



**TRADE JUSTICE
MOVEMENT**

MAKE WORLD TRADE
WORK FOR PEOPLE
AND THE PLANET

A model trade strategy for the UK

A published international trade strategy, clearly stating how the UK intends its trade policy to support a greener and more equal world, should be an urgent priority for the UK Government.



This model trade strategy lays out what the Trade Justice Movement wants to see from any UK trade strategy, covering six key questions.



Democracy: How will trade policy be negotiated transparently and democratically?



Human rights and labour rights: How will the UK's trade agreements uphold fundamental rights, in the UK and internationally?



Environment: How will UK trade policy support ambitious climate action and high environmental protections?



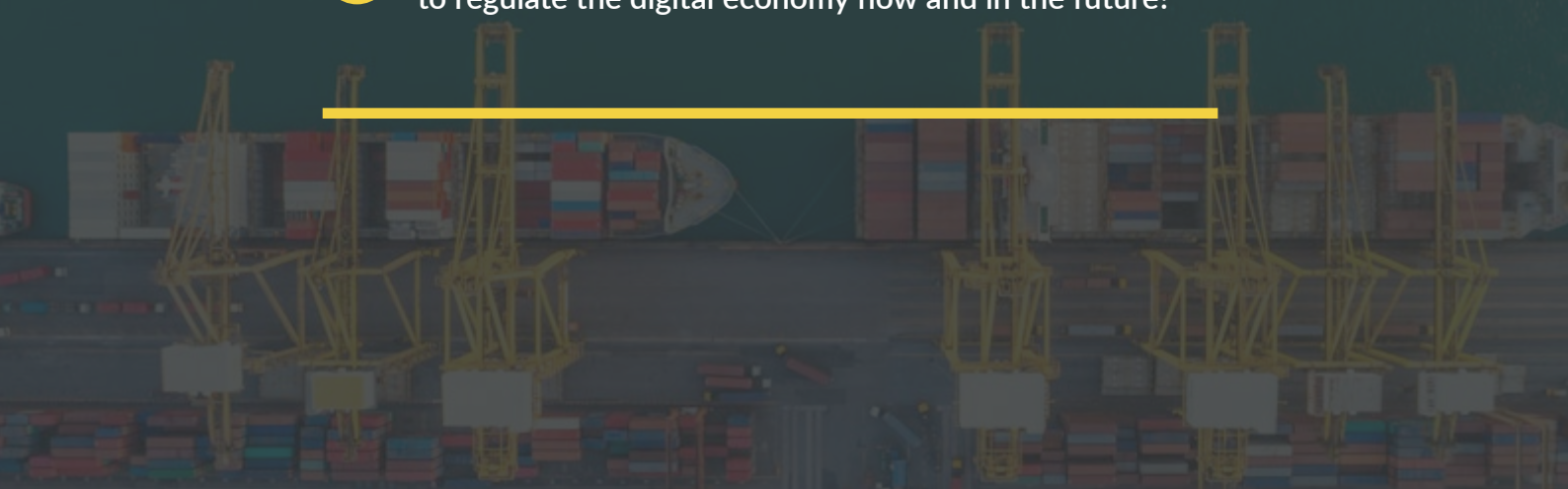
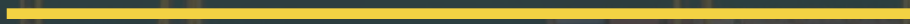
Development: How can sustainable development and the achievement of the Sustainable Development Goals be placed at the centre of the UK's approach to international trade?



Corporate accountability: How can UK trade policies help to hold corporations accountable for supply chain abuses?



Digital trade: How can trade rules ensure the UK is able to regulate the digital economy now and in the future?



The need for a UK trade strategy

Why is a trade strategy needed?

A published international trade strategy, clearly stating how the United Kingdom intends its trade policy to support a greener and more equal world, should be an urgent priority for the UK Government in 2024.

A strategy would signal the end of the recent era of chaotic trade policy, in which the UK has pursued trade agreements with countries around the world without ever having clarity about what those deals are intended to achieve, and how they align with the UK's broader domestic and international priorities.

There are four main advantages to producing a strategy:

- It will send **a clear message about the values which guide UK trade**. Without a published strategy which expresses how trade policy should interact with our international obligations around, for example, human rights and environmental protections, these are liable to be negotiated away. Clear red lines would strengthen the position of UK negotiators, establishing 'non-negotiables' which would provide the bedrock of each agreement.
- It will **ensure a coherent approach** across government. From international development to climate change, trade policy requires collaboration between a range of government departments. A clear articulation of what trade policy is intended to achieve in other areas would be helpful to ensure across government.

- It will provide **an opportunity for expert input**. By consulting widely on the content of a trade strategy, the UK Government will have the opportunity to benefit from the experience and expertise of charities, trade unions, businesses and the general public. This will ensure UK trade policy delivers for as broad as possible a range of interests.
- It will provide a **framework for measuring success**. As it stands, it is unclear what the UK Government's overarching trade policy objectives are. A trade strategy must contain criteria for judging whether UK trade policy is meeting its aims.

What should a trade strategy include?

International trade has huge potential as an engine for growth and opportunity. However, simply aiming for 'more trade' would be an incoherent and unhelpful trade strategy. Trade is a means to an end. **Trade policy should be designed to further the economic, social, diplomatic and climate-related priorities of any government.**

Furthermore, it is widely accepted that free trade creates winners and losers. Any trade strategy should include a clear statement of how those sectors and communities set to lose out from trade policy will be supported. In addition to these core principles, a UK trade strategy should lay out how UK trade policy will support climate action and sustainable development, act in support of global human rights and ensure corporations are held accountable for their actions.

This document lays out what the Trade Justice Movement wants to see from any UK trade strategy, covering six key questions.

-  **Democracy:** How will trade policy be negotiated transparently and democratically?
-  **Human rights and labour rights:** How will the UK's trade agreements uphold fundamental rights, in the UK and internationally?
-  **Environment:** How will UK trade policy support ambitious climate action and high environmental protections?
-  **Development:** How can sustainable development and the achievement of the Sustainable Development Goals (SDGs) be placed at the centre of the UK's approach to international trade?
-  **Corporate accountability:** How can the UK trade policies help to hold corporations accountable for supply chain abuses?
-  **Digital trade:** How can trade rules ensure the UK is able to regulate the digital economy now and in the future?

In answering these questions, the UK has the opportunity to model a progressive and modern approach to international trade. This can further the social, environmental and economic priorities of the UK as well as ensuring the UK builds positive and trusting relationships with its international partners.

