HOUSE OF COMMONS

International Trade Committee

Oral evidence: UK trade negotiations: Agreement with the Gulf Cooperation Council, HC 79

Wednesday 16 November 2022

Ordered by the House of Commons to be published on 16 November 2022.

Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Lloyd Russell-Moyle; Martin Vickers; Mick Whitley.

Questions 174 - 224

Witnesses

I: James Hygate, Founder and CEO, Green Fuels; Cameron Witten, Senior Policy Advisor, Green Alliance; and Dr Cinzia Bianco, Gulf Research Fellow, European Council on Foreign Relations.

II: Mohammed Soliman, Director, Center for Strategy and Emerging Technology, The Middle East Institute; Dr Nadia Naim, Senior Lecturer, Aston Law School; and John Cooke, Co-Chair, Liberalisation of Trade in Services Expert Advisory Group, TheCityUK.

Examination of witnesses

Witnesses: James Hygate, Cameron Witten and Dr Cinzia Bianco.

Q174 **Chair:** Welcome to the International Trade Committee and this evidence session on UK trade negotiations: agreement with the Gulf Cooperation Council. We have two panels this morning. The first panel is with us now, and they are James Hygate, Cameron Witten and Dr Cinzia Bianco. I will let you introduce yourselves on your own terms—name, rank and serial number—starting with James.

James Hygate: I am James Hygate. I am the founder and CEO of Green Fuels, and we develop and operate technology to convert waste into liquid fuels.

Cameron Witten: Thanks very much, Chair, and thanks to the Committee for having me here today. My name is Cam Witten, and I am a senior policy adviser at Green Alliance, focusing on international trade. Green Alliance, as you may know, is a non-partisan environmental think tank.

Dr Bianco: Good morning, everyone, and thank you for your invitation. My name is Cinzia Bianco, and I am the Gulf Research Fellow at the European Council on Foreign Relations. I have been working on the GCC monarchies for over a decade from different points of view and, in the last couple of years, following a lot of environmental and energy questions in relations with Europe.

Q175 **Chair:** Thank you, and thank you for your time as well. To kick off and start with you, Dr Bianco, in what ways could the UK meaningfully further its climate and environmental goals through an FTA with the GCC? Let us remember that a lot of fossil fuels come from that part of the world.

Dr Bianco: Absolutely. It will be very much an uphill battle and you have already pointed out arguably one of the biggest obstacles to signing an FTA with the GCC countries whose economies basically depend on their production of hydrocarbons. Things like carbon leakage, for example, I am sure would feature prominently in the cons of such an agreement.

On the other hand, there might be a very narrow yet constructive path to try to still respect the UK's own environmental goals and even further, in a sense, those goals if, for example, this agreement would cover specifically preferential trade arrangements on decarbonisation and green technologies. In other words, incentivise the export of UK-made green technologies and decarbonisation technologies that would enhance the GCC countries' abilities and capacity for carbon capture and even the processing of carbon into an industrial product that ultimately may be re-exported into the UK as an industrial product and a chemical ingredient in many industrial processes in the UK.

James Hygate: I think that there is an opportunity to supply further technology into the region from the UK. The UK is very good at innovating renewable technologies, and they clearly should be being used within the region. There are some real challenges. We have a facility operating in Oman. With the low price of fossil fuels and the lack of policy driving the use of these fuels, although the plants they are operating are all well publicised, the majority of the product that we produce is being exported whereas it should be used regionally. Perhaps there is something to help there, along with policy changes.

That goes along with research and development—collaborative research with the region. Anything that goes out of the region needs to be appropriate for the environment there, which is quite different to here. It is obviously very hot and very sunny, and there are clearly opportunities for solar and other technologies there. But you get the impression that things like decarbonising the grid need to happen first before large-scale vanity projects come into place.

Cameron Witten: It probably will not surprise you to hear that we think there are definitely some risks and that it is not sending a very good signal about the UK's leadership on climate and the environment to be prioritising trade talks with the Gulf Cooperation Council in the first instance, given their climate and human rights records.

I echo a lot of the points that Dr Bianco made. The risks of carbon leakage are significant and that is borne out in some of the findings of the Government's own impact assessment. If you are pursuing a trade deal with the GCC, it is important to have those sorts of binding enforceable provisions on climate, on trade and sustainable development. Unfortunately, I think, as the other panellists have said, that might be an uphill battle to secure and certainly has been difficult in previous negotiations that other countries have undertaken with the bloc.

Q176 **Mark Garnier:** Dr Bianco, I will start with you. I am interested to see your opinion on how ambitious local environmental policies are in the GCC, but there are a couple of aspects to this. One is what their political policies are—their government policies—but I am also interested in your thoughts on things like NEOM where you have sovereign wealth funds investing into environmental cities. I think it is NEOM in Saudi Arabia and Mubadala has that town by the airport in Abu Dhabi. Are they genuinely committed to the green agenda?

Dr Bianco: This is an excellent question. On the surface, my answer is yes and no, in the sense that we see a lot of political rhetoric going in that direction and we see little movement—arguably too little movement—on the ground still.

In that sense, at least we have the political rhetoric to build on. A country like the United Kingdom is well positioned to basically leverage the local leadership claims and political commitments of the Gulf countries and say, "These are your words and commitments; let us try to put them in writing". For example, the Saudi sovereign wealth fund has recently, through the words of Crown Prince Mohammed bin Salman, committed to have a net zero portfolio by 2060, the same year that the Crown Prince has committed Saudi Arabia to be a net zero country.

I think you can try to leverage those political commitments and put them in writing, as the witness before me was saying—try to pin that down, even a small commitment that you can enforce.

Q177 **Mark Garnier:** I believe it was Sheikh Yamani who said the stone age did not end because we ran out of rocks. I think the point he was trying to make was that the world will move on one way or the other from fossil fuels. Do these states not have an existential challenge ahead of them where they are obviously petrochemical or oil and gas economies? If they do not move in the right direction, will they to end up being so unpopular that nobody will deal with them at all?

Dr Bianco: I would argue that this is a question of expiry date, where you put it versus where they put it. Before the Russian invasion of Ukraine, they would put it—if you dig deep enough—around 2050, the time where really it would be an economic survival concern from their point of view. After the Russian invasion of Ukraine with the current shortage, basically—crisis of supply—they would put it at even a later date.

It is a very different perspective from ours in Europe. We see that clearly there is a limited time for which fossil fuels are a valuable product, but from their point of view they are seeing, especially in the past few months, requests to produce more and to invest more, so their idea is slightly different. It is, "Perhaps we can invest more into carbon capture and utilisation with this idea of a circular economy but then still survive on fossil fuels beyond 2050, especially because they have very low production costs". If anything, they believe they will be the last man standing.

Q178 **Mark Garnier:** Looking at the opportunity to get this into a trade deal, I think that the GCC's FTAs with Singapore and EFTA do not contain any environmental provisions. Given that precedent, how easy do you think it is for the UK to get environmental issues in a trade deal?

Dr Bianco: It will not be terribly easy, especially because while the deals that you have referred to are already signed, there are ongoing negotiations with China. These negotiations seem to be a bit less smooth than the ones with the UK, a bit slower. It is much more uncertain, but it is going on. We can expect China not to lean too much into environmental concerns, especially binding ones.

On the other hand, there are pressures coming from the United States and from the European Union, who are also willing to reopen trade conversations and see what is possible and what is not. Those obviously are advancing pressures on the GCC countries, with the EU—now slowly, because of the Russian invasion of Ukraine and the disruption to the energy market—still convinced of introducing measures such as the carbon border adjustment mechanism, which is basically, as you know, a carbon tax. It is quite a big economic threat from the GCC point of view.

I think that they understand that finding a constructive way of addressing these concerns, which are still strong, is very useful for them as well. It is a matter of finding if there is a potential middle ground that is constructive but still is not viewed as a threat by any side.

