

Inquiry submission

UK trade negotiations: Agreement with the Gulf Cooperation Council

About us

1. Friends of the Earth England, Wales and Northern Ireland was established in 1971. We have local groups in around 130 neighbourhoods, and support more than 260 Climate Action groups. We are part of an international network of 75 national groups, counting over 2 million members and supporters globally. Friends of the Earth supports strong environmental standards and alternative approaches to trade, which put the needs of local communities and our environment at the forefront.

Summary

2. Friends of the Earth does not believe that a Free Trade Agreement (FTA) between the UK and the Gulf Cooperation Council (GCC) is desirable, nor will it help the UK achieve its climate and international development objectives.
3. All six GCC members follow fossil fuel-based economic models, predicated upon high rates of energy consumption and exportation, and low climate ambition. Human and workers' rights issues are well documented across the GCC.
4. Pursuing an FTA with the GCC would send a signal that climate inaction and human rights abuses are not only to be ignored, but rewarded. However, if the government decides to go ahead, despite the message this sends regarding the adequacy of current and planned action on the climate crisis or human rights abuses amongst GCC members, and the potential for the deal to lock in or increase emissions, it should:
 - a. Put climate change at the heart of the deal to ensure that it does not conflict with the UK's climate ambitions.
 - b. Ensure that any new deal is consistent with the government's broader human rights obligations.
 - c. Include ambitious, binding and enforceable chapters on Trade and Sustainable Development (TSD), labour, gender and human rights.
 - d. Engage with GCC states in a review of the ISDS provisions in existing BITs, with the objective of removing them. And ensure ISDS provisions are excluded from any GCC agreement.

Further detail

The chapters or content the Government should seek to include in a free trade agreement with the GCC, and the considerations which should be given to each.

5. We do not believe that an FTA between the UK and the GCC is desirable or will help the UK achieve its climate and international development objectives. If the UK government wishes to be a global leader on climate change, it should prioritise relationships with ambitious trading partners, rather than striking deals with some of the worst offenders. And if the UK is to protect and promote human rights, it should strengthen relationships with nations striving to uphold democracy and improve equality rather than those complicit in ongoing abuses.
6. However, if the government decides to pursue a UK-GCC trade agreement, despite the message this sends regarding the adequacy of current and planned action on the climate crisis or human rights abuses amongst GCC members, and the potential for the deal to lock in or increase emissions, it should:

- a. Put climate change at the heart of the deal to ensure that it does not conflict with the UK's climate ambitions, and underpin the text with an explicit and enforceable commitment to action in line with the Paris Agreement, along with binding commitments for reciprocal support to overcome barriers to real emissions reductions.
 - b. Ensure that any new deal is consistent with the government's broader human rights obligations.
 - c. Accompany negotiations with a dialogue to review existing Bilateral Investment Treaties and remove Investor-State Dispute Settlement (ISDS) clauses to provide all parties with the regulatory freedom to improve environmental standards without risk of corporate legal action.
 - d. Include chapters on Trade and Sustainable Development (TSD), labour, gender, and human rights. These must contain binding commitments, enforceable under the dispute settlement mechanism.
 - e. Pay particular attention to the risk posed by provisions including regulatory cooperation, SPS, procurement and emissions resulting from the flow of goods.
7. **Trade and Sustainable Development (TSD):** TSD chapters, which have become increasingly common in the last decade, aim to make trade deals more responsive to climate and social needs. However, they have historically lacked enforceability, as commitments are often focused on cooperating on or expanding trade in 'green goods' and expressed in non-binding language. The chapters themselves are often explicitly excluded from the Dispute Settlement Mechanism of the FTA.
8. More positively, such TSD chapters do have the potential to contain binding commitments, allow for the establishment of civil society fora (in the form of Domestic Advisory Groups and Civil Society Forums) to support monitoring, and can be covered by dispute settlement mechanisms – as demonstrated by the EU-UK TCA and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The UK should ensure that any new FTA agreed represents the most ambitious possible practice in TSD implementation, and has the teeth to meaningfully support higher environmental outcomes. Yet such improvements require commitment on both sides - and the UK government has thus far let potential trade partners set the pace of ambition. Given the constraints on civil society and climate ambition in the GCC, this commitment appears likely to be low – while obstacles to an effectively implemented TSD will be high.
9. **Investment and ISDS:** ISDS allows firms to sue governments for policies which harm their profits, and has been used to challenge many important environmental regulations, including the phase-out of coal-fired power stations, water pollution controls in Germany, a ban on fracking in Canada, and various regulations on mining in East Asia and South America¹. ISDS can have disastrous implications for environmental and climate policy, and could be used by private investors and multinationals on both sides of any UK-GCC trade deal to challenge new regulations which are essential for fighting climate change.
10. The value of the United Kingdom's total stock of outward direct investment in the GCC was at least £13.1 billion in 2019. Although UK FDI in the GCC is relatively diverse overall, UK Export Finance funding has historically funded climate-damaging infrastructure across the GCC, including supporting the development and modernisation of oil refineries in Bahrain, Kuwait and Oman as recently as 2019². Companies headquartered in the UK also continue to invest directly in fossil fuel extraction and petrochemicals across the region. In fact, since 2020 BP has increased capacity to extract oil and gas in parts of the UAE and Oman. This means that while the UK government has committed to end UKEF funding of overseas fossil fuel projects, UK funds and investors remain complicit in many areas of the GCC fossil fuel sector.
11. The value of the total stock of inward FDI in the United Kingdom from the GCC was at least £6.8 billion in 2019. This includes a range of large fossil-fuel reliant investments – for example the Saudi Public Investment Fund owns a stake in UK oil giants BP and Shell³, while the Qatar Investment Authority has a 20% stake in Heathrow

