an overview in this area?

William Bain: A considerable amount, if we look at it in terms of the retail industry, the usage that is made of the unilateral trading preferences under the EU schemes, the GSP, the general preferences, the GSP+ and the EBA, the Everything But Arms scheme, 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.

Q252 **Chair:** You may not be able to answer this, but what proportion of these imports come from developing countries and what proportion from Commonwealth countries?

William Bain: In terms of that 38%, 15% comes through standard GSP general preferences, 5% from GSP+—we are talking there primarily about countries like Pakistan—and 18% comes through the Everything But Arms scheme. If I can break that down in terms of the top five for each of the schemes, for the EBA preference scheme it is Bangladesh that is No. 1. That is primarily clothing, with some textiles. There are some non-Commonwealth countries after that in that top five. In terms of GSP+, the big Commonwealth country that exports to the UK is Sri

Lanka. Again, that is clothing, followed by Pakistan, again in clothing. In terms of Standard GSP, it is India that is the top exporter to the UK. Kenya exports a lot of cut flowers to the UK as well. Those are the main countries that are using these schemes to export products to the UK.

Q253 **Chair:** Thank you very much. Daryl Jopling, what kind of textile products does Debenhams import from developing countries and which countries do you mainly import from?

Daryl Jopling: We import from quite a diverse range. Bangladesh is one of our key partners. It is probably useful to say that circa 50% of our textile imports come from GSP, GSP+ or EBA countries, especially things like knitwear and cotton products.

Q254 **Chair:** Ashok Kallumpram, can you give a brief overview of your business, and from which countries do you primarily import textiles?

Ashok Kallumpram: In terms of a brief overview of our business, our business story began in 1947. My father came to the UK from India in February 1947, prior to independence. He came here for an offer of a job, which did not transpire. He ended up working for the London office of a Bombay export house. At that time he was sourcing goods from the UK which went back to India. That changed over a period of time, it reversed, and he became involved in the import of Indian textiles to the UK.

In 1981, the Bombay partners decided to close that business and we set up a family business of our own, Premier Textiles. We have been trading in and importing cotton, yarn, textiles and fabrics from primarily India and Pakistan through to 2018. We have seen a lot of changes during that time. We have seen many recessions and we have seen anti-dumping duty proposals from the EU, but we have evolved and adapted to the state that we are in today.

We have 24 employees based in Stockport and we are considered a mature importer and distributer. We are an authorised economic operator and we are one of only 670 official AEOs in the country. Our prime products are yarns and textiles, either in raw states or in semi-finished or finished states. Our main areas of import are from Pakistan, which is nearly 45% of our imports, and India, which is 28% of all our imports. Overall, probably 73% of our imports are from the Commonwealth. From developing countries it is 98% and 2% from Europe.

Q255 **Chair:** To what extent is your or your members’ current level of trade with developing countries facilitated by the EU’s existing unilateral trade preference schemes? How important are they?

William Bain: A considerable amount, Mr MacNeil. As I say, in non-food it is 38% of the total. That is the largest element in terms of where goods are being imported from, vis-à-vis the rest of the world. The retail industry sees it as a win-win. It is able to supply a good choice of goods and products to consumers at affordable prices, it produces considerable benefits for the recipient countries of the unilateral preferences and it has also been used with other aspects of policy such as Aid for Trade and looking at social and environmental rights through SDGs to expand leverage in terms of improving rights in this respect as well. It is a win-win for consumers and retailers here and for the countries who benefit.

Q256 **Chair:** Just a final question on that, and just an overview again, do you or your members pay any duties on these imports? How do these compare to the MFN tariffs that would be applicable without these agreements?

William Bain: Clearly if there are any goods imported above any quota restrictions, then tariffs have to be paid on those. I can give a couple of typical examples of the tariffs we are talking about. For t-shirts and jeans, for example, the MFN tariff is 12%. The GSP tariff above any quota in any of the agreements is 9.6%, so again, there is a saving for the exporting country there. For trainers, the MFN tariff is 19.9% and the GSP tariff above quota is 11.9%, so again there is a considerable saving in comparison with MFN tariffs.

Q257 **Mr Evans**: Are you all happy with the arrangements as they currently stand or would you like to see any changes to them?

William Bain: That depends on what the final trading relationship with the UK and the EU is. Clearly if there is some form of common external tariff after 2019, and possibly beyond any transition phase in 2021, there would be complete alignment between the EU's GSP, GSP+ and EBA schemes and the UK's, because the tariffs on the goods would have to remain the same. There are some issues around the EBAs that could be improved, either in the context of the UK having a completely autonomous trade policy or within the context of being part of a common external tariff with the EU.

Rules of origin are undoubtedly the biggest issue. With regard to the GSP, they are quite restrictive. There is a double transformation rule. If you look at the EU's economic partnership agreements with developing countries, there is a single transformation rule. 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.

Q258 **Mr Evans:** Would anybody else like to say anything about that, any changes?

Daryl Jopling: With this whole process, we need to grab the opportunities that come our way. Alongside that, from a retailer point of view, speaking for retail as a whole, we would like some certainty and clarity around the existing schemes. They form fundamental aspects of our strategy. We have lead times of 12 to 18 months, so having that clarity and certainty about the existing schemes would be our first request. Future opportunity: absolutely. We would have to factor that into our strategic approach.

Q259 **Mr Evans:** Is there any issue with any of you with goods coming in, let's say from Bangladesh, coming here and then being able to go out to other countries within the EU? Is that a problem?

Ashok Kallumpram: No.

Q260 **Mr Evans:** Not for any of you, because of the ways your businesses operate?

William Bain: There are some retail companies that do import goods directly from Bangladesh into stores in the EU and may move those goods between those stores after they have imported them. What they would say is that the issue of free circulation that they have had within the customs union has been useful in facilitating those movements between European stores.

Daryl Jopling: We have European operations, hubs outside the UK, that help facilitate movement in the right way. It will depend on how we end up with a final deal, how we then make our operations work to make the most effective approach for us.

Q261 **Mr Evans:** Are any of you making any preparations in case there is a problem? Are you expecting any problems post-Brexit?

Ashok Kallumpram: First, in answer to your first question, from our business perspective we are content with the current arrangements. We understand them; they are clear. This means that we have a level playing field to sell our goods throughout Europe because the costings are the same for all our competitors. The free circulation of goods is critical, ie frictionless trade, but also the levels of duty. If I was to adjust any of the levels of duty, it would be maybe to relax Indian duty, because I think that is 8% compared with Pakistan and I think there could be a slight reduction or a graduated reduction there. But overall we are content. We are more worried about what will happen post-Brexit in terms of how we can move goods, because we need to be competitive, we need to keep our European customers on board. Our main concern is about our trade with Germany, with Holland and with other countries in Europe.

Q262 **Chair:** Can I probe that a little? Your model is that you take clothes in from Pakistan and India, let's say—

Ashok Kallumpram: It is actually fabric.

Chair: Fabric. Do you take it into a central point in Europe?

Ashok Kallumpram: We take it into the UK at this point in time.

Q263 **Chair:** Therefore if there is a tariff or a difficulty getting that into Europe, that is an impediment to your business. Is that what you are saying?

Ashok Kallumpram: It would be terrible.

Chair: Terrible?

Ashok Kallumpram: Yes, it would be disastrous. We have an instance where currently we import fabric, which goes from the Far East into Holland to be processed by a special finish and then comes back into the UK and goes into a very critical composites industry in Lancashire. At this point in time, there is a surge in that demand. If we have a delay in the movement of the goods, from say Holland to the UK, that factory would be shut. At this point in time, we are waiting for a significant dollop to come in. If that dollop does not come in by Wednesday or Thursday—and it is only one day from Holland—that factory is empty for a week. Movement of goods, as well as any administrative declarations that have to come into play, would hurt business here, yes.

Q264 **Mr Fysh:** A follow-up on that question: could you say a bit more about what processes you would have to follow for the declarations in order to avail of the quota and so on coming from a third country? First you have to make the declarations on entry into the EU at the moment. How long does that take you and what is involved? How much extra work would it be to administer the process of sending things to Holland and receiving them back, for example, claiming a duty drawback relief or whatever there might be?

Ashok Kallumpram: Could I give an example? I recall that back in the late 1980s we had to have free circulation T2 documents in order to send goods to Europe. That in itself could be a delay in the movement of goods to Europe. In this particular situation—we are bringing finished goods in from Holland—if they were on a groupage container, we, as an AEO operator, would have fairly automatic clearance in the UK, probably even in a post-Brexit world. If there were goods on that container, however, that did not have their customs declarations filled in and did not have the ability to pay the VAT on the import at port, our container would be held up. Even if only a small amount of the goods in the lorry did not fulfil the paperwork, our goods would be delayed. We are not sure how the administration will happen after Brexit, but these are the potential problems. We are one of 670 AEO operators in the UK. There are about 180,000 importers and traders in the UK who are not in that scheme and who do not have the facility, and maybe not the finance, to finance the extra VAT.

