

CAFOD response to National Policy Forum Consultation

Britain in the world– Labour’s progressive trade policy

Executive Summary

UK trade policy, and trading relations with low-income countries in particular, has the potential to reduce global poverty and inequality, address human rights violations and tackle the climate crisis. But, to have transformative impacts, trade policy must be part of a broader international development programme and a strong approach to UK business practice that has human and environmental rights at its core.

Given that agriculture accounts for a third of global greenhouse gas (GHG) emissions, contributes to biodiversity loss and employs a significant proportion of people in lower- and middle-income countries, prioritising sustainable agriculture has the potential to reap huge benefits for both people and nature, enabling farmers and communities to be less dependent on emergency aid due to extreme weather events.

As such, CAFOD recommends that Labour prioritises sustainable agriculture and that their trade policy is underpinned by the following principles:

1. **Mutual benefit:** ensure that no trade deal has an adverse environmental, economic or social impact on developing countries.
2. **Support small businesses:** ensure the benefits of trade reach communities in lower- and middle-income countries.
3. **Uphold dignity of work:** strengthen existing environmental, labour and human rights standards and support businesses to uphold these high standards.
4. **Do no harm:** Trade policy must integrate social and environmental sustainability to ensure that trade deals do no harm to the environment or human rights, ensuring core minimum standards are applied.
5. **Transparency and open consultation:** MPs in the UK should have access to trade deals as they are being negotiated to allow scrutiny and Labour should commit to consulting communities who will be impacted by new trade deals.

However, it’s vital that Labour’s work to promote economic growth through trade is complemented by an international development policy and strong business approach that:

1. Builds environmental and climate resilience through committing public finance for agroecology.
2. Maintains high human rights and environmental standards through introducing a mandatory due diligence law for UK businesses.
3. Legislates for private creditors to participate in G20 debt relief schemes.

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

The invasion of Ukraine and COVID-19 has revealed the vulnerability of global supply chains. In particular, the current war in Ukraine has disrupted food production and supply chains for both imports and exports, leaving low-income countries struggling to buy fertiliser for their farmers, or grain for their populations.

To build resilience, Labour should ensure that its trade policy promotes mutual benefit for the UK and third parties by making sure that no UK trade deal has an adverse effect on the world's poorest communities or the environment.

Agricultural commodities play an important role in many countries' export markets. Trade deals should therefore not lower standards around food production in third party countries, especially as a vast majority of people living in extreme poverty depend on agriculture for their livelihoods. Instead, Labour's trade policy should seek to support low-income countries to invest in their own agricultural sectors, increase their own food production, and to build local, environmentally sustainable approaches to production that are climate resilient.

Large-scale commercial agriculture, including for export, has a smaller impact on poverty reduction than small-scale farming for local and national markets. It is also a precarious model for ensuring long-term food security, as it leaves countries vulnerable to volatility in global markets. Therefore, building resilience through mutual benefit in trade policy must also be underpinned by a development approach that supports smallholder farming. Smallholder farming using agroecological practises focusses on increasing crop diversity and soil health which can produce crops that are more resilient to extreme weather events. This contributes to reducing cases of hunger and the dependency of farmers and communities on international aid, while also enabling farmers to build small business, participate in local markets and develop more resilient livelihoods. Labour should commit public finance, including climate finance, to be channelled to programmes that support agroecological programmes.

To ensure mutual benefit for both the UK and third-party countries, Labour should also introduce a mandatory due diligence law that holds companies liable for environmental and social risks in their supply chains. This would encourage businesses to build longer-term relationships with trusted business partners, rather than business models being reliant on long, complex supply chains, with the only consideration being profit.

Labour should:

- ✓ Adopt a trade policy based on mutual benefit. This must be supplemented by an approach that encourages businesses to build long-term partnerships with businesses in third party countries, upholding strong environmental and human rights standards.
- ✓ Commit to climate finance for agroecology. Agroecology helps to build resilience by prioritising local, environmentally sustainable approaches to food production that are climate resilient.

- x Avoid a trade policy that gives large agribusinesses a competitive edge as this reinforces a food system reliant on complex supply chains that leave countries vulnerable to volatility in global markets.

2. 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?

By adopting CAFOD's suggested principles on (2) supporting small businesses, (3) upholding dignity of work and (5) transparency and open consultation, Labour can ensure its trade ambitions do not come at the expense of people in lower-income countries.

While trade can help lift living standards in lower- and middle-income countries, we know that prosperity from trade often does not trickle down to the poorest communities. Therefore, Labour's trade policy needs to be complemented by both an international development policy that prioritises extreme poverty reduction, and strong business rules that upholds workers' rights and their dignity at work.