These priorities may be seen by some as outside of the scope of trade policy. But modern trade agreements are increasingly dealing with 'non-trade' issues such as social and environmental protections. As the EU's top trade official said in 2021: *"It is normal to ask what trade can do to address the big tests of our time. How can it help combat climate change? How can it promote labour rights globally? How does it impact security?"*¹

Furthermore, unlike many international agreements, trade deals contain mechanisms for binding enforcement, and therefore have exciting potential as a vehicle for raising standards, in both the UK and its trading partners.

Who supports a trade strategy?

There's significant support for a trade strategy from across the political spectrum. The UK Parliament's International Trade Committee called for the government to produce a trade strategy, while Keir Starmer has described the lack of a trade strategy as *"unforgivable"*.² Businesses are in agreement. The Confederation of British Industry has called for a new trade and investment strategy *"covering at least five years"* and the Boston Consulting Group has recommended the development of *"a new trade strategy which incorporates the lessons of recent years and adapts to the changing, more complex trading landscape"*.³

The lack of a UK trade strategy is "unforgivable".

Keir Starmer, Leader of the Labour Party (November 2023)

A trade strategy will help guide the UK's path through the range of urgent and complex global challenges with a bearing on trade policy, including the climate emergency and the need to transition away from fossil fuels, challenges around the regulation of artificial intelligence, the need to build supply chain resilience in the face of geopolitical chaos and the continued threats to human rights in different regions of the world.

¹ Sabine Weyand, S. (16 October 2021) 'Sabine Weyand on role of trade policy in fighting climate change', *The Economist*. Available at: [The economist.com](https://www.economist.com). Accessed 4 June 2024.

² House of Commons International Trade Committee (2022) 'UK trade negotiations: Parliamentary scrutiny of free trade agreements'. Available at: <https://committees.parliament.uk/publications/30492/documents/175947/default/>. Accessed 4 June 2024.

Paton, C. (16 November 2023) 'Starmer condemns 'unforgivable' trade policy on visit to whisky distillery', *The Independent*. Available at: [The Independent.co.uk](https://www.independent.co.uk). Accessed 4 June 2024.

³ Confederation of British Industry (2024) 'Business Manifesto'. Available at: <https://www.cbi.org.uk/media/g2lp2j11/12833-business-manifesto-2023-aw.pdf>. Accessed 4 June 2024. Ruparel, R. and Carruthers, S. (November 2023) 'It's Time for A UK Strategy that Learns from the Recent Past'. Available at: [The Boston Consulting Group](https://www.bostonconsultinggroup.com). Accessed 4 June 2024.



Democracy

How will trade policy be negotiated transparently and democratically?

The UK is facing new and shifting questions about what it is seeking to achieve through trade. Policymakers and negotiators must increasingly wrestle with how trade policy interacts with the climate crisis, the digital economy, supply chain security and much else besides. To answer these questions, trade policy must be run along inclusive and transparent lines.

However, since the substantial increase in the UK's autonomy over international trade following its exit from the European Union, the institutional arrangements governing the development of trade policy in the UK have been exposed as unfit for purpose. Scrutiny mechanisms both in and out of parliament are antiquated, opaque, and fail to take account of the views of stakeholders, while trade agreements are negotiated and signed off without the approval of parliament. As new priorities for trade policy arise it will become increasingly urgent to address this dysfunctional and undemocratic status quo.

Where are we now?

Since the UK's departure from the European Union, the government's primary focus has been the conclusion of new Free Trade Agreements (FTAs) with international partners. However, the processes governing the negotiation and ratification of these agreements have been the subject of heavy criticism from across parliament, business, civil society and the devolved administrations.

In parliament, the UK's current treaty scrutiny system - as outlined in the Constitutional Reform and Governance Act (CRaG) - is woefully inadequate. Under CRaG, parliamentarians have no right to oversight of or contribution to the development of the government's negotiating objectives, no guaranteed vote on any trade agreements (either on the negotiating mandate or on the final agreement) and no right to see texts or otherwise be meaningfully engaged during negotiations. There is wide consensus that the time available for treaty scrutiny under the current system is wholly insufficient for complex treaties.

The House of Commons International Trade Committee concluded in 2022 that "*Parliament has not been 'consulted' before or during Free Trade Agreement negotiations - rather, parliament has merely been informed of decisions and outcomes after the fact.*"⁴ Similarly, a key Lords committee has described parliament as having "*no effective veto power to prevent the government from ratifying agreements that it does not feel are in the national interest.*"⁵

⁴ International Trade Committee (2022) 'Parliamentary Scrutiny of Free Trade Agreements'. Available at: <https://committees.parliament.uk/publications/30492/documents/175947/default/>. Accessed 10 June 2024.

⁵ House of Lords, European Union Committee (2020) 'Treaty Scrutiny: Working Practices'. Available at: [Parliament.uk](https://www.parliament.uk). Accessed 10 June 2024.

“Parliament has no effective veto power to prevent the government from ratifying agreements that it does not feel are in the national interest.”

Lords Select Committee (July 2020)

There is not even an effective way for parliament to determine which trade treaties require additional scrutiny and debate; as a result, future sector-specific agreements covering digital trade or critical raw materials are at risk of being badly under-scrutinised. The House of Commons has not established a dedicated treaty scrutiny committee, and accordingly, systematic scrutiny of such agreements is not guaranteed.

It is not only parliament which is excluded from trade policymaking. Civil society, the devolved administrations and the public have been afforded few opportunities to contribute their views and expertise, and the limited consultation with these stakeholders has been characterised by opacity and secrecy.

Finally, monitoring of trade outcomes is in its infancy. Though commitments have been made around reviewing the implementation of FTAs, it remains unclear how comprehensive and far-reaching these reviews will be.

Where do we need to be?

A new trade strategy should have democratic reform at its heart, ensuring that parliament, civil society, the devolved administrations and the public all have a proactive, informed role to play in trade policy formulation. High quality research and data should inform decision making.

We must have a parliament empowered to effectively scrutinise trade agreements. This should include opportunities to set negotiating mandates, oversee negotiations and decide which negotiations and agreements require additional scrutiny and debate. Crucially, parliamentary consent must be required via a confirmatory vote before any new trade agreement is signed. Treaty scrutiny should be folded into the competency of all parliamentary committees, and committees should collaborate to scrutinise new agreements.

This is not only a point of democratic principle; it would lead to better policy outcomes too. Granting parliament and the public greater influence in developing a negotiating mandate and establishing red lines, for example, would strengthen negotiators' position during negotiations. A confirmatory vote at the conclusion of any trade agreement would give decision makers a much greater stake in the negotiating process, as well as conferring much-needed legitimacy on concluded agreements. Positive international precedent, such as the powers conferred on the US Congress, should be followed.

