

Submission by Traidcraft Exchange
to the Commons International Trade Committee inquiry into
UK trade negotiations: Agreement with Australia

14/01/2021

About this submission

1. Traidcraft Exchange is the UK's only development charity dedicated to making trade work for people living in poverty in the global south. It was established in 1995 as the sister organisation to the social enterprise Traidcraft plc. Traidcraft Exchange runs programmes in South Asia and Africa supporting small businesses, farmers, and workers. In the UK we campaign and advocate for improvements in the practices of the UK Government and UK businesses relating to trade.
2. This submission addresses the question - What lessons and inferences for other current and future negotiations can be drawn from how the Government approached, and what it secured in, the FTA with Australia? - with regard to climate change and development.

The UK Government's approach to trade

3. Climate change is already hitting the poorest and most vulnerable communities around the world hardest and entrenching global poverty. Traidcraft Exchange is committed to working with local communities in the global south to access the benefits of trade and adjust to a changing climate. For example, we work with textiles artisans in Northern India, a part of the world that is facing water insecurity, to reduce the environmental impact of their businesses. It is crucial that the efforts of communities such as these are supported by a coherent approach to trade, climate change and development by the UK Government.
4. The UK has developed a position as a world-leader on climate change, being the first country to legislate for emissions reductions in 2008, and the first major economy to commit to net zero, in 2019, with ambitious intermediate targets. The Government also achieved significant agreements while hosting this year's COP26 in Glasgow, and holds the presidency for another year.
5. The UK has also led the way on global development in previous years, with a world-leading aid commitment and the work of the Department for International Development, now under the Foreign and Commonwealth Office. The FCDO is still responsible for delivering on the UK's commitment to the Sustainable Development Goals, which include ending poverty, promoting sustainable agriculture, promoting work for all, and taking urgent action to combat climate change.
6. However, we are concerned at the seeming disconnect between the UK Government's stated objectives on climate change and development and its approach to trade post-Brexit, demonstrated in the FTA with Australia. These concerns fall under:
 - a. increased emissions due to FTAs
 - b. choice of FTA partners
 - c. climate content of FTAs

- d. climate-related content of FTAs
 - e. development content of FTAs
 - f. development-related FTAs
 - g. scrutiny of FTAs
7. We urge the Government to develop and publish an over-arching trade strategy that aligns with its climate and development objectives, to steer its FTA negotiations and other trade policy decisions going forward. Without such a strategy, it is difficult to imagine that the missed opportunities of the FTA with Australia will not repeat themselves.

Increased emissions due to FTAs

8. All FTAs will increase carbon emissions through increased UK production and transport of goods and services, given current technologies. For example, the UK-Australia FTA predicts an increase in carbon emissions of 31% to 40% in transport emissions associated with trade with Australia. This is in tension with the UK's net zero goals and must be addressed through concrete mitigation steps as the UK moves forward with future FTAs.
9. There is also the issue of consumption emissions from imports, which equal [46% of UK emissions](#) and yet are not adjusted for in our progress towards net zero. In this case, increased trade with Australia is predicted to lead to greater imports of carbon-intensive products, such as Australian beef, and further increase overall UK emissions. As part of its trade strategy and as further FTAs are signed, the Government must adopt targets for reducing consumption emissions, and measures to ensure UK consumption reverses the trend towards 'offshoring' production emissions.
10. It must also publish clear measures designed to prevent carbon-intensive imports such as Australian beef from undercutting UK producers and putting pressure on UK climate standards.

Choice of FTA partners

11. The choice of Australia as partner for the UK's first 'new' trade deal poses serious questions about the Government's priorities. Australia is rated 'highly insufficient' by [Climate Action Tracker](#), and scored worst out of 193 countries for climate action in the UN's [Sustainable Development Report](#) for 2021. Its emissions per capita are among the highest in the world, behind only several Arab states and Canada according to the [World Bank](#). Australia's emissions reductions target by 2030 is only 26%, half of that pledged by other developed countries. And its plan to achieve net zero by 2050, announced just before COP26, has been heavily criticised for reliance on as-yet-undeveloped technology, offsets, and 'global trends', with a continued reliance on coal and gas for both export revenue and domestic electricity production. Deforestation, driven by beef production – which is set to increase under the FTA with the UK - continues at a concerning rate, with Australia the only OECD country labelled a 'deforestation hotspot' by [WWF](#) in 2021.
12. These concerns have now been heightened by the Government's decision to move forward with efforts to conclude an FTA with the Gulf Cooperation Council (GCC), who fare equally

badly in regards to their climate record. Offering trade deals to such countries undermines the UK's position as a global leader on climate and sends entirely the wrong message to our trading partners and to countries the UK would hope to influence in multilateral climate talks.