However, CAFOD has found that the UK Government has increasingly used ODA for programmes that do not have an extreme poverty alleviation focus. For example, analysis from CAFOD and RSPB showed that from 2013-2019, BII (formerly CDC) and other UK aid-funded institutions such as the Private Infrastructure Development Group, invested at least £125.5m of UK aid in Indorama Eleme Fertiliser, a fossil gas-based fertiliser producer based in Nigeria. In the same period, total reported bilateral UK aid to Nigeria for agriculture and rural development was just £26.3m, a fifth of the amount.

In the current context, ODA is around 0.5% of GNI, with up to £4bn being spent in the UK, much of the increase due to supporting Ukrainian refugees. The remainder of approximately £8bn for spend in poor countries is equivalent to a fall of almost half since 2020. As such, Labour should reverse the Conservative precedent of disbursing ODA for purposes other than the alleviation of extreme poverty overseas, which includes committing to an immediate pause on any new capital injections from the ODA budget to BII until it can prove poverty alleviation outcomes in its investments.

On business regulation, Labour's trade policy must be underpinned by strong principles on workers' rights, human rights and the environment from negotiation to implementation, monitoring and enforcement. Labour should avoid inciting a race to the bottom in working conditions as a result of its trade policy and instead use the UK's position to uphold and enhance regulatory standards for businesses.

Trade policy should therefore be complemented by stronger supply chain legislation that would enhance Labour's "new partnership" with business and position Britain as a leader in fairer, greener trade. We recommend that Labour introduces legislation that imposes a duty on organisations to conduct human rights and environmental due diligence in their domestic and international

operations, products and services – including in their supply and value chains - and which holds them accountable if harm occurs as a result of their failure to do so. CAFOD – as part of the Corporate Justice Coalition - is calling for a Business, Human Rights and Environment Act, where companies would have to show that they did all they reasonably could to prevent harm, with similar obligations for public sector bodies including BII. By requiring companies to be proactive in identifying and addressing human rights and environmental risks, this legislation would support principle (5) on promoting transparency and open consultation thereby working with affected communities from the outset to reduce harm.

Labour should:

- ✓ Allocate aid spending for poverty alleviation purposes only. This means pausing any new capital injections from the ODA budget to BII until it can prove poverty alleviation outcomes in its investments.
- ✓ Introduce mandatory due diligence legislation that protects environmental and human rights.
- x Avoid a trade policy that encourages competitive advantage through cutting corners on working conditions.

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

Labour’s trade policy should adopt the ‘do no harm’ principle, which integrates social and environmental sustainability principles that provides support to countries with their own environmental and climate commitments.

Agricultural commodities account for a significant share of exports in many lower-income countries, but the dominant model of industrialised agriculture has detrimental environmental, health and social impacts. This is why a shift to agroecological practices must be encouraged.

As such, Labour should decouple the link between agriculture and environmental degradation by making sure its trade policy adopts core minimum environmental standards, and that its development policy focusses on tackling climate change and environmental degradation to prevent vulnerable communities falling further into poverty.

However, core minimum environmental standards should also be accessible for smallholder farmers in lower- and middle-income countries. For those smallholder farmers who want to be integrated into global value chains, it is important that Labour’s trade policy should not make food production or market access difficult for smallholder farmers with added layers of bureaucracy. In the process of a trade deal, Labour must ensure that local communities are consulted in the trade negotiation process, keeping the process transparent for affected communities in the UK and the third-party country.

However, many low- and middle-income countries that the UK has negotiated or seeking trade deals with, are facing debt crises which will leave countries to decide between paying for public services that will benefit their peoples, or

service debt demands. 54 countries are in debt crisis according to the UNDP, while Ghana, Sri Lanka and Zambia are already in default. The UK can play a hugely significant role by closing the loopholes allowing private creditors to evade responsibility since 90% of international bonds owed by countries eligible for the Common Framework are governed by English law. This means that Labour could emulate the Debt Relief (Developing Countries) Act 2010 by legislating to require private creditors to participate in G20 debt relief schemes, building upon the work of previous Labour governments who worked to ensure that minimal bilateral debt has built up in poorer countries.

Significant debt cancellation would give countries the fiscal space to develop and implement climate and nature commitments that work for them, as well as allowing them the space to invest in their own industrial strategies.

Labour should:

- ✓ Adopt a trade policy based on doing no harm, with minimum core environmental principles.
- ✓ Legislate private creditors to participate in G20 debt relief schemes
- X Avoid a trade policy that encourages a race to the bottom on environmental standards when it comes to food production.