Q179 **Mark Garnier:** That is very helpful, thank you. Cameron, we have heard that it is inconceivable, given the dominance of fossil fuels in the GCC, that any increased bilateral trade and investment resulting in an FTA would not include significant levels of goods, services and investment resulting from the fossil fuel sector. What do you think the most significant environmental impacts of increased trade between the UK and the GCC are likely to be? How do you think we can mitigate those impacts?

Cameron Witten: The carbon leakage concerns from this deal have already been touched on. We do not need to look any further than the Government's impact assessment. We are looking at potentially a best-case scenario of a 0.1% increase to GDP for somewhere in the range of 2.5 million to 4.5 million more tonnes of CO_2 emitted per year. Those are conservative estimates, potentially. There is a fair amount that you can do to mitigate within a trade deal, but I think we have heard this morning that it will be an uphill battle no matter what the scenario.

In an ideal world, a lot of things can be done both defensively and proactively within an FTA to try to secure the types of environmental protections and prevent particularly our domestic agenda from being undermined on net zero. Defensively you can have the sorts of things that we have seen in some of the deals we have signed already. You can have strong references to the 1.5°C Paris target, include commitments to net zero and include provisions on non-regression for the counterparties in the deal. Throughout, it is important to stress from the UK's perspective the right to regulate on environmental matters.

We will probably come on to it eventually, but the current bilateral investment treaties that we have with five of the six GCC countries, although two are not in force, all contain ISDS provisions, which I think are a significant risk from an environmental perspective.

There are also the more proactive measures that you can include in a trade agreement. The ones that we have secured recently with New Zealand and with the European Union are a good example. Those are very different negotiating partners than the GCC, but you can build in agreements to fossil fuel subsidy reform, like we did in the New Zealand FTA. There is obviously still a huge fossil fuel subsidy regime across the GCC that will be quite a hill to climb for any sort of green products in the region.

Then there are the sorts of even deeper economic and commercial ties that you can put within a deal like we did with the TCA. The TCA has some of the most progressive commitments on carbon pricing and electricity trading of any of the FTAs that we have been involved in. Those are the kinds of measures that you would want to see to mitigate the potential impacts, but again it will probably be very difficult to broach those conversations.

Q180 **Mark Garnier:** Not only is it difficult to broach those conversations, but how do you then enforce them within the trade deal and how do you make sure that those things are being delivered as we expected?

Cameron Witten: As a starting point, you should ensure that it is best practice across the board that the dispute resolution mechanisms within a trade deal apply to all of the chapters, in particular the trade and sustainable development and environment chapters. Quite often those chapters are carved out. That is obviously not the way we would like to see it done. You want to have any dispute mechanism be cross-cutting and comprehensive, and provide the opportunity for ex-post evaluation and analysis. A lot of times the after-the-fact scrutiny of various provisions within the trade and environment chapters are carved out as well. You would want those analyses to be robust after the fact to know what, if anything, is changing and how we can mitigate that going forwards.

Q181 **Mick Whitley:** This is to James. Your company, Green Fuels, has established a biodiesel plant in Oman.

James Hygate: Yes.

Mick Whitley: What is the appetite for green fuels and innovative technologies such as yours in the region?

James Hygate: It was the first in the region. We saw an opportunity where there was available waste that we could utilise for fuel to be used locally. It is waste cooking oil to fuel. We thought it would be a great stepping stone to move into the other areas of the GCC and expand.

The equipment was manufactured in the UK and exported to Oman. It has been operating for a year now and the project has gained a lot of publicity, but there have been some real challenges because again there is not the policy there to encourage the use of sustainable fuels. Anything that is competing with oil and gas is clearly very difficult. Through this facility alone you can see the potential there is to save thousands and thousands of tonnes of CO_2 per year by utilising this waste for fuel locally.

One of the other reasons we did it was as an educational piece, to show that you can utilise this material and use it, and it is as suitable for use as the fossil fuels that are there. I think that has helped to a certain extent. That is one thing in the region where maybe outside of a free trade agreement you can see that clarity of research and more information about the benefits of renewable technologies could certainly help.

We also saw it as an opportunity. In the region, because of the oil and gas industry, there are some phenomenal engineering businesses and capability to scale technologies. If you could repurpose some of that knowledge into scaling renewables, that could have a meaningful impact on climate change.

Conversely, if you end up with an agreement that makes it easier and more profitable for, say, UK-based oil and gas companies and their suppliers to trade with the GCC, that clearly will have a negative effect on climate change. This is a tricky agreement to put in place, to make sure that the positives outweigh the negatives.

Q182 **Mick Whitley:** I was going to come on to that. The GCC has funding for R&D projects to produce innovative green technologies. How could an FTA help UK businesses to seize these opportunities?

James Hygate: A lot of innovation funding for the UK is very UK-centric and it is developing technologies that are very applicable here. Having research funding that enables technologies to develop that might be more appropriate for the GCC, and more appropriate for other environments, would certainly add value and help. It would enable work with the research institutes and businesses there. They have some great universities and a great research centre, but there is also this engineering capability, which is very good for scaling technologies.

Q183 **Mick Whitley:** The next question is to all the panellists. Apart from through tariff reductions, how else could an FTA facilitate trade in environmental goods and services and the spread of environmental technologies?

Dr Bianco: I have to echo the points raised by the previous witness. I think it is important that the UK Government try to incentivise the specific capabilities within UK technology and industry, and within UK industrial actors and research actors. We see the specific problem that he referred to. A lot of technologies that we are developing in Europe, especially at a start-up level—for example, looking into enhancing the storage capabilities of renewable energies—are very localised.

We need to adapt. We will eventually need to adapt all of this research to different environments and habitats. This could be an opportunity to do that, to encourage and incentivise these rich businesses and to make it easier for them to launch innovative joint ventures that can help adapt technologies and research to the local environment and encourage the energy transition processes that we would like to see.

As you might already know, there is great potential for renewable energy to be produced in the GCC countries. Green hydrogen has been a big topic of conversation, but we would need to get it more operational, to get that going. An FTA is a very good way to incentivise operators to look at the next phase and start making things happen on the ground.

Cameron Witten: I totally echo those points. It is also probably important to state that you do not necessarily need an FTA to strengthen trade and environmental goods and services. Certainly, since we now have the UK's global export tariff, we have the opportunity to put our finger on the scale unilaterally to reduce tariff barriers, in particular, to environmental goods. There is certainly a lot further that we could go internationally and in the various multilateral forums at which we have a seat at the table currently, particularly at a WTO level, to help to strengthen and clarify the definitions of environmental goods in the first place. That is quite a big hurdle still that we are trying to clear from a global perspective. But we could also champion those measures more broadly because we have a number of seats at a number of quite powerful tables on that front.

There is often a lot of focus on the tariff-based measures, but the non-tariff options that Dr Bianco touched on are also important, particularly if you are trying to facilitate increased trade and environmental services, and not just goods. The closer economic co-operation that you can embed into a free trade agreement—again, probably a difficult hill to climb in this context—is the sort of thing we would want to see, deepening the commitments, on both sides of the discussion, to decarbonisation, to transitioning and to phasing out fossil fuel subsidies. Those are the sorts of commitments you make binding, and you make the conversation and progress a mandatory piece of the enforcement of the deal itself. That can help to move things forward.

James Hygate: I fully agree with the previous witnesses. There are great opportunities for knowledge transfer and enabling this development, and for more technology-appropriate or environment-appropriate technologies. Another area that could be helped, especially from the business front, is that the Department for International Trade has been incredibly helpful for us over the years, not only with the GCC but in many countries. It is also opening up things like UK Export Finance for smaller business and SMEs. At the moment, there is a lot of will from UKEF to help smaller projects. A lot of renewables are small projects. You may hear about these huge multibillion-pound projects, but the ones that have the impact—the ones that can scale quickly—tend to be smaller. They are from smaller companies.

