

Written evidence from Dr Stephen R Hurt (Oxford Brookes University) (TDC0006)

Executive Summary

- If development and the promotion of the Sustainable Development Goals (SDGs) are going to be at the heart of the UK's trade approach then the relationship between trade and development needs to be re-considered.
- There have also been a number of changes to the architecture of Government policymaking on trade that have mitigated further against development issues becoming a central concern within debates on trade.
- Although there is no published UK trade strategy document it is apparent that the developmental benefits of 'free' trade are central to the approach towards developing countries. This is in contrast to the view taken by the African Union (AU), which aims for an approach that preserves the policy space of African states to pursue development strategies that will alter the historical patterns of trade with the UK and other developed economies.
- As a consequence of Brexit, the Government decided to inherit the EU's Economic Partnership Agreements (EPAs), which have been politically contentious with concerns raised about their impact on the development prospects for trade partners in Africa. An alternative trading relationship should be considered that considers the views of AU member states and the creation of the African Continental Free Trade Area (AfCFTA).
- It is imperative that impact assessments and development chapters in Free Trade Agreements (FTAs) agreed by the UK with other countries (such as Australia) include a robust consideration of the consequences for developing countries.
- The Government's plan for a new Developing Countries Trading Scheme (DCTS) is to be welcomed if it includes more liberal rules of origin than its predecessor. However, a scheme based on trade preferences will not alter the historical structure of Africa's trade with the UK.
- At the multilateral level, the UK could support the interests of developing countries by supporting both the proposed waiver in the WTO to the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement for COVID-19

vaccines and the G90 group's proposal for a review of the approach to special and differential treatment.

Introduction

1. I am a Reader in International Relations in the School of Social Sciences at Oxford Brookes University. I have conducted research on EU trade and development policy with the Organisation of African, Caribbean and Pacific States (OACPS) since the early 2000s and have published academic articles on both the Cotonou Agreement between the two parties, the subsequent negotiation of EPAs and the post-Cotonou negotiations.¹ More recently I have worked with the All-Party Parliamentary Group for Africa on issues relating to post-Brexit UK-Africa trade relations.² My analysis of the UK's trade approach towards developing countries is therefore largely restricted to my research interests in Africa.

In what ways can the UK's independent trade policy be harnessed to promote development objectives, including but not limited to the UN Sustainable Development Goals?

2. Following Brexit, the UK does have an opportunity to develop a trade policy that is focused on the protection of socio-economic rights and support for the SDGs, rather than the extension of corporate interests. One way to put the SDGs at the heart of UK trade policymaking would be for impact assessments to consider more seriously the consequences of any FTAs for the realisation of the SDGs in both trade partners and third parties. At present, impact assessments are dominated by the results of general equilibrium modelling, which by their very

¹ See for example, Stephen R. Hurt (2003) 'Co-operation and coercion? The Cotonou Agreement between the European Union and ACP states and the end of the Lomé Convention', *Third World Quarterly*, 24 (1), pp. 161-176; Stephen R. Hurt (2012) 'The EU-SADC Economic Partnership Negotiations: 'locking in' the neoliberal development model in southern Africa?', *Third World Quarterly*, 33 (3), pp. 495-510; Stephen R. Hurt, Donna Lee & Ulrike Lorenz-Carl (2013) 'The Argumentative Dimension to the EU-Africa EPAs', *International Negotiation*, 18 (1), pp. 67-87; Stephen R. Hurt (2020) 'African Agency and EU-ACP relations beyond the Cotonou Agreement', *Journal of Contemporary European Research*, 16 (2), pp. 139-162.

² I was the lead author of the APPG for Africa's report on 'UK-Africa Trade After Brexit: Challenges & Opportunities', November 2020 [available at: https://royalafricansociety.org/wp-content/uploads/2020/12/RAS_UK-Africa-Trade-After-Brexit-V3.1.pdf].

design are skewed in favour of the significance of the much narrower macroeconomic interests of the negotiating parties.

3. The architecture of UK policymaking could be both more joined-up and rebalanced in relation to the links between trade and development policy. The recent decision to fold the Department for International Development into the Foreign and Commonwealth Office sends a clear signal that development is subordinate to the UK's foreign policy interests. Moreover, cuts to the UK's budget for official development assistance also reinforce the impression that development policy is a low priority concern for the Government. With a new international development strategy due to be published by the Government later this year, it is of concern that it would appear that UK trade interests will be much more explicitly aligned with aid spending.³ This does not bode well for the aim of integrating the SDGs effectively into UK trade policy. Such an approach is based on the fallacy that 'free' trade benefits all. UK aid money should be focused first and foremost on supporting development outcomes and should never be used to secure trade deals with developing countries.

