

TOWARDS A PROGRESSIVE US-UK TRADE PARTNERSHIP

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EXECUTIVE SUMMARY

The contemporary model of international trade is under strain. Rising trade tensions, paralysis at the World Trade Organisation (WTO), and economic instability as a result of the Covid-19 pandemic have led to renewed calls for reform of the underlying rules of international trade.

There are growing concerns over the social, economic and environmental impacts of trade liberalisation. First, there are concerns over the distributive impacts of trade, with evidence emerging that trade liberalisation has had an impact on regional inequalities. Second, there are concerns over the impacts of globalisation on the environment and the risk of 'carbon leakage', where industries relocate to countries with less stringent climate regulations. Third, there are concerns over democracy and transparency in the negotiation of trade agreements. In response to these concerns, governments have adopted differing strategies: redistributive approaches, which reallocate the gains of trade to compensate those who have lost out; interventionist approaches, which use government policy to try to bring production back to the domestic economy; and internationalist approaches, which incorporate issues such as the environment, climate action, and workers' rights into global trade diplomacy. It is this latter approach which is the focus of this briefing.

The US and the UK are well-placed to pursue a progressive US-UK trade partnership which advances climate, environmental and social goals. The new Biden administration has advocated for a 'worker-centric' trade policy which promotes environmental sustainability, while the UK government is embarking on a new independent trade policy under its 'Global Britain' banner. Both

countries have made ambitious commitments to cut carbon emissions, and last year negotiations began on a future US-UK free trade agreement.

A progressive US-UK trade partnership should be based on three shared principles: supporting equitable growth, addressing the climate and nature crisis, and promoting democracy and human rights. This would involve, for instance, using trade policy to reduce disparities in income and wealth, promoting reform at the WTO to support the green transition, and developing trade measures to address forced labour and exploitation.

The UK's presidency of the G7 and COP26 provides an opportunity this year to make major advancements on a US-UK progressive trade agenda. There are three priority areas in particular where we consider progress is possible:

- **First, the UK and the US should work to jointly advocate for reform of the WTO to address the climate and nature crisis.** In particular, they could aim to revitalise plurilateral negotiations on reducing barriers to trade in environmental goods, promote the idea of a 'climate waiver' to permit greater flexibility for climate action without instigating international disputes, and support a work programme for longer-term transformation of WTO rules.
- **Second, the US and the UK should work with trade partners to address the risks of carbon leakage for emissions reductions.** Carbon leakage is where industries in countries with stricter climate policies decide to save on costs by relocating to countries where rules are looser. The UK, US, EU and other trade partners could collaborate on developing principles for how to safeguard global climate action from the risks of carbon leakage and ensure that measures to tackle this problem – such as carbon border taxes – do not further inflame trade tensions.
- **Third, the US and the UK should seek to negotiate the greenest trade deal in history.** The two countries could introduce new momentum into their trade negotiations by committing to secure a free trade deal which is unprecedented in its environmental, climate, and social ambitions. They could explore the inclusion of robust non-regression clauses to uphold high labour and environmental standards, rigorous enforcement and dispute resolution mechanisms, and complementary measures to support cooperation, transparency, and civil society involvement.

INTRODUCTION

For both the UK and the US, the last five years have ushered in major turning points in their approaches to international trade. The UK's withdrawal from the European Union has allowed it to chart an independent trade policy and begin to transform its trade relationships across the world. In the US, the Trump presidency upended the global consensus with a mercantilist approach to trade, imposing new tariffs on steel and aluminium, engaging in aggressive negotiations with key partners, and collapsing the World Trade Organisation's appellate body, its panel for hearing appeals regarding disputes between members. The election of president Biden has signalled a more constructive approach from the US towards global diplomacy, alongside a continued critique of the current model of trade.

As both countries turn their focus towards revitalising international alliances, there is a new opportunity to strengthen the US and UK trading partnership. The Biden administration in the US and the Johnson premiership in the UK have a shared interest in tackling the climate crisis and pursuing a green-led economic recovery from the coronavirus pandemic. In the short-term, the two countries are looking to make progress on trade and climate policy at the G7 and COP26 summits, hosted by the UK in Cornwall and Glasgow respectively. In the longer term, there is the prospect of a US-UK free trade agreement after negotiations commenced last year. And more broadly, the US and the UK can strengthen the 'special relationship' through a trade partnership grounded in shared progressive principles: supporting climate and nature action; tackling economic inequalities; and promoting human rights.