¹ <https://www.isds.bilaterals.org/?-key-cases->

² <https://www.worldoil.com/news/2020/11/27/bp-investing-in-middle-east-oil-while-pledging-a-renewables-shift>

Airport holdings and owns nearly 70% of the South Hook LNG terminal in Milford Haven⁴. Coal, oil and gas is the fourth largest sector for investment from the UAE to the UK.

12. Given the number of fossil-fuel reliant investments between the UK and GCC states, and the need for all nations to maintain the maximum possible freedom to raise standards in order to tackle climate changes, we are particularly concerned by the prospect of the inclusion ISDS in any agreement. ISDS mechanisms in existing Bilateral Investment Treaties (BITs) must be removed, rather than bolstered in FTAs (as discussed below), and should not be extended to new investors – for example those in Saudi Arabia, with whom the UK does not currently have a BIT.

Thoughts on the Government’s consultation exercise, the summary of responses produced, and stakeholder engagement.

13. The Government’s public consultation regarding a potential trade deal with the GCC was launched on October 8 2021. However, it does not address the overall desirability of a deal. The consultation document begins by asking which areas of an FTA would provide ‘the most opportunities’, rather than whether or not respondents see any value or opportunity in the deal at all. In fact, following a Joint Trade and Investment Review (JTIR), plans to pursue a closer trading relationship had been announced nearly 4 months prior, in June 2021. The JTIR involved ‘engagement with businesses operating in the United Kingdom and across the Gulf’, but it does not appear that any wider stakeholder engagement was sought in determining whether or not to open negotiations.
14. To ensure meaningful consultation on the trade relationships desired by UK civil society, we would suggest that consultations do not presuppose progression of negotiations, and include an initial query as to if talks should proceed. In the case of the GCC, Friends of the Earth would answer in the negative to such a question.
15. The level of detail provided in the information note accompanying the consultation is poor. The potential impacts of an FTA on workers, society and the environment are covered in a single page, and no contextual data is provided. While a more detailed environmental impact assessment is promised, similar documents published prior to negotiations with Australia and New Zealand failed to provide robust modelling to inform civil society debate.
16. There have thus far been few opportunities provided for stakeholder engagement in relation to the UK-GCC FTA, with Department for International Trade sessions focused on high-level updates rather than two-way discussion on key issues. To our knowledge, Friends of the Earth has only received one invitation to an event at which the GCC featured on the agenda – at a Stakeholder Roundtable session held approximately six months after the government had decided to pursue negotiations.

The extent to which a free trade agreement with the GCC could further the Government’s climate and environment goals.

17. A FTA with the GCC would undermine the UKs stated climate and environment goals. The UK claims to be a world-leader in the fight against climate change and was the first major economy to set a net zero target of 2050. In 2021 the UK also took on the COP26 presidency, hosting climate talks which aimed to set new, ambitious targets for global emissions reduction. Yet at this time, the UK government has failed to publish a trade strategy, or to ensure cohesion between individual trade policy decisions, the UK’s net-zero goal and international climate commitments.