Q265 **Mr Fysh:** How often would you share a container or a lorry loading in that fashion with a non-AEO operator?

Ashok Kallumpram: On a daily and a weekly basis, because we are not always sending a full lorry load of goods to Europe or receiving a full lorry load of goods from Europe. It is usually part-loads. We are taking maybe half of a groupage lorry, not a full part. At this point in time, it is every day.

William Bain: The key documentation that importers have to have is a certificate of origin, which demonstrates that the products are entitled to have the zero tariff or a low tariff relief, depending on where they come from. For retailers, while we have a degree of clarity that the UK will remain bound in the event of there being some kind of deal to the common external tariff, at least for the transition period, what is in doubt are some of the very useful trade facilitation measures which are in the economic partnership agreements, which help goods get more efficiently into the UK. We do a lot of work with DIT in making sure that we get the continuity of these agreements because they do smooth the efficiency of the process of getting goods into the UK and on to the shelves.

Q266 **Chair:** Is there a concern that if your fabric is coming to the Netherlands to be finished in some way, processed, then moving to Lancashire, then perhaps re-exported into the European market again that you pick up a tariff coming over and you pick up a tariff going back? I see some heads nodding.

Ashok Kallumpram: Yes. Potentially, in a post-Brexit situation.

Q267 **Chair:** In that scenario, if you are picking up a tariff coming in and a tariff going out, what would you do, as a business?

Ashok Kallumpram: We would have to spend quite a considerable amount of time understanding the new system and trying to make it as slick as possible.

Q268 **Chair:** Is there a risk of you moving jobs?

Ashok Kallumpram: Yes, there is. If there is a delay and goods do not arrive just in time—for instance, this particular lot goes into a composite for the aerospace industry and they will then be sending goods out to Europe to various site locations. If there are delays in those goods getting to those locations, we will be at a disadvantage and we will probably be a less-favoured manufacturing base because of the delay in paperwork. This is my real concern. It is the same with the automobile industry. We are a small supplier into the automobile industry.

Chair: Thank you for patiently explaining that to me.

Q269 **Faisal Rashid:** On that very point, if that is the case, for example, would you prefer to take your operation from the UK to Holland maybe, because then you would have access to the market straight away and there might not be any tariff? How difficult would that be in terms of scales in Holland and what you are doing here?

Ashok Kallumpram: We have considered it, but we have not taken that step because we are hopeful that there will be a frictionless type arrangement after March 2019. It would be something that we would do as a last step, if it was necessary. Is it difficult? We would have to probably partner with the right team in Holland or Belgium, but it is not impossible.

Q270 **Faisal Rashid:** So that would be survival, in order to compete?

Ashok Kallumpram: It would.

Faisal Rashid: Brilliant, thank you. My question is about textiles and apparel. Obviously they are considered as sensitive products for the purpose of the GSP regulations in the EU. In the UK, if we were to adapt a GSP equivalent scheme after Brexit, would you support the removal of this protected status in relation to clothing and textiles only? William, if you could start; you did mention GSP earlier.

William Bain: The choice that the Government and policymakers have is about how closely you stay aligned to the EU in terms of things like rules of origin. As we have heard, alignment has been very useful because you diminish the amount of paperwork you have to produce. BRC would see a case for remaining within the pan-Euro-Mediterranean Convention because that allows for cumulation on a regional basis.

You also have to consider some of the agreements with developing countries, particularly with the Caribbean countries, for example, which have highly complex rules of origin that allow us to cumulate goods and that is to the benefit of Caribbean states. I would be wary about just jumping in and doing something that would change these arrangements on rules of origin. There are clear benefits from the current system. There was an independent report done for the Commission in 2015 on how effective the current arrangements have been. GSP preferences increased exports from developing countries by 5% and from the LDCs, the least developed countries, by double that, at 10%, so they are effective and we should be very careful about departing from the key tenets of them.

Daryl Jopling: From the GSP schemes as a whole, it is one of our considerations. We do have to consider cost price plus whatever duty may go on top and the capacity, capability and quality for that area as well. For us, coming back to what I said before and Mr Evans's point around strategy planning, we are looking at scenarios, at what the future could be. Our concern is that it is very difficult to put scenarios in place at this stage because there are too many moving parts and not enough certainty. Having some clarity around that would really help us understand how we can build our future strategy, our operations and our organisation into the next few years.

Q271 **Faisal Rashid:** Do you have some kind of communication with DIT?

Daryl Jopling: Yes, through our imports division we have a quite close relationship there. We have done a lot of work with them over the last few months.

Ashok Kallumpram: We would want equivalence on GSP in a post-Brexit situation for two reasons. If our GSP preferences were lower, we would possibly be penalised if we tried to export our goods to the EU. Equivalence on GSP I think is necessary. The GSP preferences for the developing countries that we deal with, India and Pakistan, have been hugely beneficial. I contacted my major suppliers in Pakistan and India, and for Pakistan the EU is their biggest trading partner. The GSP+, which has come in from 2014, has increased their exports by 39%. This particular supplier has been able to increase his workforce by 120%. It is currently 21,000, but it has increased by 120% in the last 15 years. His wage growth has been 13% over the last five years. Added to that, they comply with all local labour rights; they are also improving medical insurance and all the other benefits that go with supporting that workforce.

The same goes for India. Textiles is the second biggest employer after agriculture and they do not benefit from GSP at this point in time, but India is, I think, the biggest partner with the EU. It is crucial, however, for their continuance of that employment. They have had the same wage growth and they have had the same movement towards higher standards and sustainability.

Q272 **Chair:** You have some interesting figures there: 39% growth, 120% improvement in people employed and 13% in wages. What is the difference in the tariffs between GSP and GSP+? Remind us of what the change has brought to Pakistan.

Ashok Kallumpram: In GSP+, it is zero-rated for two-thirds of products coming out of Pakistan and that includes textile products.

Q273 **Chair:** What was it under GSP?

Ashok Kallumpram: If it was GSP, it would be 6.4% for that same product group. If it was no GSP, which is India, it would be 8%, so it is 8%, 6.4% with GSP, 0% for GSP+.

Q274 **Julia Lopez:** Some of my questions on rules of origin have already been answered, so I will move on. What are the main non-tariff barriers that you or your members currently experience when trading with developing countries? What measures do you think could help resolve these?

William Bain: Some of the key ones are around taxation, often local sales taxes. We have heard, for example, that India had a reform of sales taxes and they are now conducted at state level rather than at national level and that has caused a modest increase in the degree of paperwork required to process exports. That is a considerable barrier.

It is very often the capacity within countries to apply things like sanitary and phytosanitary checks, the kinds of regulatory checks that are different from customs checks. That is often where there can be frustration and that is where the Aid for Trade programme has been really successful at UK and EU level in terms of boosting the capacity within states to deal with these regulatory requirements that we take for granted here in the UK, but often are creating new burdens in developing countries.

Daryl Jopling: I agree with what William has said. For us, the current barriers to trade are well understood, well documented. They form part of our operations. If anything else is to be added on top, it will impact our operations for a period of time, but we will build that in and go from there. The key for us is understanding what could be layers and what could stress those layers, which would then have a much bigger and much longer term impact for us. That is the key for us.

Ashok Kallumpram: I define non-tariff barriers to trade being almost compliance. There are drivers from our customers, who are demanding that we adhere and work with our suppliers, for instance, on social accountability, modern slavery, on chemicals, REACH, Oeko-Tex, red list chemicals, environmental requirements and then you get into quality standards and meeting European quality standards on, for instance, flame-retardant fabrics. We are driven by those requirements. They are going to be the most important things going forward for those countries, that they do comply with the legislation and the requirements of the European market. They will be a barrier to some people, but they will also be an opportunity to others.

Q275 **Julia Lopez:** Mr Bain mentioned Trade for Aid. Has your business experienced any useful initiatives in developing countries from our Government that have helped with some of the concerns that you have just mentioned?

William Bain: 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.

Q276 **Julia Lopez:** I was interested in Mr Kallumpram's business specifically. Have you seen evidence of the British Government doing anything useful from an aid perspective in places like Bangladesh, Pakistan and India that has helped with your business?