In this briefing paper, we set out a broad framework for how the US and the UK can work together to develop such a progressive trading partnership. In the following section, we outline the political and policy context for this discussion, summarising the current trade debate and making the case for why a progressive US-UK trade partnership is necessary. We then put forward a set of three priority areas for where the US and the UK could begin to develop this partnership: (i) engaging in collective reform of WTO rules (ii) working towards a coordinated approach to addressing carbon leakage at COP26; and (iii) beginning negotiations on ambitious environmental, climate, and social provisions within a future US-UK trade agreement.

This briefing is the first output of a 12-month IPPR project on US-UK trade and sketches out a starting point for a US-UK relationship which embeds shared climate, nature and social ambitions. In the following stages of the project, we will focus on developing our framework for a progressive US-UK trading partnership in greater depth.

WHAT IS PROGRESSIVE TRADE?

In recent years, the contemporary model of international trade has come under increasing strain. After a long period of exponential growth dating back to the second world war, global trade has stagnated relative to income growth since the financial crisis (Hoekman 2015). The Covid-19 pandemic has led to a temporary plummet in trade flows, and while a rebound is now underway, the recovery is expected to be deeply uneven around the world (WTO 2021). The era of rapid globalisation appears to have been succeeded by a new period of 'slowbalisation' (Irwin 2020).

There are a number of potential factors behind this trend, including changes in global supply chains and developments in China's economy, as well as the fact that past moves towards economic integration were 'one-off' events that are hard to replicate now trade barriers are lower. But another potential factor is a growing backlash against the policies of trade liberalisation. After half a century of measures aimed at reducing tariffs and other barriers to trade, there are now signs of a partial reversal in policy direction among multiple countries. A number of trade blocs have introduced new tariffs on imports – most notably, there has been a rise in tariffs between China and the US. Since 2017, the number of protectionist measures brought in by countries across the world has increased substantially (Bank of England 2019). And in the wake of the Covid-19 crisis and the effects on global supply chains, governments are expected to place greater emphasis on self-sufficiency in key strategic sectors (Fortunato 2020).

This change in policy direction has emerged as a result of a number of concerns over the potential costs of trade liberalisation, which have become increasingly prominent in debates over trade policy in the US and Europe. Three concerns in particular stand out.

First, there is a concern about the impacts of trade liberalisation on inequality and workers' rights. According to standard trade theory, the liberalisation of trade with poorer countries lowers the relative return to lower-skilled workers in richer countries. While earlier empirical research found that trade only played a relatively small role in explaining inequality between workers of different skill levels, more recent evidence has suggested that trade liberalisation is associated with increased regional inequalities (Goldberg 2019; Dix-Carneiro and Kovak 2017; Autor et al 2013).

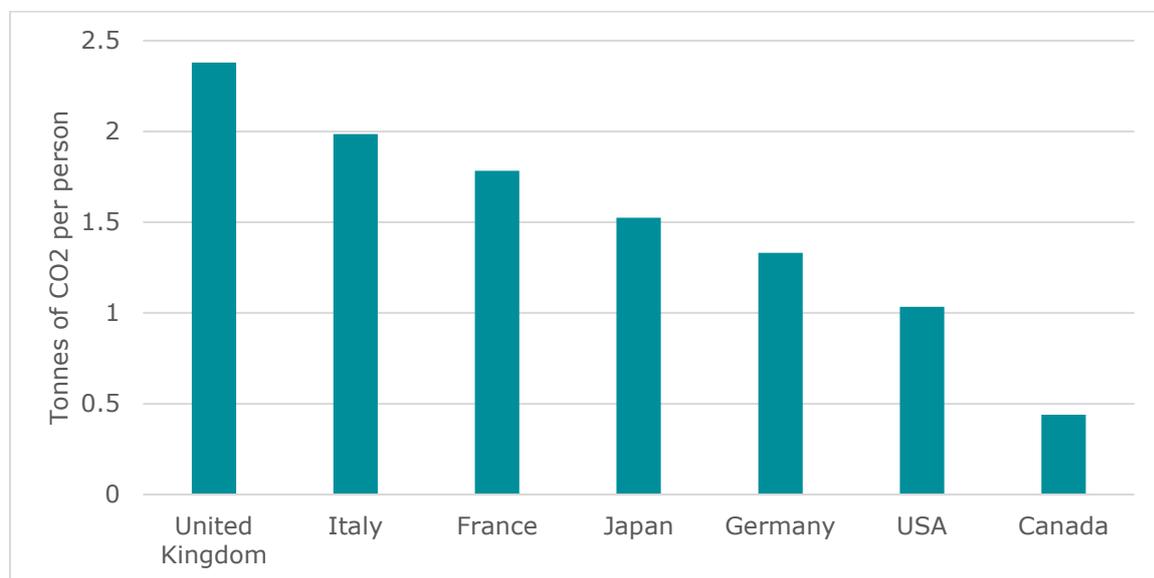
A second concern relates to the implications of trade liberalisation for climate change and the environment. One area of dispute relates to the 'outsourcing' of carbon emissions – ie where countries replace domestic carbon emissions with the import of carbon-intensive products from overseas (Malik and Lan 2016).

