



CAMBRIDGE  
MIDDLE EAST AND  
NORTH AFRICA  
FORUM

JUNE 2025

POLICY INSIGHT



# The UK-GCC Free Trade Agreement

## Winners and Watchpoints



# Executive Summary

A Free Trade Agreement with the Gulf Cooperation Council (GCC) presents a strategic opportunity to boost trade with an economically important bloc of countries—Saudi Arabia, the United Arab Emirates, Oman, Kuwait, Qatar and Bahrain—supporting economic growth and job creation in the United Kingdom, and advancing British interests abroad. The GCC is equivalent to the UK's fourth largest non-EU export market behind the United States, China, and Switzerland. The GCC represents a collective economy of £2.06 trillion and is home to over 54 million people.

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**Securing an FTA will give the UK access to a market which promises both short-term and long-term benefits.**

“An ambitious trade deal could boost UK annual workers' wages by around £0.6 billion to £1.1 billion every year in the long-run. It could also increase UK GDP by around £1.6 billion to £3.1 billion, and boost trade by around £8.6 billion to £15.8 billion in 2035.”

There has been an absence of an agreement due to political changes and rights concerns. Following Brexit, however, the UK has been seeking to realign its strategies on trade. Likewise, the GCC states have interests in diversifying their economies and creating several joint venture projects in the future. These anticipated next stages, the potential winners, and watchpoints will be highlighted in this policy insight paper.



