

An ambitious UK trade for development policy in 2021

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Key messages

- Ensuring a trade-supported recovery from Covid-19, promoting digital trade and e-commerce, making trade climate-compatible, promoting a new post-Brexit trade policy and delivering effective Aid for Trade are some of the key issues facing UK trade policy-makers at present.
- In 2021, the UK will make a number of crucial decisions, for example about its trade policy and preference scheme, and make commitments at international fora such as the [WTO](#), the [UNFCCC/COP](#), the G7/20 and [CHOGM](#).
- The UK should aim for an ambitious trade for development agenda in 2021.

Introduction

A number of critical trade issues and trade policy events will make 2021 a significant year for trade policy-making, in the UK and globally. Decisions made this year will affect many lives in years to come, including in the poorest economies.

Several trade issues are currently at the front of policy-making, including a trade-supported recovery from Covid-19, digital trade and e-commerce, trade and the climate, a post-Brexit trade policy and Aid for Trade.

In 2021, the UK will make a number of decisions, for example about its trade policy and trade preference scheme, and make commitments at international fora such as the World Trade Organization (WTO), the United Nations Framework Convention on Climate Change Conference of the Parties (UNFCCC/COP), the G7/G20 and the Commonwealth Heads of Government Meeting (CHOGM).

This note reviews key trade debates and international trade policy events to map out an ambitious trade for development policy agenda that goes beyond the trade continuity the UK was seeking post-Brexit.

Key trade debates

From trade protection to global trade facilitation

Several countries are reverting to protectionist and discriminatory measures to boost the recovery of their economies. However, restricting trade will slow down the economic recovery and hamper access to medical and essential goods.

Combining trade, development and climate interests

The Covid-induced economic crisis has moved attention away from the climate emergency. However, the climate crisis remains and countries need to adopt new climate measures (e.g. new standards) which support the adoption of cleaner technologies but which do not restrict trade.

Seizing opportunities to boost the digital economy

The economic crisis has increased the [need for and use of the digital economy and e-commerce](#). Significant barriers limit international e-commerce operations, especially for small firms and poorer countries. Digitalisation also facilitates the provision of traditional services such as education, healthcare and entertainment. Active policy should avert a digital divide and to address non-digital issues affecting e-commerce.

Changing geopolitics

The rise of China and its conflict with the US (under a new leadership) and EU, and continuing UK-EU discussions will affect the global outlook and how countries such as the UK work with third countries.

Regionalism and supply chains

The crisis is likely to lead to a more regionally fragmented world economy. In Asia, China is likely to gain greater trade and investment interests in the region. In Africa, the African Continent Free Trade Area (AfCFTA) is gaining momentum, which will lead to stronger regional links. This could lead to a further emphasis on regional supply chains.

Global trade governance

The WTO needs to be prepared for trade challenges related to the economic recovery. It is essential that the

WTO's dispute resolution function become more effective. WTO provisions appear insufficient to deal with upcoming challenges. Moreover, the WTO has failed to significantly reduce trade barriers across the world over the past two decades.

Rethinking and boosting Aid for Trade

Many countries will require technical and financial support to deal with trade challenges and to make use of trade opportunities. More Aid for Trade facilitation, which is also more focused on digital and green economies, would be helpful. Improving the productive capabilities of poor countries will help them participate in the global economy, which will help build export partners for donor countries.

Further UK tariff liberalisation

Leaving the EU Customs Union has brought the possibility of adopting a simpler tariff structure and delivering some lower tariff protection. This will benefit consumers in the UK and exporters elsewhere. There are products in which further reductions can be made without harming preferential access for developing countries or affecting UK production. Many imports are crucial for UK national security and should therefore be facilitated.

A new relationship with the EU

The EU remains the UK largest trade and development partner after Brexit, and this relationship should not hamper bilateral aid and trade with third countries.

Key trade policy moments in 2021

Several global events in 2021 offer the opportunity to significantly shape global trade and investment policies. The UK will host **UNFCCC COP26** in November 2021. As co-lead, the UK will be partly responsible for the success of the COP. Recently announced, ambitious cuts of 68% in UK emissions are a [good start](#). The UK could further promote global climate action without harming the development opportunities or trade-induced spread of green technologies. It is important to ensure functioning carbon markets, agree effective carbon standards and labelling, support compliance in the poorest countries, and support transformative trade strategies in nationally determined contributions (NDCs). The UK should better use its financial sector for a green recovery.

The UK is chair of the **G7**. The UK should seek to facilitate the re-engagement of the US in the multilateral decision-making process after four years of isolationist approaches. The G7 should focus on climate change, health and trade, focusing on resilient supply chains and services trade (modalities for keeping trade flowing safely, resilient to shocks).

Global climate change action and development policies are expected to receive significantly more attention in the **G20** (hosted by Italy). The G20 includes many large emerging economies (China, India, Brazil), which are facing the challenge of continuing developing their economies constrained by climate change. The G20 should be more effective in ending fossil fuel subsidies.

The **WTO Ministerial Meeting (MC12)** will include discussions on traditional trade-related issues, among them disciplines regarding fisheries subsidies and other related practices, on which the UK and developing countries share positions. There will also be attention to e-commerce and investment facilitation.

Rwanda is expected to host **CHOGM** in June 2021. This will be an opportunity to support the poorest and most vulnerable economies using support for digital cooperation and female entrepreneurship.

In 2021, the UK will revise its **Generalised System of Preferences (GSP)**; this should be simplified, improved and focused on countries most in need, with flexible rules of origin. The UK could explore preferential treatment of and improving cooperation for UK services imports from poor countries.

After rolling over **free trade agreements (FTAs)**, the UK should aim to update and modernise them, beyond securing continuity. It could also include development cooperation, services and investment measures.

In January 2021, the **UK–Africa Investment Summit** can boost investment in areas of mutual interest.

The **AfCFTA** was launched on 1 January 2021. This marks the start of a long period of further integration among African countries. This requires continuous efforts and support in multiple areas. This support will facilitate future discussions around a UK–Africa FTA.

Towards an ambitious UK trade for development policy in 2021

The UK should develop an effective import policy and make ambitious commitments at international trade events in 2021. We will extend the broad themes in the table below with further details in the near future.

| | G7/G20 | COP | WTO | CHOGM | UK |
|----------------------------|--|---|--|--|--|
| Digitalisation; e-commerce | Focus on (digital) services | | Advance negotiations | Aid for digital trade initiative | Include in FTAs |
| Trade and climate | Development-compatible climate policy | Climate policy that facilitates trade and development | | Development-compatible climate policy | Strong UK commitment. Green UK financial sector |
| Resilient value chains | Ambitious initiative to keep value chains open | | Firmer opposition to export restrictions | Support ambitious connectivity agenda | Import facilitation |
| Aid for Trade | | Support transformative trade in NDCs | Support for participation of poorest countries | Extend <i>She Trades</i> ; digital trade | More, focused on digital, green, AfCFTA |
| UK national interest | | | Fisheries; e-commerce; investment | | Import policy in national security interest; GSP |