Climate content of FTAs

13. The outcomes of the Agreement in Principle and now the FTA with Australia suggest that, in trade negotiations with partners with poor records on climate, the UK is either unwilling or unable to secure concessions that would mean genuine progress with countries with poor climate records. This bodes poorly for negotiations with the GCC.
14. The language in the Environment Chapter of the FTA with Australia is weak and disappointing. Provisions include only that the parties will 'strive to... continue to improve (their) respective levels of environmental protection' and 'affirm (their) commitment to implement the multilateral environmental agreements to which (they are) a party'... 'including under the UNFCCC... and the Paris Agreement; and also to 'cooperate to address' climate-related matters.
15. Crucial language is missing, such as around the need to limit warming to 1.5°C – the goal of the UK-hosted COP just last year – or to improve national emissions reductions targets in line with this goal. There is no commitment to the monitoring of the climate impacts of the FTA, and the suspension of its provisions as needed.
16. There is also no mention of agriculture, despite its centrality to efforts to address deforestation and emissions, or of fossil fuels. These striking omissions are in contrast to the Agreement in Principle reached with New Zealand last year, which pledges to include in that FTA 'commitments... to transition away from fossil fuels, including ending unabated coal-fired electricity generation, and taking steps to eliminate fossil fuel subsidies... and 'on sustainable agriculture.'
17. This reflects more of the gold standard trade deal the UK Government should be pushing for with all trading partners, but that is unlikely to be secured by the current piecemeal approach. Indeed, failing to secure more ambitious language in the agreement with Australia may now makes it less likely that the UK can press other, similar countries to accept such language.

Climate-related content of FTAs

18. We are glad to see that the FTA, as in the Agreement in Principle, does not include Investor State Dispute Settlement (ISDS) provisions. In the past two decades, the interpretation of these laws has been broadened to allow corporations compensation for the impact of government policies on future profit expectations, effectively removing the right of a government to regulate in the public interest without risking huge fines. This includes essential action to address climate change.
19. Cases have been brought by fossil fuel corporations against: governments in Germany, the Netherlands and Canada over the phaseout of coal power; in France over the attempted phase out of fossil fuel extraction; in Canada over bans on new shale exploration; in Italy over cancellation of a new crude oil extraction site; and in the US over cancellation of the extension of the Keystone Pipeline.

20. However, without a firm statement to the contrary, it remains unclear whether the Government will allow itself to be bound by ISDS provisions upon entry to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), for which negotiations will likely progress this year, and in other future FTAs.
21. The FTA with Australia also includes concerning provisions liberalising public procurement and restricting 'local content requirements.' These could impact the Government's ability to support green suppliers, and domestic green industries and transitioning workers, respectively. In contrast, the FTA does not include patent waivers and flexibility for green technology. These provisions (or their lack) show an incoherence between the Government's approach to trade and the climate, with worrying implications for the CPTPP negotiations and for future FTAs.

Development content of FTAs

22. The Government is celebrating, with the UK-Australia FTA, the inclusion of the first chapter on development in an FTA between two developed nations. However, the short page-and-a-half long chapter is lacking in substance and is non-binding, simply 'recognising' the importance of trade for development, 'acknowledging' the benefits of 'effective coordination of trade and development policies,' and allowing for the possibility of future cooperation on development issues.
23. A more comprehensive Development Chapter could reference:
 - a. supporting efforts to promote regional trade for developing countries, as the strongest driver of supply chains and value addition activities
 - b. the importance of WTO flexibilities and waivers for developing countries, including for pharmaceutical and environmental technology, and the role of non-reciprocal preference schemes
 - c. ensuring developing countries have the policy space needed in trade negotiations to protect sensitive industries
 - d. a commitment to monitoring the impact of the FTA on developing countries, including their preferential access to parties' markets, and thresholds and steps for action if impacts are observed
 - e. a commitment to increase the voice of developing countries in all trade negotiations, including at the WTO

24. In the impact assessment published alongside the FTA with Australia, the Government states it will monitor the impact on exporters in developing countries who rely on UK markets, and who could be undercut now Australia has the same tariff-free access. This could affect exporters of sugar in Jamaica, Belize and Guyana, or exporters of beef and fruit in Namibia and Botswana. This is not sufficient without explicit thresholds and steps for action.

Development-related FTAs

25. We consider the Government's last signed trade agreements with developing countries - the 'rollover' of the EU's 'Economic Partnership Agreements' (EPAs) with countries including Cote d'Ivoire, Ghana, Cameroon and Kenya – a failure from a development perspective. These require developing countries to remove around 80% of tariffs on imports from the UK, opening up these countries' markets to foreign competition before they are ready. And they

undermine regional trade, in requiring increased border checks between countries such as those within the East African Community customs union, to ensure the common external tariff is paid on UK goods crossing into the other countries via Kenya.

26. A more coherent approach to trade and development than that displayed by the EPA rollovers and in the FTA with Australia will be doubly important in future FTA negotiations - underlining the need for a properly developed trade strategy that can steer the Government and to which it can be held accountable.
27. For example, the UK's next FTA negotiations will soon begin with India - the country with the world's highest number of people living in extreme poverty. Sectors such as agriculture employ huge numbers of poor people in India and must be treated sensitively, and India's role as a producer of generic medicines for developing countries must not be threatened. Similarly, consideration must be given to the other developing countries with export sectors that currently rely on zero tariff access to UK markets, and which could be impacted by granting India the same access.

Scrutiny of FTAs

28. We also believe that no UK FTA can represent the best outcome without full consultation and input from Parliament, after consultation with experts across businesses, civil society and academia, and with the public. Future FTA negotiations should be supported by a Parliamentary debate and meaningful and guaranteed vote, both on the negotiating objectives and on the final deal, as well as increased access to information during the negotiations and sufficient time for consultation. This would bring the UK more into line with other jurisdictions such as the US, EU and Japan, and allow the UK Government to pursue and achieve stronger outcomes on both climate change and a host of other issues in its future FTAs.

For more information, please contact Laurey Boughey, Senior Policy Advisor at Traidcraft Exchange, or visit traidcraftexchange.org