Ashok Kallumpram: Not directly helped but indirectly helped. The DIT and the DfID-type campaigns in those countries have undoubtedly helped the infrastructure of those countries. I cannot say that there has been a direct link to our business, but we have seen social and infrastructure standards improve because of grants from DIT.

Q277 **Julia Lopez:** Have you ever required diplomatic help from the Government? I am trying to get a sense of if you needed assistance from the British Government, in what areas it could be deployed such that your business and your presence in those countries could grow. There must be something Government could do to help on that front.

Ashok Kallumpram: What we would like is to be able to export more to some of these developing countries. We would like our embassies to be more trade ambassador embassies for business. That would be a positive. For instance, another issue in Pakistan, there is not a decent testing house for some of the products that we buy from them so we have to bring them here and get them tested in a UK testing house for them to meet the standards. We would like help for that on an infrastructure project in Pakistan. There are specific project areas that I think the UK would be able to contribute on and that would benefit trade.

Q278 **Julia Lopez:** You have had a very long-running business. There must be times when you think, "If the Government would just help us with X, Y or Z, it could really help facilitate things". With Brexit, have you noticed any changes in any of the ways in which places like the embassies in the countries you operate in have changed their approach?

Ashok Kallumpram: Honestly speaking, no. There has not been any change. There is a preoccupation with the Brexit process, so trade has gone on the backburner. There were DIT initiatives that have helped us, for instance, with trade shows and subsidies, but these things seem to have dropped off the radar in the last year.

Chair: Fascinating.

Q279 **Catherine West:** I want to follow up on that. That has come out quite a lot in the evidence we have heard, that Foreign Affairs and Trade should be more integrated in their approach. There would be efficiencies in that. We are due to meet the trade ambassadors, who are Members of Parliament, to try to work out what they do and pin that down, because that is another expense that is out here at the moment and which should be integrated, in my view.

My question is on an issue that is of great concern to many MPs and that is the terrible loss of life at Rana Plaza in, I think, 2011. As a practitioner in the area, do you feel that we are in a better place now or do you think, like all these things, the spotlight has been taken off and we are slipping backwards again?

Ashok Kallumpram: First, Rana Plaza was in Bangladesh and it was a clothing complex that collapsed. We are not involved in clothing. We are not involved in the garment trade as such. But what it has done is radically change the view of many serious and important suppliers. They have started to look at their infrastructure, at their buildings and also at how they treat their workers. It has been much more transparent. From our perspective, we can only deal with those types of suppliers, but we are in the more organised sector, if you want to call it that—the more traditional and organised factories—and they have to comply with legislation.

The garment trade can be sub-contracted and that is where problems do occur. We do not necessarily get involved with it, but nevertheless there has been a sea change in terms of how people approach working conditions and the buildings, as well as hours and so on.

Q280 **Mr Fysh:** I want to ask a bit more about the extent to which you engage with the Department for International Trade to assist in your trade with developing countries. You have said a bit about the way they help to access the EPAs themselves, help with infrastructure and trade shows and so on. I am a bit concerned that you say that some of that has dropped off. How much opportunity have you had to interface with officials and or Ministers at the DIT to put your point of view?

William Bain: We are very happy with the engagement we have had with DIT. We meet Ministers quite regularly. We are meeting Minister Hands, I think in early July. We have regular contact with officials about continuity of trade agreements. I serve on the export committee, which has been convened by DIT to look at export-facing companies and what can be done by embassies to help make use of the agreements we already have and get more trade from that. BRC is also part of the trade expert policy group, which meets on a quarterly basis. We are pretty happy with the engagement we are getting.

One practical suggestion we would have is to have more use of DfID's development tracker, which would help connect retailers to DfID projects on the ground and local businesses in the exporting country in the developing world.

Q281 **Julia Lopez:** Do you know how other countries do this kind of work and whether they are doing it much better than we are? For instance, what do German embassies do to help your competitors in German businesses?

Ashok Kallumpram: I do think they are more proactive, but that is just a hearsay-type comment.

What I would like to get more of from the Department for International Trade is help with exporters. After all, we are talking about a global-trading Britain, whether it is pre or post-Brexit, so as much help as possible with serious companies who want to export their products to developed—as well as developing—markets. It is very confusing sometimes. The Department for International Trade has helped us as well, but how we can access help still needs to be a bit clearer, at the end of the day, to export, display our goods and build an infrastructure that is sustainable. That has to be a main focus, and there are some great businesses and great opportunities.

Q282 **Chair:** William Bain, your past as a Labour MP will maybe inform your answer to this question, but I am sure it is something that is generally within retail as well. What challenges do clothing retailers face in ensuring fair employment rights in their supply chains?

William Bain: An absolutely critical issue. The BRC, before I joined and after I joined, has a great record working with our member companies and getting some real benefits.

Chair: I am sure it was added to after you joined.

William Bain: Indeed, absolutely. Our members have recognised that safeguarding workers, whether they are direct employees or in the supplier sourcing chains, is absolutely critical. The BRC led calls to the UK Government for the transparency in supply chains clause, which was enacted in the Modern Slavery Bill. We felt that was really important, that all businesses have to transparently demonstrate that they are taking steps to tackle this crime, wherever in the world it occurs.

We also have our Better Retail Better World campaign, which we have just launched. We launched it in this august House itself. Our member companies are developing voluntary actions to help achieve the UN's Sustainable Development Goals, in particular the eighth SDG on decent work. Companies have committed to tackling where low-wage workers would have to borrow large sums of money effectively to buy employment. We have called for that to be outlawed. We think that is a very bad cause of exploitation, debt bondage, contributing to modern slavery. We are continuing to work with our companies to look at how we can improve human rights in terms of other business issues that emerge in the developing world.

I can give you a couple of examples. M&S have signed up to the UN Global Compact and published its first-ever report on human rights. M&S was the top retailer in 2017 in the inaugural Corporate Human Rights Benchmark. These kinds of examples show how seriously our members take this. For consumers, it is not just about price, it is about brand reputation and where the goods are sourced from that is critical in the purchasing choices they make.

Q283 **Chair:** What sort of steps do you take to ensure members do not knowingly or unknowingly use suppliers that are exploiting workers in the developing world?

William Bain: The commitments they have made apply right down the sourcing chains. It is not just what they are doing themselves in terms of purchase and acquisition, it is the companies that they are buying the goods from, so it applies down to agencies, to other outfits that they are purchasing clothing or textiles from.

Q284 **Chair:** This may be a very difficult question, but would you be confident that there is no exploitation or that exploitation has certainly almost vanished—certainly fallen—from the past to the present?

William Bain: There has been really good progress in the last few years as more and more countries work through trade associations and major retailers, like Debenhams and the rest of our membership, to get improvements on human rights. That is why GSP+ has been such a success. For Pakistan, it has required Pakistan to sign up to human rights commitments in return for getting the extra duty relief. That is precisely the kind of scheme, working in the European context, that we should be looking to improve upon in the coming years.

Q285 **Chair:** You are leading me to what I think is my final question, although it might not be my final question, because you are always in danger of saying something else that will lead us further, but do you have a view on whether the provisions on labour rights in the EU's trade and sustainable development chapters help in the situations we were just talking about?

William Bain: Indeed. Our member companies are happy to agree to these. We see these as good minimum standards based on the ILO accords. We think they should continue to be rooted in the ILO's agreements. There is some sort of commentary elsewhere about how effective these chapters have been. For example, in terms of the EU agreements, there is no secretariat to look, on a quantitative basis, at how countries are getting on with meeting the ILO standards. That is something that the EU could look at. As the UK grandfathers some of these agreements, it might want to look at having that sort of institution in place.

The Committee will also recognise that around Europe there have been alternative views about the kind of text that should go into these chapters. Should it deal with some additional issues, like health and safety? I would refer the Committee to some work that the Friedrich-Ebert-Stiftung think tank in Germany has done in drafting an alternative text, which deals with these kinds of issues, building on the core ILO rights that we have been successful in having progress on.

Chair: Thank you, a very full answer there. Would the other two panellists like to comment?

Ashok Kallumpram: I would say that the factories that we buy from do comply with international social accountability and labour rights on a local as well as on an international level. That is what they have signed up to. The best way probably to monitor that is to visit them, which is what we do. We visit our core suppliers and on occasion we do a social accountability audit ourselves. We look into issues of wage rates in terms of actual physical documentation. From our perspective, it is very important, not just getting boxes ticked, but also to see it on the ground. We have seen improvements year on year.

Chair: Thank you. From Debenhams' point of view?

