



House of Commons
Business and Trade Committee

**Free Trade Agreement
Negotiations with the
Gulf Cooperation Council:
Government response to
the International Trade
Committee's Seventh
Report**

**Tenth Special Report of Session
2022–23**

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Business and Trade Committee

The Business and Trade Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Business and Trade.

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Publication

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The current staff of the Committee are Matthew Chappell (Committee Operations Manager), Kenneth Fox (Clerk), James Hockaday (Committee Specialist), Catherine Kisanji (Committee Specialist), Catherine Meredith (Second Clerk), Jacob Moreton (Media Officer), Lewis Pickett (Committee Specialist), Delfina Raka (Committee Support Apprentice), David Turner (Committee Specialist), Tim West (Senior Media Officer), Louise Whitley (Senior Committee Specialist) and Sue Wrightman (Committee Operations Officer).

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Tenth Special Report

The International Trade Committee published its Seventh Report of Session 2022–23, [*Free Trade Agreement Negotiations with the Gulf Cooperation Council*](#) (HC 79), on 26 April 2023. The Business and Trade Committee, which now has responsibility for scrutiny of Government policy on international trade, received a response from the Government on 21 June 2023: that response and a cover letter from the Secretary of State are published as an Appendix to this Report.

Appendix: Government Response

Letter from Nigel Huddleston MP, Minister of State for International Trade, to the Chair of the Committee, dated 21 June 2023

Dear Darren,

I look forward to working with the Business and Trade Committee (BTC) as we continue to progress negotiations on a free trade agreement (FTA) with the Gulf Cooperation Council (GCC). The Secretary of State met the ITSC for the final time on 19 April 2023, and expressed gratitude for their work and the constructive relationship we had with them.

I thank the ITSC for their report 'Free Trade Agreement Negotiations with the Gulf Cooperation Council'. I am writing in response to the report published on 24 April. I welcome the in-depth review and a wide range of stakeholder perspectives on the UK-GCC FTA.

As outlined in the report, a UK-GCC FTA provides a significant economic opportunity to strengthen ties with one of our most important trading partners. The GCC is equivalent to the UK's 7th largest export partner and trade between our economies has rebounded strongly since the Coronavirus pandemic. Total UK-GCC trade is at record levels, worth £61.3 billion last year.

The GCC economies are undergoing a period of rapid economic change and their collective GDP is expected to double by 2050. GCC demand for international products and services is booming and is expected to grow to almost £1 trillion by 2035.

All GCC countries have ambitious 'Vision Plans' that showcase their ambition to transition away from a reliance on fossil fuels towards more knowledge-based economies. A strong trading relationship with the GCC will allow the UK to play to our strengths as an innovative economy, a manufacturing powerhouse, an exporter of high-quality food and drink, and a world leader in technology, cyber, life sciences, creative industries, education, AI, financial services and renewable energy. We are negotiating an FTA to help the UK maximise these opportunities.

Our approach to negotiations has been informed by the Joint Trade and Investment Review (JITR) and a public consultation which sought views from the British people,

British businesses and other key stakeholders. These views helped to guide our objectives and approach to negotiations. Our [Strategic Approach to a UK-GCC FTA](#) is available on GOV.UK.

UK stakeholders expressed a clear preference for a GCC-wide deal. The GCC's renewed trade policy agenda allows us to negotiate with the bloc as a whole, delivering benefits above and beyond what would be possible in bilateral agreements with individual member states. UK businesses will benefit from preferential access to all 6 GCC markets and have opportunities not available to their international competitors. We also have the opportunity to supplement a GCC-wide deal with side-agreements with individual GCC Member States to capture areas where they have greater levels of ambition than the GCC as a whole.

The government shares the Committee's concerns about human rights issues related to the Gulf. The UK is a leading advocate for human rights around the world and we remain committed to the promotion of universal human rights. I must stress that this is undertaken separately to negotiations on free trade agreements. While aspects of trade policy can provide the opportunity to address other issues in a bilateral relationship, free trade agreements are not generally the most effective or targeted tool to advance human rights issues.

We will continue to uphold our high environmental, labour, food safety and animal welfare standards in our trade agreement with the GCC and will maintain our right to regulate in the public interest. We are also clear that during these negotiations, the NHS and the services it provides are not on the table.

I have carefully considered the recommendations made by the Committee to this FTA and provided a detailed response. I hope this reassures the Committee that negotiators are taking an approach to these talks which seeks to achieve the best possible outcome for the UK.

I look forward to updating the committee in due course and would like to reiterate the offer of my senior officials to privately brief this committee as you would find it helpful.