Open and honest engagement with experts in different sectors would strengthen the UK's hand in trade negotiations, shaping strategic decisions around trade. Additionally, the relevance of trade policy to livelihoods in all corners of the UK necessitates that the devolved nations should be given a more proactive role in trade policy formulation.

There is an opportunity to move away from exclusivity and opacity, and towards a model which is collaborative, inclusive and democratic.

Democracy recommendations

A UK trade strategy should therefore include:

1. Reforming parliamentary processes via an overhauled CRAg:

- **Powers to influence negotiating objectives and mandates.** The UK Government should commit to meaningful parliamentary and public input into objectives and mandates prior to initiating trade negotiations, whether full Free Trade Agreements or sector-specific agreements.
- **Ensure transparency and access to negotiating objectives for parliamentarians.** Individual parliamentarians and relevant select committees should have the right to request timely briefings during negotiations, including regular meetings with ministers and officials and the opportunity to view draft negotiating texts as negotiations unfold.
- **Ensure a formal consent vote.** Crucially, all trade treaties should be subject to a parliamentary vote to ensure agreements have democratic legitimacy and to increase the stake parliamentarians hold in the formulation of trade agreements.
- **Establish a sifting committee to determine where additional scrutiny is needed.** A sifting process would identify the documents that are of sufficient political or legal importance to merit further scrutiny or a full consent vote. This will be increasingly important as the nature and scope of trade treaties evolves.
- **Strengthen the role of select committees.** In addition to the work conducted by the Business and Trade Committee, scrutiny of trade policy should be included in the core tasks of other relevant committees across other policy areas, and these committees should collaborate on treaty scrutiny.

2. A strengthened role for the public and civil society.

The UK Government should establish an inclusive procedure for engaging civil society in trade negotiations by strengthening engagement with its advisory groups, including by inviting civil society participants to set agendas and chair meetings, as well as providing civil society representatives with formal opportunities to provide scrutiny during negotiations.

3. A strengthened role for devolved nations.

The UK Government should ensure a prominent role for the devolved nations in the development of trade policy. This should include meaningful engagement with the devolved administrations both before and during trade negotiations.

4. Ensuring transparency of the outcomes of trade policy.

The UK Government should commit to providing comprehensive and transparent research and data on the economic, social and environmental impact of trade agreements, including disaggregated data looking at different sectors and regions.





Human rights and labour rights

How will the UK's trade agreements uphold fundamental rights, in the UK and internationally?

Free trade policies create a more competitive global marketplace, pitting producers in different parts of the world against each other to provide goods and services at the cheapest price. This risks creating a 'race to the bottom' on rights, where states are incentivised to maintain low human rights and labour rights protections as a means through which to gain a competitive advantage. The possible result is stagnant wages, abusive working conditions and threats to fundamental freedoms.

To ensure more trade doesn't come at the expense of human rights, modern trade deals increasingly contain chapters covering human rights and/or labour rights, committing their signatories to uphold rights as a form of safeguard against the potential harms created by trade liberalisation.

Where are we now?

The UK has no vision for the role of trade policy in upholding human rights. Where human rights are mentioned in UK trade agreements, it is typically in empty statements, unenforceable chapters or non-specific commitments to further dialogue. It's the same story when it comes to protections for labour rights: to date, UK trade agreements have failed to create mechanisms for sanctioning states or employers which abuse labour rights.

This is concerning, not least because the UK's ongoing trade negotiations include talks with India, Israel and the Gulf Cooperation Council: countries with a poor record on human rights and where additional rights protections are urgently needed.

Additional protections for human rights would also be welcome in the UK's domestic context. Recent reporting has highlighted worker abuse in sectors including agriculture, care and garment production.⁶

⁶ See, for example: Mellino, E., Pageni, R. and Boutaud, C. (27 March 2023) 'They treat you like an animal: How Farms Run on Exploitation.', *The Bureau of Investigative Journalism*. Available at [The Bureau of Investigative Journalism.com](https://www.bijournalism.com).

Unseen (2023) 'Who cares: a review of reports of abuse in the care sector'. Available at: <https://www.unseenuk.org/wp-content/uploads/2023/11/unseen-Care-Sector-report-2023.pdf>

Davies, R. and Kelly, A. (6 July 2020) 'More than £1bn wiped off Boohoo value as it investigates Leicester factory.', *The Guardian*. Available at [The Guardian.com](https://www.theguardian.com). All accessed 10 June 2024.

⁷ Department for International Trade (2022) 'Public Attitudes to Trade Tracker Wave 4'. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056846/dit-public-attitudes-to-trade-tracker-wave4-main-report.pdf. Accessed 10 June 2024.

“Respect for human rights” and “strong workers’ rights” are the UK public’s top considerations when determining whether a country is an appealing trading partner.

Public Attitudes to Trade Tracker, DIT (2022)

Another positive precedent is found in the US-Mexico-Canada Agreement (USMCA), which contains a ‘Rapid Response Mechanism’ through which unions and charities can directly raise complaints relating to labour rights abuses in Mexican factories. If those complaints are substantiated, abusive factories or employers can be cut off from the benefits of the trade agreement. Since 2021, this has been used 22 times, to the direct benefit of an estimated 30,000 workers.⁸

Where do we want to be?

The UK has the chance to model a modern, progressive trade policy which enhances rights protections both in the UK and among its trading partners. This would be a popular approach. Polling released by the UK Government in February 2022 shows “*respect for human rights*” and “*strong workers’ rights*” are the UK public’s top considerations when determining whether a country is an appealing trading partner.⁷

If the UK were to commit to negotiating new trade agreements only with those countries which uphold international human rights instruments, it would send a powerful message about the values which underpin UK trade.

A trade policy anchored in the protection of human rights could draw upon considerable international precedent. The UK-EU Trade and Cooperation Agreement commits both parties to upholding the core conventions of the International Labour Organization (ILO), as well as to maintaining existing levels of rights protections. Vitally, it has an enforcement mechanism which can result in penalties if either party fails to meet these commitments.

⁸ Office of the United States Trade Representative (2024) ‘The USMCA Rapid Response Mechanism Delivers for Workers’. Available at: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/april/fact-sheet-usmca-rapid-response-mechanism-delivers-workers>. Accessed 10 June 2024.