Daryl Jopling: It is absolutely critical to us. We have a whole process that goes through a factory approval and supplier-of-supplier approval process to look at human rights, at how the factory is set up and so on, through a third-party specialist, in each of the countries we source from. It is no good us going out there and talking to the supplier because if they want to pull the wool over our eyes, they can easily do so, so we do have to use local specialists to go out there and do a proper review, making sure we are looking at where goods are actually being made, not just the factory they choose to show us as we turn up on their doorsteps. It is absolutely critical for us.

We are members of quite a few NGO bodies, things like TRAID, IndustriALL, HOPE; there is a long list that I will not bore you with now. What would be good for us is Government helping to get concerted direction from all these various NGO bodies that sit out there to help get some direction that is pulling in the same way. In the social media world, one small NGO could have a massive impact on your business because they can get a massive following in a few seconds flat. For us, we have a reputation to protect and we want to make sure that we are seen in the right way. We know we will meet all requirements. However, demonstrating that can be more difficult.

Q286 **Matt Western:** As either responsible employers or representatives of retailers, do you think there is a role in future for labelling to better inform consumers? The question is open to all of you. Do you think the consumer wants to be better informed in future?

Daryl Jopling: I think the consumer is pretty well informed already, to be honest. We get a lot more interaction now on that type of thing than we would have done even two, three, four or five years ago. For us, making sure they are properly informed, rather than social media informed, would be quite key. There are lots of rumours and myths that social media breed that we have to deal with as organisations. Something that is more of a centrally-led piece would be quite useful.

Q287 **Matt Western:** Is it good to understand the labour rights or the environmental legislation in those source countries, for example, knowing whether there is a minimum wage in that country or whether that shoe has cost 50p to produce and is being sold for £100 in this country? Do you think there is a relevancy to knowing about minimum wages in that country?

Daryl Jopling: I do think there is, yes. We are a member of IndustriALL, which is about national living wage for the country for all the members in our factories that produce our clothing. As a retailer, as a purchaser, I do think there is a relevance for people understanding that we are behind giving a national living wage to every person in our supply chain, so yes, 100%.

Ashok Kallumpram: I do think consumers want that reassurance about their supply base, that it is ethical, that it meets labour laws and salary levels and also environmental standards. For instance, we have won business because we are able to show full audit traceability and customers have switched from, shall I say, dealing in China to dealing in India because they are able to get that transparency and that traceability. That is the consumer customer, but they are also worried about reputational damage if their products are found to be made in a sweatshop in China, so they need to know. There is a lot more top-down drive for us to provide information about where we manufacture our goods.

Q288 **Matt Western:** Has that applied in your commercial customer sector as well, when you were alluding to the aerospace industry?

Ashok Kallumpram: They do. I would say that some of our products are more consumer-orientated and therefore there is that direct link, but with the industrial textiles, they still do demand that, but not perhaps to that same intensity.

William Bain: Some of the issues here go outside the core ILO labour standards and go into the labour standards plus category. The question for you as policymakers is in terms of future trade policy, whether you want to compel the Government to look at things like core standards on freedom of association, the right to collective bargaining, abolition of child labour, time at work, wage levels. These are discussions that you would profitably have with Government.

What I would do is direct you to the BRC website, which has very good examples of what our member companies are doing to comply with the current framework around the core labour standards as they are currently constituted. You will see, I think, a pretty good record from the British retail industry about how it is making a difference in developing countries.

Chair: Thank you very much, panel, for a very good session with a wide area covered. We have a good quality of witness in the three witnesses in front of us. Of course a panel containing the good Mr Bain would be nothing else. It is good to see you not only giving of yourselves as importers, but also being concerned with the rights of workers in developing countries. That is a message that has come across clearly this morning. I would have expected nothing less, of course, coming from the good Mr Bain. Thank you for your time this morning. It is very much appreciated. That was the first of our two panels this morning. I thank the three of you for your time to share your knowledge and to inform us better than we were when we started. Thank you.

Examination of witnesses

Witnesses: Thao Hoang Phuong, Marion Sharples and Arif Zaman.

Q289 **Chair:** Thank you, panel, for waiting and listening to the previous group of witnesses in the first panel. I hope you enjoyed it. Can I ask you, starting on my left, to introduce yourselves in name, rank and serial number style?

Thao Hoang Phuong: Good morning. My name is Hoang Phuong Thao and I work with ActionAid in Vietnam as Country Director. I come from Vietnam. Thank you very much for inviting me.

Marion Sharples: My name is Marion Sharples. I am Policy Officer at the Gender and Development Network. We are a network of NGOs, individuals, academics and consultants working on women's rights and development, mainly based in the UK, but also with some international members.

Arif Zaman: My name is Arif Zaman. I am Executive Director of the Commonwealth Businesswomen's Network, which is an accredited organisation recognised by all member Commonwealth Governments for our work on women's economic empowerment.

Q290 **Chair:** Thank you very much. Gender was mildly touched on in the first panel, but we are looking more at gender and trade here. Could you give us an overview of how trade policy and gender issues interact and of the recent developments in the WTO relating to gender and trade?

Marion Sharples: If we look at the scenario globally, 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. There are four ways in which this can happen.

Free trade agreements impact on the ability of Governments to allocate resources for gender equality. Secondly, they impact on policy space and Governments' abilities to legislate for gender equality, through health and education programmes, for example, and for social services, which women rely on disproportionately. Thirdly, by driving down labour standards as a form of competitive advantage, particularly in export processing zones, for example, where women workers in supply chains work with limited collective bargaining rights, a little bit of which we heard about in the previous panel. Finally, by making it more difficult for women farmers and women-led small and medium-sized enterprises to compete with international imports. That is an overview of the four ways in which the two things interact.

Chair: Thank you. Would any of the other two panellists like to add to that or are you content with what you have heard?

Arif Zaman: From a Commonwealth perspective—and I do know the inquiry is focused on trade with developing Commonwealth countries—I think it is worth emphasising the positive outcomes from CHOGM, the Commonwealth Heads of Government Meeting, in relation to trade. I think it was the first time ever that 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, whether you are in Ribble Valley or whether you are in Pakistan. Across the spectrum, there is widespread recognition of that impact.

The other thing I would emphasise, and I think it is important to link it to the outcomes from CHOGM, is that there was a recognition that there needs to be a trade connectivity agenda across a number of areas, digital and physical, but the important word here was "mainstreaming". There was a recognition that particularly for women and young people, this approach needs to be mainstreamed in all these different areas. That is why I do hope this morning we will have an opportunity to also talk a bit about the diaspora potential, because business diaspora provides a significant opportunity for women, as well as men, moving forward.

Chair: You lead me neatly on to the next question, but do you want to add something first?

Thao Hoang Phuong: May I add to that? I think the main purpose of trade is not only to maintain our society but also to produce wealth. The fact is that 70% of the poor people in the whole world are women, so trade and gender is so much interlinked. Trade usually is related to resources. If we think about 50% of women in all developing countries not having access to any resources, whether it is land or water or skills, then trade has a very important role.

Thirdly, women usually are seen as a substitute for men in many countries. If we think about their roles, women not only have social roles and reproductive roles, but also productive roles and therefore trade has a lot of things to do with that. That is why, when we see that it is the first time the UK Parliament has talked about gender in trade, it is really an effort to lead by example by the UK and thank you very much for that.

Q291 **Chair:** You have said a number of very interesting things there. I did not realise that 70% of people in poverty were women and the idea of women being a substitute for men is a new concept.

That leads on to my next question. Which women should be the focus of gender and trade initiatives: those women who are already wishing to access global markets or those whose lives may have been detrimentally impacted by global trade policy in their everyday lives? Which women should we be focusing on? Is there a particular type or group of women or is it women in general?

Marion Sharples: If we can bring it back to the point about the Commonwealth summit, what was really inspiring was one of the outcome statements from the women's forum of the Commonwealth summit. There was a really strong commitment to focus on women who were suffering multiple discriminations and who are most likely to be left behind. That plays more broadly into the commitment and to the global goals and also, within DFID, to its commitment to leave no one behind. Responding to those women who have been left behind by trade agreements should definitely be the priority.

Arif Zaman: If I can give you a bit of a politician's answer, I do not think it is either/or; it is probably both. If you look at the context here of many developing Commonwealth countries, we are seeing increasing numbers in the middle class. If you look at Jamaica and Pakistan, there are more women graduates than men graduates. The point here is what do we do with that? There are emerging opportunities as more women move into non-traditional sectors, whether it is media, high tech or other areas, for the UK to tap into that. Frankly, we are not doing enough to identify and do that. I know that the DCMS Committee in their report on Brexit and the creative industries took evidence from Ozwald Boateng and he talked particularly about the fashion industries presenting a real opportunity. That is obviously impacting on both low-income women down the supply chain and also middle-class women that may be fashion designers across the Commonwealth. You can look at both.

