

Department for International Trade – Written Evidence Submission to the International Trade Committee’s Inquiry into United Kingdom trade negotiations: Agreement with the Gulf Cooperation Council

1. HM Government welcomes the International Trade Committee’s (ITC) inquiry into a trade agreement with the Gulf Cooperation Council (GCC).
2. In 2020, the United Kingdom undertook a joint trade and investment review with the GCC (additional detail in paragraphs 17 to 19). As a result of the successful completion of this review in 2021, both partners committed to seeking a deeper trade and investment relationship and are aiming to begin negotiations towards a new FTA later in 2022.
3. The Department for International Trade (DIT) aims to secure an ambitious programme of FTAs to benefit the whole of the United Kingdom and support businesses of all sizes across different sectors of the economy. An FTA with the GCC nations of the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates would contribute towards this.
4. DIT has conducted a 14-week consultation, seeking views from the British people and British Businesses, amongst others, to inform our negotiation objectives and understanding of the economic, environmental, and social impacts of an FTA with the GCC. The consultation closed on 14 January, and we are now working through the responses carefully to understand where our interests are most critical. This will determine our final negotiating scope and mandate.
5. The anonymised results and HM Government’s response will be published together with our negotiating objectives and an economic scoping assessment (our preliminary assessment of the potential economic impacts of a United Kingdom-GCC FTA) in 2022 in accordance with our commitment to make sure that Parliamentarians, the British people and British businesses have access to information on our trade negotiations before they begin.

Importance of United Kingdom-GCC relations

6. The United Kingdom and the GCC states have an important and longstanding relationship that spans a wide range of issues, including security, trade and investment, development, education, and culture. We look for continued collaboration to strengthen our shared interests and maintain regular dialogue with all GCC countries at a senior level to build on the strong relationships that the United Kingdom has in the region. We have made a strategic commitment to long-term investment in United Kingdom-Gulf partnerships, to build enduring partnerships that will make a difference to the United Kingdom, for example through the United Kingdom-Qatar Strategic Dialogue, the United Kingdom-Saudi Arabia Strategic Partnership Council and the United Kingdom-UAE Partnership for the Future.

7. The United Kingdom has a strong economic relationship with the GCC. An FTA between the United Kingdom and the GCC would represent an important opportunity to deepen our already strong bilateral trade and investment relationship. Total British trade with the GCC was £32.5 billion in 2020, with trade in goods reaching £16.5 billion and trade in services reaching £16.0 billion in 2020. The United Kingdom's combined £12.9bn services exports to GCC in 2020 is equivalent to ranking as the second largest non-EU destination of United Kingdom services exports (behind the US).
8. A United Kingdom-GCC FTA would support the prosperity pillar of HMG's Regional Strategy as part of the 2021 Integrated Review (IR). The IR is a combined review of foreign policy, defence, security and national development, setting out a strategic framework for achieving the United Kingdom's national security and international policy objectives until 2025. Improving trade and investment with the GCC will support our domestic objectives including the Government's build back better and levelling up ambitions, supporting job growth, and advancing our commercial linkages with strategic partners. Improved market access also supports the diversification of British supply chains, furthering the IR objectives on economic resilience.
9. Long term security and economic resilience objectives are advanced through supporting Gulf countries' economic diversification strategies away from oil and gas. The "Vision Plans" of member states highlight areas for future economic growth, many of which overlap closely with sectors where the United Kingdom has competitive advantage: technology, cyber, life sciences, creative industries and education, in addition to Artificial Intelligence (AI), financial services and renewable energy. An ambitious FTA that breaks down barriers will strengthen the position of British businesses in a region that holds British expertise in high regard and put the United Kingdom in a great position to aid the region's transition to more sustainable economies.

Our Approach

10. All GCC member states have committed to negotiate FTAs as a bloc. This is set out in Article Two of the GCC's 2001 Economic Agreement. All GCC member states have committed to negotiating a United Kingdom-GCC FTA collectively and the GCC Secretariat are in process of agreeing a negotiating mandate for the group.
11. Article One of the GCC Economic Agreement also set out plans for the GCC Customs Union which was notified to the WTO in 2006.¹
12. Our negotiation approach is flexible and works for the negotiation at hand, as evidenced by our negotiations in the SACUM-United Kingdom Economic

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https://docs.wto.org/dol2fe/Pages/FE_Search/ExportFile.aspx?id=243935&filename=q/WT/COMTD/RTA9-1.pdf

Partnership Agreement (EPA), which included negotiations with the countries of Botswana, Eswatini, Lesotho, Namibia, South Africa, and Mozambique; and our current accession process to the CPTPP.

13. As HMG has made clear throughout all our negotiations, securing a mutually beneficial and comprehensive deal is more important than any fixed deadline. We will continue discussions with the GCC Secretariat on the potential structure and modalities of United Kingdom-GCC FTA negotiations. We are looking to begin formal talks this year and will continue until we have secured the best deal for Britain.