4. The institutional mechanisms created by the Department for International Trade (DIT) for input on trade policymaking by non-state actors have been altered in such a way as to virtually exclude any voices from development-focused NGOs in the UK. This is because DIT took the decision in 2020 to dissolve the Expert Trade Advisory Groups (ETAGs) that had been created to allow direct discussion with representatives from civil society organisations. ETAGs have been replaced by Trade Advisory Groups (TAGs) and these new groups are organised around what DIT identifies as eleven key sectors of the UK economy. As a result, membership of the TAGs are limited exclusively to UK business interests. Moreover, of the twenty-one current members of the Strategic Trade Advisory Group (STAG), set up by DIT in 2019, only one has a direct interest in the impacts of trade on developing countries, whilst UK business interests dominate the membership. If the Government is going to put development at the heart of its

³ In a letter from then Foreign Secretary, Dominic Raab MP, to the Chair of the International Development Committee on the new strategy for aid, it was stated that the UK 'will focus only on countries where the UK's development, security and economic interests align' [available at: <https://committees.parliament.uk/publications/3683/documents/38142/default/>].

trade policy then a much broader range of voices need to be included in such strategic discussions.

To what extent are the Government's current trade priorities geared towards meeting development objectives?

5. The first observation to make in relation to any discussion of the Government's current trade priorities is that it has still not published a strategic trade strategy document. DIT's 2017 White Paper did include two-pages that were focused on how post-Brexit UK trade policy will be 'supporting developing countries to reduce poverty'.⁴ In particular, it outlined a desire to maintain unilateral trade preferences for Least Developed Countries (LDCs) but also confirmed the intention to replicate the EU's EPAs on the basis that these benefit development in partner countries in the OACPS. EPAs have been both politically contentious and their developmental benefits are contestable (see paragraphs 9-15 below).

6. While there is no overarching trade strategy, DIT has recently published an updated version of its export strategy document, which focuses on supporting UK businesses to make maximum gain from the numerous post-Brexit FTAs that the UK has already signed or is in the process of negotiating. It makes very little reference to international development but does make it clear that the core assumptions of the developmental benefits of free trade are at the heart of the UK's approach to developing countries. It states that the Government supports 'markets to develop through co-operation on areas such as standards, regulations, infrastructure, economic management and financial markets, helping to improve economic growth and flows of trade and investment. This helps developing countries to reduce poverty, while also creating a more conducive environment for UK businesses to operate and improving the resilience and quality of supply chains'.⁵

⁴ See Department for International Trade (2017) *Preparing for our future UK trade policy*, October, pp. 31-32.

⁵ Department for International Trade (2021), *Export strategy: Made in the UK, Sold to the World*, 17 November, p. 38.

7. The assumptions being made by the Government about the benefits of free trade – and in particular the inclusion of behind-the-border regulatory issues – for developing countries should be challenged. The use of subsidies and the prioritisation of domestic economic actors in developing countries should be seen – not as trade protectionism – but as a legitimate tool for development. This is the only way to alter the structure of Africa’s trade relationship with external partners such as the UK. The profile of Africa’s external trade beyond the continent has altered little since the colonial era. As a recent UNCTAD report notes ‘the export potential of Africa is undermined by a significant dependence on primary commodities, which account for about 70 per cent of extra-African exports; manufactured goods account for only 15 per cent of extra-African exports’.⁶ The COVID-19 pandemic has brought into sharp relief the need for African countries to develop regional value chains and manufacturing across the continent to ensure improved resilience in the future.
8. This alternative view of the relationship between trade and development is at the heart of the long-term vision outlined by the AU. Its ‘Agenda 2063’ plan has at its core the aim of ‘transforming Africa’s economies through beneficiation from Africa’s natural resources, manufacturing, industrialization and value addition, as well as raising productivity and competitiveness’.⁷ This vision will only be realised if the external environment is conducive to such an approach. It is therefore important that the UK Government seeks a trade relationship with Africa – and developing countries more broadly – that allows the ‘policy space’ for domestic and regional development strategies that are not focused on external trade liberalisation.

Should the UK’s Economic Partnership Agreements with African, Caribbean and Pacific countries be renegotiated? If so, how, by what means and to what end?

