

Gulf Cooperation Council and potential GCC-UK Trade Agreement

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Background

The Gulf Cooperation Council (GCC) is a political and economic alliance established in 1981 between six member states in the Gulf: 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. The GCC Customs Union (GCCCU) was launched in 2003¹ and fully operational from 2015. However, the alliance has not been without its problems - in 2017, three GCC countries cut diplomatic ties with Qatar over terrorism concerns²; this tension started to diffuse in 2021 with the signing of the Al-Ula Declaration.

The GCC's current trading relationships

Members of the GCC are free to make their own trade agreements as individual nations - for example, both Bahrain³ and Oman⁴ have FTAs with the USA. As a trading bloc, the GCC only has two bilateral trade agreements that have been fully ratified - Singapore (2013) and the EFTA (2014). It launched talks with the EU in 1990, but these were suspended in 2008 due to the EU's insistence on including human rights clauses as part of the agreement. Talks with Australia which began in 2007 stalled in 2009 whilst ratification of a deal with New Zealand has been delayed since 2016 by the political infighting within the GCC⁵. China, the GCC's biggest trading partner, started negotiations for a FTA in 2004 but after nine rounds these talks also stalled in 2016. From the GCC's perspective, ratifying a FTA with the UK would seem to have political as well as economic benefits by helping to re-establish the GCC as a unified bloc following a fractious few years of relations in the Gulf.

GCC-UK trading relationship

The UK has Bilateral Investment Treaties (BITs) with Oman, the UAE and Bahrain and BITs signed but not currently in force with Kuwait and Qatar⁶. BITs are agreements between two governments designed to promote investment flows and protect international investors and their investments. BITs also contain a mechanism called Investor to State Dispute Settlement (ISDS) which enforces the protection of foreign investors if a government policy or its implementation negatively impacts the profitability of their investment. BITs are often

¹<https://www.gcc-sg.org/en-us/CooperationAndAchievements/Achievements/EconomicCooperation/TheCustomsUnion/Pages/Practicalproceduresfortheestab.aspx>

² <https://www.bbc.co.uk/news/world-middle-east-40155829>

³ <https://ustr.gov/trade-agreements/free-trade-agreements/bahrain-fta>

⁴ <https://ustr.gov/trade-agreements/free-trade-agreements/oman-fta>

⁵<https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/nz-gulf-cooperation-council-fta/>

⁶<https://investmentpolicy.unctad.org/international-investment-agreements/countries/221/united-kingdom>

used to challenge governments' ability to decide policy in areas like health, energy, water and climate change and are heavily biased in favour of international investors⁷. The UK has also signed "Sovereign Investment Partnerships" with both Oman⁸ and the UAE, securing multi billion pound investments into the UK as part of the first (and only) agreements the Office for Investment has signed since its creation in 2020.

The economies of the GCC member states are heavily reliant on their fossil fuel industries and this is reflected in their trade with the UK. Refined oil is the top good imported into the UK from the UAE, Saudi Arabia and Kuwait whilst natural gas is the top imported good from Qatar⁹. UK Export Finance funding supported the modernisation of an existing oil refinery in Bahrain, and similar projects in Kuwait and Oman. The UK has a total trade surplus with all six GCC member states and the Gulf is the UK's third-largest non-EU export market¹⁰.

Defence: a mutually important relationship

The UK and GCC have both been open about the strategic importance of their relationship in terms of defence and security. A communique¹¹ issued in December 2021 stated how the UK Foreign Secretary and GCC Foreign Ministers "welcomed the close cooperation between the UK and GCC member states on defence issues and agreed to continue building on existing links between their respective armed forces". The UK has been reopening military bases in GCC countries, and the Prime Minister recently acknowledged "the strategic importance of the Duqm base in Oman for the UK."¹²

The GCC is a significant export market for the UK arms and defence industries; 58% of the UK's defence exports between 2011 and 2020 were to the Middle East¹³. Saudi Arabia is the UK's biggest arms customer and currently receives weapons, equipment and ongoing maintenance support from the UK¹⁴. This is despite a Court of Appeal judgment in 2019 that the continued export of arms to Saudi Arabia for use in Yemen, which is being bombed by a Saudi-led coalition, was unlawful without making any assessment as to whether violations of International Humanitarian Law had taken place¹⁵. In addition, the UK has exported spyware, wiretaps, and telecom interception equipment to Saudi Arabia, the UAE and Bahrain despite rules stating the UK should not export security goods to countries that could use them for internal repression¹⁶. Despite these concerns, the UK is keen to court the governments of