Government Response

GCC-wide vs. bilateral FTAs

1. Given the differing legal systems within the GCC and the bloc's history as a trade actor, we believe that, in this instance, bilateral agreements would allow us to push individual states further to be more ambitious with, for example, human rights provisions, rather than settling for a lowest common shared standard. (Paragraph 22)

We are negotiating an FTA with the GCC customs bloc, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The GCC is equivalent to our 7th largest export market and a UK-GCC FTA will have the greatest economic and strategic value for all parties.

The UK would be in the first wave of nations to negotiate an FTA with the GCC since they launched their renewed trade policy agenda in 2021. The GCC currently only has FTAs with Singapore (signed in 2008) and EFTA (signed in 2009). An FTA would give UK businesses access to opportunities not available to international competitors.

UK businesses have expressed a strong preference for an FTA with the GCC as a whole. Throughout the consultation and various stakeholder engagement, UK businesses showcased a strong desire for a common framework of rules across the GCC region. A GCC-wide FTA would provide more aligned trading arrangements for UK companies across the region, as opposed to a patchwork of different agreements with different arrangements for each GCC country. A deal will simplify compliance for UK businesses operating across the region and reduce operational costs.

Within the GCC-wide FTA there is the opportunity for enhanced bilateral commitments in the form of separate services schedules for each GCC Member State, as well as annexes and side letters akin to those in the other leading agreements like Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). We will make use of these opportunities to ensure we maximise the benefits for the UK with individual GCC Member States.

Trade Strategy

2. The report outlines the Government to produce, as a matter of urgency, a trade strategy to guide its approach to negotiations and, ultimately, decision-making on FTAs. (Paragraph 34)

Our trade priorities have been set out through engagement with the International Trade Select Committee, the International Agreements Select Committee, and in speeches.

They are to:

- (1) Remove barriers to business.
- (2) Help UK businesses to grow by selling their products overseas.
- (3) Make the UK the top investment destination in Europe.
- (4) Attract and retain the industries of the future.
- (5) Defend free trade.

New trade agreements like the UK-GCC FTA will boost trade and open new opportunities, provide greater access for UK businesses and remove barriers that restrict trade. For each FTA negotiation, we publish our high-level negotiation objectives before launch.

The UK's objectives for the UK-GCC FTA were published on [GOV.UK](https://www.gov.uk) and presented to Parliament when negotiations launched last year. It outlines our:

- (1) Strategic case for a UK-GCC FTA
- (2) FTA negotiating objectives
- (3) Response to our consultation on the FTA

(4) Scoping assessment of the FTA's economic and social impacts.

3. The report recommends the Government to strengthen engagement with trade unions during the negotiating process as we need to demonstrate best practice when discussing the need to strengthen the rights of workers in other countries. (Paragraph 36)

Prior to launch, we ran a 14-week public consultation during which input was encouraged from a wide range of stakeholders that included UK business, civil society, public sector bodies, local government and the Devolved Administrations. In total, the Department received 147 responses. We have updated trade unions throughout negotiations.

Our consultation was supplemented by a series of 30 stakeholder events, which included representatives from a broad range of organisations, including trade unions.

The Chief Negotiator has regularly updated and answered questions from a range of stakeholders. He has also met with the International Labour Organisation in Doha, Qatar, to hear their views on negotiations.

4. The report recommends the Government to engage with the devolved administrations more actively and consider their interests during the negotiating process. (Paragraph 37)

Ministers speak frequently with their counterparts in Northern Ireland, Scotland and Wales. For example, DBT Ministers update the devolved administrations through the Inter-Ministerial Group on Trade (IMG Trade), chaired by the Minister of State for International Trade.

Separately the Chief Negotiator regularly meets devolved administrations to provide updates and seek views, including meetings before and after each negotiation round. He has recently visited government officials and businesses in Northern Ireland and Wales and will visit Scotland in the coming weeks. We will continue to collaborate with Devolved Administrations as negotiations progress and share draft text across all chapters for comment and input.

Export Opportunities for the UK

5. The report recommends the Government to provide further support and guidance to UK exporters, to enable them to fully seize the opportunities offered by this FTA. This should include the publication of a comprehensive trade strategy and targeted, sector specific support. (Paragraph 74)

The Government is committed to helping exporters and investors seize opportunities from FTAs. Our new trade agreements are an important component of our overall approach to increasing UK exports as detailed in our [Export Strategy](#).

We will be adopting a comprehensive approach to understanding and enhancing the business utilisation of the provisions in the new FTAs, ensuring they understand how the terms of an agreement shape opportunities in fast growing export markets.

The Department launched the Export Support Service in April 2022 which provides bespoke advice and support on entering and growing in new markets, as well as providing onward referral to the private sector for specialist support. The services for eligible businesses includes:

- One-to-one advice from an in-market trade adviser who can help businesses consider their next steps.
- Access a wide range of sector reports, market intelligence, and guides related to areas to consider on exporting to those markets.
- Introductions to a network of private sector service providers to help businesses with issues on a commercial basis, including local accountants, legal experts, and sector specialists.