GCC bloc Free Trade Agreements with other partners

14. The GCC has two free trade agreements currently in force.
- a. The GCC signed their first FTA with Singapore (GSFTA) in December 2008, negotiations commenced in January 2007 and were concluded after four rounds of negotiations in January 2008.² The agreement entered into force in September 2013.³ The GSFTA provides significant tariff liberalisation on goods and preferential access across a range of services sectors, including legal, financial, engineering and construction services. Singapore has also signed Bilateral Investment Treaties with all GCC members states.
 - b. The European Free Trade Area (Iceland, Lichtenstein, Norway and Switzerland) launched negotiations with the GCC in 2006 and concluded April 2008, after five rounds of talks.⁴ The deal entered into force on 1 July 2014.⁵ The GCC-EFTA FTA provides significant tariff liberalisation on goods and preferential market access across a range of services sectors. The agreement covers other areas such as the promotion of competition, protection of IP rights, and removing technical barriers to trade.
 - c. There are also bilateral deals between the US and Bahrain and Oman, entered into force in 2006 and 2009 respectively.
15. The GCC have concluded negotiations with New Zealand but this agreement has not yet been ratified. New Zealand-GCC FTA negotiations started in 2007 and concluded in October 2009.⁶ The Agreement now needs to be legally and technically verified before it can be signed and ratified.
16. The GCC have opened negotiations with further partners which are currently at various stages of progress including the EU, China, Pakistan, India, MERCOSUR, Turkey, Japan, South Korea, Australia and Malaysia.⁷

² https://www.mfa.gov.sg/Overseas-Mission/Doha/Mission-Updates/2008/12/press_201002_08

³ <https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies/free-trade-agreements/ftas/singapore-ftas/gsfta>

⁴ <https://www.efta.int/Free-Trade/news/EFTA-and-GCC-Finalise-Free-Trade-Negotiations-1525>

⁵ <https://www.efta.int/Free-Trade/news/EFTA-GCC-Free-Trade-Agreement-enters-force-1-July-2014-2836>

⁶ <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/nz-gulf-cooperation-council-fta/>

⁷ <https://www.gcc-sg.org/en->

United Kingdom-GCC Joint Trade and Investment Review

17. In June 2020 the Secretary General of the Gulf Cooperation Council, H.E. Dr. Nayef Falah M. Al-Hajraf, and Minister for International Trade of the United Kingdom, Ranil Jayawardena, M.P., discussed the principles of undertaking a Joint Trade and Investment Review (JTIR). The review was completed within the year, in June 2021, with its findings and conclusions based on empirical analysis and engagement with businesses operating in the United Kingdom and across the Gulf Cooperation Council countries.
18. The review identified a range of priority sectors for future British-Gulf collaboration. The United Kingdom and Gulf Cooperation Council agreed to enhance government-to-government cooperation to facilitate greater market access in the following sectors: professional and business services; agriculture, food and drink; education; healthcare and life sciences; financial services; as well as environmental green technologies and renewable energy. It was also agreed to expand cooperation on cross cutting issues such Intellectual Property (IP) and to increase collaboration on emerging sectors such as FinTech.
19. It is worth noting that as we have not yet designed our objectives for a future FTA with the GCC, we cannot say that the above issues will be resolved specifically by a Free Trade Agreement; it was agreed in the JTIR that they were sectors potentially ripe for engagement.

United Kingdom-GCC FTA consultation

20. DIT launched a 14-week public consultation on future trade negotiations with the GCC on 8th October 2021, which closed on 14th January 2022. The consultation provided the opportunity for respondents to express their views about a potential United Kingdom-GCC FTA. We asked the following questions:
 - a. Which areas of a potential future free trade agreement provide the most opportunities in trade talks with the GCC?
 - b. Are you facing challenges or constraints when attempting to trade or invest in the GCC, and if so, how significant is this to your business or organisation's activity?
 - c. How do you expect your business or organisation to respond to a comprehensive FTA? For example, might you begin exporting to, or importing from, the GCC? Or look to invest in the GCC or attract investment from the GCC, increase output or hire more workers?
 - d. How do you expect your business or organisation to respond to the removal of GCC tariffs in an FTA with the GCC?
 - e. Is your business or organisation trading products related to the environment and/or a low-carbon economy with the GCC?

21. As part of this consultation, we are also interested in views that relate to individual GCC member states, for example, whether any specific opportunities or concerns relate to specific countries as opposed to the wider region. This will help ensure the United Kingdom pursues an FTA with the GCC that reflects wider stakeholder priorities.
22. Now that the consultation has closed, we will work through the responses carefully to understand where our interests are most critical. This will determine our final negotiating scope and mandate. We welcome any responses from the [ITC's call for evidence](#), closing 30th January 2022, to assist our post consultation work.
23. The GCC will be following their own internal consultation processes as they engage with businesses in the region.

Our wider trade agenda

24. Taking our trade agenda to the next level in 2022, we will build a network of modern deals spanning the globe that will have significant benefits for the whole of the United Kingdom.
25. In addition to our consultation on GCC trade, we have reached signature with Australia, agreement in principle with New Zealand, and are currently in negotiations to join 11 Asia-Pacific countries in the CPTPP economic partnership. We have recently announced the launch of FTA negotiations with India and are in early preparations to begin negotiations on new trade deals with Canada and Mexico.
26. The United Kingdom is committed to supporting the WTO's vital role in free, fair trade. It is crucial that we see reforms at the WTO to tackle market distorting practices, address poor transparency, and modernise the WTO rulebook. The G7's first-ever trade track, led by the United Kingdom as a newly independent trading nation, will work to make the WTO fair and relevant for the 21st Century.
27. Trade will be an integral part of the United Kingdom's post-Covid recovery, and vital to strengthen the resilience of our supply chains to withstand future crises. The issue of supply chains – enabling the United Kingdom and our partners to work more easily together and build resilience in our collective industrial bases – is more important than ever in the post-Covid world.