While studies point in different directions and no firm conclusions can yet be drawn, there is some evidence that trade liberalisation can result in a shift in carbon emissions to lower-income countries with more lenient environmental rules (an example of the 'pollution haven' hypothesis) (Reverdy 2019; Yao et al 2019). If this hypothesis is correct, then it risks undermining world efforts to reduce carbon emissions. For the UK in particular, this is a relevant concern given it has had the highest net carbon dioxide emissions 'imported' per head of all countries in the G7 (see fig 1).

FIGURE 1

The UK has the highest net carbon dioxide emissions 'imported' per head of all countries in the G7

Net carbon dioxide emissions 'imported' per head, G7 countries (average of the years 2009-2018)



Source: IPPR analysis of Global Carbon Project (2020) and World Bank (2019)¹

Relatedly, some have argued that trade liberalisation can lead to a 'race to the bottom' on environmental protections, as countries lower their standards in order to maintain competitiveness. The evidence here is mixed. For instance, one recent study of the impact of tariff reductions on sanitary and phytosanitary (SPS or food hygiene) standards suggests that liberalisation can in fact lead to a 'race to the top' in countries with already high standards but can also lead to regulatory chill in other countries, thereby extending the gap between countries with higher and lower standards (Aisbett and Silberberger 2020).

¹ This chart draws on a similar approach used in Richie (2019).

A third concern focuses on democracy and transparency over trade deals and trade enforcement mechanisms and institutions. Full details of trade negotiations are typically not made publicly available while they are ongoing. In the UK, campaigners have argued that Parliament should have greater powers to scrutinise trade negotiations (TJM 2019).

Campaigners have also raised concerns about bilateral investment treaties and free trade agreements with provisions for investor-state dispute settlement (ISDS), which allow foreign investors to bring arbitration proceedings against host governments where they believe their rights have been breached. Critics have argued that ISDS gives corporations the power to sue governments over legitimate public policy decisions and risk constraining governments' ability to make regulations in areas such as climate change (Tienhaara 2017; TJM 2020). Concerns over ISDS were a significant factor in discussions over the proposed Transatlantic Trade and Investment Partnership (TTIP) between the EU and the United States.

There are different ways in which countries have sought to address these concerns over trade liberalisation. We suggest dividing them into three types of approaches: redistributive, interventionist, and internationalist (see Table 1).

Table 1: Three approaches to addressing concerns over trade liberalisation

Approach	What it is	Examples
Redistributive	Redistributive approaches propose that governments should liberalise trade to reap the economic benefits, but then redistribute the gains within the domestic economy to ensure that those who lose out from trade are compensated.	<ul style="list-style-type: none"> • European globalisation adjustment fund • US Trade Adjustment Assistance program
Interventionist	Interventionist approaches actively use government policy to try to bring production back to the domestic economy, in order to bypass some of the	<ul style="list-style-type: none"> • 'Buy American' rules • China's 'dual circulation' strategy

	concerns over liberalised trade.	
Internationalist	Internationalist approaches aim to work with trade partners to incorporate conditions on areas like workers' rights, environmental protection and food safety into bilateral and multilateral trade agreements.	<ul style="list-style-type: none"> • Canada's 'progressive trade agenda' • EU's 'trade for all' strategy

Redistributive approaches propose that governments should liberalise trade to reap the economic benefits, but then redistribute the gains within the domestic economy to ensure that those who lose out from trade are compensated. Examples include the European globalisation adjustment fund for displaced workers, which supports people who have been made redundant as a result of globalisation, and the US Trade Adjustment Assistance program, which provides support to workers whose jobs have been lost or negatively affected due to increased imports (EC no date; US DOL no date). While these examples relate to schemes explicitly supporting those affected by trade liberalisation, redistributive approaches can also include more general forms of government support which target disadvantaged workers and communities.