The Department has also developed business facing tools such as the [Check How to Export Goods](#) web portal, which guides businesses through export procedures and highlights the opportunities available to them under our FTAs.

We plan to use a range of surveys, trade data and feedback from business to see how firms understand opportunities and have the information and guidance needed to take advantage of them.

We are committed to delivering regular promotion through existing channels and bespoke events to ensure that businesses have all the information they need to fully utilise the new deals.

6. The report recommends the creation of a single, free, dedicated trade information hub to simplify the export process for UK businesses. The hub must provide comprehensive and simple information on tariffs, rules of origin, regulatory standards, certification requirements, taxes, and local requirements. To address the issues of export requirements to the GCC changing with little warning there should be a regulatory early warning system, such as email alert system for hub users, to forewarn businesses of changes. (Paragraph 75)

In response to our consultation, businesses raised concerns over often having to pay fees for applications, and difficulty in easily accessing information in English, leading to many using intermediate agents for assistance. This increases the cost of exporting, reduces the competitiveness of UK exports and prevents many businesses from trading altogether. These barriers are greatest for SMEs, who account for 85% of UK companies exporting to the GCC.

The UK is seeking the creation of a free information hub for exporters which would make rules and regulations available to businesses in English. Providing information in an accessible format reduces costs, eliminates paperwork and helps more businesses to export their goods and services.

To further improve the trading environment, we are seeking to address a range of existing trade barriers in negotiations across a number of chapters in the FTA. This includes policy areas such as Customs, Good Regulatory Practice, Technical Barriers to Trade and SMEs. Within these areas, we are seeking to promote international standards, streamline customs procedures, increase transparency and remove burdensome requirements for exporters.

Data

7. The Committee strongly urges the Government to ensure that any liberalisation of data flows does not lead to the UK contravening EU data adequacy rules. (Paragraph 76)

The UK champions data flows internationally and upholds strong data protection standards. A UK-GCC FTA will not affect UK data protection rules and will not endanger the EU's data adequacy decision for the UK.

As part of the FTA, we are seeking to negotiate modern and ambitious digital provisions. We are seeking provisions to ensure data can flow freely between the UK and GCC while maintaining the UK's high standards for personal data protection including when it is transferred across borders.

Ambitious digital provisions would prevent new digital trade barriers from emerging, promote greater openness between the UK and GCC, and remove unfair restrictions or conditions on businesses. This would help to lower the operating costs for UK businesses operating in the GCC countries.

Human rights

8. Ahead of the completion of this Agreement, we recommend that the Government evaluate, and publish, the likely impact of this FTA on the human rights situation in the GCC member states. This must include specific assessments of the likely impact on both women and LGBTQ+ individuals, in order to anticipate and mitigate negative impacts during the negotiations process. (Paragraph 86)

9. Once this FTA is signed, the Government must undertake regular meaningful evaluations of the ongoing impact of this Agreement on human rights in the GCC region through its biennial FTA monitoring reports. (Paragraph 87)

The government monitors human rights globally through the [FCDO's Annual Human Rights and Democracy Reports](#). This is undertaken separately from trade negotiations.

10. The report recommends the Government to ensure this FTA includes ambitious, binding and properly enforced human rights provisions. (Paragraph 97)

The UK is a leading advocate for human rights around the world and we remain committed to the promotion of universal human rights. We encourage all states to uphold international human rights obligations and will continue to speak frankly about these issues with our GCC partners through Ministerial and diplomatic channels.

This is undertaken separately to negotiations on free trade agreements. While aspects of trade policy can provide the opportunity to address other issues in a bilateral relationship, free trade agreements are not generally the most effective or targeted tool to advance human rights issues.

Workers' rights

11. The Committee supports the comprehensive and meaningful implementation of the Trade Act 2021 and the Modern Slavery Act 2015 as a means to ensure the UK is not complicit in rights abuses through its supply chains. (Paragraph 112)

12. In the absence of power to influence domestic labour reforms in the GCC, the Government should build business confidence in the UK by strengthening and enforcing domestic legislation on modern slavery, forced labour, ethical supply chains and due diligence. (Paragraph 113)

The government shares the public's high regard for UK worker protections and has made clear that the UK will not compromise on these in our trade agreements. In a UK-GCC FTA, we will aim to reaffirm commitments to international labour standards, including those made at the International Labour Organization. The UK will preserve and maintain its sovereign right to regulate on its own level of domestic labour protections.

The UK is continuing to implement a transparent approach to tackling forced labour in global supply chains through section 54 of the Modern Slavery Act 2015. Businesses with a turnover of £36m or more are required to report annually on the steps they have taken to prevent modern slavery in their operations and supply chains. We recognise though there's more we can do to enhance transparency even further.