Thao Hoang Phuong: I want to emphasise the other role that women are taking, not only as workers or producers, but also as mothers, their social role. The current shape of all the FTAs that we know of that Vietnam has signed—so far, Vietnam is a member of 16 free trade agreements and a member of 62 bilateral investment treaties—is not helping, because priority is given to the investor and to the companies and not to the workers or the women as such.

Q292 **Chair:** Thank you. My next question is how significant was the joint declaration on trade and women's economic empowerment of the December 2017 WTO Ministerial Conference, which I think took place in Buenos Aires?

Thao Hoang Phuong: That is a very good beginning, but it is not enough because that one is only focusing on the aspect that women could be entrepreneurs. It would be a very small number of women who would be benefiting from that commitment. We guess that the FTAs that the UK are going to sign after Brexit can do much better, if you look at the wider range of women who are spending nine hours in the field and then another five hours doing unpaid care work at home.

Marion Sharples: I would agree. It is a very welcome beginning and it is great to see such high-level commitment and interest in this issue of the intersections between trade and gender, but what we want to see now is a much more thorough engagement with the substance of trade policy and recognition that it is not just about adding something on. It is not just about an easy add-on, which will be a magic panacea, a quick fix to this. It is about really analysing each part of trade agreements and seeing what those impacts would be, so something more thorough, but it is a great start.

Arif Zaman: It is certainly welcome, but it is a step in a process. Yes, it provided impetus. It could be arguable that the CHOGM outcome on trade policy would not have been achieved if we had not had that consensus in Buenos Aires at the WTO. It is also important to see what it means in terms of trade-related capacity building. If you remember nothing else from my comments this morning, it should be those four words, because that is critically important, particularly as we are seeing second and third generations in Commonwealth countries moving into different sectors. That is a really important area. The statement in Buenos Aires opened up that emphasis and more importantly emphasises the fact that we also need to look at this in the round.

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? We need to look at these things in the round as well as at the legal barriers to women's economic empowerment, which is why it was very encouraging to hear the Prime Minister and other people talk about that at CHOGM.

Q293 **Chair:** Trade-related capacity building.

Arif Zaman: Yes, it is very important to target this. There are different definitions of it, but I think it is, very simply looked at, if it can enable women to access markets more effectively. That for me is a very simple definition, accessing markets, in terms of their access to knowledge, their access to networks. One of the things we see, if you look at trade missions, it is not rocket science knowledge to know that most trade missions are dominated by men.

That is one of the reasons why we initiated something called the multilateral trade mission after the Malta summit, where we are not doing trade missions bilaterally, but we are doing them multilaterally. These consist of eight to 12 mainly women, one or two men as well and they go into a Commonwealth country. You have to remember—take Lesotho and Sri Lanka, for example, we did a trade mission there—often these countries do not even have a High Commission in each other's countries, so how are local entrepreneurs accessing knowledge?

Women therefore become significant in that role, sharing knowledge both within the country they go into, but when they get back to their home market, to go to their Government and Trade Minister, saying, "We should be doing more in these areas and this is why" and this helps us move up the value chain, which I think is critically important for developing countries. It is not about producing more coffee or low-value products. It is really important to encourage moving up the value chain. That was another important outcome from CHOGM. There was recognition, both from the UK as Chair-in-Office, as well as from Commonwealth countries, that this is a really important opportunity around Brexit in terms of opening up wider potential.

Chair: I hear what you are saying about men dominating the discourse, so before I turn to Julia Lopez, I will turn to Catherine West.

Q294 **Catherine West:** A quick supplementary question about the role of the British Council, because I think it is very good at talent-spotting. For example, in Pakistan, where I did a British Council event and met very articulate, very able people, there was nonetheless a strong sense of frustration. Not only can they not gain access in terms of networking, but some of the ex-pats we met while we were there were in the same space as us. It was not formalised. They were having the same problem in terms of any Government help. The UK Government were not really facilitating what seems to me to be quite a natural way of promoting women doing business and so on. It is almost as though the British

Council knew more about the Pakistan side, but maybe in the UK they are not very well networked into the Government or into what is happening.

I think it comes back to what we were talking about before, with Foreign Affairs, Trade, the British Council—there are all these separate organisations—and the MPs who do the trade promotion, there does need to be a much more holistic view of how we get those things to work better both ways. I felt there was a real mismatch. As Members of Parliament we get that, because we see that often with constituents, but I could really get a feel that the British Council is so well positioned and yet they do not seem to have a voice back here within Government.

Arif Zaman: That is again an opportunity, if I may say so, for civil society. Many of you or some of you may be members of the CPA, the Commonwealth Parliamentary Association. It is one of 80 organisations that bring together businesswomen, the private sector—Lord Marland heads up the Commonwealth Enterprise and Investment Council—and many others. There are 25,000 young entrepreneurs who are part of the Commonwealth youth entrepreneurs network, but what are we doing with that? What are we doing with that from a UK perspective in terms of identifying niche sector opportunities, developing programmes around that to take advantage of the knowledge of the networks? One of the reasons why we have initiated a programme with the British Council on the creative industries is particularly because we think that their creative industries programme has a Commonwealth dimension that can be leveraged. It is around that collaboration.

I may also say it is about Select Committees joining things up too. The Foreign Affairs Committee has been very prescriptive in saying to Her Majesty's Government that it is important to come out with metrics in terms of, "What are you going to be doing in your time as Chair-in-Office?" and I think this Committee has an opportunity to emphasise trade metrics as well as part of that. We want to have some clear direction from the UK Government as Chair-in-Office, which they have not given to date.

Thao Hoang Phuong: It is a very important point, to mention that holistic approach. We cannot be promoting poverty reduction on one hand and trying to sign free trade agreements that do not allow the local Government to get tax, because the tax would be paying for medicine, for hospitals, for education, while at the same time the free trade agreement is trying not to give policy space to the local Government. I know it is a dilemma, but obviously that very much requires a holistic approach.

Q295 **Julia Lopez:** This is a question for Thao. From your experience of work in Vietnam, how effective do you think the EU's approach is to trade and development? What should we be seeking to replicate when we leave the EU and what should we be seeking to improve?

Thao Hoang Phuong: The EU has been very active in Vietnam and a lot more open compared with UK trade promotions in Vietnam. There are a lot of opportunities for companies, not only European companies, but Vietnamese companies as well as NGOs to attend their trade promotion events, whether it is about round table, about research. The EU has specific policy mechanisms with the Government and with Parliament to have dialogue with the Government. The problem of European companies around issues of tax, around labour rights, around issues of customs rules, getting direct access to even the Prime Minister and Parliament, I think that could be one that the UK trade promotion sector can do.

Maybe one thing that you can change immediately is that the EU Chamber of Commerce is open for NGOs like us being a member and they are listening to us actively, but it is not the case for the British Chamber of Commerce.

Q296 **Julia Lopez:** But we are still a member of the EU at the moment. Do you not feel that Britain has been present over the years within the context of the EU mission over in Vietnam?

Thao Hoang Phuong: Very little, maybe because the sector of EU companies is much more diverse and maybe much more related to our workplace NGOs. On the second part of your question, I think the tools that the EU is using right now to support the trade with Vietnam are very much helping the EU companies and a little bit less is happening with the Vietnamese companies, especially around the issues of labour rights, social protection for the workers. You know that in my country we have only one trade union for all workers and the rights to association in that sense is a bit limited. Rights to collective negotiation are also limited and therefore the tool that the EU is applying now is not really helping our workers.

Q297 **Julia Lopez:** You say "EU countries" but are there any particular countries within the EU context that you see a lot of when you engage with them?

Thao Hoang Phuong: As I understand it, the EU has a lot invested in the garment and textile sector, in food processing, also a little bit on mining industries.

Q298 **Julia Lopez:** Any specific countries within the EU that are particularly present in Vietnam?

Thao Hoang Phuong: Switzerland, Holland and Ireland are very prominent in those discussions.

Q299 **Julia Lopez:** A question for Arif. Can you give any examples—and I know you have already touched upon some of them—of Commonwealth initiatives that have been successful in promoting development through trade?

Arif Zaman: I think one of them is the one I mentioned, the multinational trade missions. To give you a sense of the market, we have done them since the Malta CHOGM in 2015, we have done them to Malta, to Malaysia, to Sri Lanka, to South Africa, across different geographies. I think there are certain examples there. If I can broaden that question a bit—

Q300 **Julia Lopez:** What tangible outcomes did they have?