Human rights and labour rights recommendations

A future UK trade strategy should clearly state how trade policy will support the UK's broader aims and responsibilities for upholding human rights. These are already laid out in human rights conventions and instruments to which the UK is a signatory.⁹

The UK's commitment to human and labour rights via trade policy should include:

1. Making the signing of new FTAs conditional on a shared minimum commitment to human rights which includes the ratification and effective implementation of core UN and ILO conventions. UK FTAs should be contingent on the mutual implementation of core United Nations (UN) and ILO human rights conventions. This would ensure trade deals support commitments to human rights around the world. Moreover, including such conditions in FTAs would help establish a level playing field for UK domestic producers by ensuring they are not undercut by competitors operating in jurisdictions with weaker human rights and labour rights protections, while avoiding unfair protectionism that would harm workers in other countries.

The EU's Generalised System of Preferences already offers developing countries market access contingent on their commitments to various UN and ILO conventions.

2. Ensuring the human rights impact of trade agreements is assessed and mitigated. The UK should conduct comprehensive *ex ante* impact assessments ahead of new FTAs to understand how human rights and labour rights could be impacted in the UK and in trade partners, and establish a clear plan for how these impacts will be mitigated before ratifying the FTA.

3. Excluding from FTAs the requirement to prove labour violations have a trade linkage. One of the reasons that attempts to deal with human rights abuses via free trade agreements have been so ineffective is that rights abuses need to be proven to have taken place 'in a manner affecting trade'. This is a high bar which makes it difficult in practice to use trade agreements to tackle labour rights abuses. Instead, the burden of proof should be reversed: countries accused of violating the rights protections in a trade agreement should be required to prove that a rights abuse has not taken place in a manner affecting trade.

4. Explore introducing a Rapid Response Mechanism into any future Free Trade Agreements. This should include assessing how the USMCA model can be adapted for the UK's context, ensuring that any model protects the right of workers, their representative organisations and civil society to raise complaints against particular companies or factories.



⁹ See, for example: conventions of the United Nations, International Labour Organization, the United Nations Guiding Principles on Business and Human Rights.



Environment

How will UK trade policy support ambitious climate action and high environmental protections?

International trade policy provides a fundamental underpinning of the modern global economy, and has been instrumental in establishing the dominance of a polluting and extractive economic model which prioritises corporate profits over the future of the planet.

Action to protect the environment and tackle the climate crisis is urgently needed, and trade rules must be reformed as part of a rapid and just transition to a greener global economy. As it stands, international trade contributes 20-30% of global greenhouse gas emissions.¹⁰ However, the impact of international trade rules on the climate goes far beyond the emissions of particular supply chains; trade rules have a bearing on everything from how governments subsidise renewables to what intellectual property protections are applied to new green tech. These rules are obstructing climate action.

Change is needed. Trade rules must be aligned in support of a global transition to high environmental standards and climate action. Such a transition is well within the reach of proactive and imaginative governments. Just as international trade rules have shaped the status quo, so a reformed set of rules can incentivise and facilitate positive environmental policies.

Where are we now?

The UK lacks a compelling vision of how trade policy will support its goals on climate and the environment, including the aim to reach net zero by 2030. Too often, more and freer trade is presented as a means of achieving economic growth and spreading green technology around the world. According to Liz Truss' foreword to the Board of Trade's report on Green Trade: "*Free trade can be a lean, green, value-creating machine that is good for developed and developing nations alike*". This prescription fails to engage with the obvious rebuttal: that the market has too often failed to prioritise the environment over short-term economic gain.

Existing UK trade and investment agreements are failing to deliver for the climate. With some exceptions, they hold neither the UK nor its trading partners to high standards of climate action or environmental protection. Where commitments on the environment are included with trade agreements, they are typically vague and unenforceable, not subject to the agreement's dispute settlement mechanism. This means they are essentially worthless as a mechanism for protecting high standards. Trade deals don't discriminate in favour of products or services which are sustainably produced, and, when they include the Investor-State Dispute Settlement (ISDS) mechanism, they can be used by corporations or states to challenge UK climate action. Other trade policy provisions can impede the transfer of green technology or prevent governments from subsidising renewable energy.¹¹

The UK's lack of clarity and purpose on trade and the environment has led to the absurd situation in which

¹⁰ World Trade Organisation (2021) 'Trade and Climate Change information brief', p.3. Available at: https://www.wto.org/english/news_e/news21_e/clim_03nov21-4_e.pdf. Accessed 10 June 2024.

¹¹ UK Board of Trade (2021) 'Green Trade'. Available at: <https://assets.publishing.service.gov.uk/media/61090053d3bf7f0449a82037/board-of-trade-report-green-trade.pdf>. Accessed 10 June 2024.

the UK is signing agreements which, according to the UK Government's own assessments, will serve to increase carbon emissions.¹²

Despite this gloomy overall picture there are some positive signs. In February 2024, the UK Government announced it was withdrawing from the climate-wrecking Energy Charter Treaty, an investment agreement which, via its ISDS provisions, allows fossil fuel companies to sue governments over climate action. This came with the welcome admission from the government that the UK would not remain in a treaty “*that does not align with our unwavering commitment to energy security and net zero*”.¹³

Where do we want to be?

The UK should ensure its trade agreements bind parties to achieving and maintaining high standards on climate, environmental protections and animal welfare. There is some positive precedent on which the UK can draw. For example, the UK-EU Trade and Cooperation Agreement commits both the UK and EU to “*not weaken or reduce their levels of social, labour and environmental protection below those in place at the end of 2020*”.¹⁴ Failure to meet this commitment can result in either party taking “*appropriate rebalancing measures*”, which could include terminating parts of the trade agreement.¹⁵

There is significant scope for the UK to demonstrate leadership on the global stage. This should include rallying support behind proposals for an international climate waiver at the World Trade Organisation

(WTO), which would ensure trade rules don't impede climate action. It should also mean building international consensus for the rapid phasing out of fossil fuel subsidies, which in 2022 stood at \$7 trillion globally. The UK should also look to lead the way on reformulating trade rules to facilitate the transfer of green technologies to the Global South, an agenda recognised by both the WTO and the United Nations Framework Convention on Climate Change (UNFCCC) as a central feature of any just transition.

The redesign of global trade rules should ensure they do not obstruct the kinds of ambitious green industrial strategies being rolled out in places like the USA and the EU. There has been a significant number of challenges to states' environmental policies brought under the WTO, and the UK has been vulnerable to such challenges; in 2022, the EU raised a dispute with the UK regarding the local content requirements built into a subsidy scheme for UK offshore wind projects.¹⁶ Governments should retain the policy space to link climate action to the development of local industry, and trade rules must be reformed to ensure that they can do so.