The challenge we have in the UK is retail banking supporting UK Export Finance. It is very challenging if you are a UK business exporting technology, funding through the build all the way to getting it to site and commissioned, and that could be helped. I think that there are probably discussions with UKEF to improve that further.

Q184 **Mick Whitley:** My final question is again to James. What support does the UK industry in this sector require from the Government to seize the opportunities this FTA could offer?

James Hygate: Certainly there is awareness of what is out there, understanding the market and where you are going and whether what you are producing is applicable for that. There are certain renewables that are very applicable for the GCC and there are certain ones that are not. There is clearly a lot of sun and also a lot of waste material. In our area, utilising the waste is where we see a future.

There are also industries there that would benefit from decarbonisation. There is oil and gas, but outside that you have a huge aviation industry.

We are heavily involved with sustainable aviation fuels and developing processes from things such as sewage sludge. There is plenty of sewage sludge in the region that you could utilise for fuel, but the policy is not there currently to enable that to happen.

The UK has been very good with developing sustainable aviation fuels. The road map that has been put in place is driving innovation in this country and certainly there is innovation around these types of renewables. I can see the UK becoming the world leader in this, but there are markets such as this where they can be deployed and scaled.

Chair: We will go to the enquiring mind of Lloyd Russell-Moyle.

Q185 **Lloyd Russell-Moyle:** Mr Witten, you mentioned before about ISDS and some of the concerns. Can you outline what you believe is the UK's approach to this dispute resolution regarding environmental issues, and your views on the ISDS mechanism being included within that framework?

Cameron Witten: What we have seen recently is that ISDS is suffering a bit of a crisis of legitimacy, certainly if you look at what is happening with the energy charter treaty at present.

Lloyd Russell-Moyle: The ones who are withdrawing?

Cameron Witten: Yes, there are a number of countries—Germany, France, the Netherlands, Italy, Spain, Poland; the list goes on—that have decided or have announced that they are intending to leave the energy charter treaty specifically on the basis that ISDS is immediately at cross-purposes with their ambitions on the environment. That has been the stated reason for a number of countries leaving the ECT. Generally speaking, we would much prefer to see state-to-state dispute settlement mechanisms as the approach within a deal, and I think that those mechanisms have much better outcomes when it comes to the environment.

ISDS is an extra-national system; it is a closed system. The majority of those cases are decided in favour of investors and the majority of the cases that we see being brought today—not the majority but certainly a sizeable chunk and an increasing proportion—are on oil and gas development and mining investments. The majority of those are being decided in favour of the investors.

In a state-to-state dispute settlement mechanism within the FTA, it is much more transparent. You are referring directly to the clauses of the provision itself. With the need to prove that you have violated something that both sides have agreed to within the FTA to find in favour of one party or another, there is often much more public scrutiny and participation through those mechanisms. There is even a good example in CPTPP, where there is a provision that the public can raise complaints through mechanisms in a state-to-state dispute settlement context through CPTPP.

Q186 **Lloyd Russell-Moyle:** Is your problem that ISDS is secret and behind the shadows, and judgments are not always for the public, or that the processes are not public and the judges themselves are not always unbiased? Or is the problem that investors and individuals have the ability to take states to court when they believe that their rights have been violated?

Cameron Witten: You have hit both points on the head there. I think it is a combination of the two, but certainly I would stress on the second point the significant financial liability that ISDS exposes public funds to, particularly when you have such close ties on fossil fuel infrastructure, as the UK and GCC countries do currently. There is an LNG plant on the south coast that is 70% owned by one of the GCC governments. There is certainly a significant financial risk, and we often see that the settlements in ISDS cases on oil and gas, and on fossil fuels generally, are many orders of magnitude more significant in financial penalties than in other ISDS cases that are raised.

I think that the lack of transparency, the fact that there is much less accountability to public scrutiny in those proceedings and also the serious financial liabilities are a combination of the risk.

Q187 **Lloyd Russell-Moyle:** You said that your preference is state-to-state dispute processes, but you also went on to say that some of the iterations of this allow citizens, who can be investors or not, to raise complaints directly against the state. It is citizen to state as well as state to state. Is that your desirable form of dispute resolution in a GCC deal?

Cameron Witten: We would say that ISDS should not be included in any agreement with the GCC. Also, this should be an opportunity, if we want to start reopening our relationship and our trading basis with these countries, to revisit the bilateral investment treaties that we have signed with a number of those nations and request that the ISDS provisions in those treaties be removed.

Lloyd Russell-Moyle: Iran, Oman and UAE.

Cameron Witten: Exactly. The other point to stress is that the likelihood of the two that have not yet come into force then coming into force is much higher if we pursue a deal with the entire bloc and it includes ISDS—we will probably see those other bilateral treaties come into place more quickly as well. On the basis that we think ISDS is problematic fundamentally, we should be excluding that from any deal that we are doing.

Q188 **Lloyd Russell-Moyle:** I get that. The question that I asked was about trying to eke out what you thought a dispute resolution settlement should look like. There are always state-to-state dispute resolution mechanisms in any treaty. Is that state-to-state WTO? Is that state-to-state separate court of arbitration? Is it ICJ? Is it a separate process? What is your desired dispute resolution? You mentioned citizens and therefore also investors; how can they be involved in that? Do you have a kind of model that you say, "This is the one that is the gold standard"?

Cameron Witten: That is a very fair question. To be honest, I will probably have to come back to you on the specific model that we want to see among those options. Where it is embedded within trade agreements, we find that much more of a beneficial mechanism from an environmental perspective, full stop. You are right to ask who gets a seat at the table under those arrangements. Certainly, we would like there to be much more public involvement and at least transparency in the proceedings writ large, which is something that state-to-state processes allow. But I will have to come back to you on whether the WTO or the ICJ is our preferred model.

Q189 **Lloyd Russell-Moyle:** Or court of arbitration. It is interesting, because I think we have all heard the criticism of ISDS, but then the discussion is about what you put in its place—noting that the WTO's processes are completely bogged up at the moment because of a failure to appoint new judges, and the International Court of Justice is a clunky tool to be resolving individual disputes at a smaller level. An understanding of that would be good.

To the other witnesses, should an FTA be agreed with the GCC bloc, or should it be with individual states?

James Hygate: That is a big question.

Lloyd Russell-Moyle: The brief says "very briefly" but I do not know how you can very briefly answer that. What is your impression? Do we need the GCC, or could we get this through individual agreements?

Chair: Building on that, with James and Oman, does it matter if it is GCC, or are you particularly looking for Oman? Or do you plan to expand further in the GCC?

James Hygate: No, that is it. For us, looking very selfishly at it, I suppose, it would work better as a bloc because it would allow expansion and enable us to supply our technology out into the various countries. But also having the trade agreement—at the moment the fuel we are producing is being exported into Europe.

Chair: You have gone into Oman without a deal, so you can trade without a free trade agreement.

James Hygate: Yes, absolutely.

Chair: But you just feel it would be easier if there was one.

James Hygate: I think it would be easier if there is a preference to go to UK trade suppliers.

Q190 **Lloyd Russell-Moyle:** The choice is not: have a deal that is the same with the GCC or with individual states. It is: have a deal with the GCC that might be a lower common denominator and will take longer to agree—you might be waiting 10 years, and you will have a weaker deal—or is it better to try to pick off some of the states and have stronger more comprehensive deals in different areas, but it will not be the same with every state? That is the choice that the Government have at the moment.

James Hygate: I guess the clock is ticking on the environment, isn't it? The sooner we can do something, especially if we can push something through that provides some benefit—if we can get some of the states to decarbonise further and move away from fossil fuels faster and quicker, that probably would be a preference.

Q191 **Lloyd Russell-Moyle:** Do you have a concern that the GCC negotiations are led by Saudi Arabia, and the other states tend to follow—in terms of their royal profile, their environmental profile and what they will be focusing on compared to the others?

James Hygate: Maybe going in through one of the other states is the right way forward. I see what you mean. Is the key to tackle Saudi first, being much larger and with a greater population? You are right; I think they do. I am going to need to take this away and think about it, because I think there is a question of pace and speed here. How long do you think it could take with Saudi compared with other states?