Interventionist approaches, on the other hand, actively use government policy to try to bring production back to the domestic economy, in order to bypass some of the concerns over liberalised trade. One example of an interventionist approach is president Biden's extension of the 'Buy American' policy, which prioritises US suppliers for federal government procurement. Another is China's 'dual circulation' strategy, which includes a focus on building domestic supply chains to reduce reliance on overseas imports (Yao 2020).

Finally, internationalist approaches aim to work with trade partners to incorporate conditions on areas like workers' rights, environmental protection and food safety into bilateral and multilateral trade agreements. These approaches can complement redistributive and interventionist approaches to trade by collaborating with like-minded countries to align trade policy with other social, climate, and environmental objectives. Where provisions are effectively enforced, they can help to both spread the benefits of higher levels of environmental and social protection and to ensure a level playing field for competition between countries. One example of an internationalist approach is

Canada's 'progressive trade agenda', which aims to include more 'inclusive content' in its trade agreements on areas such as labour, the environment, and gender equality (Government of Canada 2020).

Redistributive, interventionist and internationalist approaches to trade policy are not mutually exclusive and any comprehensive model of trade should consider the merits of each. For the purposes of this briefing, however, we focus on the case for an internationalist approach to US-UK trade relations, which aims to build social and environmental objectives into trade policy discussions.

We recognise there are risks to this approach. For instance, labour and environmental provisions may be used by domestic rent-seekers as an excuse to implement protectionist policies and may impose unfair costs on poorer countries. But if designed carefully, we consider that internationalist approaches are vital for addressing social and environmental concerns over trade. Through aligning trade diplomacy with ambitions on climate change, worker protections, and human rights, the UK and the US can help to advance policy action on global challenges, tackle some of the social and environmental risks of the current model of trade, and strengthen public confidence in their respective trade agendas.

In the next section of this briefing, we focus on the importance of internationalist approaches to trade within the context of the US-UK relationship, outlining the broad framework for a progressive US-UK trade partnership.

PRINCIPLES AND PRIORITIES FOR A PROGRESSIVE US-UK TRADE PARTNERSHIP

In the previous section, we explored some of the challenges for the modern trading system and set how governments could respond. One approach involves developing a progressive trade agenda – that is, working with other countries to incorporate climate, nature, and social objectives into bilateral and multilateral trade relations.

In this section, we outline how the UK and the US can work together to develop trade relations based on such an approach. The UK and the US are ideally placed to lead the way in forging a progressive trade partnership. They have strong historic ties, share common values, and have both signalled ambitious approaches to the climate and nature crisis. The UK's new independent trade policy and 'Global Britain' ambitions, together with the new agenda developed by the Biden administration, provide a window of opportunity for renewed

cooperation. And while trade agreements are by no means the only consideration for trade relations, the start of the negotiations over a US-UK FTA in 2020 provides a focal point for advancing US-UK relations on trade policy matters.

Principles for progressive US-UK trade relations

Before exploring the potential priorities for the US and the UK, we set out some of the fundamental principles which should underpin US-UK trade relations. We suggest three shared principles which should be at the heart of a progressive US-UK trade agenda: supporting equitable growth, addressing the climate and nature crisis, and promoting democracy and human rights.

1. Supporting equitable growth, both domestically and globally

The UK and the US have a shared interest in addressing economic injustice at both the domestic and international level. The Biden administration has emphasised that its trade policy will have workers at its heart and will aim to advance equitable economic growth in countries around the world (USTR 2021). For its part, the Johnson government is pursuing a 'levelling up' agenda designed to tackle geographic inequalities within the UK. As part of its Plan for Growth, the UK has said it will use its trade policy to support economic recoveries which boost prosperity for all, both nationally and internationally (HMT 2021). The UK's Department for International Trade has indicated it wants a US-UK trade agreement to 'level up' the country (DIT 2020).