⁶ UNCTAD (2021) *Economic Development in Africa Report 2021: Reaping the Potential Benefits of the African Continental Free Trade Area for Inclusive Growth*, New York: United Nations, p. 39.

⁷ African Union (2015), *Agenda 2063: The Africa We Want*, Addis Ababa, African Union Commission, p. 13.

9. Upon its departure from the EU, the UK chose to inherit the complicated patchwork of Economic Partnership Agreements (EPAs) with members of the OACPS. The justification of this approach was to ensure continuity in market access to the UK for African exporters. In particular, Kenya, Ghana, Côte d'Ivoire and Cameroon (as non-LDCs) were faced with a potential loss of preferential access without an EPA or alternative transitional mechanism. This short-term benefit of securing market access is likely to lead to a medium-term locking-in of the UK's EPAs. The Government has made it clear that its priority trade partners lie elsewhere and so there appears to be no immediate prospect of an alternative to EPAs.
10. The negotiation of EPAs between the OACPS and EU, which began as far back as 2002, has been problematic and politically contentious. Those African trade partners with LDC status have had access to the EU market under its 'Everything But Arms' (EBA) scheme since 2001. This provides non-reciprocal duty-free and quota-free access to all LDC exports except arms and armaments. As a result, there has been little incentive for LDCs to sign EPAs as part of the different regional groupings negotiating with the EU. Hence, there is a lack of coherence to the set of arrangements that the UK has decided to inherit from the EU.
11. The groups of countries, or in some cases individual African states, that have agreed EPAs, do not necessarily coincide with the evolving framework of Regional Economic Communities across the continent. For example, Kenya has signed an EPA with the UK, despite the rest of its regional partners in the East African Community (EAC) refusing to do so. This has created problems for the EAC given that it has established a customs union with a common external tariff to goods imported from external trade partners.
12. There was significant African opposition to the negotiation of EPAs with the EU. This has been expressed at the governmental level, by manufacturing sectors in some leading African economies and by civil society organisations. In particular, concerns have been expressed over the impact that the deep integration approach, envisaged by the EU, will have on the prospects for development in Africa. By seeking to go beyond the trade in goods to include rules on

investment, competition policy and government procurement, the EU has run into resistance on a number of levels.

13. The main concern driving such resistance has been that EPAs will undermine attempts at regional integration in Africa, by increasing imports from the EU and thus reinforcing the historical structure of trade discussed above (see paragraph 7). The UN Economic Commission for Africa (UNECA), for example, has argued that EPAs could ‘see a significant influx of European Union exports to African countries in almost all sectors (especially in industrial goods)’.⁸ More recent empirical research suggests these concerns are well-founded.⁹
14. This undermines the ambition of the AU, described above (see paragraph 8) and their aim for the structural transformation of African economies. The impact of EPAs will reduce the necessary policy space for African countries to be able to diversify and develop regional supply chains across the continent.
15. Therefore, the UK should not aim to re-negotiate EPAs, and instead should seek to replace them with a more appropriate set of trading arrangements. An alternative framework for trade with the African continent should take account of the development strategy outlined by the AU and in particular the implementation of the AfCFTA.

What effects, if any, will the UK’s trade agreements with developed countries, such as Australia and New Zealand, have on its trade with developing countries (for instance by potentially eroding the preference advantages currently enjoyed by many developing countries)?

16. The Government has made much of the fact that the recently agreed UK-Australia FTA includes a dedicated chapter on development. The impact assessment that was published does acknowledge the potential for developing

⁸ UN Economic Commission for Africa (2017) *Transforming African economies through smart trade and industrial policy*, Addis Ababa: UN Economic Commission for Africa, p. 15.

⁹ See Frederik Stender et al (2021) ‘The Trade Effects of the Economic Partnership Agreements between the European Union and the African, Caribbean and Pacific Group of States: Early Empirical Insights from Panel Data’, *Journal of Common Market Studies*, 59 (6), pp. 1495-1515.

countries to suffer from preference erosion as a result of the FTA. Raw cane sugar is identified as the product where trade diversion is most likely to be an issue for a number of developing countries who export to the UK. The development chapter contained in the FTA itself is actually extremely short and says very little beyond a commitment that the two parties *may* (not even will) monitor the potential impacts on developing countries.¹⁰

How can the planned Developing Countries Trading Scheme improve on its predecessor, the UK Generalised Scheme of Preferences?