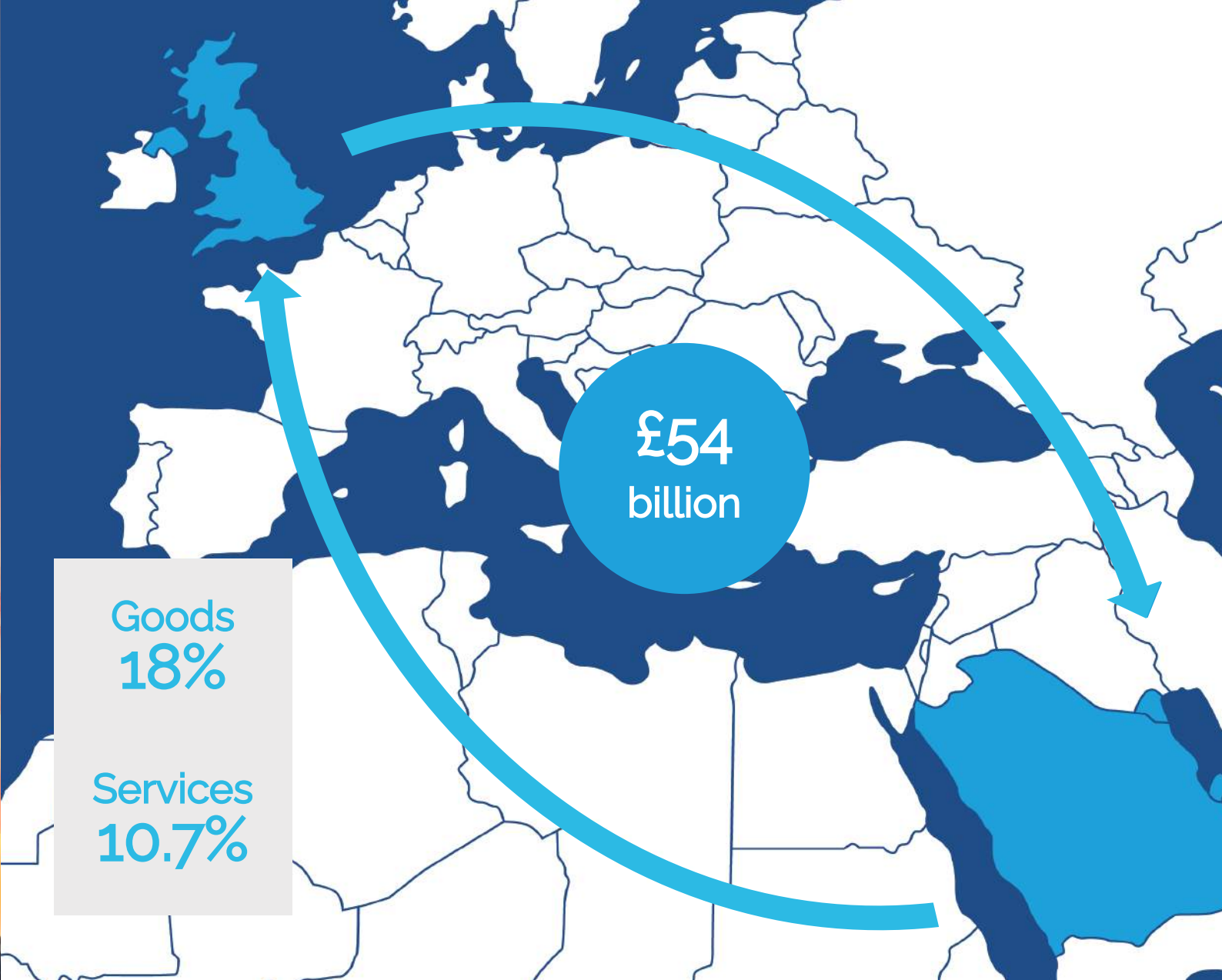


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## Trade Right Now

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**A UK-GCC Free Trade Deal  
Could Reshape Global  
Trade Corridors**

Post-Brexit Britain has sought to realign itself internationally, seeking out new investment and trade opportunities.

Currently, UK exporters face tariffs from GCC countries on key products like cereals (up to 25%), chocolate (up to 15%), and wind turbine parts (up to 15%), to name a few.

Nonetheless, total trade between the UK and the GCC in goods and services exceeded £54 billion in 2024, making the GCC the UK's 7th largest export market.

UK services exports to the GCC have been consistently between £12 billion and £14 billion in recent years. The UK has consistently run a strong services surplus with the GCC, especially in financial and professional sectors.

The UK had foreign direct investment (FDI) holdings amounting to £13.4 billion in the GCC in 2020.

# Positive Effects of an FTA



Goods  
33.6%

Services  
37.7%

GCC countries are actively pursuing diversification strategies to reduce their reliance on oil revenues. This shift opens doors for UK firms with strengths in green technology, clean energy, infrastructure, and environmental consulting.

GCC exports to the UK face low overall tariffs (~0.4%) due to duty-free oil and gas, but certain products like cereals (up to 25%), chocolate (15%), biscuits (10–12%), and wind turbine parts (up to 15%) are subject to higher duties.

GCC sovereign wealth funds and private investors continue to invest heavily in UK assets, particularly in real estate, infrastructure, healthcare, and technology. The GCC's total FDI in the UK reached £15.7 billion in 2020.

Among GCC members, the UAE has the highest volume of trade with the UK (£24.3 billion), followed by Saudi Arabia (£16.1 billion), Kuwait (£6.1 billion), Qatar (£5.4 billion), Oman (£1.5 billion), and Bahrain (£967 million).

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An FTA with the GCC strengthens the UK's strategic positioning in a geopolitically significant and economically dynamic region, enhancing its global trade footprint.

A deal between the GCC and the UK would unlock important investment opportunities, boosting trade, jobs, and wages. An FTA would harmonize trade standards, allowing for subsequent bilateral deals to take effect, multiplying the effect of the FTA.

Tariff reductions or eliminations would make UK goods significantly more price-competitive in GCC markets, boosting exports and easing business operations. Partnering with the UK offers GCC companies greater access to advanced industries, innovation, and finance, laying the groundwork for future joint ventures across key sectors.

An FTA would offer clearer investment protections and encourage greater bilateral investment, fostering innovation and job creation in both regions.

The FTA could open up GCC markets further for UK service providers (financial services, legal, digital, education), increasing exports in a sector critical to the UK economy.