⁷ For more information on BITs, please read our briefing:

<https://www.tjm.org.uk/trade-deals/bilateral-investment-treaties>

⁸<https://www.gov.uk/government/news/uk-and-oman-kickstart-sovereign-investment-partnership-to-boost-investment-links>

⁹ <https://www.gov.uk/government/collections/trade-and-investment-factsheets>

¹⁰<https://hansard.parliament.uk/Commons/2021-06-10/debates/939411C0-C83E-4031-94AD-CA8BDA3F1ACC/TopicalQuestions#contribution-8A333794-EE05-450B-A785-7652A2400E3B>

¹¹<https://www.gov.uk/government/publications/uk-gulf-co-operation-council-foreign-ministers-meeting-december-2021-communique/gulf-co-operation-council-united-kingdom-foreign-ministers-meeting-20-december-2021-joint-communique>

¹² <https://www.gov.uk/government/news/pm-meeting-with-the-sultan-of-oman-16-december-2021>

¹³<https://www.gov.uk/government/statistics/uk-defence-and-security-exports-for-2020/uk-defence-and-security-export-statistics-for-2020>

¹⁴ <https://commonslibrary.parliament.uk/research-briefings/cbp-8425/>

¹⁵ <https://caat.org.uk/news/2019-06-20-2/>

¹⁶<https://www.independent.co.uk/news/uk/politics/uk-spyware-wiretaps-saudi-arabia-china-bahrain-uae-human-rights-a9613206.html>

the GCC in order to secure lucrative arms contracts. All 6 GCC nations were invited by the UK DSE¹⁷, and attended, the Defence and Security Equipment International trade exhibition held in London in September 2021.

GCC member states' approach to sustainable development

Human Rights

The GCC includes some of the most oppressive and politically repressive regimes in the world. Indeed, Saudi Arabia and Bahrain are priority human rights countries for the FCDO. Amnesty International's 2020 country profiles¹⁸ raise a large number of concerns about human right violations across GCC member states, including: the death penalty, unfair trials, confessions extracted by torture, persecution and discrimination against ethnic minorities and religious groups, suppression of freedom of expression and corporal judicial punishment.

The GCC's track record on human rights has been cited as a concern by many other organisations in relation to a FTA with the UK, including: the TUC¹⁹, The Business and Human Rights Resource Centre²⁰, the NHS Confederation²¹ and the Law Society.

LGBT rights

Many of the countries that make up the GCC have regressive laws which persecute members of the LGBT community, whilst others have better legal protections but LGBT groups still face significant discrimination and disadvantage in practice. Same sex marriage is criminalised in all 6 GCC member states whilst same-sex activity is illegal in all GCC countries except Bahrain²². In a number of GCC countries transgender people are also discriminated against, both in law and in practice.

Gender discrimination

All GCC countries have regressive laws and cultural norms around gender rights, and women are often treated as second class citizens. According to Amnesty International, women remain unequal in law in all six GCC countries²³. In all the GCC countries, there are restrictions on the ability of women to access abortion services, and in some countries a male guardian's approval is required, and/or abortion is only permitted on health or therapeutic grounds. A number of GCC countries have refused to criminalize sexual violence and marital rape. Bahrain, the UAE, Kuwait and Oman have all failed to make their personal status and nationality laws gender-neutral. In addition, the GCC states have among the

¹⁷<https://www.gov.uk/government/news/dsei-2021-countries-territories-and-organisations-invited-by-uk-dse-to-attend>

¹⁸ <https://www.amnesty.org/en/countries/>

¹⁹<https://www.tuc.org.uk/research-analysis/reports/tuc-opposes-uk-trade-talks-gulf-states-abusing-human-rights>

²⁰ <https://committees.parliament.uk/writtenevidence/42945/html/>

²¹https://www.nhsconfed.org/sites/default/files/2022-01/Gulf%20Cooperation%20Council%20Consultation%20Response_1.pdf

²² <https://www.humandignitytrust.org/lgbt-the-law/map-of-criminalisation/>

²³<https://www.amnesty.org/en/latest/news/2021/03/mena-gender-based-violence-continues-to-devastate-lives-of-women-across-region/>

highest gender wage gaps in the world, according to the World Economic Forum's 2021 rankings²⁴.

