

27 January 2022

Mr. Angus MacNeil, MP
Chairman, House of Commons International Trade Committee
Houses of Parliament
London SW1A 0AA

Dear Mr. MacNeil,

1. I write with reference to contacts between the House of Commons International Trade Committee and diplomats from the Gulf Cooperation Council (GCC) countries, concerning the prospect of a UK-GCC Free Trade Agreement (FTA). I greatly welcome the opportunity to engage with you and your colleagues on the Committee, both on behalf of the Kingdom of Bahrain and alongside fellow GCC states.
2. In this context, I would like to provide you with as much information as possible regarding existing trade between the Kingdom of Bahrain and the UK on one hand, and the GCC and the UK on the other. I believe the data will underline the depth of the existing relations between our two countries, and will also demonstrate why Bahrain and the GCC are looking to strengthen this relationship even further through an FTA.
3. As you are doubtless aware, the UK has been reporting a total trade surplus with Bahrain for over the last ten years, with an average yearly surplus of £360.5 million. Crucially, total trade in goods and services between the two countries has been steadily increasing over the last decade, reaching £1.3 billion prior to the pandemic, the highest it has ever been. I also note that the trade growth is reflected in a rise of both imports from, and exports to, the UK. This last point is particularly significant, as our two countries have a genuinely ‘two-way’ relationship which could undoubtedly be enhanced even further by the removal of barriers to trade. Naturally,

January 2022

4. numbers in the last year decreased as a result of the global pandemic, but I am in no doubt that this year and next will see a return to the levels of growth that were witnessed pre-pandemic (and even during the pandemic years of 2019-21, non-oil trade between our two countries still reached a total of £971.5 million). In fact, Bahrain anticipates an even quicker rate of progression in the coming years, as the UK expands its trade horizons following its exit from the European Single Market and the government's new 'Global Britain' commercial policy.
5. Internally, the Kingdom of Bahrain has taken considerable steps to ensure that it is the most attractive hub from which to access the GCC's £1.4 trillion market. These include allowing 100% foreign ownership in non-oil sectors, pioneering in financial technology through Bahrain FinTech Bay – MENA's leading FinTech hub – and ensuring minimum hurdles for creating and operating companies across different sectors (up to 50-55% lower operating costs than our neighbours in some cases). As a result, and despite the effects of the pandemic, at least 10 new UK-owned projects were completed in Bahrain over the last two years, across sectors that include education, manufacturing, from information and computer technology to financial services and logistics.
6. As for the GCC as a bloc, it is among the largest of the UK's trade partners, with trade exceeding £30 billion annually. As both sides recognised in the December 2021 meeting between the UK Foreign Secretary and GCC Foreign Ministers, there is considerable scope to further expand the volume of bilateral commerce through an FTA which removes barriers to trade and facilitates greater links in areas of opportunity to both sides. The December meeting itself came after the completion of the United Kingdom – Gulf Cooperation Council Joint Trade and Investment Review in June 2021, a significant milestone in the roadmap to the creation of freer trade between the UK and the GCC.
7. In light of the existing level of trade between our two countries, and in the context of global post-pandemic recovery, Bahrain is convinced that the opportunity to spread prosperity by expanding trade is one which should be seized by both sides. Given the existing ties between the two sides, their shared outlooks and interests across a range of issues, and the positive

positions already taken by both the GCC and the UK, a Free Trade Agreement can and should be a “win-win” that can quickly deliver tangible benefits to both parties across the board.

8. The Kingdom of Bahrain also believes that signing and implementing a GCC-UK Free Trade Agreement can be one track of a more comprehensive expansion and deepening of ties between the two sides. The United Kingdom has had a presence in, and cooperation with, the Arabian Gulf for over two centuries, and today the UK and the GCC work productively together across a wide range of fields. These include not just trade and finance, but also security, defence, culture, healthcare, education and development. More recently, the GCC and the UK have co-operated to deal with regional and global threats in Iran, Iraq, and Yemen. Additionally, the two worked together in order to handle the crisis in Afghanistan, and the evacuation process that followed. The Kingdom of Bahrain is particularly interested in furthering its security ties with the United Kingdom, as decades of military and naval co-operation have helped bring much-needed stability to the Gulf and have ensured that common threats are kept at bay.
9. Based on these foundations, and in addition to its economic benefits to both sides and their peoples, an FTA could also serve as a gateway to transforming this existing broad-based cooperation into a genuine strategic partnership between the United Kingdom and the Kingdom of Bahrain. An FTA would unlock significant investment in both sides, and would serve to deepen the ties of understanding and cooperation that would underpin this broader strategic partnership, and enable it to further expand and deepen across all fields.
10. I also want to clarify the position of the Kingdom of Bahrain regarding the timeliness of the FTA, and to assure you that no barriers are foreseen to the conclusion of an agreement. Indeed, the Kingdom Bahrain is proud to have been the first of the negotiating parties to submit a white paper regarding the FTA, and the GCC states – whose positions on this matter are unified – are seeking to conclude the agreement at the earliest possible date. Bahrain in particular sees the next few months as crucial for strengthening UK-GCC relations, and we have been in direct contact with the relevant British officials to maintain a steady level of progress. All those involved on the

Bahraini side are in agreement that this is an unprecedented opportunity which cannot be delayed or passed up. I believe our fellow GCC states also share this perspective, and I am personally hoping that the International Trade Committee and its inquiry will contribute to finalising the FTA as quickly as possible.

11. I trust that this gives some insight into the Kingdom of Bahrain's views on, and aspirations for, a GCC-UK Free Trade Agreement. In the meantime, this Embassy remains available to provide any further details, or clarification that may be of assistance to you, and I look forward to opening discussions between your Committee and GCC diplomats in London on how best to exchange views on priorities and perspectives on a potential FTA.

With best regards,

Hussain Mohammed Alam
Deputy Head of Mission