

## **Britain in the World**

### **1. What is the role of international trade in promoting domestic economic growth, boosting jobs, and driving up wages?**

International trade can be a useful tool for promoting economic growth and the green transition. The UK should learn the lessons of US President Biden's Inflation Reduction Act, which pioneers development of green technologies domestically, creating jobs, boosting net zero and helping cement the USA's status as a green industrial superpower. Labour's policy on international trade must be linked to supporting and developing domestic industries, and our strategic priorities such as reaching net zero. The UK must lead the world in key green technologies, and export that expertise around the world. The next Labour government must not be afraid to have big aspirations in this space.

International trade is important. But we must not allow other countries to subsidise their industries and flood the UK market with artificially cheap products. This is a particular problem when it comes to heavily traded and often undifferentiated materials such as steel. International trade must be conducted in a way which supports critical national industries like steel.

The TRA has taken on responsibility for determining anti-dumping measures and anti-subsidy measures in the UK. Recent reforms have given the government far more flexibility to make trade remedies decisions in the best economic and public interest for the UK. We believe the next Labour government must be proactive in using its trade policy to prevent dumping of products on the UK market, especially in a context where other states have imposed protectionist trade measures, leaving the UK as one of the only open markets for some steel products.

### **2. How can Labour ensure the UK's international trade policy promotes growth and investment across the nations and regions of the UK?**

Supporting the steel industry through trade policy, and other measures, is critical for the flourishing of the regions and nations of the UK. The steel industry is a valuable foundational industry which supports manufacturing and defence across the UK. It will be worth £6 billion by 2030. The value of the exports from Britain's steel industry is £3bn, a key contribution to international trade. Steel made in the UK underpins everything from the construction of major infrastructure to the development of paint, food packaging and hospital beds.

33,000 people are directly employed by Britain's steel industry, and an additional 40,000 people work in the steel supply chain. Those jobs, which are located throughout the UK are reliant on the future of the industry.

Steelmaking communities are strong communities built around the key infrastructure of the steelworks. Community research has found that over 88 per cent of steelworkers are the main earner in their household. The steel industry supports families and communities across the country including in the areas such as Yorkshire and the Humber and South Wales where steel jobs are better paid and better-quality jobs than local averages. Steel jobs support economic prosperity across the whole of the United Kingdom and are critical for levelling up.

### **3. How can Labour build resilience into the international trade system and better ensure the security of essential supply chains?**

The twin challenges of Brexit and the COVID-19 pandemic created a serious challenge for the model of just-in-time supply chains that had predominated in the era before the 2020s. Manufacturing

businesses across the UK have struggled with raw material shortages. We believe this is a major contributory factor towards the inflation that the UK has been facing throughout 2022 and 2023—much of the price increases we've seen have been imported from abroad (albeit especially with respect to energy). Even though tariffs are mainly avoided on goods, companies are required to complete additional paperwork and declarations when moving goods across the EU/UK border. These delays at the border have a particularly damaging impact in industries with just-in-time supply chains, and for products with short shelf lives but are also associated with extra costs for all companies. Whilst the Windsor agreement has mitigated these issues from a Northern Ireland perspective, they continue in the rest of the UK.

One key factor in building the resilience of essential supply chains is to ensure domestic capacity. This is particularly key in areas like steel which is critical for national defence and underpins manufacturing in the UK.

But the next Labour government must also reform post-Brexit trade rules and cut red tape to ensure that imports and exports can travel more smoothly.

Another consequence of Brexit has been issues of labour shortages. Research done by the centre for European Reform found that by June 2022 there was a shortfall of around 460,000 EU-origin workers, and an increase of 130,000 non-EU workers compared to the situation if free movement had not ended<sup>1</sup>. The net result is a shortfall of around 33,000 workers about 1% of the Labour force.

We are still seeing labour shortages in many sectors, which is harming the national economy. Furthermore, some employers are looking further afield for workers since workers of EU origin are no longer able to travel to the UK to undertake low-skilled work to the same extent as before Brexit. This is leading to widespread labour abuses including breaches of minimum wage legislation, as intermediaries charge workers to access the UK labour market. With little prior experience of bilateral relations with some of the affected countries, UK enforcement agencies are struggling to crack down on these practices. The next Labour government must work to ensure that all migrant workers are paid a fair wage and work with international partners to crack down on intermediaries. It must also make sure that workers are able to travel from the EU and other countries to support the needs of workplaces in crucial sectors.

#### **4. How will a Labour government's trade policy reduce poverty and global inequality whilst promoting (a) human rights, (b) workers' rights, (c) fair trade and (d) global peace and security?**

Labour's trade policy can promote human rights and workers' rights by obliging the trade remedies authority to have due consideration of labour and human rights violations when determining whether a fair market price applies to imported goods.

#### **5. How can Labour use trade policy to deliver environmental protection and help drive the world to net zero?**

One key policy that the government must implement is a Carbon border adjustment mechanism. The UK's current carbon pricing mechanism, the Emissions Trading Scheme (ETS) applies to domestic production, but no price is applied to imports of the same products.

The UK emissions trading system has become increasingly costly for the steel industry. UK Steel have forecasted that costs could increase to over £400mn a year towards the end of the 2020's, leading primary steelmaking economically unviable. Yet, because the ETS does not apply to imports, high

carbon prices imposed domestically increase domestic production costs but will likely not reduce overall carbon emissions because customers will choose cheaper (but higher carbon) imported steel.

The next Labour government must offer fair carbon pricing, in order to ensure that primary steelmaking is competitive, and the green transition is supported. If measures do not apply equally and fairly to imports, applying such measures will fatally harm the UK steel industry, contributing to de-industrialisation, but without reducing emissions. This is especially true of an industry like steel which is so heavily integrated into international trade, where high emission steel from competitors abroad is ready and waiting to flood the market.

A CBAM applies carbon prices on imports equivalent to those faced by domestic producers, ensuring that domestic steel producers face a level playing field with producers abroad. It also helps to encourage producers abroad to comply with environmental regulations in order to gain access to the UK market.

The UK must mirror the European proposals for a CBAM. Doing so will prevent the UK industry from being outcompeted by steel producers who face lower carbon prices. Otherwise, high emission steels are likely to flood the UK market, particularly when they cannot reach the European market due to the EU's own CBAM. Increased import volume will depress prices, further harming the competitiveness of UK produced steel. This will result in the closure of UK steel plants, job losses, and significant harm to the UK economy.

Of course, a CBAM is not the only policy needed to promote green steelmaking. Energy intensive industries like the steel industry must face equivalent energy prices to countries like France and Germany in order to support the international competitiveness of the UK industry. This means the next Labour government must deliver reduced network charges and providing energy price guarantees to give producers stability and security. Our priorities also include essential capital investment to support the transition of the industry to green production methods.

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