A just transition to clean energy also means that trade deals covering the supply of minerals such as lithium and cobalt, which are critical in green technologies such as wind turbines and electric vehicles, must contain high standards to ensure that the green transition doesn't come at the expense of human rights and the environment in the Global South.

¹² Department for International Trade (2022) 'Assessment of the UK-Australia Free Trade Agreement: executive summary (web version)'. Available at: gov.uk. Accessed 10 June 2024.

¹³ UK House of Commons (2024) 'UK Withdrawal from the Energy Charter Treaty: Written Statement'. Available at: UK Parliament. Accessed 10 June 2024.

¹⁴ European Parliamentary Research Service (2021) 'The level playing-field for labour and environment in EU-UK relations'. Available at: Europa.eu. Accessed 10 June 2024.

¹⁵ Ibid.

¹⁶ Directorate-General of Trade (28 March 2022) 'EU challenges discriminatory practices of UK's green energy subsidy scheme at WTO', European Commission. Available at: Europa.eu. Accessed 10 June 2024.

Environment recommendations

A UK trade strategy should clearly articulate how trade policy will support ambitious climate action. It should describe how all UK trade policy tools - from Free Trade Agreements to engagement at the WTO - will be designed with environmental outcomes in mind. This should include:

1. Ensuring a clean break from the Energy Charter Treaty and ending the inclusion of ISDS in trade and investment agreements. The UK's withdrawal from the Energy Charter Treaty is extremely welcome. However, it carries risks. The Treaty contains a 'sunset clause' which means signatories are liable to be sued for a further 20 years after exiting the Treaty. The UK should work with the many other European countries which have recently withdrawn to neutralise the sunset clause. Having left the Energy Charter Treaty, the UK should neutralise other threats to climate action by terminating or withdrawing from other investment treaties containing the ISDS mechanism.

2. Committing that any new Free Trade Agreements include enforceable environmental clauses. The signature of any new UK Free Trade Agreement should be conditional on mutual commitment to the Paris Agreement, and should include an enforceable environmental clause obliging both sides to achieve and maintain high environmental standards.

3. Signing up to and promoting an international climate waiver. This proposal, which is starting to gather increasing attention globally, would prevent trade rules being used to impede climate action, thus removing a key potential obstacle to a just and green transition. The UK should negotiate this waiver with bilateral trading partners, as well as supporting its adoption at the WTO.

4. Committing to rapidly phasing out fossil fuel subsidies. The UK provides substantial tax relief on investment for oil and gas production which meets the international definitions of a subsidy. This should be immediately phased out, and the UK should work with other WTO members to ensure the rapid elimination of these subsidies globally.

5. Ensuring trade rules don't obstruct green industrial policies. WTO rules on subsidies and public procurement need to allow states, including the UK, to provide unprecedented support for renewable energy and clean forms of industrial production. The UK must press for international reform on this agenda.

6. Placing justice at the heart of the green transition. Any trade agreements aimed at securing the supply of the critical minerals needed for a just transition to green energy should also include protections for the environment and human rights, to make sure that the green transition doesn't replicate extractive models of global trade.





Development

How can sustainable development and the achievement of the Sustainable Development Goals be placed at the centre of the UK's approach to international trade?

The world is experiencing what has been described as a polycrisis.¹⁷ The impact of climate change, rise in the cost of living, spikes in food prices and the long shadow of Covid-19 is creating severe challenges in the UK. In the Global South, the polycrisis poses a severe threat to the achievement of the globally-agreed SDGs.

Trade policy has a valuable role to play in answering these challenges – by establishing resilient regional supply chains, supporting climate ambition, facilitating the transfer of technology to the Global South and ensuring corporations are held accountable for their activities.

Where are we now?

The UK's approach to international development has a clear trade and investment dimension. The 2022 International Development Strategy announces: “we will make more targeted investments of our resources and our efforts...where there are compelling trade and investment opportunities.”¹⁸ This approach casts trade and development as a means through which to promote the UK's economic self-interest. However, in an increasingly insecure world, it is in the UK's interest to forge relationships of trust with countries in the Global South, built upon support for partner countries' development and the achievement of the SDGs.

Mentions of international development in existing UK trade agreements are without value. For example, the UK-Australia agreement includes the “*first ever dedicated development chapters within an FTA between two developed economies*”.¹⁹ However, the chapter is not subject to the agreement's dispute settlement process and no reference is made to addressing the potential problems the agreement might cause for developing country supply chains.

The UK holds trade agreements (called Economic Partnership Agreements) with blocs of developing countries in Africa, the Caribbean and the Pacific. Replicas of the EU's arrangements, these were negotiated on an unequal footing: as the more powerful economy, the EU held the cards and the outcome has been widely criticised as negative for

¹⁷ Tooze, A. (28 October 2022) ‘Welcome to the world of the polycrisis’, *Financial Times*. Available at ft.com. Accessed 5 June 2024.

¹⁸ UK Foreign, Commonwealth and Development Office (2023) ‘The UK government's strategy for international development’. Available at Gov.uk. Accessed 5 June 2024.

¹⁹ UK Department for International Aid (2021) ‘Sustainability and Inclusion in the UK-Australia Free Trade Agreement’. Available at: publishing.service.gov.uk. Accessed 5 June 2024.

development. The agreements open up the market of developing countries to UK exporters, while placing restrictions on the policy space of those developing countries to raise revenue through imposing import tariffs.

Outside Economic Partnership Agreements, the UK trades with developing countries via the Developing Countries Trading Scheme. Introduced in 2023, this weakened the human rights and environmental conditions which beneficiary countries were required to meet rather than requiring all trading partners to meet high standards.

Where do we want to be?

A new narrative around trade and development is urgently needed. The UK has a chance to reestablish its reputation as a strong and reliable development partner to countries in the Global South. This should include developing new trade and investment arrangements that are aligned with 21st-century priorities.

As an influential presence at the WTO, the UK can ally with developing countries in their call for global trade rules which respond to their needs. And the UK has the opportunity to ensure that its own agreements, including Economic Partnership Agreements, are aligned with the development priorities of the Global South.

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The UK should also ensure that broader trade policies are designed in such a way that supports sustainable development. This includes Free Trade Agreements with wealthier countries, which may have an unintended impact on development, and the Carbon Border Adjustment Mechanism, a proposed tax on carbon-intensive imports to the UK which risks having a disproportionate and unjust impact on some of the world's poorest countries.²⁰

²⁰ A study by the ACF and the LSE, for example, found that the EU's Carbon Border Adjustment Mechanism will disproportionately affect African countries and could reduce Africa's GDP by up to 0.91%.