³ <https://www.trtworld.com/magazine/gulf-ownership-of-uk-assets-raise-questions-over-undue-influence-45908>

⁴ <https://www.bbc.co.uk/news/business-40192970>

18. This lack of cohesion is exemplified by proposals to begin trade negotiations with the GCC despite the clear and continued support for the production and export of fossil fuels evident across the Gulf states. Any FTA which aims to increase the flow of goods, services and investment between the UK and the GCC risks undermining the UK's wider climate and international development objectives, specifically the COP commitment to "secure global net zero by mid-century and keep 1.5 degrees within reach"⁵.
19. The consultation documentation suggests that the UK government views a GCC FTA as offering an opportunity in the form of potential new export market for UK 'green goods' and other products and services relating to a green transition. The JTIR carried out in 2021 said: "The United Kingdom is the world's second largest exporter of services, and these are in high demand across the Gulf where countries are implementing Vision Plans to diversify their economies away from oil and gas, and enhance the capability and capacity of the private sector to drive economic growth"⁶
20. In fact, opportunities here would appear to be limited:
 - a. GCC nations have a poor track record in the implementation of policy announcements relating to the green transition. While economic imperatives have pushed states to diversify their energy mixes, targets have repeatedly been missed and investments in renewables reversed. In July 2020, the Kuwaiti government cancelled Al Dabdaba – a \$1.4 billion, 1.5GW solar plant that would have been the only major renewable energy facility in the country. Neither do recent commitments to net zero targets suggest a rapid potential for growth in true renewables (further details below).
 - b. The GCC holds domestic supplies of materials critical to renewable technologies, including aluminium, lithium, nickel and cobalt, and has shown recent interest in developing extraction routes. However, given concerns related to human and workers' rights across the Gulf, and evidence of environmental damage and the abuse of workers in related industries in other producing nations, Friends of the Earth believes that it would be incorrect for the UK to invest in or seek import of materials to support renewables production from this FTA.
21. All six GCC members follow fossil fuel-based economic models, predicated upon high rates of energy consumption and exportation, and low climate ambition. They rely heavily on fossil fuels for their domestic energy needs as well as export and investment. The UAE, Saudi Arabia and Kuwait are all in the top ten oil-producing countries globally. Oman sources approximately 70% of its annual budget from oil and gas revenues⁷, while over 50% of Qatari government revenues are derived from the hydrocarbon sector⁸. Four GCC nations top the global list of CO₂ emissions produced per capita, with Saudi Arabia and Oman in positions 10 and 12 respectively⁹.
22. Oil makes up a key part of overall GCC exports and of UK imports from these countries. Petroleum production and processing accounts for 60% and 70% of Kuwait¹⁰ and Bahrain's¹¹ export receipts respectively. Refined oil is already the top UK import from five out of the six Gulf states (with gas the top import from Qatar). It is difficult to see how an FTA could be struck which does not increase overall flows of fossil fuels and their derivatives from the GCC to the UK, or increase opportunities for UK investors to become complicit in fossil fuel exploration.
23. This conclusion is bolstered by the climate trajectory adopted across the GCC. No GCC nation offers a viable model for climate adaptation or mitigation. Bahrain and UAE both set 2050 net zero targets in 2021, but Saudi Arabia has committed to reach net zero only by 2060¹² - and does not factor the emissions of exported fossil fuels

⁵ <https://ukcop26.org/cop26-goals/>

⁶ <https://www.gov.uk/government/publications/uk-and-gulf-cooperation-council-joint-trade-and-investment-review-2021/united-kingdom-gulf-cooperation-council-joint-trade-and-investment-review-executive-summary-june-2021>

⁷ <https://www.trade.gov/country-commercial-guides/oman-oil-gas>

⁸ <https://www.trade.gov/country-commercial-guides/oman-oil-gas>

⁹ <https://www.bbc.co.uk/news/uk-england-merseyside-59754035>

¹⁰ <https://www.trade.gov/country-commercial-guides/kuwait-oil-and-gas>

¹¹ <https://www.trade.gov/country-commercial-guides/bahrain-oil-and-gas>

within this. Kuwait, Oman and Qatar are yet to commit to net zero, instead pledging reductions of 7.5%¹³ by 2035, 7%¹⁴ by 2030, and 25%¹⁵ by 2030 via their respective NDCs. National Vision papers published by GCC governments demonstrate that methods for achieving even these reductions are predicated on ‘cleaner’ forms of gas, and advancements in sustainable technology, carbon capture and tree planting rather than a commitment to cut gross emissions. By 2050, the UAE’s energy mix is expected to be made up of just 44% clean energy, compared to 50% gas and ‘clean coal’¹⁶.

