

European Scrutiny Committee

House of Commons, London, SW1A 0AA

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From: Sir William Cash MP

26 March 2020

Rt Hon. Conor Burns MP
Minister for Trade Policy
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Trade preferences for developing countries (Council documents 5949/20 and 6020/20) (41070 and 41072)

We are grateful for your Explanatory Memorandums on the European Commission's latest [report](#) on the operation of the EU's Generalised Scheme of Preferences ("GSP") in 2018-19 and on the [Commission's Delegated Regulation](#) temporarily withdrawing some of Cambodia's trade preferences under the "Everything But Arms" arrangement which grants the least developed countries duty and quota-free access to the EU market for all products except arms and ammunition.

We note that the Government intends to introduce its own trade preference scheme for developing countries from 1 January 2021, using the powers conferred on the Secretary of State by the Taxation (Cross-border Trade) Act 2018 ("the 2018 Act"). [Guidance](#) issued by your Department in January 2020 stated that the UK scheme would "replicate the same market access as the EU's GSP" and "continue to provide trade preferences to the same countries as the EU's GSP".¹ We ask you whether this remains the Government's intention and whether this means that the UK will apply the same criteria as the EU to determine a country's eligibility for trade preferences.

Your comments on the Commission Delegated Regulation indicate that you support the Commission's "proportionate response" to serious and persistent

¹ Guidance on *Trading with developing nations*, published on 30 January 2020. See <https://www.gov.uk/guidance/trading-with-developing-nations-during-and-after-the-transition-period>

human rights violations in Cambodia. You also say that future decisions on suspending trade preferences under the UK's scheme will need careful assessment and that the Government will "reach its own decision in due course about how it will apply preferential tariffs once the UK scheme enters into force in January 2021".

The 2018 Act would allow the UK to vary, suspend or withdraw trade preferences and, in doing so, to apply another rate that is lower than the UK's standard (Most Favoured Nation) tariff.² A recent [Opinion](#) piece in Politico suggested that the EU's ability to "effect positive change by leveraging and revoking trade preferences" would be diminished if the UK were to offer more favourable rates for goods imported from Cambodia post-transition or less stringent conditionality.³ To mitigate this risk, we ask the Minister:

- whether the Government expects to apply the same conditionality on human rights, labour rights, good governance and sustainable development under the UK's scheme as the EU does under its GSP rules; and
- what form of monitoring and reporting the Government intends to put in place to ensure that GSP beneficiary countries comply with any human rights or other conditionality forming part of the UK's future trade preference scheme.

We note, in any event, that the operation of the Protocol on Ireland/Northern Ireland may make it difficult, in practice, for the UK to apply a tariff rate to its GSP beneficiaries that differs from the EU's, given the risk that any differential might cause friction in trade in the affected goods between Great Britain and Northern Ireland or give rise to a diversion of trade. We ask the Minister whether he acknowledges this risk and how significant it will be in shaping the UK's own trade preference scheme.

Finally, the European Commission considers the EU's GSP arrangements to be "the most progressive in terms of coverage and benefits".⁴ We would welcome the Minister's views on this assessment and on the potential for a UK scheme to go further, for example, by reducing the number of products that are classified as sensitive (on which tariffs are still applied), offering more generous rules of

² See section 10(4)(b) of the Act.

³ Politico [Opinion](#), *How Brexit could undermine human rights in Cambodia*, 23 February 2020.

⁴ See the [website](#) of the European Commission's Directorate-General for Trade.

origin and cumulation (to encourage sustainable regional supply chains), and mitigating the "cliff edge" that developing countries can face when graduating out of a trading preference scheme.

We look forward to receiving your response by 15 April 2020.

We are copying this letter to Sarah Champion, Chair of the International Development Committee and Fergus Reid, Clerk of the International Development Committee; Angus MacNeil, Chair of the International Trade Committee and Joanna Welham, Clerk of the International Trade Committee; Simon Hoare, Chair of the Northern Ireland Affairs Committee and Nick Beech, Clerk of the Northern Ireland Affairs Committee; the Earl of Kinnoull, Chair of the EU Select Committee in the House of Lords and Christopher Johnson, Clerk of the Lords EU Select Committee; Edwina Osborne and Stephen Booth, your Departmental Scrutiny Coordinators; and Les Saunders and Donald Harris in the Cabinet Office.

CHAIR