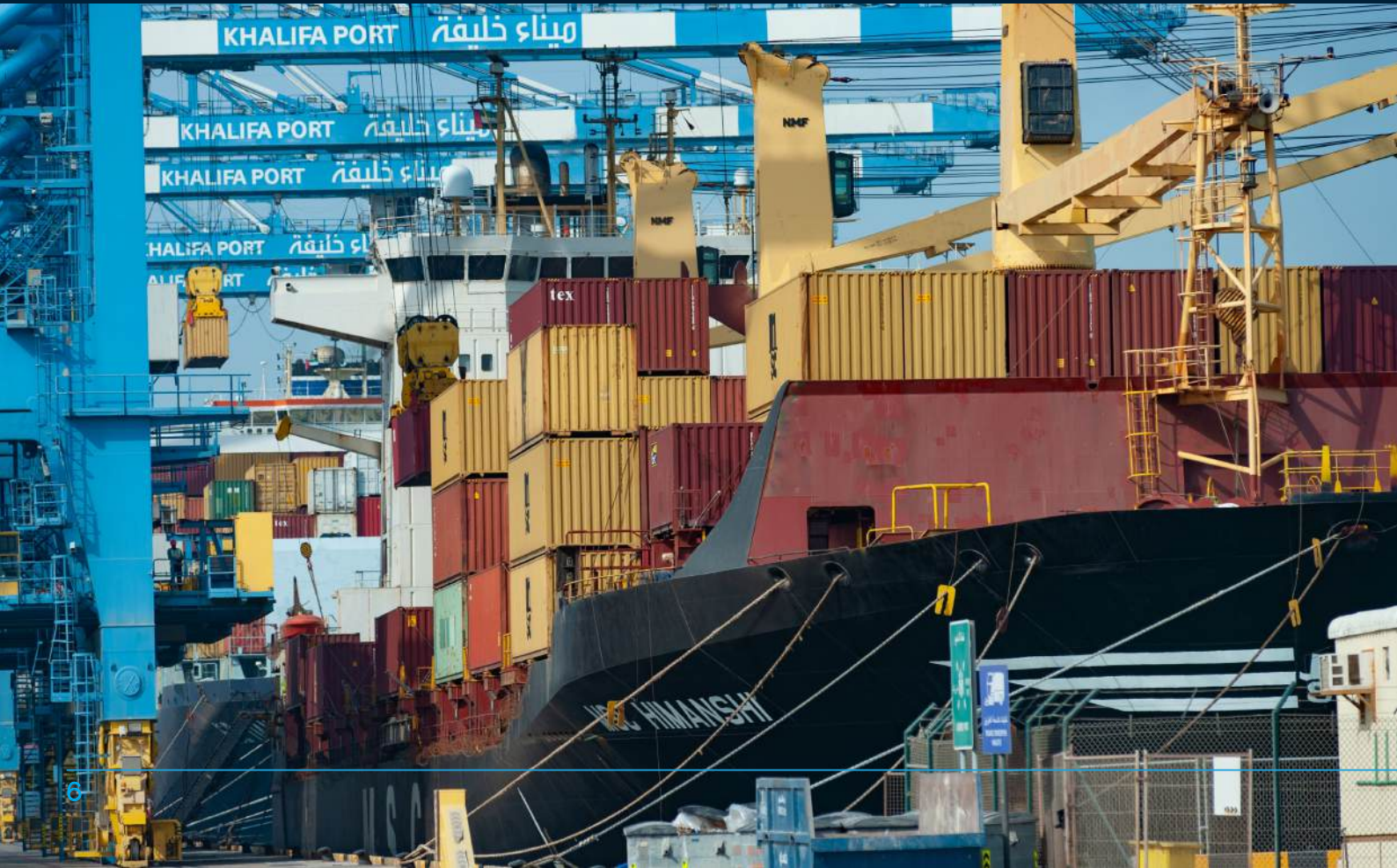
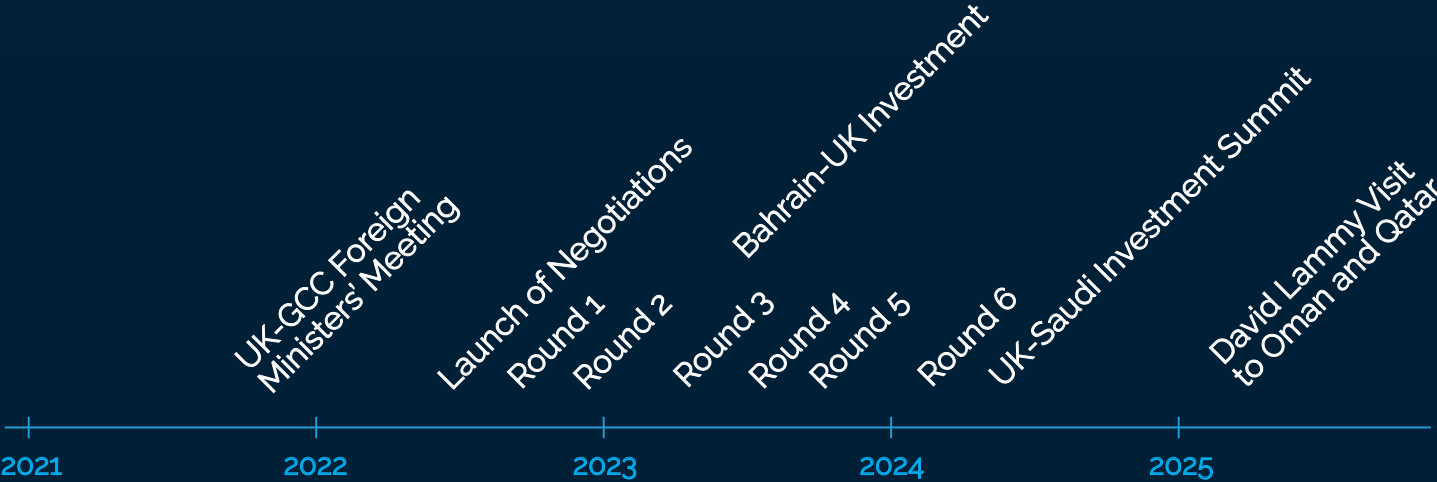
# Setbacks and Points of Friction