Development recommendations

A future UK trade strategy should lay out how trade policy will contribute to sustainable international development. This should include an understanding that more international trade and investment will not necessarily equate to the achievement of the Sustainable Development Goals. As part of this strategic position, the UK should commit to:

1. Carrying out development impact assessments before signing new trade agreements or launching new initiatives.

There is a risk that trade policies carry an unintended negative impact on development. This could be Free Trade Agreements which divert trade away from the poorest countries or unilateral trade policies such as the forthcoming deforestation due diligence requirements. Risk assessments, conducted by independent third parties in collaboration with developing country governments and supply chain actors, would help to mitigate these risks.

2. Ensuring trade agreements do not undermine regional integration in the Global South.

The development of strong regional supply chains is a priority of many least developed countries, especially in Africa. The UK should review its trade agreements to ensure they are consistent with this development goal. For example, the UK-Kenya Economic Partnership Agreement has been accused of violating the terms of the East African Community of which Kenya is a member.²¹

3. Excluding excessive restrictions on seed use from UK Free Trade Agreements. The UK is signatory to 19 trade deals which require parties to sign up to UPOV91, an international convention which restricts the ability of smallholder farmers to save or adapt seeds, ensuring they must depend on volatile and costly international seed markets.

4. Supporting reforms to the WTO so it responds to the priorities of developing countries.

A number of WTO rules have been subject to long-standing criticism from developing countries. The UK should look for opportunities to use its significant influence to support the reform of WTO rules, including around:

- Public stockholding of food to ensure developing countries can support low-income farmers and tackle hunger and malnutrition
- Intellectual property rules which facilitate the transfer of green technologies to the Global South, as laid out in the Paris Agreement

5. Offering developing countries exemptions from the UK Carbon Border Adjustment Mechanism (CBAM).

The UK will introduce a CBAM by 2027, which will charge a carbon price on certain emissions-intensive industrial goods imported to the UK. This should be designed with an exemption for developing countries to avoid a disproportionate and unjust impact on those countries which have contributed least to the climate crisis and yet are most deeply impacted by its effects.²² It should also be accompanied by specific additional funds to support the transition to low carbon production.



²⁰ SEATINI Uganda (2021) 'Position paper on the inherent dangers of implementing the UK-Kenya EPA'. Available at: seatiniuganda.org. Accessed 5 June 2024.

²² For further details see: Trade Justice Movement (2023) 'Aligning the UK's climate, trade and development policies'. Available at: tjm.org.



Corporate accountability

How can the UK trade policies help to hold corporations accountable for supply chain abuses?

The UK's international trade policies have created freedoms for companies to operate and profit internationally. Trade agreements are an important element of an international infrastructure which has seen corporate profits and power multiply exponentially over recent decades. This hasn't been accompanied by obligations on corporations to uphold human rights and protect the environment. As a result, far too many international supply chains linked to the UK market - from garments, to mining, to agriculture - feature the abuse of workers, communities or the environment.

The reform of corporate accountability rules has widespread support from the public and from businesses themselves. The time is right for the UK Government to assume a leadership role by using trade policy tools to hold UK companies to a high standard of business conduct.

Where are we now?

80% of all trade around the world happens within the value chains of multinational corporations.²³ These corporate supply chains are vast and complex, creating the conditions in which a minority of UK companies have been able to act with impunity: paying poverty wages, suppressing trade unions and polluting the environment.

UK trade agreements do sometimes mention corporate accountability, but never to great effect. For example, the relevant section of the UK-Australia FTA uses weak, non-binding language: *"Each Party reaffirms the importance of encouraging investors [...] voluntarily to incorporate into their internal policies those internationally recognised standards, guidelines, and principles of corporate social responsibility..."*²⁴

A wave of new unilateral measures for supporting rights-compliant business conduct, from human rights and environmental due diligence legislation to import controls, has begun to demonstrate success. However, the UK - which led the world in passing the 2015 Modern Slavery Act - has fallen badly behind, and there is a real risk the UK becomes a haven for irresponsible corporations and goods tainted with forced labour which have been rejected by the EU and North America.²⁵

A number of civil society organisations and parliamentarians have called for a Business, Human Rights and Environment Act which would

²³ UNCTAD Communications and Information Unit (27 February 2023) '80% of trade takes place in 'value chains' linked to transnational corporations, UNCTAD report says', UN Trade and Development. Available at: UNCTAD.org. Accessed 11 June 2024.

²⁴ UK Department for Business and Trade (2021) 'UK-Australia Free Trade Agreement Chapter 13 Investment'. Available at: publishing.service.gov.uk. Accessed 11 June 2024.

²⁵ Wintour, P. (3 September 2023) 'UK solar could be 'dumping ground' for products of Chinese forced labour, ministers warned', *The Guardian*. Available at: The Guardian.com. Accessed 11 June 2024.

hold businesses to account if they fail to prevent supply chain abuses and environmental damages.²⁶ Businesses and investors have welcomed this; a statement in 2022 saw 39 UK investors representing £4.5 trillion in assets under management calling for new legislation in the UK.²⁷

Meanwhile, more than 80 UK trade and investment agreements contain the Investor-State Dispute Settlement (ISDS) clause. This allows companies to sue the state for policies which bite into corporate profits, even if those policies are clearly designed to uphold rights or tackle climate change. The UN Special Rapporteur on Human Rights and the Environment has called ISDS “a major obstacle to the urgent actions needed to address the planetary environmental and human rights crises”.²⁸

ISDS is “a major obstacle to the urgent actions needed to address the planetary environmental and human rights crises”.

David R. Boyd, UN Special Rapporteur on Human Rights and the Environment

UK companies are the world’s third-most enthusiastic users of ISDS, behind only the Netherlands and the USA. UK companies to have made use of the ISDS system include Ascent Resources, which sued the Slovenian Government for requiring an environmental impact assessment for a controversial gas fracking project, and Anglo-American, the UK-registered mining giant which sued the Colombian Government for preventing the expansion of a huge open-cast coal mine.

The existence of ISDS demonstrates that the current international trading system actively impedes efforts to hold companies accountable for their impact. The argument that ISDS is a vital precondition for attracting foreign investment has been comprehensively debunked, and countries around the world are increasingly excluding ISDS from their trade and investment agreements.

Where do we need to be?

