

UK launches ambitious trade deal with Gulf nations

- Talks kick off in Riyadh to agree trade deal with countries covering £33.1 billion of trade
- UK food and drink, manufacturing and renewable energy sectors would benefit from new agreement between the UK and the Gulf Cooperation Council
- Landmark deal would add at least £1.6 billion a year to the UK economy and support new jobs in key industries

Trade Secretary Anne-Marie Trevelyan is launching free trade negotiations today (Wednesday 22 June) between the UK and the Gulf Cooperation Council (GCC), made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE.

Equivalent to the UK's seventh largest export market, the GCC bloc's demand for international products and services is expected to grow rapidly to £800 billion by 2035, a 35% increase – opening huge new opportunities for UK businesses.

A free trade deal would also open the door to increased investment from the Gulf, supporting and creating jobs across the country.

In a visit to Riyadh, Saudi Arabia, the Secretary of State will meet the GCC Secretary General, Dr Nayef Falah M. Al-Hajraf, and her counterparts from all six GCC countries, to launch talks expected to culminate in a trade deal worth £1.6 billion more a year to the UK economy.

It is the fourth major set of Free Trade Agreement (FTA) negotiations launched by the Trade Secretary this year, following visits to begin talks in India in January, Canada in March, and the launch of negotiations with Mexico last month.

UK Trade Secretary Anne-Marie Trevelyan said:

Today marks the next significant milestone in our 5-star year of trade as we step up the UK's close relationship with the Gulf.

Our current trading relationship was worth £33.1 billion in the last year alone. From our fantastic British food and drink to our outstanding financial services, I'm excited to open up new markets for UK businesses large and small, and supporting the more than ten thousand SMEs already exporting to the region.

This trade deal has the potential to support jobs from Dover to Doha, growing our economy at home, building vital green industries and supplying innovative services to the Gulf.

UK-GCC deal would mean significant benefits for British farmers and producers, as the Gulf is highly dependent on imported food. British food and drink exports to GCC countries were worth £625 million last year, and a deal could significantly reduce or remove tariffs on UK food and drink exports.

Tariffs that could be slashed include cereals, which currently face a tariff of up to 25%; chocolate, up to 15%; baking products, up to 12%; sweet biscuits, up to 10%; and smoked salmon, which has a 5% tariff at present.

With almost £30 billion already invested in each other's economies, this deal would also help unlock even more opportunities for investment between the UK and GCC countries.

Gulf investments supported over 25,000 UK jobs in 2019 – a number that tripled over the previous decade – and analysis shows the East Midlands, West Midlands, North East and Yorkshire and the Humber will be in line for the greatest proportional gains when the ink dries on a new deal. The deal would also be estimated to boost the economies of Scotland, Wales and Northern Ireland by almost £500 million collectively.

Stephen Phipson, CEO of Make UK, the manufacturers' organisation, said:

We welcome the launch of free trade negotiations with the Gulf Co-Operation Council, strengthening trade opportunities which will ensure that British manufacturing benefits from future positive flows of goods and services into the Gulf region.

It is also extremely helpful that the UK and GCC are committed to work towards seeking the opportunities from 'green innovation', which will bring significant opportunities for Britain's innovative renewable energy companies which are already leading the way in this area of global concern. We look forward to working with government to make sure manufacturers large and small are able to benefit from the business possibilities this deal will open up.

Around 10,700 small and medium-sized businesses from every UK nation and region exported goods to the GCC in 2020, with SMEs accounting for more than 85% of total UK goods exporters to Qatar, Saudi Arabia and the UAE.

Co-Founder and Director of Spice Kitchen, an SME exporter based in Liverpool, Sanjay Aggarwal said:

We went to Gulfood with DIT on a research mission and from this we know there is a massive market for our products, like our spice tins and single spice blends in the premium gifting space.

It's so important for our business to be linking with the GCC and enables us to grow rapidly in exciting ways we never thought possible. We are in the process of identifying retailers in the Gulf, including the UAE, Saudi Arabia and Qatar.

A strong trading relationship would allow the UK to play to our strengths as a manufacturing powerhouse and a world leader in technology, cyber, life sciences, creative industries, education, AI, financial services, and renewable energy.

UK businesses in these industries will also play a role in supporting GCC countries as they diversify their economies to move away from a reliance on oil and towards other sectors. The UAE, for example, has set a target of generating 50% of its electricity from renewable sources by 2050. Exports of UK wind turbine parts currently face tariffs of up to 15%.

RenewableUK's CEO Dan McGrail said:

The global transition to clean energy includes countries throughout the Middle East which are seeking to make the most of their excellent renewable resources such as solar and wind.

As a global leader in wind, marine energy and green hydrogen, we're perfectly placed to help other countries to accelerate their efforts to decarbonise their energy systems – and to boost our own economy by exporting around the world.

Background:

- Government analysis shows that a deal with the GCC is expected to increase trade by at least 16%, add at least £1.6 billion a year to the UK economy and contribute an additional £600 million or more to UK workers' annual wages.
- There were around 600 GCC-owned businesses in the UK in 2019, supporting over 25,000 jobs – a number that tripled over the previous decade.
- More than 85% of total UK goods exporters to Qatar, Saudi Arabia and the UAE are SMEs. In 2020, around 10,700 UK SMEs exported goods to the UAE, 5,500 exported to Saudi Arabia and 4,100 exported to Qatar.
- Consumers in the Gulf have significant purchasing power and huge appetite for UK products and services. For example, Qatar is one of the richest economies in the world, ranking 9th globally with a GDP per capita of \$53,804 (£41,912) in 2020.
- UK firms have at least £13.4 billion invested in GCC economies and GCC firms have £15.7 billion invested in the UK as of 2020.
- The GCC is equivalent to the UK's seventh largest export market, and total trade was worth £33.1 billion in 2021.
- The UK is the second largest services exporter in the world and services exports to the GCC were worth £12.1 billion last year.
- Tariffs outlined on foods are mostly 5% across the GCC, where in some cases individual countries charge higher tariffs on specific products. Note that tariffs on chocolate does not include products containing alcohol.
- Source of statistics: ONS UK trade, all partners, seasonally adjusted, Q4 2021; IMF World Economic Outlook April 2022; ONS Business Structural Database (2022) ; ONS Foreign Direct Investment involving UK companies,

2020 ; HMRC trade in goods by business characteristics, 2020 ; HMRC Overseas Trade in Goods statistics, March 2022.