17. The Government consultation, launched in July 2021, on the idea of a new Developing Countries Trading Scheme (DCTS) was structured in such a way that it was clear that the aim was to get detailed technical feedback on what impact trade preferences for developing countries have on UK businesses. Much broader questions over how trade can facilitate development in partner countries were not considered.

18. The underlying rationale of granting trade preferences to developing countries through such a scheme is that an export-led growth model is preferable in all circumstances. The aim is to boost exports but not to ask any questions about what kind of exports. This contradicts the alternative view of development discussed above (see paragraph 8) and the AU's vision for altering the structure of external trade and boosting intra-African trade. The existing Generalised Scheme of Preferences (GSP), soon to be replaced with the DCTS, will not fundamentally address the colonial structure of the UK's trade with many of its key African trading partners. For example, for the four quarters up until the end of Q3 in 2021, 91.3 per cent of Nigeria's exports to the UK were crude and refined oil.¹¹ For the same period, 57.4 per cent of South Africa's exports to the UK were either non-ferrous metals or metal ores and scrap.¹²

¹⁰ For the full-text of this chapter see 'UK-Australia FTA Chapter 23: Development' [available at <https://www.gov.uk/government/publications/uk-australia-fta-chapter-23-development>].

¹¹ See Department for International Trade (2021) 'Trade & Investment Factsheets: Nigeria', 18 February, p. 5.

¹² See Department for International Trade (2021) 'Trade & Investment Factsheets: South Africa', 18 February, p. 5.

19. The introduction of the DCTS provides an opportunity for the Government to reconsider the criteria used to determine which countries qualify for the different tiers of the preference scheme. It is clear from the way that other developed countries have devised their trade preference schemes that there is some flexibility within WTO rules. The current GSP, inherited from the EU, adopts the rather crude income-based understanding of development. A more nuanced approach would be to use UNCTAD's definition of structurally weak, vulnerable and small economies.¹³
20. Turning to the more specific proposals within the Government's Statement of Direction on the DCTS, it does include one potential benefit for developing countries. This is the proposal to simplify the rules of origin so that cumulation between partner countries will be expanded. Given the implementation of the AfCFTA it would be beneficial if this cumulation could be extended between all African countries who are party to the DCTS. This is another reason why the continuation of EPAs is a problem, because rules of origin for the DCTS may clash with alternative rules for any African states that have signed EPAs.
21. The Statement of Direction also proposes 'a simplification of the conditions that could lead to a suspension or variation of preferences for any GSP country' and a 'consideration of the conditions and reporting requirements of the Enhanced Framework.'¹⁴ The details on how these conditions might be made simpler is not made clear. For many developing countries, the requirement to ensure compliance with either labour standards or strict sanitary and phytosanitary measures for agricultural goods can result in non-tariff barriers to trade. At the same time, a lowering of standards can result in a race-to-the-bottom and it is therefore imperative that any changes to these standards in the DCTS do not result in such an outcome. It is incumbent on the UK Government to provide targeted aid for trade funding to enable compliance with such standards.

¹³ Traidcraft (2017) *Post-Brexit Trade: Options for continued and improved market access arrangements for developing countries*, February, p. 14.

¹⁴ Department for International Trade (2021) *Statement of Direction: Designing a new UK trade preferences scheme to take effect in 2022*, July, pp. 9-10.

How should the UK Government be working with, and on behalf of, developing countries through the World Trade Organization and other multilateral forums?

22. The first and most pressing matter that the Government could do to support the needs of developing countries in the WTO is to end its opposition to the proposed waiver to the TRIPS Agreement for COVID-19 vaccines. Support for vaccination hubs across the Global South, which includes the recently created mRNA vaccine technology hub in South Africa, is to be welcomed. However, rules on intellectual property remain a significant obstacle to the manufacture of vaccines across the African continent, where the majority of the population are still yet to receive a COVID-19 vaccine.
23. The Government could also signal its support for developing countries at the multilateral level by supporting the recent proposal from the G90 group for a review of the WTO's approach to special and differential treatment. This statement is aligned with the alternative view of the relationship between trade and development outlined above (see paragraph 8). It argues that 'WTO rules must give space for economic actors to grow local production capacities, thereby energizing local, domestic, and regional markets and economies, and improving the quality of employment and living standards'.¹⁵

28 February 2022

¹⁵ G90 Declaration on Special and Differential Treatment (2021), p. 2 [Available at: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/GC/234.pdf>].