Arif Zaman: First is access to building relationships. It is a truism, but trade does not happen without a relationship and you need to have that relationship face-to-face. That is very important, particularly for women entrepreneurs who may not have the opportunities to access those markets. That is one of those things, building relationships on which trade can follow, but also market knowledge. It is often the case for some of these developing countries that they will not have the deeper level of analysis on those markets necessarily. If you go to the Lesotho trade website, they are not going to have that knowledge on Sri Lanka, so I think you need to be accessing that direct knowledge of markets.

Q301 **Julia Lopez:** Do you have any specific concrete examples of British businesses that are now more active in the markets in which you did the trade missions?

Arif Zaman: One of my colleagues sitting behind me, she is from Sri Lanka. She was on our trade mission to Sri Lanka and she is in the education sector. She is in the area of skills and training and her business has significantly grown as a result of her participation in that trade mission and in terms of targeting her efforts into the northern area of Sri Lanka, where post-civil war they have had real challenges in building infrastructure, including education infrastructure. That is one example of a woman who is working in the skills and education space that had access to that.

I think it is also the cross-relationships as well, so by participating in these trade missions, if they are meeting up with other women from other countries as well and you are spending five days in an intensive context, you are clearly accessing opportunities as well.

Education is one. That highlights a broader point, if I may say, about the services sector. We have seen this in education. Another example was solar panels. We saw another participant from Malaysia who, as a result of that, there were contracts for solar panels from Malaysia using some of their technology in Sri Lanka as well. I think some of these areas are really the tip of the iceberg. What we have not seen from a UK Government perspective is a targeting of that at the Commonwealth level. I think there is a real opportunity to do so.

I want to reiterate the "D" word again, because I think it is important, the "diaspora" word. I hope I will have an opportunity in a sentence or two later to come back to that, because I think there is a significant opportunity there around that from a trade perspective, affecting women as well as men.

Chair: Thank you very much. I think Ireland was mentioned earlier, but if a diaspora has ever worked it is the Irish American diaspora, in a totally different context.

Q302 **Mr Evans:** We should not really crow too much sitting around the table. I know it is at different levels, but if you think only recently with the BBC and the gender pay gap there, the BBC tried to cover it up by not disclosing the salaries of their workers. It was only when the disclosure came that we saw how horrific the pay gap was between men and women there. I guess the point I am making is that disclosure and transparency could be an important level maybe in FTAs in the future, thinking of the Chile-Canada example specifically, where this seems to me to be ground-breaking, where particularly in poorer countries you are prioritising gender as far as an FTA. Do you think this is the future for future FTAs?

Marion Sharples: Can I just make a comment on the gender pay gap? I totally agree, transparency in disclosure is really important, but I think particularly in this context what is important is the capacity of workers to engage in collective bargaining in order to get those wage increases, in order to get the minimum wage. I have a couple of examples of that. In the Bangladeshi garment industry, women's organising led to a doubling of their wage and the provision of subsidised food to factory workers, whereas in Malaysia there is still a very persistent gender wage gap that has been attributed to the fact that there is a ban on organising for women's rights in foreign-owned export-oriented businesses. Those are a couple of examples.

Q303 **Mr Evans:** Yes. I have been in a Bangladeshi garment factory and the vast majority of those who are with the sewing machines are women.

Marion Sharples: Absolutely, but then again, as we see the managerial, the supervision levels, those tend to be—

Mr Evans: The blokes. Absolutely.

Marion Sharples: Yes, exactly.

Q304 **Mr Evans:** Do you think if we go down this route that it might hamper some free trade agreements or do you think we could use this as leverage?

Arif Zaman: One of the key distinctions, if I may say, with the China-Chile free trade agreement is that you had political commitment.[1] It is no coincidence that Michelle Bachelet, at that time President of Chile, was former Head of UN Women, Director of UN Women. Justin Trudeau's credentials are very clear and that is very important. If I may say, across the party divide, I think Corbyn and Theresa May both share that

[1] The witness subsequently informed the Committee that he was referring to the Canada-Chile free trade agreement, rather than a China-Chile free trade agreement.

commitment around the importance of economic empowerment for women. That is the first part of it. The fact that there was a non-application of the dispute resolution was also significant, because I think it looked at an area that could hold things back. I think you are right to use the term "ground-breaking" but we also need to recognise while it raised gender in terms of the trade negotiations, there were also no targets mentioned, no milestones, no specific goals. The harmonisation of gender-related legislation between the parties was not mandated.

What I am saying is I think it is part of a process and that worked for Canada. From our perspective in the UK, we would need to look at things more in the round. One of the strengths of the UK is that we have a joined-up approach to a large measure on gender, so it is not just looking at justice. We look at trade, we look at different areas, so that should be a bit of a template for how we approach trade in a more joined-up base approach, rather than more siloed, which I think were some of the aspects of that agreement.

Q305 **Mr Evans:** Would you put it on as part of an FTA or are you more bending towards training and stuff like that? The Commonwealth Businesswomen's Network are quite effective at doing that. Would you do that or would you do a combination of both?

Arif Zaman: I think you do need a combination of both. It is very important to recognise this is not an either/or situation. Also it recognises the incredible diversity we have across Commonwealth countries. Thirty-one of them are small states—we have a range from 7,000 population. Nauru doesn't even have a bank. You talk about access for women and they do not even have a bank in Nauru, so I think we need to recognise this. It is around the agreement, it is around the language that is binding in the agreement, which has had a strong gender dimension, but it is also recognising the skills.

One of the things we are doing right now is a development programme with UNCTAD specifically looking at how we can strengthen entrepreneurship capacity building, which is around identifying high growth businesses, but also looking at entrepreneurship training in schools as well. Girls as well are looking at that aspect of that, so when they go into later careers they are not disadvantaged because they have not thought about it or because they have been discouraged by a male teacher about going into a particular sector. We do need to look at both.

Q306 **Mr Evans:** In Bangladesh we have seen some great training of women going into engineering and stuff like that, which is great. Finally, just as we have seen the role of businesses and I guess civil pressure on businesses in the United Kingdom to make sure that children are not used in manufacturing in developing countries, do you think there is also a role there for businesses themselves as part of their corporate responsibility to ensure that when they are trading outside of an FTA that they too make sure that gender is taken as seriously, as is the use of children in manufacturing services?

Arif Zaman: With respect, the Commonwealth Charter is a useless piece of paper if it does not live, and it does talk about these issues. For example, the first time in 2013 when it was published it made the link between women in work and girls in school. I think we need to use the mechanisms that are available. It talks about a value set across the Commonwealth countries, so it is about using those vehicles, but it also goes back to the Commonwealth civil society organisations. The companies that are members of the Commonwealth Enterprise and Investment Council one would like to think share a common set of Commonwealth values. That should also be a leader. The organisations that interact with us in the Businesswomen's Network likewise. I think we need to be much better from a UK Government perspective in terms of tapping into not just the organisations that represent big business, larger corporates, but also the ones that work with smaller businesses, as we do. It is very worrying that only 21% of small businesses in the UK think that they should be doing overseas exports, according to the latest FSB report.

One way to square that, in months rather than years, is to look at what women are doing in terms of how they are diversifying, not just in the UK, but also in developing countries. Again, this is the fourth time I have mentioned it, but the diaspora piece is really an important part of that.

Thao Hoang Phuong: I guess your point is really important and transparency is very important, but transparency without tools to make it accountable is nothing. It is just another drama for everyone to laugh at and then that is it.

I guess FTA has to have some instrument or tools to make sure that it is not only transparent to the public, but also binding conditions. Government workers, for example, have a decent wage. I am giving you this example, that with trade agreements in Vietnam the garment and textile industry earned US$31 million in 2017, but the garment and textile workers in Vietnam only receive a minimum wage of £85 per month and 80% of garment workers are getting that. It is only £85 as a wage. If your factory pays the minimum wage it is not enough. Therefore I think it is important to highlight it is not only the rights of the consumer to know what they are buying, but also the responsibilities and accountability of the buyer to ensure that they buy the goods that have moral protection for the workers.

Q307 **Chair:** Just before we move to Marcus Fysh, you said the monthly salary would be £85 for some workers?

Thao Hoang Phuong: That is even higher than the national minimum wage.

Q308 **Chair:** But presumably they would make a garment worth £85 every few minutes if they are working and sewing and what have you. Do you feel that the cake is unfairly divided? Probably you do, but how unfairly do you feel that the cake is divided between workers in certain parts of maybe clothing or whatever versus other people that are taking or earning money from the movement and the processing of the material in the garments?