Trade policy includes a powerful incentive - the granting or withdrawing of market access - which has potential to drive more responsible corporate practices and hasten the transition to a fairer and greener UK economy. Trade policies could therefore contribute to the realisation of the UK’s impressive commitments to corporate accountability in the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development (OECD) Guidelines on Multinational Enterprises.

The UK has the opportunity to be truly innovative and world-leading, responding to emerging pockets of positive practice around the world by developing a clear approach to ensuring fair and ethical supply chains which deliver for UK consumers, supply chain workers and the environment.

Meanwhile, the UK’s February 2024 departure from the Energy Charter Treaty on the grounds that - in the government’s own words - continued membership “could even penalise us for our world-leading efforts to deliver net zero”, should lead to a reassessment of the UK’s engagement with the entire ISDS system.

²⁶ Corporate Justice Coalition (n.d.) ‘A Business, Human Rights and Environment Act’. Available at: Corporate Justice Coalition. Accessed 11 June 2024.

²⁷ Business and Human Rights Centre (2022) ‘Investor Letter for UK Human Rights Due Diligence’. Available at: business-humanrights.org. Accessed 11 June 2024.

²⁸ UN Office of the High Commissioner for Human Rights (2023) ‘Paying polluters: the catastrophic consequences of investor-State dispute settlement for climate and environment action and human rights’. Available at: OHCHR. Accessed 11 June 2024.

Corporate accountability recommendations

A future UK trade strategy should lay out how trade policy will contribute to greater corporate accountability. A statement of the relationship between the UK's international trade policy and its duty as a state to protect against business-related human rights abuse would offer much-needed clarity to businesses, civil society organisations and other governments. As part of this strategic position, the UK should commit to:

1. Blocking ISDS in any new agreements. The first step to dismantling the ISDS system is a clear commitment to no new ISDS provisions. There is ample international precedent for a move away from ISDS. Neither of the recent mega-agreements to be concluded, the United States-Mexico-Canada Agreement (USMCA) in North America and Asia-Pacific's RCEP agreement, include ISDS. The UK's recent position on ISDS has been inconsistent. The Australia and New Zealand FTAs excluded ISDS, but the CPTPP agreement contains ISDS, and the status of ISDS in ongoing negotiations with India and Israel is unclear.

2. Seeking side-letters to suspend ISDS provisions with CPTPP member states. The CPTPP agreement, to which the UK acceded in 2024, contains an ISDS clause, although the UK has signed 'side-letters' with Australia and New Zealand suspending ISDS on a bilateral basis. The UK should negotiate similar side-letters with other CPTPP member states.

3. Reviewing all trade and investment agreements containing ISDS with a view to withdrawal, termination or renegotiation. The UK is party to more than 80 trade and investment agreements containing ISDS. A minority of unscrupulous UK companies have been enthusiastic participants in this outrageous system, using ISDS clauses to challenge the public policy decisions of foreign states with no regard for the environment, the rights of communities and democratic norms. These agreements also place the UK at risk of being sued by overseas investors. A review process, weighing the risks and benefits of ISDS, is urgent and achievable.

4. Introducing a Business, Human Rights and Environment Act. Charities, trade unions, businesses and investors are calling for a Business, Human Rights and Environment Act.²⁹ This would require UK companies to assess the risks they pose to human rights and the environment, and hold them legally accountable for failure to prevent abuses. In the absence of such a law the UK is falling behind other jurisdictions, and is at risk of providing a safe haven to irresponsible corporations. Polling of the UK public from August 2022 reveals that 87% of respondents would support new laws requiring companies to take meaningful steps to ensure their supply chains do not exploit people.³⁰

5. Introducing import controls to prevent goods tainted with forced labour from entering the UK. By restricting market access for goods produced as a result of forced labour, UK trade policy can be a valuable enforcement tool for directly tackling egregious supply chain abuses. This approach has been used with success by the USA, while Mexico, Canada and the European Union have enacted or are in the process of passing their own import bans. Import controls could be especially impactful in the case of trade with regions where there is known to be widespread state-imposed forced labour, including the Uyghur Region of China and Turkmenistan.

6. Explore including investor obligations into trade and investment agreements. UK investment agreements should be modified to include binding obligations on investors to conduct due diligence, comply with the laws of the host country and adhere to international human rights and environmental instruments to which the UK is a signatory. They should also allow for holding companies liable for human rights violations, environmental destruction and corrupt practices.

²⁹ See a statement from 50 UK businesses, business groups and investors and policy proposal from 38 civil society organisations. [corporatejusticecoalition.org](https://www.corporatejusticecoalition.org)

³⁰ Fernandez, Y. (30 August 2022) '4 in 5 of the British public support new laws to prevent exploitation of people in supply chains', *Business and Human Rights Resource Centre*. Available at: [business-humanrights.org](https://www.business-humanrights.org). Accessed 17 June 2024.



Digital trade

How can trade rules ensure the UK is able to regulate the digital economy now and in the future?

Data is the world's most valuable resource, and the companies which capture and use that data are among the world's most influential and profitable. An increasing proportion of goods and services are delivered digitally: in 2020, 25% of all global trade was digital trade.³¹ As digital goods and services expand into all parts of the economy, technology firms are looking to trade rules as a means of cementing their dominance.

Digital trade rules, increasingly enshrined in FTAs and digital-only agreements around the world, seek to create a low-cost, low-regulation environment for digital companies to operate.

The digital economy carries huge potential - to innovate, provide opportunity and provide consumers with convenience and value. However, it also brings inherent risks which are becoming increasingly prominent in the public consciousness, and to which governments are beginning to respond.

The US, for example, has in recent months overhauled its position on digital trade with a view to *"balancing the right to regulate in the public interest and the need to address anti-competitive behaviour in the digital economy"*.³² The UK might similarly wish to intervene in the digital economy for any number of valid reasons, for example to guarantee the privacy of NHS patients' data, to regulate the rapidly-developing use of AI, or to curb the monopoly power of giant corporations such as Amazon, Meta and Microsoft. Accordingly, the UK must ensure that the digital trade rules it promotes do not contradict or undermine such interventions.

Where are we now?