Q192 **Lloyd Russell-Moyle:** It has taken decades for the last one. Dr Bianco, I could see that you were nodding your head along with those questions. Do you want to come in on that?

Dr Bianco: Yes, because these are all very pertinent and very difficult questions. With the GCC versus bilateral approach, my only meaningful contribution is to give you inputs on what it would mean going one way or the other, in my opinion.

If you go the bilateral way, it is probably better, even though not necessarily easier, to start with the big one—to start with Saudi Arabia. As you said, it sets the tone for what goes on with the other countries who tend to follow. Also, that would make it easier politically for the UK in the specific context of the GCC because tensions continue with some of the GCC countries, for example the UAE and Qatar, even despite the fact that the Qatar crisis has been resolved.

If you go the multilateral way, if you want to trade with the GCC, unfortunately you can expect some of those political—I do not want to say tensions—issues to also play out in the negotiation, and you get mixed up into a lot of the politics. There is a case to go bilaterally and to start from the biggest one and then try to set a precedent for the others.

The downside of it, from an environmental point of view, for example, because that is what we are talking about, is that the GCC contributes locally to around 4% of global carbon emissions. That is what we are talking about locally and it is mostly linked to transportation. My colleague mentioned aviation but also cars and, potentially in the future, given the focus that there is now, other forms of transportation and infrastructures in general.

The GCC countries are pushing forward some projects for transnational infrastructures, logistics, railways and other transportation projects. If you have a deal at the GCC level, you could focus on encouraging electrification and decarbonisation in these transnational infrastructures, the railways and other transportation. If you go bilaterally, that will make it a little bit harder but not impossible, because the major investors for a transnational project such as the Arabian peninsula railway would be Saudi Arabia and the UAE anyway.

The interesting thing there, especially if you get some positive movement on the question of the electrification of transportation, is that you could be setting the precedent, given that we expect Saudi Arabia and the UAE, and then Qatar in third position, to become major regional investors in other infrastructure projects and logistics projects in the rest of the Middle East and North Africa region. There is an interesting opportunity there.

Q193 **Chair:** Cameron, you seemed sceptical of the need for an FTA at all. I was wondering what your answer is to that. I think the options given were individual and group, but can I take from you that you would not be too bothered either way if there was not one at all?

Cameron Witten: It is fair to say that there is a lot we can do outside of FTAs. They are not necessarily the be-all and end-all of advancing our environmental priorities globally. You are right; we would say that given the track record of the GCC on climate and on human rights, it sends the wrong signal for the UK to be prioritising talks with this bloc at the moment, particularly as we are trying to pushy swiftly in the other direction on the environment and climate.

I agree with what the other panellists have said about the challenges of a GCC-wide agreement versus bilateral agreements. It is important to remember that this will be a whole different thing compared to the other FTAs that we have signed recently, because the GCC is a customs union and it has a common external tariff. The UK cannot agree the traditional comprehensive modern FTA that we would like to see with individual states. It is either go for the whole hog and go down the multilateral route, or essentially strengthen and reopen the bilateral investment agreements that we have with five of the six GCC countries currently. But the broader point is the signal that it sends globally on the environment, and on our commitment to tackling climate change, to be prioritising talks with the GCC bloc in the first instance.

Q194 **Lloyd Russell-Moyle:** While we are with you, Cameron, in the preliminary environmental impact assessment, the Department for International Trade identified carbon leakage as a particular risk. Are there any ways to mitigate this?

Cameron Whitten: Certainly, through some of the proactive and reactive mechanisms that I mentioned in response to one of the earlier questions. Having the sorts of strong commitments, which may be challenging, to net zero, decarbonisation and transition is the way that you can most effectively mitigate carbon leakage risk, by ensuring that we say, "We want to evolve our economies in the same direction and ensure that, as a percentage, fossil fuels are reducing as quickly as possible."

The challenge there is, as Dr Bianco was saying, that on the surface, there is some decent rhetoric but when you start to dig down it gets much more challenging. Even this week at COP 27, we have seen delegates from Saudi Arabia pushing back on the cover agreement of the COP negotiations and trying to water down the language on the phasing out of fossil fuels. Combined with the fact that their stated aim is to increase production by millions of barrels a day over the period between now and 2040, it is very difficult to see how you can ensure that we are not contributing to carbon leakage through an agreement.

Q195 **Lloyd Russell-Moyle:** Is it important that any deal would include the ability for carbon border adjustments, if we wished to go down that route?

Cameron Whitten: It certainly seems sensible, but again I imagine it is quite a heavy lift at this point. From the conversations I have been having, it feels like there is a lot of interest at a UK level in pursuing some sort of a carbon border adjustment mechanism or similar—product standards, support for domestic industrial decarbonisation, the kinds of things that you would want to see to tackle carbon leakage and consumption emissions domestically—and requiring those types of things to be committed to. On the other side of the agreement, I think it would be essential but quite difficult.

Dr Bianco: Difficult, but not impossible because there is political value from a GCC point of view in having an FTA with the United Kingdom in particular. It is difficult, but I think at least leaving it open in the text is possible especially if there is also a clear willingness in the negotiations to contribute actively to local visions for industrial development and economic growth. There has not been full transparency in the negotiations. Arguably the available information is still too little anyway, but it seems that there is a willingness to listen to the other side and make it also an interesting and helpful agreement to incentivise local plans for industrial development, economic growth and non-oil diversification. I argue that it is certainly difficult but not impossible to leave it open to the introduction of carbon border adjustment mechanisms.

Q196 **Lloyd Russell-Moyle:** Almost all the exports from the region's big economies to Britain are carbon-based and we are trying to get to a commitment where we can produce energy domestically by 2030 in a green way—my party's policy—and by 2050, which is the Conservative Party's policy. Whichever way you get there eventually, is there a danger that signing a deal embeds certain carbon technologies and carbon trades for a generation rather than starting to wean them off?

Dr Bianco: This is a political choice. It depends on what specifically you decide to incentivise and how much you decide to incentivise green business versus fossil fuel-based business. In the short term, let's be realistic; it is inevitable that the United Kingdom will, as will many other European countries, increase its imports of fossil fuel products and hydrocarbons proper from the GCC countries. Given the need to diversify from Russian sources, it is almost inevitable but at the same time, because we are in a situation of certainly not oversupply in the market, it is a good moment politically to make this FTA not merely about incentivising the GCC's ability to export hydrocarbons into the UK but rather focused on other things.

I do not have the numbers with me, but I believe that perhaps the most significant and interesting thing from a GCC point of view is to have easier access for their investments into the UK, especially in some of the things that we are already talking about, such as technologies to further their own industrial growth and even decarbonisation. At the end of the day, those political commitments are not net zero commitments we made. Someone will always leverage those. Again, it is in the letter of the agreement.

Q197 **Lloyd Russell-Moyle:** It is always nice to think that agreements will prioritise solar, hydrogen and ammonia, which are the three big things that we are talking about in shipping, energy storage and production in the region. The reality is that in the region there is no real mass-scale green hydrogen or ammonia production. There is some very interesting biofuel productions, but they are all dwarfed by or non-existent compared with fossil fuels and carbon-based. Is there an argument that if any agreement is introduced you would need a period of transition so that barriers were not reduced too quickly in some areas, leaving other areas orphaned?

Dr Bianco: That is an excellent idea. A transition period is a way that you can try to make sure that there will not be the tendency to maximise the current energy crisis. You wouldn't be excessively incentivising and favouring the big fossil-fuel industrial players and letting them take advantage of this energy security crisis to double down their investment into that sector alone. You buy yourself some time and you let some of the ongoing projects develop even further.

As you say, renewables are still not happening on a mass scale, but it is slowly taking place. We have seen the UAE deliver a couple of cargoes of blue ammonia to the port of Hamburg in Germany as part of a strategic agreement that the two countries signed.