Thao Hoang Phuong: It is a very complicated situation. The fact is that one item of clothing, when it is produced, has to go through different steps. The workers in our case, Vietnam, they only have a maximum of 15 years of their youth to work and after that they will be released from the factory. The factory will not employ them anymore.

Q309 **Chair:** Over what age?

Thao Hoang Phuong: After 35 you rarely find any garment and textile workers in the factories.

Q310 **Chair:** So all of us on this Committee are quite useless in that context?

Thao Hoang Phuong: Therefore during those productive years they need to have better salaries. That is a big problem that the free trade agreement gives to us, because our population is young and we do not have a lot of skilled workers, so you go to the factory, you stitch one part of the collar of the shirt and then you receive that wage.

Q311 **Chair:** You are on a piecework as to how many collars you manage to stitch in a day and—apologies, Marcus Fysh—why is it that you are not required after the age of 35? Is it because your eyesight goes? Is it because you work more slowly? What specifically limits you to that 15 years until you reach 35?

Thao Hoang Phuong: Because the young people are not getting sick, they can produce, they can work 80 hours a week or more. They are not having any children to take care of, so therefore they do not need to have maternity leave. Many reasons. That is the race to the bottom of many countries that Vietnam is stuck with. We are trying to deregulate our labour law and labour rights so that we can attract more investors, more producers.

Chair: I will move to Marcus Fysh and then I will come back to this.

Q312 **Mr Fysh:** Thao, ActionAid has in the past argued that trade deals can be harmful because there are countries that rely on the revenue from the tariffs. I wonder if you can say a bit more about that and about the counterpoint, which is pretty clear from the literature on free trade and the way it has evolved around the world, about how reducing tariffs can improve the competitiveness in an economy and help development. Can you say a little bit more about why ActionAid takes that position?

Thao Hoang Phuong: ActionAid has been working on the issues of trade and tax justice for a long time. Right now in our federation we are present in 45 countries and our work on tax and trade is in 25 countries. Based on that experience, we can certainly say that an FTA can make it really hard for developing countries to have the revenues. Why? Because the main thing of an FTA is trying to reduce tariff and non-tariff barriers so that the goods can be imported and exported freely. In doing so, the revenue of some Governments like Vietnam, where 35% of the national budget comes from tax, it is really harmful because without the national budget, public services of healthcare, education, transportation would not be there for the poor people.

In Vietnam we are doing these two researches. This policy brief is about the tax incentive and tax avoidance by FTA to Vietnam. By investing as a foreign direct investor in Vietnam and enjoying the tax incentives and tax exemptions, every year Vietnam is losing about US$200 million in tax. That is the calculation. It is obvious that is a big chunk of the national revenue.

Q313 **Mr Fysh:** When it comes to public services I understand that you also have concern about where the deals in services within trade agreements can liberalise the services industries within a country, that you might have concerns about that, and in particular how that might affect women. Could you say a little bit more about that and whether you have a concept of how free trade agreements that include provision on services could be tailored in such a way so as not to disbenefit women disproportionately?

Thao Hoang Phuong: Usually the free trade agreements offer public procurements to the public services and nowadays it is not only limited to infrastructure like constructing roads, airports and so on, but also to the provision of healthcare and education. In some countries it is also related to water, electricity and other services.

Let me talk about Vietnam, where our country used to have free education and healthcare and it stopped after Vietnam joined WTO. Now the cost to go to school for a family if they have two children is usually more than 10 million dong, which is about £300 per month for cities and about half for rural areas. Therefore if you look at our national minimum wage, it is £85, so it is obvious that a lot of children will be kept out of school and therefore hospital. We again talk about the life of the migrant workers. The migrant workers in our country are invisible to the social protection system and their children do not have access to education and healthcare. If the free trade is promoted in such a way that the public services are provided by the foreign direct investor without any tools or mechanism to protect access for the poor people, it will be a disaster for our people.

Marion Sharples: Can I just come in there to support that? It is a really important point to remember that public services are used disproportionately by women. They are much more dependent on it and when they are cut, it is women who step in to fill that gap. If water provision is cut or reduced because of privatisation, it is women who have to go further to get the water, they have less time to do other things, they have less time to engage in paid work, that kind of thing. That is the gender impact of privatisation of public services.

Another example of the impact of it, in 2015 there was a case where the Indonesian court annulled a water privatisation contract after the coverage became extremely patchy, particularly in poor and rural areas. The price of water increased by four times and the court ruled that it was not right.

Q314 **Mr Fysh:** Yes, but that is a problem with the implementation of it, rather than with the principle of having foreigners involved. Just as long as it can be implemented in a way that is beneficial to the local population is presumably the key issue.

Marion Sharples: I agree, but if the provision of an essential service moves from Government—which has an obligation to provide those essential services for its citizens—to a profit-making body where the overriding motivation is profit, those two things, making sure that it gets to hard to reach, more expensive areas, might be compromised.

Q315 **Mr Fysh:** I would argue not necessarily, but it depends on the framework in which you do it.

Arif Zaman: Can I come in on this point about public procurement, which is part of public services? If you look at the spend within Commonwealth developing countries, there is a significant proportion of spend, I think 15% of GDP in developed countries, but 30% to 40% of GDP in developing countries on public procurement. The point is there has been evidence done on this. The Commonwealth Secretariat themselves were the first organisation to produce evidence in making the link between procurement, trade and gender. We know that there can be positive impacts.

We have a programme that particularly looks at connecting up women-led businesses or women entrepreneurs from different countries around procurement. This is around the things that often are a barrier, so access to the procurement tenders. We have an agreement with UN Development Business that gives them free access to the development tenders from a range of development banks and Governments. We then use a UK-based organisation, the Chartered Institute of Procurement and Supply, to do the online training. It is online. It is over nine months and you fit it in around your life. Then we have access to a mentor programme as well. That is a concrete example.

I think procurement is a real opportunity for trade in this, which is why on the Buenos Aires agreement it was referenced and there was a recognition that that could be an area. It is also important to recognise the UK Government themselves need to join the dots in their own work. When Justine Greening was Secretary of State at DfID, she put money behind the UN Secretary General's High Level Panel on Women's Economic Empowerment, which reported about 18 months ago. One of the things that they came out with in terms of trade is that procurement could also be a significant lever.

I think this is a real opportunity. If you look at Kenya, they have a policy where 30% of public contracts have to go to women-led businesses. It can be mandated, but there are other ways of doing it. I think we need much more push in this area. It is a bit like women on boards: if we do not do something it could be 100 years. It does not need to be mandatory, but there are things that we need to do and procurement is a massive opportunity.

The Commonwealth has also played a lead on this. The Commonwealth Public Procurement Network did some work about three or four years ago. They found that 20% of Commonwealth countries had public procurement laws that mandated the reservation of contracts for support types of businesses and that 90% of countries in the Commonwealth would be open to splitting the tender requirements into smaller lots to encourage small companies into appropriate opportunities to widen access. I think procurement in the Commonwealth is a natural opportunity that this Committee has to encourage. That would be very positively received by Commonwealth developing countries, particularly while the UK is chair.

Q316 **Matt Western:** A question to Ms Phuong and Ms Sharples. I understand that both of your organisations have argued in the past about any future UK free trade agreement, that there should be some inclusion of impact assessments and their impact on people of different genders. In your views, what should such an impact assessment consider or include?

Marion Sharples: That is one of our key messages from this, 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.

Last year UNCTAD, the United Nations, developed this trade and gender toolbox. I have a copy of it here, which outlines for the first time a standard process of analysing the impact of trade agreements on women. It has four elements. The first one looks at the economic context of the selected country and looking at women's participation in the economy there. The second section simulates the impact of trade reforms on the economy, so it works out what the impacts could be. Then there is a checklist for guiding, accompanying measures, mitigating measures based on that analysis, and then the fourth section provides a framework for analysis over time, taking that forward. I would say that is something new. Certainly I am sure it could be improved, but it is a great starting point.

Thao Hoang Phuong: I fully agree that before any FTA signature there should be an impact assessment, at least even to serve as a baseline for both sides to see what would be the progress or the result. Depending on the objective of the FTA, whether it is around promoting trade only or trade and development, the baseline and the impact would tell us much more about that.

Currently the EU-Vietnam FTA that is being considered now—not necessarily signed by both sides yet—the human rights impact assessment is not done in a way that it should be done. It is just ticking the box and this is hardly known to anybody, despite the fact that we keep asking to make it transparent to the public, to civil society. In terms of impact assessment, it is strongly recommended that the UK would consider not only the institutional policy that would need to be changed before the agreement comes into effect, but also the situation of people, especially the women, the workers, before the signing took place. It is about the access to public services, the quality of life and also the space for their voice to be included in the impact assessment.