A US-UK trade partnership should therefore aim to explore and promote ways for trade policies to tackle domestic and global inequalities and support countries with developing economies. This could build on recent progress made by G7 finance ministers on a minimum global corporation tax rate. **A progressive trade agenda on equitable growth should involve using trade policy to make progress on strengthening employment standards and decent work, tackling labour exploitation, reducing disparities in income and wealth, and promoting gender and racial equality.**

2. Addressing the climate and nature crisis

The UK and the US have set out ambitious plans for climate and nature action. Both are signatories to the Paris Agreement, which commits them to preparing, communicating, and maintaining plans for climate action known as 'nationally

determined contributions' (NDCs) (UNFCCC no date). Moreover, both governments recognise that trade policy is a critical tool for achieving their climate ambitions. The Biden administration is pursuing a whole-of-government approach to tackling the climate crisis and has emphasised within its trade agenda the intention to work with other countries to put the world on a "sustainable environment and climate path" (USTR 2021). At the same time, Liz Truss, the UK's international trade secretary, has talked of a "values-led" trade agenda which advances environmental sustainability (Fairtrade Foundation 2021).

In the global debate, too, there has been a growing discussion of the tools for tackling the climate and nature crisis within trade policy – including greater liberalisation of trade in environmental goods and services, the phasing out of subsidies for fossil fuels, the introduction of carbon border taxes, and the incorporation of stronger environmental commitments within trade agreements (Birkbeck 2021).

As the UK hosts the G7 and COP26 summits in 2021, there is promising scope for a shared US-UK agenda on climate and environmental action. In order to address the scale of the challenge, it is essential that climate and nature are at the heart of US-UK trade relations. **A progressive trade agenda on climate and nature should involve supporting trade in environmental goods and services, promoting green reform at the WTO, and collaborating on approaches to tackle carbon leakage.**

3. Promoting democracy and human rights

The US and the UK have longstanding shared values on promoting democracy and human rights. Both countries have voiced strong critiques of human rights violations globally – most notably, in relation to the treatment of the Uyghurs by the Chinese government. In some cases, they have used trade policies to advance this agenda – for instance, by applying trade sanctions on countries which violate human rights norms (eg in the case of China – see Bhala 2020).

As part of their trade partnership, the US and the UK should seek to strengthen the link between trade and the promotion of democratic values and respect for human rights. **A progressive trade agenda on democracy and human rights should involve using trade agreements and other trade measures to tackle forced labour and exploitation, advocate for transparency and accountability, and support the rule of law.**

Priorities for a progressive trade agenda

The UK's presidencies of the G7 and COP26 provide an opportunity this year to make substantial advancements on a US-UK progressive trade agenda – especially in relation to incorporating climate objectives into trade discussions. While the full range of policy options is beyond the scope of this briefing, there are three areas in particular where we consider progress is possible: WTO reform, action on carbon leakage, and labour and environmental commitments within a US-UK FTA.

1. WTO reform

The World Trade Organisation (WTO) – the international membership organisation which manages global trade – has faced mounting pressure in recent years. Tensions between members, the Covid-19 crisis, and the collapse of the appellate body – its panel for hearing appeals over disputes – have seriously tested the organisation's functioning and delivery. Changes are necessary to help address current trade disputes, facilitate the global economic recovery, and support the green transition.

In the lead-up to the WTO's twelfth Ministerial Conference in November 2021 (MC12), there is now an opportunity for reform. The new US administration has signalled a more constructive approach to the WTO compared with its predecessor and has already reversed its opposition to the appointment of new Director General Ngozi Okonjo-Iweala (Wragg 2021). In the UK, the government has repeatedly called for the modernisation of the WTO and has urged reform at recent UK-hosted G7 trade ministerial meetings (DIT 2021). International trade secretary Elizabeth Truss and US trade representative Katherine Tai also had discussions about WTO reform at a bilateral call in April (Reuters 2021).

Yet one area where reform has proved challenge in recent years is on the climate and nature crisis. Despite efforts to liberalise trade in environmental goods and services and reduce fossil fuel and other environmentally harmful subsidies, it has been hard to find consensus among WTO members. To help advance the trade and environment agenda, some WTO members entered into new 'structured discussions on trade and environmental sustainability' earlier this year (IISD 2021). The UK and the US can build on these efforts and make progress on greening the WTO by putting forward constructive proposals in a number of priority areas.