The UK is one of the world's most enthusiastic advocates of new trade rules in the digital economy. Recent FTAs with Australia, New Zealand and Japan each incorporate a digital trade chapter, while the UK has also struck digital-only agreements with Singapore and Ukraine. This approach raises a range of concerns, since such agreements contain provisions which constrain the ability of governments to introduce proportionate regulation into the digital economy. For example, they:

- Prevent the regulation of cross-border data flows. Allowing data to flow freely around the world is often useful. However, governments should have the freedom to regulate or limit international data transfers, if for example they wish to guarantee the privacy of citizens' data.
- Ban data localisation requirements, therefore preventing countries from holding and profiting from the data which they generate.
- Ban states from requiring that digital companies disclose their source code and algorithms. This makes it difficult for states and public regulators to understand digital products, inspect them for biases, and regulate their use. It prevents the transfer of digital technologies to the Global South, and can facilitate the inequitable use of workplace practices governing pay, union organising or discriminatory recruitment practices.³³

The UK has enthusiastically supported these provisions being introduced on the multilateral stage,

³¹ OECD (2023) 'Key Issues in Digital Trade', p1. Available at: <https://www.oecd.org/trade/OECD-key-issues-in-digital-trade.pdf>. Accessed 17 June 2024

³² Lawder, D. (26 October 2023) 'US drops digital trade demands at WTO to allow room for stronger tech regulation', *Reuters*. Available at: [Reuters.com](https://www.reuters.com). Accessed 17 June 2024.

³³ Rethink Trade (2022) 'Big Tech's "Digital Trade" Attack on Working People and Labor Rights'. Available at: rethinktrade.org Accessed 17 June 2024.

in the form of the Joint Statement Initiative (JSI) on e-commerce at the WTO. This has been criticised by civil society as “an initiative of developed countries, which aims to implement (liberalised) trading rules that benefit them (and by extension the big technology corporations that are typically based in the Global North).”³⁴ Such provisions will inevitably limit the regulatory space of the UK Government.

These concerns were reflected in the 2023 decision of the US Government to withdraw its support for the JSI, in which it announced:

“Many countries, including the United States, are examining their approaches to data and source code, and the impact of trade rules in these areas. In order to provide enough policy space for those debates to unfold, the United States has removed its support for proposals that might prejudice or hinder those domestic policy considerations.”³⁵

Where do we need to be?

It is impossible to predict where the fast-moving digital economy will go next. Given this uncertainty, it is vital that any future-facing UK Government retains the freedom to regulate and shape digital companies. This could include taking action to guarantee labour rights for Uber and Deliveroo drivers, for example, ensuring algorithms are not riddled with discriminatory biases, and that private data, such as health or financial data, is held securely and safely in accordance with the highest international standards. The UK should ensure its trade agreements do not undermine these legitimate policy aims, and reflect on the fact that the USA - headquarters to the world’s most dominant digital companies - has elected to put the brakes on the headlong rush towards the internationalisation of a weak regulatory model for digital trade.

A truly modern and responsible digital trade policy must be designed to protect labour rights. Digital trade provisions which can harm workers, such as limits on disclosure of source code determining pay or recruitment practices, or the capture and use of misleading surveillance data by employers, must be resisted. Digital trade rules must also not impede digital industrialisation in the Global South. They should facilitate the transfer of digital technologies and allow countries the policy space to use their data for their own development.

There is an urgent need for a more positive agenda on digital trade to emerge. The digital economy has the potential to deliver extraordinary benefits for workers, consumers and businesses. The UK has the opportunity in the coming years to articulate an approach to digital trade anchored in the responsible use of data for the public good.

³⁴ Digital Trade Alliance (2023) ‘Understanding the WTO Joint Statement Initiative on E-Commerce’. Available at: dtalliance.org. Accessed 17 June 2024.

³⁵ Office of the United States Trade Representative (USTR) (24 October 2023) ‘USTR Statement on WTO E-Commerce Negotiations’, USTR. Available at: ustr.gov. Accessed 17 June 2024.

Digital trade recommendations

A UK trade strategy should clearly articulate how its approach to digital trade rules will ensure the government retains the policy space to regulate digital companies now and in the future. This should include:

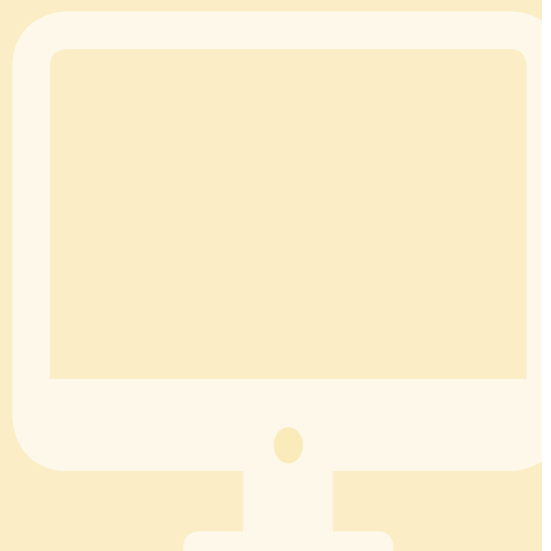
1. Setting a new policy on digital trade, supporting the use of data for the public good.

The digital economy has the potential to deliver extraordinary benefits for workers, consumers and businesses in the UK if it is designed to uphold rights and protect data privacy. There is a strong case for the UK Government to work with other countries to enable cross-border data flows, on the proviso that states retain the right to regulate and shape their own digital economies, in accordance with their public policy objectives.

2. Rejecting some of the most concerning elements of digital trade agreements, such as prohibitions on data localisation requirements, prohibitions on regulating international data transfers and limits to the ability of states to examine algorithms and source code.

3. Withdrawing the UK's support for the JSI on e-commerce. This initiative was initially driven by big tech, which heavily lobbied the US Government. The fact that the US has now backed away from the JSI's most concerning provisions, citing concerns relating to its flexibility to regulate, should lead to the UK also reassessing its position.

4. Ensuring trade rules do not compromise the UK's 'data adequacy' with the EU. The UK has been judged by the EU to have 'data adequacy' status, meeting the EU's relatively high standards on data privacy. Signing digital agreements guaranteeing the unfettered free flow of data with other states where lower standards are maintained could call the UK's data adequacy into question, with significant economic consequences for UK businesses.



Note on methods

This model trade strategy builds on the Trade Justice Movement's existing research and analysis. In addition, over the course of drafting this document we have benefited from the expertise and insights of a wide range of individuals and organisations.

In the course of six roundtable discussions, we engaged directly with 50 individuals from charities, activist groups, trade unions, academia and think tanks. The majority of these are based in the UK, although we also benefited from conversations with experts from Europe, North America and Africa.

The Trade Justice Movement

The Trade Justice Movement is a network of more than 60 organisations, including trade unions, environmental groups and justice campaigns, calling for trade rules which work for people and planet.

 www.tjm.org.uk

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