Matt Western: Thank you. Mr Zaman, would you agree?

Arif Zaman: Yes, I think the UNCTAD toolbox is recent, but it really is a welcome opportunity to look at both before and after. I think there is a real opportunity to do that. I think it needs to be a joined-up approach, which is why I will not go back on to it, but I emphasise the importance of entrepreneurship training as well, which is what we are doing with UNCTAD. The toolbox is very important in that process.

I think it is also important to do this involving stakeholders as well. You might find it odd that I am a man talking about businesswomen, but I am outnumbered in terms of the core groups[2]: it is really important to have women participating in that process as well so that they can give their perspectives and their experiences from the coalface.

Marion Sharples: I totally agree consultation is really important and also particularly with women's rights groups and civil society in general. What we have seen following the WTO declaration last year, there has been a series of workshops on gender in trade, but there has been a very low presence of civil society within those workshops and no women's rights groups, so I think that is important going forward as well.

Q317 **Catherine West:** ActionAid has suggested also that women from the poorest and most marginalised communities should be able to participate in the negotiation of free trade agreements. How would that work in practice?

Thao Hoang Phuong: In fact, it is quite possible if the process design for the free trade agreement negotiation allowed consultation with such a group and at the same time the indicators for success are designed in a way that feedback from the group would be there. I think it is important to have the new generation of free trade agreements that close the gap between growth and wages that support the developing country's own planned development and that broadens the understanding of women's

[2] The witness subsequently clarified with the Committee that he was referring to the core groups in the Commonwealth Businesswomen's Network.

economic empowerment if we see that women are an important source of growth.

In terms of marginalised groups participating in the impact assessment, I think it is also important to highlight that currently the official data does not recognise any situation where the people are in place. We have just gone through a national process of preparing the national report on SDG, Sustainable Development Goals, for Vietnam, which will be presented in New York in July. Out of 17 goals, the official data only responded to two, is available to measure two. Having data that covers the important principles and objectives of the free trade agreement, that the marginalised groups can have their voice and the NGO can action it, and gender and development networks can also be prepared for that.

Catherine West: That is a good example, Chair, and I think that probably covers all the questions.

Arif Zaman: Sorry, I did not want to jump in, but I want to ask if there would be an opportunity—no more than 60 seconds—to say something about the trade opportunities in relation to your inquiry for the diaspora?

Q318 **Chair:** Absolutely. I will give you that opportunity now and then we will probe something on Vietnam before we finish. Go on.

Arif Zaman: I think it is very important. We have a parallel potential here and this is a view that has come out from when Sadiq Khan was a Minister. He made the point that Alok Sharma made when he was Minister for Asia in the Foreign Office, so this is a cross-party point. The point here is there is parallel potential. We see opportunities in second, third generation diaspora in the UK. You have members of your Committee who reflect that, you have the Home Secretary reflecting that, but there are many other examples of that, at the same time as we are seeing the developing countries, particularly in South Asia, 70 years after independence, Africa 50 years, at a different stage of their process in terms of economic reforms. As those processes further develop—that is why I talk about parallel potential—we have opportunities in those markets opening up. Diaspora can be very important in terms of addressing some of those information asymmetries that exist.

Q319 **Chair:** Especially if the diaspora can maintain its languages in the country.

Arif Zaman: If I may say, Chair, you have a great example in your home turf, in GlobalScot. The GlobalScot programme is a great example of a diaspora programme, but the problem is we do not have anything in the UK that addresses this in a structured way in relation to trade. I think there is a real opportunity. I would certainly offer up to you, as a Committee, as part of our written evidence that we would be very happy to expand on the opportunities for second and third generation. That is the point I want to leave you with. It is the second and third generation diaspora. They are not opening corner shops. They are doing other things: you see this in Parliament, you see this in media, but what are we doing with that in terms of UK business? We are seeing women as well. Most of our people on our committee in the UK are women from the diaspora and that is why they use that opportunity.

I think we all do have an opportunity as well. If you look at someone like Baroness Warsi, what did she do before she went into the Cabinet? She did some work for the Government of Pakistan in terms of using her access to legal knowledge in the UK in terms of trade opportunities as well. There are real opportunities there about the diaspora. The challenge we have is we do not have a coherent, cohesive strategy on this. That is why I think it is very important as a message to this Committee, certainly to the Department for International Trade: what are you doing to take advantage of the second and third generation opportunities from the business diaspora? Look at people like Sajid Javid and Priti Patel. They have a business background, then they went into politics. That is the tip of the iceberg and there are many more examples of that from across the party divide.

We need to be recognising that, we need to be doing more with that and we need to be targeting those on to key growth markets for the UK post-Brexit and then we need to be supporting that in all kinds of different ways. The reality is we are not doing that and I think there is a real lost opportunity for the UK. It would not be very difficult to address. Remember this point about the diaspora. If there is a bomb explosion in Pakistan tomorrow, someone is still going to go out for a wedding. The diaspora will go. The diaspora is not put off by things going on. They will find ways around it because they think there are business opportunities. There is a growing middle class and that is why we need to be doing more with that. This is an area where women are as active as men. We need to be doing much more to identify and capture that opportunity.

I also want to close on this point about the three Ts. The three Ts of the diaspora are very important: cheap travel, cheap telephone calls, cheap TV. This brings knowledge about their countries of origin through their TV into the UK. Their access to telephone: they can make WhatsApp calls and connect to communities in a different kind of way in terms of businesses as well, and also in terms of low-cost travel. These are significant opportunities in connecting the diaspora. I think there are opportunities in fashion, in creative industries, in tech, in education, in many services and we are not doing anything like what we could be doing with that.

I think, Chair, we should be starting with GlobalScot. It is a great programme. The problem is we do not have a national programme that recognises where we are now in the UK. I will just close with a specific—

Q320 **Chair:** I would say we have a national programme. I do not know about Union-wide programme. Maybe a minor point to you, but as a Scottish Nationalist it is important.

Arif Zaman: Absolutely, but also I want to say something about Muslims in the UK. When the World Islamic Economic Forum took place in London, why did Boris Johnson, when he was Mayor, call up Sir Iqbal Sacranie from the Muslim Council of Britain? He congratulated him because the Muslim professional diaspora were instrumental in bringing that investment forum to London. We had 17 heads of Government in London. There were contracts that were signed in that period between Muslim countries and London businesses as well. That was an example of the 10 years of Muslim business professionals from the UK. I have been one of them, and there have been others as well going out—spending their own money—to those investment forums, building relationships and saying, "Bring it to the UK". Certainly when Boris was Mayor he personally acknowledged that impact, but we need to be doing much more with that.

Q321 **Chair:** We definitely see that with Ireland, in particular with its relationship with America, as a working example or as a worked example.

Can I just probe for a few minutes on Vietnam? You said, just for a case study build-up here, 15-year working life. You talked about the deregulation of the market and the race to the bottom. What is happening in Vietnam? What are the further pressures on maybe the Vietnamese Government, business and then workers and how they are interacting? We want to understand that a little bit more. Are things getting better, do you think, or is there pressure for the country to compete that is negatively impacting workers?

Thao Hoang Phuong: I think it is still an unsolved puzzle for the Government. In one way, the Government are trying to attract as many as possible investors, and apart from tax, low wages and very weak enforcement of labour law implementation, for example, 87% of the factories for the textile and garment sector have violated the law on overtime, so very low enforcement capacity, also due to the lack of transparency and accountability.

At the same time the local businesses are really trying hard to recruit some of those leftover workers, but the workers have a choice of going back to their home to be contract farm workers because they do not have any land, not many options or choices afterwards, so that is a big problem that we have.

Q322 **Chair:** That is at age 35 they do not have much choice?

Thao Hoang Phuong: After 35.

Q323 **Chair:** Are wages going up or down in the clothing factories that we are talking about?

Thao Hoang Phuong: The salary depends, because the buyer from Europe or the UK do not know about that, so the informal workers work for a contractor and the contractor works for another contractor and then for the buyer, so it is two or three steps before the real buyer is buying.

The cost of one coat here can be £135, but the maximum one factory would get in Vietnam is £8 for one coat after it is finished, so you see the gap of the middleman and the distribution and packing and marketing.

Chair: I understand. Maybe we might write to you with further issues and questions that maybe would help with our report, but can I thank the panel again? A great panel, like the first panel. Mindboggling information in places, concerning information in places and hopeful information in other places for improving things for the future. Thank you all very much. It is much appreciated that you gave your time this morning.