First, they can work to refresh plurilateral negotiations on the Environmental Goods Agreement, which have stalled since 2016 (see Schneider-Petsinger 2020). The agreement aims to eliminate tariffs on environmental goods (for instance, wind turbines and solar panels) (WTO no date). One of the core disputes in the negotiations has been how to determine the list of environmental goods which should qualify for tariff-free treatment (Dreyer 2016). As argued by de Melo and Solleder (2019), the US and the UK should aim to restart the negotiations by putting forward proposals for an independent scientific panel to establish a new list of products most vital for tackling the climate and nature crises, with the aim of building consensus around a targeted list of environmental goods.

Second, the UK and the US can promote the idea of a 'climate waiver' to help avoid a future stand-off between progress on climate action and WTO law (Bacchus 2017). Currently, there are concerns over whether some climate measures – notably, carbon border adjustments – are compliant with WTO rules which aim to prevent discrimination between home and imported products ('national treatment') and discrimination between imported products from different WTO members ('most favoured nation') (Lydgate 2021).² WTO rules offer some leeway for climate regulations which introduce trade barriers, but only where they pursue legitimate environmental policy goals and are not discriminatory. Concerns over WTO compliance therefore risk instigating long-running legal disputes and inhibiting international climate action. A carefully designed 'climate waiver' could help to address uncertainties over conflict between environmental ambitions and trade rules by offering a temporary exemption for climate-related measures as a starting point for more deep-seated reform.

Third, looking beyond the climate waiver, the UK and the US could advocate for the longer-term transformation of WTO rules to support global climate and nature action. This could mean updating the mandate and work programme of the WTO's Committee on Trade and Environment in order to facilitate urgent progress on developing proposals to support the green transition. Potential areas for reform could include clarifications to GATT Article XX to outline when climate and nature policies are excepted from rules on trade in goods and improvements to the TRIPS Agreement to facilitate the transfer of green technologies to developing countries.³ These reforms could help to pave the way for a new approach at the WTO which promotes sustainable and inclusive trade between members.

² These principles apply not just to goods but also to other areas of trade, including services and intellectual property.

³ The General Agreement on Tariffs and Trade (GATT) is the main international agreement which governs trade in goods. GATT Article XX sets out the circumstances where trade measures are excepted from the rules of the agreement. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the main international agreement covering intellectual property.

2. Addressing carbon leakage

In recent years, there has been growing concern over 'carbon leakage' – that is, where industries in countries with stricter climate rules decide to relocate to countries with less stringent legislation to save on costs. Countries are concerned that, as they ramp up efforts to tackle climate change, they will face a competitive disadvantage and their efforts to reduce emissions will be undermined by carbon leakage.

In response, some trade blocs have proposed adopting carbon border adjustment mechanisms (CBAMs) as part of their response to the climate crisis. CBAMs are policy tools designed to impose charges on imported goods in line with their carbon content (ie the carbon dioxide emitted during their production). Their purpose is to prevent 'carbon leakage' by placing the same costs on importers as domestic producers in energy-intensive industries (Lowe 2019).⁴

While the idea of carbon border adjustments has been discussed in policy circles for many years, there is a growing debate about their implementation in practice. As part of the European Green Deal, the EU has signalled plans to introduce a CBAM and the Commission is expected to table a draft proposal in July this year. However, while in the US the Biden administration has indicated interest in carbon border adjustments and is currently examining the idea, climate envoy John Kerry has recently highlighted concerns over the implications for trade and suggested they should be only used as a last resort (Hook 2021). Given the US currently has no national carbon pricing policy, it is unlikely that it will be able to introduce a CBAM in the short term without breaching WTO rules. This suggests that there is unlikely to be a 'one-size-fits-all' approach to carbon leakage and countries will need to adopt difference responses depending on their domestic policies for cutting emissions (Lee and Baron 2021).

There are a range of practical challenges involved in implementing carbon border adjustments – from determining their industry and product coverage to accurately determining how much CO₂ has been emitted in the production process of imports. There are also considerable geopolitical challenges. For many countries, CBAMs are viewed as a potential cover for protectionism. Developing countries are concerned that they could be especially disadvantaged, given they face greater barriers to financing a green transition (Lowe 2021; Durant 2021). As a result, there is a risk that carbon border adjustments could lead to retaliatory tariffs and a rise in global trade tensions.