- Mandating topics that statements must cover;
- Requiring organisations to publish their statements on the Government's modern slavery statement registry;
- Extending the requirements to large public bodies with a budget of £36m or more; and
- Imposing financial penalties for organisations that fail to meet their obligations to publish annual modern slavery statements.

The UK also supports voluntary due diligence approaches by our businesses to protect human rights and the environment across their operations and supply relationships, as steered by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines on Multinational Enterprises.

Environment

13. The report recommends that the environment chapter should be subject to a cross-cutting and comprehensive dispute resolution mechanism which provides the opportunity for ex-post evaluation and analysis. We also support the facilitation of enhanced trade in environmental goods and services in order to promote the renewable energy transition. (Paragraph 127)

As outlined in our [Strategic Approach to UK-GCC negotiations](#), we are seeking provisions that support and further the government's ambition on achieving net zero by 2050, including promoting trade and investment in environmentally and climate friendly goods and services. We will also seek appropriate mechanisms for the implementation, monitoring and dispute resolution of environment provisions.

We will seek to reduce or remove tariffs across a range of goods, including those that help achieve net zero. For example, exports of UK wind turbine parts currently face tariffs of up to 15%. An agreement with the GCC would create opportunities for the UK's green technology industries including wind power, solar power, hydrogen power, electric vehicles and smart energy systems.

14. The Committees support the pursuit of such opportunities through both tariff and non-tariff measures, particularly to facilitate increased trade in environmental services, not just goods. (Paragraph 128)

The GCC member states recognise the need to transition towards renewable energy and reduce their reliance on fossil fuels production, as set out in their Vision Plans.

The UAE, for example, has set a target of generating 50% of its electricity from renewable sources by 2050. UAE will also host COP28 this year, an important signal to the global community about the region's intent to take action and protect the environment for future generations.

This creates opportunities for UK businesses to export more environmentally and climate friendly goods and services to the GCC countries. We are working with UK business and the GCC to identify opportunities to achieve this across the FTA, covering goods and services trade, and tariff and non-tariff measures.

15. The Committee recommends the Government to take further steps to make it easier for investors from the GCC to access investment opportunities in the UK, particularly for technologies to further industrial growth and decarbonisation in the GCC. (Paragraph 129)

The UK and GCC countries are important investors in each other's economies and the UK ranks as a top 6 investor for new FDI projects in the region. The UK is already a highly attractive place for inward investment and a UK-GCC FTA could help to increase GCC investment into the UK. In 2021, the inward stock of foreign direct investment (FDI) from GCC countries in the UK was at least £8.8 billion.

In negotiations, we are discussing provisions to boost UK investment across a range of areas, including those that help us achieve net zero. A trade deal could pave the way for more investment from GCC investors into world-leading UK industries such as renewable energy, infrastructure, technology and life sciences.

In addition to negotiating a UK-GCC FTA, the government has already signed a number of investment partnerships with GCC countries, and we are implementing a programme of Sovereign and Strategic Investment Partnerships to identify how we can realise shared ambitions, including on decarbonisation.

16. The Committee recommended the Department to ensure this FTA includes binding environmental commitments and does not pose a risk to the UK's climate ambitions. Specifically:

- a) **The UK Government should use its diplomatic leverage ahead of signing an agreement to encourage all GCC states to commit to ambitious net zero targets with realistic plans for implementation.**

- b) **The FTA should include binding commitments towards decarbonisation and means to tackle carbon leakage risk.**
- c) **The agreement should prioritise the growth of renewable energy sources and seek to achieve this by promoting UK-GCC partnerships and innovation in this area. Means to pursue this should include targeted R&D funding and cooperation forums.**
- d) **The Government should oppose the inclusion of ISDS provisions in an FTA and comprehensively assess the potential implications and risks of this. In parallel with this, the Government should consider and review its existing bilateral investment treaties with the GCC individual states which include ISDS provisions. (Paragraph 130)**

The UK is a world leader on climate action and we promote the delivery of environmental and climate commitments in multilateral fora, as well as in our FTAs.

All GCC countries are parties to the Paris Agreement, which aims to limit global warming to under 1.5C, and the UK has a track record of working with them on clean energy. A trade deal will support our shared commitments to move to net zero.

In negotiations, we are seeking to reaffirm commitments to multilateral environmental agreements and agree provisions to help us strengthen collaboration on a range of environmental issues, including the promotion and use of technology and innovative solutions.

Regarding carbon leakage, the UK is preparing to consult on a range of possible policy options to mitigate against this risk.

The government is clear that when negotiating FTAs, we will continue to protect our right to regulate in the public interest, including in areas such as the environment and labour standards. The UK has investment agreements containing ISDS provisions with over 90 trading partners. There has never been a successful ISDS claim brought against the UK, nor has the threat of potential claims affected the Government's legislative programme, including with respect to climate change mitigations and adaptation.