Labour Rights

The International Trade Union Confederation's 2021 Global Rights Index identified the Middle East and North Africa as the worst region in the world for working people²⁵. The five GCC states included in the Global Rights Index were ranked as either 4 (systematic violation of rights) or 5 (no guarantee of rights) on the index. The *kafala* sponsorship system, prevalent across the GCC, gives employers disproportionate powers over them and prevents them from leaving the country or changing jobs without the permission of their employers. Many issues for migrant workers employed under the *kafala* system in GCC member states have been identified, such as poor living conditions, contract violations and irregularities and limited access to healthcare. In addition, none of the GCC states have ratified all eight of the International Labour Organisation's (ILO) core conventions that cover fundamental principles and rights at work and none have ratified the ILO's Domestic Workers Convention. Given the seriousness of the labour right abuses taking place across the GCC, signing a trade agreement would undermine the UK's position as a strong advocate for workers' rights.

Climate Change

The UK claims to be a world-leader in the fight against climate change, and was the first major economy to set a carbon-zero target of 2050. Last year, the UK hosted the COP26 Climate Conference and the UK retains the presidency until the end of 2022. In contrast, the GCC have historically been unengaged with international efforts to combat change. The UAE ranks as 'highly insufficient' according to Climate Action Tracker²⁶, as does Saudi Arabia. The other GCC countries are not rated by the tracker, but perform poorly on other measures, as member states rely heavily on fossil fuels for their domestic energy needs as well as export and investment, and no GCC nation offers a viable model for climate adaptation or mitigation. Only three of the GCC member states have made any kind of net zero commitments, and none of these are binding. National Vision papers published by GCC governments demonstrate that methods for achieving reductions in emissions 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. Climate change should be at the heart of every trade deal the UK makes, but an agreement with the GCC will inevitably conflict with the UK's climate ambitions.

Public view

There is widespread opposition to the UK pursuing a trade deal with the GCC: polling on behalf of DIT in the Spring of 2021 found that only a quarter (27%) of the British public support a trade deal with Saudi Arabia whilst a similar minority (30%) would support a deal with the UAE²⁷. It should be noted that these percentages were only released by DIT after the then shadow international trade secretary asked for the full data set of the DIT's public

²⁴ World Economic Forum (2021), 'Global gender gap report', online at: <https://www.weforum.org/reports/global-gender-gap-report-2021>

²⁵ <https://www.globalrightsindex.org/en/2021/regions/middle-east>

²⁶ <https://climateactiontracker.org/countries/>

²⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056846/dit-public-attitudes-to-trade-tracker-wave4-main-report.pdf

attitudes tracking survey,²⁸ after more positive results to other questions were welcomed by the Government.

More broadly, the public think the human rights record of trading partners should be considered rather than ignored. In February 2022, Redfield & Wilton strategies polled 1,500 “eligible voters” on behalf of Politico. Survey respondents were asked whether they thought the UK should only make trade deals with countries that meet certain human rights standards. 61% agreed, whilst 9% disagreed.²⁹

Given the public view, it would seem sensible to assume an overarching trade strategy that has the support of the UK populace would include human rights considerations. It is especially disingenuous for the UK to be pursuing a trade deal with the GCC when the limited public engagement DIT has undertaken demonstrates that this trade deal has active opposition at a fundamental level.

TJM view

We do not believe that an FTA between the UK and the GCC is desirable or will help the UK achieve its economic and sustainability objectives.

It is essential that climate change is put at the heart of future FTAs that the UK makes, to ensure the UK’s trade policy does not conflict with the UK’s climate ambitions. It is unclear how this can be realistically achieved in the context of the fossil fuel-based economic models followed by all GCC countries, in addition to high rates of energy consumption and low climate ambition. If the UK wishes to be a global leader on climate change, it must find fellow ambitious trading partners, rather than strike deals with some of the worst offenders.

The human rights and labour rights concerns outlined earlier in this document are not random, one-off instances, but deeply embedded in the political and economic systems of many GCC countries. We are not optimistic that these issues can be adequately addressed in a human rights clause or labour chapter within the trade agreement, or that GCC countries would be willing to sign up to anything binding and enforceable on their domestic human rights law. However, these binding and enforceable provisions should nonetheless be pursued, and the UK should also seek other means of holding GCC countries to account for human rights and labour rights abuses. Signing a trade deal does not challenge these abuses, and indeed may send the message that the UK is uninterested or unconcerned about the rights of the vulnerable in these countries.

²⁸<https://www.theguardian.com/politics/2021/oct/20/less-than-a-third-of-uk-public-would-support-a-saudi-arabia-trade-deal>

²⁹ Data tables available from: <https://redfieldandwiltonstrategies.com/media-research/> (the Politico article dated 4.2.22)