It will take time, but I think incentivising these kinds of things and especially the resolution of the two largest problems, arguably, in the renewable space—the storage and transportation of molecules, if we are talking green hydrogen or ammonia—through a deal could be helpful.

Q198 **Lloyd Russell-Moyle:** That is very good. Thank you. Blue ammonia and hydrogen are still not the green nirvana that we seek, but they are good stepping stones that allow us to convert domestically earlier.

To James Hygate, the last question for this panel. We have heard that in manufacturing in the GCC, many manufacturers use fossil fuels to power the creation of green technologies, and use fossil fuels to create the components that are needed. Does this further or harm the environmental agenda?

James Hygate: If you are looking at machinery, it probably is not hugely significant because basically all the power is from fossil fuels. You talk about ammonia and green hydrogen, but you have to decarbonise that energy supply first. There is no point in building a wind farm to make your hydrogen. You are better off building your wind farm to decarbonise the rest of the energy first of all. You are not cleaning up completely. That is a risk and a worry. Anyone in our industry, especially those with mission-driven businesses, looks at the bigger picture. For example, I drive an electric car, but I produce all my own energy at home and have green tariffs, so to my mind I have moved to the point where it is as sustainable as it possibly can be. You have to look at the wider side of it.

However, the engineering capability is there, which is very good, and it could be used to scale these technologies. Getting people to look at clean technologies rather than at how to get more oil out of the ground has to be a good thing. The wider impact of diverting the focus from developing better means of pumping oil out of the ground to renewables and encouraging more people or businesses to do that in the GCC has to have a positive impact everywhere.

Q199 **Lloyd Russell-Moyle:** If we are just using fossil fuels to create blue ammonia or blue hydrogen that is made out of fossil fuels itself anyway, it is just a waste of time.

James Hygate: There is no point. It is a waste of time. You have to go through and green everything. You have to look at the whole picture holistically. You quite often see very large vanity projects that take many years to be built, but you are right—where is the energy coming from to power them? It is often small, it is often decentralised and it is not there yet.

Lloyd Russell-Moyle: Fantastic. Thank you very much.

Chair: Finally, I just want to check a figure with Cameron Whitten. I think you said it was a 0.1% of GDP gain to the UK economy, so basically that tallies with our figures—0.05% to 0.1%—and you need 50 or 100 of these deals to make up for the damage of Brexit. It is worthwhile to the context of what we are talking about here to keep that in focus.

Thank you very much, panel 1, for your contribution this morning and for your time, which is much appreciated. We will probably see you some time in the future; that is often the nature of these things. Thank you for your expertise this morning.

Examination of witnesses

Witnesses: Mohammed Soliman, Dr Nadia Naim and John Cooke.

Q200 **Chair:** Welcome to the second panel this morning of the International Trade Committee's inquiry into the agreement with the Gulf Corporation Council. We have three witnesses, two with us in person and one virtually.

I will ask the first witness, Dr Nadia Naim, to introduce herself with name, rank and serial number. Then we will go to John Cooke and Mohammed Soliman.

Dr Naim: I am a senior lecturer in law at Aston University. I specialise in intellectual property rights.

John Cooke: I am a consultant at the TheCityUK and I co-chair TheCityUK's Liberalisation of Trade in Services group.

Mohammed Soliman: I am the Director of the Center for Strategy and Emerging Technology at the Middle East Institute in Washington DC.

Q201 **Chair:** Thank you. To open up, what opportunities are there for UK-GCC collaboration on digital trade under the GCC countries' respective vision plans, and how might an FTA facilitate this? I will go to John Cooke to start.

John Cooke: TheCityUK represents financial and related professional services. I say that only because I think that for financial services certainly there is a very heavy dependence on digital trade. Financial services generally, globally, are traded 85% by digital means and that rises to 91% for insurance. I think it is fair to say that the sector is heavily digitally dependent.

How does an FTA present an opportunity in that area? The main thing to say is that we would like to see provisions in an FTA that secure easy data flows, not only between the UK and the GCC but also—given that our member businesses trade within the GCC, particularly from the Dubai International Financial Centre—we would look for trade flows in digital trade to be as open as possible among GCC members.

Of course, not everything in this area can be secured through an FTA, but an FTA can do a number of important things. It can prevent cross-border data flow restrictions, and there can be provisions on that. It can prevent data localisation requirements. This is very important if data is to flow. It can recognise the international validity of e-signatures and electronic contracts. There can also be provisions protecting confidential information, such as algorithms and source codes. I only instance these, but these are all things where an FTA can improve the trading environment in digital trade, and that will be important for financial and related professional services.

Dr Naim: I specialise in intellectual property rights, looking at the GCC particularly. They already have intellectual property chapters with free trade agreements with the US and also the ongoing EU-GCC free trade agreement. It is quite a contentious chapter because there are different stages of TRIPS. You have pre-trade TRIPS compliance to WTO and WIPO, and then you have the current situation that the GCC is in, which is that they are meeting minimum TRIPS compliance. The question for a free trade agreement is: do we mirror the existing TRIPS compliance or do we look at post-TRIPS standards? These are taking place.

A great opportunity is that the GCC want to be knowledge-based economies. Akin to that is intellectual property rights and protecting that. In some of their existing free trading agreements the IP chapters are very light, which is probably not the best solution going forward for the UK GCC. Likewise, the US ones, with as many post-TRIPS agreements as they have in there, could be seen as unrealistic.

There is a good opportunity to develop intellectual property rights for UK investment into the GCC and the GCC knowledge economy, and also looking at each individual IP right. The GCC Patent Office has ceased since January 2021, so you cannot do a unitary patent any more and you would have to go through national offices.

Q202 **Chair:** Why did the patent office cease?

Dr Naim: Transparency is a definite issue with the GCC intellectual property rights system. I know that it was inundated with applications. On the time it would take to grant an application—the efficiency, the infrastructure, the capacity, the knowledge base—there are a lot of structural issues in IP where the UK is in a very good position. We have strong IP rights. We are fourth in the Global Innovation Index so there is a lot that we can share into an IP chapter that would be more realistic and fit for purpose.

In answer to your question, the issue with ceasing was a lot to do with how many applications they were receiving and how they were responding and coping with that. They are looking at a new regulation. That is another opportunity, a working model on how that regulation could work. You could have a tier that is GCC common interest patents, which could go through tier 1, and a second tier that looks at national offices in individual states. It is a good opportunity to improve what they had as a unitary patent system.

Q203 **Chair:** I will go to Mohammed Soliman on digital trade and the collaboration of the UK and the GCC on that.

Mohammed Soliman: Thank you. I am going to start with the question of TRIPS co-operation. Can you hear me well?

Chair: Yes.

Mohammed Soliman: I will start off by saying that we are speaking about a different GCC. This is 2022, and many of the GCC countries understand that there is a moment of global economic transformation taking place that is centred around diverting away from energy to knowledge-based economies and green economies. They are working actively to be in that sort of space. Part of it is through their digital transformation initiatives, which are a high priority for the leadership in the Gulf States. You have Vision 2030 in Saudi Arabia, Oman Vision 2040 and Qatar National Vision 2030. Gulf countries have been working actively on diversification, building their own digital ecosystem, focusing on STEM education and making sure that they have joint ventures with middle-tech powers from Korea and

Japan to even countries like Germany. They are also trying to experiment with technologies in very niche are. You have investment in equipment technologies like semiconductors, EVs and data/AI/machine learning.

It is different countries and different prospects. They are thinking differently about the future. Having them as a partner I would say definitely is something out of interest; imagining a UK-GCC trade agreement that has tech/digital/data components is definitely one of the things that GCC capitals will be looking for. The question is whether it will be individual trade agreements with individual countries or you are able to secure some sort of overall tech approach from the GCC. This will be tricky because we have different visions and different approaches coming from all these regional capitals.

