

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

About this submission

- A. 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.
- B. This submission responds to the questions:
 - i. Thoughts on the Government's consultation exercise, the summary of responses produced, and stakeholder engagement.
 - ii. The extent to which a free trade agreement with the GCC could further the Government's climate and environment goals.
 - iii. The extent to which a free trade agreement with the GCC could further the UK's foreign policy goals, including... address(ing) human rights concerns.
 - iv. Considerations the Government should give to the red lines it should seek to establish, privately or publicly, to frame the bounds of negotiations.
 - v. The chapters or content the Government should seek to include in a free trade agreement with the GCC, and the considerations which should be given to each.

The Government's consultation exercise and stakeholder engagement

1. The Government consultation on an FTA with the GCC presupposed entering negotiations is the appropriate course of action, and that this view is shared by stakeholders. In fact, we would challenge the decision to negotiate an FTA with the GCC. GCC countries have notably poor track records on issues relating to climate change and human rights, as detailed below.
2. If Government consultations are to be genuine exercises in stakeholder engagement, they must be designed to collect the full range of views. Failure to do so suggests an unwillingness to engage with reasonable concerns as to the proposed FTA in the first place.
3. We would also urge the Government to consider seeking the views of civil society and addressing their concerns, regarding the choice of partner countries for FTA negotiations, prior to decisions to enter negotiations as far as possible.

The Government's approach to trade and its climate goals

1. Climate change is already disproportionately affecting communities in the Global South, including many of our programme partners across South Asia and Africa, with whom we are collaborating on developing climate-resilient livelihoods. The efforts of these communities

must be supported by a coherent approach to trade and climate change from the UK Government.

2. The UK Government has earned a position as a global leadership on climate, as the first country to legislate for emissions reductions in 2008, and the first major economy to commit to net zero, in 2019. It has very recently built on these achievements at COP26 under the remit of maintaining the possibility of keeping warming below 1.5 degrees.
3. However, there appears to be a strong disconnect between the UK Government's stated objectives on climate change and its approach to trade post-Brexit. This was demonstrated at the end of last year through weak climate provisions in the final UK-Australia FTA, and now in the choice of the GCC as an FTA partner.
4. To better guide these choices, the Government should develop and publish an over-arching trade strategy that aligns with its climate objectives. This should lay out its approach for selecting FTA partners.
5. It should also cover mitigation measures to address the fact that all FTAs will increase carbon emissions through increased UK production and transport of goods and services. And it should address the issue of consumption emissions from imports, which equal [46% of UK emissions](#) and are not adjusted for in our progress towards net zero, with targets for their reduction.

The Government's climate goals and an FTA with the GCC

6. Saudi Arabia, the largest GCC economy, is rated '[highly insufficient](#)' by Climate Action Tracker. Its emissions reductions pledge for this decade and commitment to achieve net zero by 2060 are both inconsistent with limiting warming to 1.5 degrees, and implementation of even these targets is lacking.
7. Critically, these targets do not cover emissions from Saudi oil exports, which account for [ten percent](#) of production globally, placing the country among the top oil exporters. And the targets are conditional only, dependent on continuing oil revenues. Further, during COP26, Greenpeace [reported](#) that Saudi Arabia attempted to block progress on a 'cover decision', and dilute the adaptation goal, in an attempt to discourage climate vulnerable countries from signing the final agreement.
8. The United Arab Emirates, the second largest GCC economy, is similarly rated "[highly insufficient](#)" by Climate Action Tracker. The United Arab Emirates and Kuwait both fall into the [top ten oil exporting countries](#) globally, with all GCC countries being heavily dependent on oil revenues.
9. The choice of the GCC as an FTA partner 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.
10. It is also inconceivable, given the dominance of and specialisation in fossil fuels by GCC countries, that increased bilateral trade and investment as a result of an FTA would not include significant levels of goods, services and investment resulting from or servicing the fossil fuels sector.

11. The Government cannot justify this choice as an attempt to influence GCC countries' response to climate change. It has not demonstrated that FTA negotiations with countries with similarly poor track records are able to achieve meaningful progress on climate – most recently, it was unable to secure strong, enforceable provisions on climate change in an FTA with Australia.
12. If the Government is to pursue an FTA with the GCC, we would urge it to adopt negotiating objectives including strong and binding provisions on reducing national emissions in line with ensuring global warming is kept below to 1.5 degrees.
13. Further, we would urge the Government to oppose the inclusion of Investor State Dispute Settlement (ISDS) provisions in a GCC FTA, and to review and remove those in the Bilateral Investment Treaties (BITs) of which the UK is already part. This would include all GCC countries except Saudi Arabia (though the UK's BITs with Kuwait and Qatar are not in force). This approach has recently been adopted by countries including New Zealand, South Africa, and India.
14. In the past two decades, the interpretation of ISDS laws has been broadened to include 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. The Government must ensure that action in the UK to address climate change is not hampered by the threat or reality of lawsuits by GCC investors.
15. This is a real danger - 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.