24. In fact, despite recent state climate commitments, state owned fossil fuel companies across the region continue to ramp up production. Just two weeks before Saudi Arabia made its net zero pledge, national oil company Aramco announced plans to increase capacity from 12 to 13 million barrels a day by 2027¹⁷. In September 2021 the Kuwait Oil Company also announced plans to invest over \$6.1 billion in oil exploration over the next five years, to increase production capacity to 4 million barrels a day by 2040¹⁸, while Qatari energy minister Saad Al-Kaabi announced a plan to invest billions of dollars to expand LNG capacity by over 50%, alongside a rebranding of the fuel as ‘green LNG’.
25. The Saudi Arabian government has a track record of standing in the way of climate action. A BBC investigation in October 2021 found that representatives from the Saudi oil ministry were among lobbyists who asked authors to remove references to the need to move rapidly away from fossil fuels from the IPCC Sixth Assessment Report on mitigation¹⁹. At the 2021 climate talks, Greenpeace reported that Saudi negotiators obstructed progress, blocking negotiations on the ‘cover decision’ for the final text, and delaying progress on adaptation²⁰.
26. These are not the actions of governments with the climate crisis at the forefront of policy. They are not actions that merit further economic and political support for the GCC from climate-ambitious nations such as the UK. Pursuing an FTA with the GCC would send a signal that such inaction is not only to be ignored, but rewarded.

The extent to which a free trade agreement with the GCC could further the UK’s foreign policy goals, including regional defence, security, and resilience objectives, and address human rights concerns.

27. The GCC includes some of the most oppressive and politically repressive regimes in the world. This raises serious questions for the UK government, which prides itself in being a leading liberal democracy and defender of global human rights and civil liberties. Indeed, Saudi Arabia and Bahrain are priority human rights countries for the Foreign and Commonwealth Development Office (FCDO)²¹, so it would be expected that any prospective UK-GCC trade negotiations would place a high priority on furthering FCDO human rights objectives.
28. To access the UK’s Generalised Scheme of Preferences (GSP) and gain access to UK markets, qualifying countries (LDCs) must demonstrate a commitment to high social, legal or environmental standards. This requires the implementation of between 15 and 27 international conventions covering environmental, governance and human rights commitments. At present no GCC nation satisfies all of the 15 base conventions required by the core GSP.

¹² <https://www.reuters.com/business/cop/gulf-energy-giants-pledge-net-zero-plan-stick-with-oil-2021-10-28/>

¹³ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Kuwait%20First/Kuwait%20updating%20the%20first%20NDC-English.pdf>

¹⁴ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Oman%20Second/Second%20NDC%20Report%20Oman.pdf>

¹⁵ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Qatar%20First/Qatar%20NDC.pdf>

¹⁶ <https://www.al-monitor.com/originals/2021/07/sunshine-rich-gulf-slow-adapt-solar-clean-energy>

¹⁷ <https://www.reuters.com/article/global-oil-aramco-int-idUSKBN2GU1KL>

¹⁸ <https://www.arabnews.com/node/1928056/business-economy>

¹⁹ <https://www.bbc.co.uk/news/science-environment-58982445>

²⁰ <https://www.greenpeace.org/international/press-release/50547/cop26-saudi-arabia-negotiators-cripple/>

²¹ <https://www.gov.uk/government/publications/human-rights-and-democracy-report-2020>

29. Amnesty International's 2020 country profiles²² raise a number of concerns about rights in the GCC. Protest rights are strictly curtailed, with evidence of harassment, arbitrary arrest, detention and unfair trials of government critics, human rights defenders, those who set up or participate in human rights groups and their family members. Labour rights are also poor, with independent trade unions prohibited in both Qatar and Saudi Arabia, and Bahrain and Oman rated by the ITUC as amongst the worst countries in the world to be a worker.
30. Migrant workers have particularly poor rights across the GCC, with the *kafala* sponsorship system giving employers disproportionate powers over employees including power to prevent them from leaving the country or changing jobs without permission. Some have salaries retained by employers to prevent them from going back home, and many endure dangerous working conditions. The Business & Human Rights Resource Centre found 538 cases of companies abusing migrant labour within the GCC between January 2016 and November 2021. A number of these violations were linked with UK businesses, with IHG Hotels and Resorts²³ and G4S²⁴ being implicated in multiple cases. Migrant workers were particularly affected by the Covid-19 pandemic and exposed to infection as a result of overcrowded and often unsanitary living conditions.
31. These concerns are particularly pressing ahead of the 2022 World Cup in Qatar, which hosts over 2 million migrant workers in total. Migrant workers have been heavily involved in the construction of the World Cup stadium, and a number of abuses have come to light during the process. A Guardian study in 2021 found over 6,500 migrant workers in total may have died in Qatar over the past decade²⁵.
32. Wider safeguards, including due diligence processes and rights-related import bans, are far less effective in countries where independent media, civil society organisations and labour unions are not able to operate. The lack of civil society space and independence across the GCC poses a clear threat to effective functioning of such safeguards.
33. Signing a trade deal does not challenge these well documented human and workers' rights issues, and indeed may send the message that the UK is unconcerned about the rights of the vulnerable across the GCC. Given the rights abuses documented across the region, and the inadequacy of existing safeguards, any FTA that increases opportunities for UK companies to trade with the GCC – as is the stated intent of this deal - would undermine the UK's duty to protect human rights.
34. These issues cannot be adequately addressed in a human rights clause or labour chapter within the trade agreement. GCC countries are also unlikely to sign up to binding and enforceable commitments in relation to domestic human rights law. However, these provisions should nonetheless be pursued if the government does decide to continue negotiations, and the UK should seek compliance with the core GSP conventions from all new trade partners, notwithstanding development level, including the GCC.