Q204 **Chair:** Thank you. Moving on a little bit, I will go to John Cooke. How could an FTA strengthen UK-GCC regulatory co-operation and ensure regulatory coherence with some of what has just been mentioned—AI, cybersecurity, fintech? Are there particular challenges to achieving this or should it be straightforward? What is your view generally?

John Cooke: Regulatory co-operation and coherence is certainly very important, particularly in these areas of new technologies where it is still not very clear what global regulatory practice will look like. It is important that as far as possible regulators should at least be discussing with one another what the regulatory problems in new technologies may be, and to do so in an anticipatory way that tries to anticipate the issues that may arise rather than taking individual steps to regulate and then having ruefully to compare notes afterwards on problems that have arisen because there are conflicts of law, say, between jurisdictions.

Chair: And then change established practices.

John Cooke: And then try to change established practices afterwards. This is particularly important in our area when one looks at the increasing role of artificial intelligence in the provision of financial services and also the technologies that are involved in fintech applications and, indeed, in financial services delivered through fintechs. In principle one would like to have technology-neutral regulation that operates across all forms of delivery of a financial service rather than distinguishing one technology from another. These will all be complicated areas. Particularly when one looks at the different jurisdictions that there are in the GCC, it would be desirable to have as much contact as possible between our regulators and the different regulators in the different members of the GCC so as to try to devolve recognition of the problems that there may be and efforts at least to try to regulate them in a similar way rather than in divergent ways.

Q205 **Chair:** One of the things we picked up is that there is so little co-operation that I think lorry drivers cannot drive along the Arabian Gulf coast as they go through from country to country, but have to change at borders; you have to change the actual lorry driver at the border. Given that that level of co-operation among the GCC countries is not quite there—I think that is still in place at the moment; I am looking anxiously at colleagues, but it certainly was in place.

John Cooke: As was said in the previous evidence session, this will be one of the challenges of how one conducts a negotiation with the GCC. On the one hand, it is a customs union and so the GCC is able to offer customs concessions that will apply across the whole of its common external tariff, but in many other respects the GCC is not a unified single market. Yes, just as with lorry drivers—not an area I am very familiar with—these problems can arise and so they will arise also in other areas where the members still operate independent jurisdictions.

Dr Naim: For intellectual property and artificial intelligence, this would be added value to the IP chapter in a free trade agreement. It is not something that already exists. With IP development in the UK, we have looked at AI-assisted technology for copyright, so that would have value. Also, there is no unified law on copyright in the digital environment, the resale of rights, so all of that would add value to the GCC to develop a knowledge-based economy through IP.

Mohammed Soliman: I echo what my colleagues have said. It is not really a single market; it is a customs union, and there are some differences in how they approach the question of data transfer and data localisation, which, in my viewpoint and in the work I am doing, is a cornerstone to any sort of trade agreement that has a component on digital services. Can we get there? I think so. Part of it is looking to the UK as a model, as an innovation economy and as a leading economy on tech, AI and cybersecurity. Definitely there is a need, and the Gulf is in need of that, for sure. However, it is always a question of timelines, of political will and of whether we can agree on a broader alignment on the question of data transfer between the two blocs, the UK and the GCC. That will be one of the major benchmarks that we are looking for.

Q206 **Sir Mark Hendrick:** This question is aimed at Mohammed Soliman. Is it possible to liberalise data flows between regimes of high data protection and low data protection without risking the UK's EU data adequacy rules?

Mohammed Soliman: I believe this is the one million dollar question. We have two different approaches to data rights. We have an approach in the EU and the UK that data should have free transfer, but in the GCC and other countries such as maritime Asia, data is seen as sovereign. It is a question of the right of the state. It should be within the sovereign internet or the sovereign boundaries of the state. Therefore, they are creating a lot of friction. We are seeing that when it comes to some of the new regulations about data localisation coming from the GCC nations, so I believe it is already an issue.

It is a very big issue, and we are trying to work around it in how you can create some sort of safeguards and how you can have standalone agreements. Maybe it is something similar to the EU-US tech council or the EU-India tech council, and we are able to classify the UK as a trusted data partner for data transfer. This is the benchmark that some of the countries in the GCC are looking for.

John Cooke: I very much agree with what the previous speaker has said. The UK, in all of these things, has something of a balancing act to play between having regard to the equivalence commitments vis-à-vis the EU that are important and how we operate in other markets.

One thing that is very important with a market such as the GCC is that data movement can be maintained not only between the UK and the GCC but also with other jurisdictions that have data facilities on which UK businesses rely. I think we are familiar with some of the principal ones—India, for instance—for a great deal of data processing and also, for instance, for data storage where we would not wish to see localisation within the GCC for data storage. While we, of course, recognise that data has to be available to local regulators, that does not mean that all of it has to be stored locally. For instance, one of the concerns is that data storage facilities on the cloud within the GCC are not very well developed, so there is a lot of reliance on data storage and data movement to that storage externally.

Sir Mark Hendrick: Risk as well, I presume.

John Cooke: Risk as well, yes. There is a lot of argument about the risks that are there in moving data, but also the risks of storing locally in what may be inadequate storage facilities or those that fall below the best global standards.

Q207 **Sir Mark Hendrick:** Dr Naim, do you want to comment?

Dr Naim: There is no online IP enforcement portal or online intellectual property portal offered by the GCC to support the digital environment and the progress of intellectual property rights. That could be collaborated on and offered as part of the work with the GCC and would then address some of the data issues around intellectual property. It is becoming more and more digital with the different rights that are being protected, so it would really help the growth of the knowledge-based economy and the digital environment in data storage and protection.

Q208 **Sir Mark Hendrick:** Coming back to Mohammed Soliman, how can a free trade agreement navigate the differing data protection frameworks across the GCC members?

Mohammed Soliman: That would be difficult across the GCC countries. Like I said, there is no single market approach to the question of data among GCC nations. They are talking to each other about having a unified approach to data, but this process will take years since some of the countries in the GCC—Saudi Arabia and the UAE—have just released their unified federal data laws in the last year or two. Therefore, they are already building their own data regulatory systems in the last few years. Having a different layer on top of that, which is across the GCC, would take a couple of years. It is very hard to expect that before 2024-25, to be honest. However, they are thinking about it in that way.

There is a tendency in the Gulf to view the question of data as a sovereign entity of the state, so how they solve that problem or how they can sort that sort of disagreement on the question of data internally will also be key to a future GCC-UK FTA.

Q209 **Sir Mark Hendrick:** Do the panellists concur with that?

John Cooke: For my part, I think so. Of course, our view is that the UK should make every effort to try to agree with the GCC some common ground rules that enable cross-border trade in services while recognising the separate jurisdictions. This will not only be in the interests of UK traders. It must also be in the interests of the GCC itself to have regimes that, even if they are individual to each member, share as far as they can some common principles. It seems to us that if the GCC wishes to advance beyond being a customs union to having greater elements of being a unified market, this will be an important area for the future.

Q210 **Sir Mark Hendrick:** Do you think that an FTA of the type we are looking at could pull those differing data protection frameworks together?

John Cooke: I am not sure that an FTA can be a vehicle for unifying all of the individual GCC jurisdictions' rules on data protection.

Sir Mark Hendrick: An incentive, maybe.

John Cooke: It can be an incentive. Of course, if an FTA successfully sets up mechanisms for regulatory co-operation, that can also prove an incentive over time in the way that co-operation works.

Dr Naim: I agree; there are definite inconsistencies between the GCC states and different levels of compliance. Therefore, if there is too much of a push for one unified law across all the states, there is a risk that could fail, whereas if you have a staggered approach—start with a pilot in one and then build—you have more chance of success of learning from it in how it would work. They are not going to unify all of their laws very quickly, which could be worked towards through successful pilots that show it can have a positive impact.

Q211 **Sir Mark Hendrick:** Is the comment that it will take years realistic?

Dr Naim: Potentially, but it will be successful, as opposed to rushing ahead and not meeting expectations.