The Government's approach to trade and its human rights goals.

16. The UK Government has stated its commitment to champion democracy and human rights globally, and demonstrated this through the work of the FCDO. It has also targeted global labour rights specifically, through the landmark supply chain provisions in its Modern Slavery Act.
17. However, GCC regimes are among the most repressive globally. All GCC countries are ranked in the lowest quartile of country rankings by the Cato Institute's 2021 [Human Freedom Index](#). As with climate change, the choice of the GCC as an FTA partner undermines this commitment and risks sending the message to trading partners and other countries that signing deals is more important.
18. UK trade policy should instead align with cross-governmental priorities on human and labour rights, supported by the development of an over-arching trade strategy. Specifically, the UK Government should not select human and labour rights offending nations – such as those in the GCC - as partners for FTAs.

The Government's climate goals and an FTA with the GCC

19. Saudi Arabia, the largest GCC country, is ranked 155th out of 165 countries by the [Human Freedom Index](#), and is characterised as restricting ‘almost all political and civil liberties’ by US-based NGO [Freedom House](#).
20. This includes pervasive surveillance and control of media and civil society organisations, criminalisation of dissent, and the use of arbitrary arrests, charges, unfair trials and imprisonment for academics, activists, journalists and other critics of the regime, and their family members. Reports of solitary confinement and torture are common, and the country recently faced international condemnation for the extrajudicial killing of journalist Jamal Khashoggi in 2018, which was linked to bin Salman.
21. Further human rights abuses include:
 - a. corporal and capital punishment for a wide range of crimes, including against juveniles
 - b. restrictions on the practice of non-Muslim and minority Muslim religions
 - c. reports of war crimes by the Saudi Arabia-led coalition in the conflict in Yemen, including targeting civilians
22. Labour rights are a particular issue of concern, with trade unions banned, and systematic discrimination against migrant workers. Non-Saudis make up more than a third of the population, mostly employed in low-skill jobs in construction, hospitality and the domestic sector (particularly for women). The kafala visa-sponsorship system criminalises workers changing jobs or leaving the country without their employer’s written permission. Reports of employers confiscating passports, withholding wages, and forced labour and abuse are common, as are arbitrary detention, abuse and deportation by authorities.
23. Many migrant workers in the GCC are from developing countries, and are driven to dependence on this labour system due to entrenched poverty in their home countries, and the need to send back remittances. The UK has committed to tackling global poverty under the Sustainable Development Goals, supported by the work of the FCDO, and should ensure that its trade strategy aligns with its development objectives by demanding better labour rights for migrant workers from its trading partners.
24. The same concerns are repeated across the region. All media is heavily restricted, and political parties are banned, with numerous political prisoners arbitrarily detained under inhumane conditions. Non-citizens (which constitute 80% of the population in the United Arab Emirates, and two thirds in Kuwait) are controlled to varying degrees through the kafala system.
25. Of particular concern is the treatment of migrant workers in Qatar in the run up to the 2022 World Cup. More than [6,500 labourers](#) from South Asian countries alone have reportedly died since the award in 2010, due in part to exposure to Qatar’s extreme summer heat and overwork.
26. In practical terms, increased trade with the GCC may involve UK companies’ import of products, or investment in activities, linked to human rights abuses. This would occur in the absence of adequate safeguards in UK corporate law, and the inability of a free civil society to feed into any due diligence activities in GCC states.
27. To address at least the first of these points, the UK Government should introduce mandatory human rights due diligence legislation for UK registered companies, including financial penalties and criminal liability, across their global supply chains.

28. If the Government is to pursue an FTA with the GCC, it should consult on and develop a more coherent approach to trade and human rights. This should include a revised and updated list of international conventions that all FTA partners will be expected to agree to, at minimum, including the 15 key UN and ILO conventions. This is already the case for developing countries accessing the UK's Generalised Scheme of Preferences, and should be replicated for all trade deal partners, including the GCC should the Government pursue an FTA.
29. Further, the UK Government should seek to strengthen human rights provisions in new and existing FTAs – again including any FTA with the GCC – and in its preference scheme. This should include setting out how on-going compliance will be monitored and how civil society and trade unions will be formally involved in this process. However, we have deep concerns regarding the possibility of genuine civil society engagement in GCC countries, given the civil rights repression outlined above.
30. Strengthening human rights provisions should also include setting out the clear sanctions for breaches of obligations by either party, and ensuring that these have the same level of enforceability as other provisions. There is some useful learning in the US-Mexico-Canada Agreement (USMCA)'s Rapid Response Mechanism regarding implementation mechanisms.
31. However, it is unlikely that GCC members will agree to strong, binding human rights provisions in an FTA with the UK (as they refused to do in negotiations with the EU). And, given the systematic nature of these issues, it is unreasonable to expect they can be adequately addressed by FTA chapters.