Considerations the Government should give to the red lines it should seek to establish, privately or publicly, to frame the bounds of negotiations.

35. As indicated above, we do not believe that an FTA with the GCC is compatible with the UK's ambitions regarding international development, human rights or climate change. However, if negotiations are pursued, we would strongly support the following red lines.
36. **Require and defend climate action:** At a minimum, compliance with NDCs and domestic net zero commitments should be a prerequisite for stronger trading relations, and therefore binding and enforceable guarantees of action

²² <https://www.amnesty.org/en/countries/>

²³ [IHG Hotels and Resorts](#)

²⁴ [G4S](#)

²⁵ <https://www.theguardian.com/global-development/2021/feb/23/revealed-migrant-worker-deaths-qatar-fifa-world-cup-2022>

should be a key requirement for inclusion within the text of the FTA. Given the insufficiency of commitments so far made by GCC states, all efforts should be made to build in binding commitments for reciprocal support to overcome barriers to real emissions reductions. Any resulting FTA should fully protect the ability of national governments to implement policies aimed at supporting or delivering climate action.

37. **No ISDS:** The UK already has Bilateral Investment Treaties (BITs) with all six GCC members except Saudi Arabia, although two of these (Kuwait and Qatar) are not in force. All of these BITs contain ISDS provisions. As noted above, there is significant fossil-fuel based investment in both directions between the UK and the GCC. Given this, and the need for all nations to maintain the maximum possible freedom to raise standards in order to tackle climate change, prior to any negotiations the UK government should require a review of ISDS provisions in existing BITs, with the objective of removing them to safeguard climate-related regulation.
38. Additionally, new ISDS provisions should be a red line in GCC negotiations, because this could lead to challenges from Saudi Arabian investors, including fossil fuel investors, who currently do not have this legal privilege.
39. **Action on human rights:** As highlighted above, it appears extremely unlikely that the UK will be able to agree an FTA with the GCC which is consistent with the government's broader human rights obligations and ambitions. Human rights provisions within a TSD chapter are unlikely to provide adequate support for human rights, such that the UK could confidently show that the FTA was consistent with the UN Guiding Principles and guarantee that UK supply chains would not become increasingly complicit in human rights abuses or forced labour.
40. However, if negotiations are to commence, the UK should at a minimum look for all GCC members to satisfy the 15 human rights conditions that feature in the core GSP scheme, and for the FTA to include a Rapid Response Mechanism to allow for preferential market access to be removed in response to specific labour rights violations. Government should also simultaneously introduce an import ban for goods suspected of being produced with forced labour, following the example of Canada and the United States of America.
41. **Binding commitments:** We have a number of concerns about the ambition and enforceability of existing Trade and Sustainable Development (TSD), labour, gender, and human rights chapters within FTAs. However, their aims are laudable and the inclusion of a chapter or chapters covering these issues should be a clear red line for the UK government in all negotiations. Commitments made under these chapters must also be expressed in binding language and made subject to the Dispute Settlement Mechanism.
42. **Transparency, scrutiny and civil society engagement:** There is still considerable work to be done to improve scrutiny and stakeholder engagement processes in the UK in relation to new proposed trade agreements. Scope for civil society engagement across the GCC is also extremely limited. While undertaking domestic action to improve parliamentary scrutiny of both negotiations and FTA implementation, the UK government must also insist that any FTA includes an open, public complaints mechanism and independent civil society fora in all partner nations to oversee implementation.

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