Competition & Consumer Organisation Party Limited (COCOO). Companies House Registration Number: 15466919 contact@cocoo.uk Address: 23 Village Way, Beckenham. Postcode: BR33NA.United Kingdom. COCOO is categorised as "management consultancy activities other than financial management" (SIC: 70229) and "investigation activities" (SIC code: 80300)

1 April 2025

SUBJECT: Inquiry into the UK Trade and Investment Policies in the Gulf. Media Campaign: "Operation Transparent Trade"

RECIPIENT: Department for Business and Trade

The Department for Business and Trade is responsible for ensuring that international trade and investment agreements align with the highest domestic and international legal and ethical standards. Should the department facilitate or endorse agreements with Gulf countries that result in lowered human rights, environmental, consumer protection or national security standards, it may be held liable for failing in its duty to safeguard British interests. If due diligence and rigorous risk assessments are not carried out before entering into such agreements, then there is a potential breach of its statutory obligations. In cases where these agreements compromise critical sectors, such as energy, infrastructure, or advanced technology, or where they expose the nation to undue foreign influence through opaque ownership structures, affected parties could seek judicial review alleging negligence. Moreover, if the department neglects to ensure that these transactions are subject to robust oversight under the National Security and Investment Act, it would be seen as contributing to systemic risks that undermine both economic sovereignty and public trust. Ultimately, the failure to adhere to these standards would not only weaken the framework intended to protect national interests but could also result in significant legal and reputational consequences for the department.

We request that you clarify how business and trade policies are being aligned with national security requirements, specifically in relation to investments from Gulf state entities. Please describe the procedures for assessing the impact of these investments on domestic business competition, supply chain integrity and critical industry resilience. This letter is of utmost interest to your department because your mandate includes ensuring that British businesses are not disadvantaged by unfair foreign competition and that investment flows support rather than undermine our economic sovereignty. The complexities of Gulf investments and their potential to affect key sectors demand your detailed consideration and a transparent response.

ABOUT US

We are a public interest entity with a legally recognized right and duty to file such claims and demand regulatory compliance. Our legitimacy stems from our constitutional mandate as defenders of the public interest and the free market. We monitor the quality of transposition and implementation of legislation in the public interest and for the free market. Therefore, we must be proactive and act *ex officio*.

COCOO is a membership-based organization. Membership is free and by invitation. We would be most pleased to count you as a member.

Our commitment is not to external clients, electoral promises, or any agenda. Our commitment is only to the public interest, the rule of law and our members because they share our vales. We are free from conflicts of interest that usually arise between counsellor and external client. Myself, as in-house Solicitor of COCOO, am only bound by the mandates of COCOO, and not those of any external client. Furthermore, COCOO's constitution prohibits accepting any form of public or private incentive, subsidy, or funding. Our sovereignty arises from our complete independence, from which emerge the high quality of our services.

COCOO holds British legal personality and full rights under English and international law, including standing to initiate legal proceedings in British courts. Accordingly, COCOO's investigative duties extend beyond UK borders when addressing

potential harm to UK markets or international legal and regulatory frameworks. Our constitutional mandate is to investigate commercial and undertaking agreements in any jurisdiction, requiring, where necessary, the submission of documents and information related to allegedly anti-competitive conduct or actions contrary to the public interest that affect the UK or international law and policy. We also advocate for compensation and restitution for British and international victims in contract and tort.

OPINION ON UK TRADE & INVESTMENT IN THE GULF

The United Kingdom has pursued an aggressive strategy to secure a free trade agreement and deepen investment ties with the Gulf Cooperation Council. This bloc includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. While the commercial potential of this relationship is significant, numerous issues have been identified that may expose UK interests to potential legal liability. Such issues include the risk of contravening domestic and international obligations in the areas of trade, investment, competition, consumer protection, human rights, and environmental regulation. In addition, broader concerns related to illicit financial flows and banking corruption have the potential to amplify legal and reputational risks for the UK government and companies with links to these investments

Trade Law and Free Trade Agreement Challenges

> The current strategic approach seeks to secure a free trade agreement with the Gulf states by reducing tariffs and improving market access. The Government has stated that any such agreement must protect British values and uphold high standards in human rights, labor, food safety, animal welfare, and environmental protection. In practice, there is significant concern that pressures to close the deal may lead to commitments that are difficult to enforce. The pursuit of lower standards could weaken the regulatory framework that UK consumers and businesses rely on and may be seen as inconsistent with established obligations. Additionally, by facilitating trade with states known for lax labor and environmental protections, the UK risks being seen as complicit in enabling practices that would not be acceptable under domestic law. There is also a concern regarding the compatibility of any preferential trade measures with global trade rules. The removal or reduction of tariffs in the Gulf could be perceived as a violation of the commitments under multilateral agreements if it undermines the principles of non-discrimination. Furthermore, if the trade deal results in imports that do not meet British consumer or safety standards, the Government may be compelled to implement remedial measures under domestic trade legislation

Investment Law and Dispute Settlement Mechanisms

> The United Kingdom has established numerous bilateral investment treaties with individual Gulf states. These treaties typically include provisions allowing investors to initiate international arbitration in cases where their investments are adversely affected by state measures. The inclusion of investor-state dispute settlement mechanisms is a significant risk factor. Should UK companies or affiliated individuals invest in projects that later result in environmental damage, human rights abuses, or labor exploitation, these investors may be entitled to claim compensation through arbitration panels. Such claims have the potential to constrain the UK Government's regulatory authority over domestic policy, especially when it comes to implementing measures designed to protect public welfare. The existence of traditional investor protection mechanisms also raises concerns about the potential for Gulf state investors to challenge legitimate policy measures in the United Kingdom. For example, if the Government enacts stricter environmental regulations or labor reforms that adversely affect Gulf investments, such measures might trigger claims for compensation. This dynamic has the potential to create a legal environment in which the UK is locked into outdated treaties and faces costly disputes over domestic policy choices