Q212 **Chair:** I will observe that previous FTAs have not brought about the sorts of changes that would make it easier for people to trade, so to think a UK-FTA might be different might be extremely ambitious. That is an observation, perhaps; I do not know if you have any comment on that. We have to be realistic. I imagine the bigger priority for the GCC will be to sort it out for themselves rather than to sort it out because they will have an FTA with the UK, surely.

John Cooke: This may appear quite ambitious to the GCC partners because of their previous FTAs—the FTA with EFTA in 2009 and also the FTA with Singapore. However, these were made some time ago when these issues were a great deal less salient than they are now. At the same time, while it may appear challenging to the GCC side—it may not, of course, if they have developed their thinking on this—they will see that there are many much more recent FTAs—including the UK agreement with Japan, for instance, improving on the EU's agreement with Japan—in which these issues have been tackled. I do not think any one FTA in this area is a model for another because this is such a fast-moving area. It is ambitious and that will need to come out in the negotiations.

Q213 **Mick Whitley:** Good morning to the panel. My question is to Dr Naim. We have heard that there is uncertainty over the future of the GCC Patent Office. Is this the main challenge facing businesses for intellectual property provision and filing patents in the GCC?

Dr Naim: Yes, it is definitely a time of uncertainty, because they stopped accepting patents very recently. The provisions they are working on as an alternative working model have not become available yet. Going from a unitary patent, what they are suggesting is to act as an outsourcing; you would file within your national patent office and then you would refer the patent for formal examination and scrutiny by the GCC Patent Office. They would do the approval process and then it would be the national office issuing that patent.

It is uncertain. There is an opportunity to look at how we, as the UK, can support the development of a more fit-for-purpose patent model, because it is a regional book. They have different patent measures institutionally within each country. In civil and criminal procedure matters, there are differences in the expertise of the judges and the IP officers. There are a lot of structural issues as well between the GCC countries and what the patent office did. It offered a regional opportunity, so you can file at the patent office and get a patent in all of the GCC states. That was meant to make it more streamlined, but it ended up being a backlog. There are thousands of patents outstanding because of the time it took and there are questions about how well it was scrutinised.

It is not ideal and is definitely a point of concern. Also, it is an opportunity to look at how we can offer or develop work with the GCC and collaborate with them on a better working model for patents because they are so relevant in the knowledge-based economy. Beyond the GCC Patent Office, it is looking at IP infringement, litigation and how that is enforced better and protected.

Q214 **Mick Whitley:** How does the application of the principles of sharia law interact with intellectual property provisions in GCC countries, and what are the implications for the FTA negotiations?

Dr Naim: Sharia law has been recognised as having an impact on intellectual property rights. The EU-GCC free trade agreement, which has been going on for a very long time, has also recognised the role of sharia law in intellectual property rights. That is great progress because, as an Islamic law principle, intellectual property is not mentioned in primary sources of Islamic law. That means it is silent on it. In about the 1970s the sharia council issued a fatwa to say that intellectual property is recognised, it is compliant with Islamic law. That is why intellectual property laws were developed to reach TRIPS compliance. The issue is that issuing a fatwa and giving a statement to say intellectual property is acceptable does not actually mean it is acceptable. On the legislation, on the law books, in the TRIPS agreements and international agreements it is all saying yes, intellectual property is acceptable, protected and compliant with Islamic law. However, is it seen as a foreign industry that is being forced on the GCC?

A lot of the surveys conducted by WIPO, the WTO, international organisations and the GCC itself show that there is a lacuna between what is on the statute books for intellectual property protection and what is perceived and accepted for intellectual property protection. There is an opportunity for others, especially for the UK because we have strong intellectual property rights and we have a strong Islamic finance industry in the UK. What the IP chapters do not offer is an Islamic finance-compliant valuation system to create IP that is seen as compliant through Islamic finance. That will be added value that will open up intellectual property as being just as compliant as Islamic finance or the banking system. Saudi Arabia, for example, follows the Islamic banking system the most strictly.

It is a barrier to the growth of intellectual property, so it does so well to a certain point. It would also have a positive impact on the counterfeiting side, reducing piracy, because there would be a public awareness of not having it. There is a lack of training in the understanding of it. Therefore, it is a good opportunity to develop valuation models, intellectual property models that are compliant with Islamic law. That would give more of a positive understanding of what intellectual property is and why it should be protected.

Chair: Thank you very much. Now we will turn to a great colleague from Northern Island, Mr Paul Girvan.

Q215 **Paul Girvan:** Thank you. This is to Dr Naim. What would you like to see in an intellectual property chapter of an FTA to make the provisions more accessible and ensure effective enforcement of such provisions?

Dr Naim: Enforcement is very important. Currently there is a minimum level of TRIPS compliance and there needs to be some informed investigation into what level of TRIPS-plus agreements need to come in for the enforcement. For example, you have both Oman and Bahrain with TRIPS-plus copyright provisions and protections over the other GCC states. That could be addressed in a UK-GCC free trade agreement. Likewise, look at each of the intellectual property rights and how they are working and can develop. As well, I would like to see more evaluation methods and more growth of intellectual property. How can we support—beyond saying intellectual property needs to be protected—the logistics of it? How can it be valued and protected? It will be good to see that in the free trade agreement and also address the international obligations that are missing in the free trade agreements, looking at how it can be enforced and also capacity building.

Q216 **Paul Girvan:** That leads on to the next part. What progress has been made to raise IP standards in the GCC to the TRIPS-plus standard you have just mentioned in line with standard international trade agreements that currently exist?

Dr Naim: It links in to the GCC Patent Office being closed. Saudi Arabia has SAIP, which is the Saudi Authority for Intellectual Property. They have made a lot of progress in intellectual property provisions and raising awareness of it. The work they are doing has helped with intellectual property. They are increasing transparency by having public consultations, and both Dubai and Saudi Arabia are strong on their IP customs borders enforcement. There definitely are developments happening within the IP regimes.

Q217 **Paul Girvan:** Is there a significant opportunity for the UK to utilise a free trade agreement to build on its Islamic finance industry, and does this give the UK a competitive advantage when collaborating with the GCC on IP?

Dr Naim: I think so. I know that the EU in their dialogue and gap analysis have identified the importance of looking at Islamic law principles and how that can help the intellectual property field grow. We are fortunate in the UK. We have strong IP and a strong Islamic finance industry and there is definitely scope to investigate that and look at how the two industries can come together and develop new, innovative products. That could be piloted in Saudi Arabia, given the improvements they have made with SAIP, and that could then be part of the transparency of the public consultation and see how that improves intellectual property rights protection in the GCC.

Q218 **Paul Girvan:** That leads me on to the next question, which I will ask everyone. Should an FTA be agreed with the GCC en bloc or with individual states, understanding that you mention that Saudi Arabia seems to be at a different level than some other states within the group? Is that a line we should take?

John Cooke: First, on what has been said, from the finance and related professional services point of view, we agree with these points on intellectual property, particularly the availability of enforcement procedures that work. Our members have an interest in intellectual property in their own fintech, in product names, in the electronic versions of their products that are offered online and in business names, quite apart from the intellectual property that arises in processes and the way that, say, the onboarding of a new client is managed. I wanted to reinforce those points.

It is a tricky question whether an agreement can be concluded with the bloc. It is partly a matter of how the bloc chooses to negotiate. We have an analogy with the EU here where the Commission speaks on behalf of the member states, and the same must apply in the GCC in the case of the customs union, where they are negotiating together. How the negotiations will be conducted on non-customs union areas is a matter for the GCC to decide, in part. Will it appoint a single spokesperson with a mandate to speak for the entire GCC on these other areas, such as services, intellectual property and so on, or will all the GCC's members be represented in the negotiating room? I am not sure.

Even if they are all negotiating in the same room, the question still arises—and this was referred to in the previous evidence session—that it will be a kind of request-offer process, as it always is in a trade negotiation, and what would be the right offer to accept from the GCC side? Will it be the lowest common denomination offer that all the GCC members feel able to offer, or can it be a variegated offer that depends on what each individual member is able to offer?