Negotiations are expected to conclude in the near future with a potentially imminent announcement of the FTA, however, some key issues have delayed progress.

Negotiations, starting in 2022, have been slow due to complex institutional dynamics within the GCC and political inconsistency within the UK, as well as British sensitivities around issues such as human rights, environmental standards, and regulatory alignment.

The GCC countries have also differed in their own diversification strategies and interests. Potential points of friction include IP, services liberalisation, labour mobility, and labour laws.

## Timeline of the UK-GCC FTA Negotiation Process



# Sector-by-sector Primer

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The benefits of the FTA would be spread across UK regions.

Estimated regional gains for Scotland, Wales, and Northern Ireland represent £500 million collectively.

“Around 10,700 small and medium-sized businesses from every UK 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.”

In 2020, ~10,700 SMEs exported to the UAE, ~5,500 to Saudi Arabia, and ~4,100 to Qatar.

Recent UK-GCC trade growth suggests stronger economic value creation. This could boost UK GDP by £1.6–£3.1 billion by 2035, and potentially increasing UK worker wages by £600 million to £1.1 billion annually.



## Manufacturing and Industrial Goods

- Machinery and Equipment
- Motor Vehicles and Parts
- Textiles and Apparel
- Chemicals
- Pharmaceuticals

High GCC demand growth; 98.5% of UK imports from GCC are intermediate goods  
UK RCA of 2.56; UK imports could increase by 50–96.7%  
Strong GVA growth expected; £272.2M UK exports in 2019; GCC tariffs at 5%  
GCC import demand to rise 19% by 2030; UK benefits from tariff removal  
UK RCA of 1.06; GCC demand expected to grow 38%



## Services

- Financial Services
- Business Services
- Recreational and Media Services
- Telecom and IT Services

Very high UK RCA (14.93); GCC demand projected to rise 101%  
UK RCA of 6.84; GCC demand to grow by 50%  
UK RCA of 6.15; GCC import demand growth at 104%  
UK RCA of 1.71; GCC demand growth of 61%



## Agriculture and Food

- Agriculture, Forestry and Fisheries
- Processed Foods

GCC heavily reliant on imports; demand up 3%

Some downside risks due to resource competition; still benefits from lower tariffs



## Supply Chain Integration

- Intermediate Goods

52.1% of UK imports from GCC (2017–19) were intermediate goods

# What to Expect Next

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In March 2025, British Prime Minister Keir Starmer and Saudi Arabian Crown Prince Mohammed bin Salman had a phone call to advance the FTA. A potential upcoming visit of Starmer to Saudi Arabia would signal significant progress in finalizing an FTA.

Once an FTA is established, bilateral agreements with individual members of the GCC are likely to follow. The UAE, as the UK's foremost trade partner in the GCC, is particularly eager to enter into such an agreement.

Follow-up bilateral agreements are especially important because many key business interests fall outside the scope of the FTA, such as the recognition of professional qualifications and certifications, easing market entry for qualified professionals and firms' deployment of staff abroad.

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