⁴ They may also involve rebates for exporters to ensure they are not disadvantaged in countries with weaker climate legislation.

In order to advance global discussions on carbon leakage and CBAMs, there is a vital need for a renewed effort at trade and climate diplomacy. The UK, the US and the EU should therefore play an active role in convening trade partners to discuss approaches to addressing carbon leakage in the run-up to COP26. Given the risks of differing approaches resulting in trade disputes, there is a strong case for agreeing on some broad principles for how best to respond to the problems of carbon leakage. These principles could focus on the following areas:

- A joint multilateral commitment to ensuring that trade flows and carbon leakage do not undermine international efforts to reduce carbon emissions.
- A focus on the importance of coordinating approaches for calculating embodied carbon emissions in order to address carbon leakage.
- An agreement that any country planning to implement measures such as CBAMs to address carbon leakage must consider the impacts on poorer economies within the design of their policy.

These principles would aim to support consistent approaches for tackling carbon leakage and help to mitigate potential trade tensions over proposals for CBAMs. This would help the UK, the US, the EU and other trade partners to provide a foundation for future global diplomacy on trade and climate action.

3. US-UK trade negotiations

The US and the UK opened negotiations on a free trade agreement in May 2020. In the UK, a deal with the US is seen as a major opportunity to mark out the government's post-Brexit 'Global Britain' strategy. Yet negotiations have stalled in recent months as the new US administration has prioritised domestic economic issues over the pursuit of new trade deals. There are also ongoing concerns in the UK about the implications of a US trade deal for food safety and animal welfare (Delargy and Treat 2020). Conversely, there are doubts in the US about the UK's implementation of the Northern Ireland protocol, the arrangement agreed with the EU for avoiding a hard border on the island of Ireland (Wright and Charter 2021).

While these issues will be difficult to resolve and it is likely to take time for a deal to be agreed, the UK and the US could introduce new momentum into the negotiations by committing to secure a free trade agreement which is unprecedented in its environmental, climate, and social ambitions.

The US and the UK could build on previous trade deals to break new ground in their negotiations. The UK-EU Trade and Cooperation Agreement (TCA) contained some of the strongest environmental commitments in trade history – including obligations on carbon pricing, provisions for ‘rebalancing measures’ in the event of future regulatory divergence, and the incorporation of climate action as an ‘essential element’ of the agreement (Gehring 2021). The US’s recent renegotiation of NAFTA (now the United States-Mexico-Canada Agreement or USMCA) significantly strengthened its labour and environmental provisions, newly incorporating seven multilateral environmental agreements and subjecting the provisions to the agreement’s standard dispute resolution mechanism (Boucher 2020). Given president Biden’s explicit commitment to promoting a trade agenda which supports workers, promotes sustainable development, and addresses the climate crisis, there is now an opportunity for the US and the UK to go even further in their bilateral negotiations.

The US and the UK should therefore commit to negotiating the greenest trade deal in history. This should include robust commitments to uphold joint core standards and to not reduce current levels of protection, rigorous enforcement and dispute resolution mechanisms, and complementary measures to support cooperation, transparency, and civil society involvement. Such commitments should also include protections for domestic food production and animal welfare standards.

Agreeing some of these commitments will no doubt be challenging – particularly in the contentious area of food and farming. But given president Biden and prime minister Johnson’s shared interest in climate action, there is also an opportunity to galvanise transatlantic appetite for the negotiations by placing the green transition at the centre of a US-UK free trade deal. With the right scale of climate and environmental ambition, these negotiations could serve as a benchmark for the content of future free trade agreements around the world.

CONCLUSION

As the global trading system adapts to the recent political and economic upheaval, the UK and the US have a shared interest in advancing a new progressive trade partnership. This partnership would aim to address concerns that the contemporary model of global trade has contributed to a series of social, economic, and environmental harms. As we have set out in this briefing, such a partnership should centre on three core principles: supporting equitable growth domestically and globally; addressing the climate and nature crisis; and promoting democracy and human rights.

There are a number of critical areas where the US and the UK can begin to put these principles into practice, from discussions over carbon leakage to proposals for a WTO climate waiver. In the longer term, the US and the UK should work towards negotiating an ambitious free trade agreement which breaks new ground in its environmental, climate, and social commitments. In our future work for this project, we will build on the principles and priorities set out in this briefing and outline a comprehensive framework for a progressive US-UK trade partnership.

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