In some ways, it would be a reduced burden on business if all the members are able to offer the same thing. On the other hand, if that means that business generally benefits from a much lower offer than some members might be able to offer, left to themselves, that would be disadvantageous. It will be important that, at the end of the day, outside the customs union area, each GCC member will have to schedule individual concessions to the FTA. They will have to be listed under the names of each of the GCC members. Those will be the concessions that are accepted by the UK and there would be a certain logic in going for the best concessions that one can get from each member.

There could be an interplay between what is negotiated on customs collectively and what is negotiated individually with members on, say, services. There may be a member of the GCC who wants to maintain a high protective tariff on some particular area and will try to move all the GCC colleagues to maintain the common customs tariff at some high level, but who may say in return that they are ready to offer some concession on services if they secure on that, or on IP or whatever. It will be a complicated, multi-moving negotiation in my view.

Q219 **Paul Girvan:** Maybe you negotiate with one person rather than with multiple. Mohammed, can you give us an answer on the same question?

Mohammed Soliman: My answer will not be that different from my colleagues'. It will be a sovereign decision by the states if they are to negotiate with the EU states as one unified bloc or if they prefer to negotiate individually as states. There are significant differences in economic might and power between individual states. Saudi Arabia, UAE and Qatar are in a different tier. Even among themselves there are differences in the GDP and GDP per capita. Then you have a second tier of Kuwait, Oman and Bahrain, so how can you create a framework that goes beyond a customs union into a single market that is willing to negotiate one entity with the UK? This is tough to speculate. I do not have visibility on how the GCC capitals would approach that. They are still grappling with the UK's position when it comes to international trade after Brexit. We are still not sure of how to approach the UK, and what is required is more talks and more understanding of how it could be aligned.

Dr Naim: I agree; it is very ambitious. For IP, for example, despite there being inconsistencies, there are also a lot of similarities due to the international agreements. There is definitely an opportunity to develop uniform laws across the GCC, and not just for the advantage of the UK. It will also advantage GCC states and their own applications between states. There is a lot of opportunity to have it as a bloc with the UK and the GCC, but also look at where some of the inconsistencies are possibly too ambitious and therefore should not be in the FTA. There are other areas where we can look at each individual intellectual property right and how that can be made uniform, because it will benefit both sides.

The other issue with IP, possibly more than the other areas, is that the GCC is still quite young when it comes to intellectual property development, from the 1970s onwards. They do not have the same bargaining or bring to the table as much as the UK on IP rights, so that is something to bear in mind when the FTA is drafted.

Q220 **Martin Vickers:** This question is aimed at Mr Cooke initially. We have heard that the UK should use the FTA negotiations as an opportunity to secure access for UK businesses into GCC procurement markets and seek non-discriminatory tax regimes. You expressed some caution earlier about what can be achieved in FTA agreements. Do you think that discussions about an FTA could achieve those objectives?

John Cooke: Taking procurement first, there is a WTO government procurement agreement, to which none of the GCC members have yet subscribed, although Saudi Arabia, Bahrain and Oman are observers on the WTO committee that operates the government procurement agreement. Saudi made some government procurement agreement commitments when it acceded to the WTO 15-odd years ago.

We would like to see all the GCC members adhering to the WTO procurement agreement. That cannot be achieved through an FTA because the necessary nexus is between the GCC members and the WTO. We can try to achieve through an FTA an alleviation in favour of the UK of some restrictions among GCC members on public procurement. At the moment, all GCC members operate slightly different public procurement regimes and there are two areas of restriction within them. Some GCC members, for instance, exclude various financial and professional services from opening public procurement to non-domestic suppliers.

The other restriction tends to be an economic needs test that public procurement is open to external suppliers above a certain threshold. Both are things that one could negotiate about with GCC members. These are areas where at the end of the day, all individual members would have to give their individual commitments, but one might secure uniform commitments across all of them.

Q221 **Martin Vickers:** Mohammed Soliman, could I bring you back in? What role do you think the UK might play in the rapid digitalisation of the GCC economies and the development of tech standards, and how may an FTA facilitate that?

Mohammed Soliman: An excellent question. The UK's reputation in the Gulf is that it is a tech and cyber superpower, a country that is very capable, an innovation economy and it has a lot of high-value tech that the Gulf would want to integrate in its own tech ecosystem. The Gulf is moving from low-value tech into high tech, so what does it mean? It means that it needs to develop a robust cybersecurity ecosystem to defend its own systems because of the state actors and non-state actors.

Secondly, they are also looking for green technology, they are looking to work on pharma, AI and machine learning. They are looking to institutions, universities and companies as potential partners. Maybe the model is different than the model the GCC used before. They are looking more for joint ventures and the UK fits perfectly within that framework—joint ventures on building human talent in the Gulf and making sure that the Gulf economies are developing faster in that process, not just selling technology to Gulf nations. These are nations that have invested heavily in their human talent, and they want to make sure that they are ready for the next stage in their economic development.

Q222 **Martin Vickers:** Many of the GCC states are heavily reliant on Huawei for their 5G infrastructure. What implications, if any, does that have for UK data protection and transfer and regulatory frameworks?

Mohammed Soliman: Everyone is thinking about the 5G question. They are thinking about the question of Chinese tech and Huawei activity. In the Gulf, when they chose Huawei at the beginning back in 2017-18, they were part of a trend globally of relying on Chinese tech because of the cost-benefit analysis, the same as UK, Israel, Germany and France. They were not really, at the beginning, relying on Huawei because of a political decision or any sort of geopolitical calculations.

The moment we had what we call the great tech decoupling or the clean network initiative that was started by Washington a couple of years ago to limit Chinese access to 5G, the GCC decision was very clear. They are working on open RAN, and they are working on diversifying the 5G ecosystem, mainly the UAE and Saudi Arabia. What do we mean by that? They want to diversify the ecosystem of the 5G network by making sure they are able to bring different vendors into their 5G network. This is mostly seen as a tech sovereignty approach. They want to be sovereign. They understand that there is a lot happening in the tech space, with tech becoming the strategic theatre of competition between the West and China.

The Gulf countries think, "We are very indispensable to the global economy because of our own energy production levels. We need to be much more resilient and make sure we are not part of the sort of X versus Y camps." This is how I think we should think about the question of 5G in the Gulf. I think there were no political calculations associated with 5G; it was a reflection of the time. Now we are having Gulf countries thinking about the future and how to be much more resilient, specifically on the question of 5G because of their own sovereignty aspirations.

Q223 **Chair:** Thank you very much. That takes us to the end of our allotted time. It has not been onerous chairing today at all; it has been very easy, because people have kept to time and worked well.

John Cooke: I want to add something, if I may, on the question of building advanced and sustainable technologies in the GCC. One aspect our members find important in this area, as far as fintech and so on is concerned, is that there should be as much freedom as possible for individual personnel to travel in GCC countries and be admitted to perform the collaboration in person. At present, in some GCC members this can be an issue altogether of what, in general agreement on trade in services terms, is called mode 4—the temporary presence of individual personnel. This is an important feature of co-operation not only on advanced technology, but on almost anything else in the co-operation between the UK and the GCC members. I wanted to add in that point.

Q224 **Chair:** A very worthy point; thank you very much indeed. Nadia, do you have anything else you want to add, or are you happy enough? Have you said your piece?

Dr Naim: I think so. With IP, for me, there is a strong opportunity to carry out some further analysis on where the GCC is currently in its development in IP and where the UK IP structure is, and how that chapter can be formed well together and be fit for purpose. That is the most important thing.

Chair: Thank you all very much. We will bring it to a halt there. We have Prime Minister's Questions in eight minutes' time, which members are always anxious to attend. I thank you, Mohammed Suliman, Dr Nadia Naim and John Cooke. It is good to see you all, and thank you for your time this morning.