



Department for
International Trade



Department for
Business, Energy
& Industrial Strategy

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Dear Andrew,

Thank you for your continuing strong interest in, and commitment to, trade with developing countries and opening this important discussion. As I said during the debate, the Government shares your desire to use trade preferences to support trade and international development. I would like to take this opportunity to respond to some of the important points you raised.

I note your interest in Parliament debating the new UK Generalised Scheme of Preferences (GSP), particularly as you believe that the UK and EU will be diverging in approaches to trade preferences when the UK GSP takes effect. However, I would like to clarify that the current EU GSP will continue to apply in the EU until the end of 2023. The Trade Preference Scheme Regulations, which the UK will lay in Parliament to take effect at the end of the Transition Period, will replicate the three levels of market access as the EU GSP including the abilities to suspend preferences. Therefore, as the Regulations do not give rise to any significant changes compared to the EU's Generalised Scheme of Preferences, the Government considers it more appropriate, at a time when Parliamentary time is stretched, to keep the Regulations under negative procedure.

The UK is committed to introducing improvements to its GSP around, if not before, the same time as the EU's reformed GSP takes effect, and I was grateful for the comments from Noble Lords across the House in the Committee about how the UK GSP may be improved in future. The Government is committed to continuing discussions with Parliamentarians about the design of the future UK GSP. We believe it is appropriate for future legislation to introduce changes to the UK GSP to be scrutinised by Parliament.

You also raised a concern regarding the Philippines. The Government shares your concerns about human rights in the Philippines, and the treatment of some human rights defenders and journalists. The Government continues to raise these concerns bilaterally and in International fora, like the United Nations Human Rights Council. The UK GSP will provide an avenue for continued dialogue with the Government of the Philippines about these issues.

I note your reference to the analysis paper from the UK Trade Policy Observatory, Overseas Development Institute and the Centre for Global Development. The Government continues to work with these organisations as improvements to the UK's trade policies for developing countries, are developed.

When developing the UK Global Tariff (UKGT), the Government considered products that are particularly important for developing countries and where tariffs could be retained to retain preferential access for developing countries. This objective has been balanced against the other principles set out in the Taxation (Cross-Border Trade) Act 2018. Tariffs have been retained on goods such as vanilla, plantains, fresh peas and bed linen to support the preferential access of developing countries to the UK market. The paper mentioned above, acknowledges this by stating "the preference erosion introduced by the UKGT has surprisingly small effects for EBA and GSP+ countries. This appears to be due to the fact that, where the market share of EBA and GSP+ countries is the largest (in the 8–10% tariff band), the overall price change arising from moving to the UKGT is lowest".

You also raised concern regarding securing continuity trade agreements, and I would like to reassure you the government is working closely with partner governments to secure these trade agreements. We recognise the impact that a loss of duty and quota free access to UK markets after the transition period could have on Kenya and Ghana if an agreement is not in place. We continue to engage with them to secure a trade agreement that will provide this duty and quota free access and provide lasting certainty for them and UK businesses in our trading arrangements. If Kenya and Ghana have not yet been transitioned into a UK-partner country trade agreement then, as lower-middle income countries they will be able to get trade preferences through the UK Generalised Scheme of Preferences from 31 December 2020.

Finally, I can assure you that Regulations have been prepared to create the UK GSP and to implement the rules of origin. The Regulations set out similar rules for cumulation as the EU GSP, this includes bilateral cumulation with the UK, opportunities for regional cumulation with neighbouring developing countries and extended cumulation with UK FTA partners. Based on replicating developing countries' existing access, the UK GSP rules of origin will also, unilaterally, allow developing countries to continue to use goods originating from the EU, Norway and Switzerland in their exports to the UK.

Thank you again for raising these important issues. I would be happy to meet you to discuss the Government's work to support trade and development if you would find this useful.

I am placing a copy of this letter in the Library of the House.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Grimstone". The signature is written in a cursive style with a large initial 'G' and a long, sweeping tail.

Lord Grimstone of Boscobel, Kt
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