Competition Law and State Subsidies

> Competition law challenges are pronounced in the context of the Gulf economies, where state-owned and state-controlled enterprises benefit from preferential treatment. UK companies operating in these markets face significant hurdles when competing against enterprises that receive substantial government subsidies. These subsidies distort market competition by providing an unfair advantage and may violate the spirit of open market competition. The United Kingdom has expressed its intent to secure commitments within any free trade agreement to safeguard fair competition. However, if the final deal fails to impose enforceable standards or if Gulf states maintain exemptions for their state enterprises, UK firms could suffer long-term competitive disadvantages. Furthermore, the risk extends to the domestic market. If investments from the Gulf result in mergers or acquisitions that undermine competition within the United Kingdom, regulators could be forced to intervene. This creates a scenario in which UK competition law is inadvertently compromised by the very trade and investment policies intended to stimulate economic growth.

Consumer Protection and Labor Standards

Consumer protection issues arise if goods entering the UK market from the Gulf do not meet established safety or quality standards. There is a potential risk that a free trade agreement could lead to the relaxation of import controls, resulting in products that do not satisfy British consumer expectations for safety, quality, and ethical production practices. This scenario could lead to litigation, recalls, or mandatory changes in regulatory oversight, all of which would damage the reputation of both the Government and associated businesses. Labor standards present one of the most critical human rights concerns. The Gulf region continues to employ restrictive sponsorship systems that can lead to exploitative labor practices. Migrant workers, who comprise a large proportion of the workforce, are often subject to conditions that amount to forced labor. This situation is at odds with the United Kingdom's domestic and international commitments to combat modern slavery and human trafficking. UK companies investing in or sourcing from these regions risk exposure to legal actions if they are found to be complicit in labor abuses. The Government faces pressure to conduct thorough human rights impact assessments prior to entering into any agreement that might indirectly endorse exploitative labor practices.

Human Rights and Arms Sales

Human rights law considerations have taken on increased importance in recent debates about UK trade and investment policy. The United Kingdom has been criticized for its arms exports to Gulf states involved in conflicts where civilian casualties have been high. Recent judicial decisions have raised questions about the legality of arms sales when there is evidence that exported weapons contribute to violations of international humanitarian law. In this context, UK policy is under scrutiny for potentially providing weapons to regimes with poor human rights records. There is a risk that continued arms sales may expose the Government to claims of direct complicity in human rights abuses. This issue is compounded by the broader challenge of balancing trade interests with the moral imperative to uphold international human rights norms.

Environmental Law and Climate Change Concerns

Environmental considerations are central to the debate over the UK-Gulf trade relationship. Gulf states are largely dependent on fossil fuels and have been slow to adopt the robust environmental policies seen in the United Kingdom. The risk of carbon leakage is significant if the UK relaxes its environmental standards in favor of enhanced trade. This would not only undermine the Government's domestic climate commitments but also risk international criticism for facilitating practices that contribute to global environmental degradation. Should the trade agreement fail to incorporate strong, enforceable environmental provisions, the United Kingdom may find itself in breach of its commitments under domestic environmental legislation as well as international agreements. The challenge lies in reconciling economic growth with the need to transition to a sustainable, low-carbon economy without compromising regulatory integrity.

Illicit Financial Flows and Their Implications

Recent investigations into illicit financial flows provide further context to the potential legal infractions. Illicit financial flows encompass a range of activities that include tax evasion, corruption, and market manipulation. Such flows are often estimated using methods that identify anomalies in reported financial statistics. The channels through which these flows occur include overinvoicing of imports, underinvoicing of exports, and discrepancies in balance of payments data. These anomalies are indicative of practices that, while sometimes technically legal, contravene societal norms and ethical business practices. In the context of UK investments in the Gulf, there is a risk that financial activities connected to trade may involve structured avoidance schemes, transfer pricing manipulations, and other forms of financial misconduct. These practices reduce corporate tax revenues and create an uneven playing field, ultimately affecting the competitiveness of UK businesses and undermining public trust. The misuse of data and the inability to access accurate financial information further complicate the situation. Without robust transparency measures and due diligence, UK companies and government agencies may inadvertently become conduits for these illicit financial flows. This scenario not only poses significant reputational risks but also exposes them to future regulatory or legal actions if these flows are later proven to be connected to criminal or unethical behavior.

Banking Corruption and Anti-Corruption Controls

The role of the global banking sector in channeling financial flows is critical. Banks serve as the primary conduits for international capital and are subject to significant corruption risks. These risks arise both from customer-related issues, such as money laundering and the processing of proceeds from corruption, and from the influence of banks

and public officials through lobbying and related activities. The financial industry is governed by rigorous international standards and guidance issued by bodies focused on anti-money laundering and anti-corruption practices. A robust governance framework is essential to ensure that banks have senior management oversight and clear internal controls.

Key elements of these controls include comprehensive risk assessments, clear internal policies on acceptable conduct, and due diligence processes for both customers and third-party providers. Banks are expected to conduct thorough anti-corruption checks prior to engaging in significant investments, particularly those involving state-owned entities or politically exposed persons. Failure to adhere to these standards exposes banks to both regulatory sanctions and reputational damage. Given the central role of the banking sector in facilitating global financial flows, any weakness in anti-corruption measures may indirectly contribute to the propagation of illicit financial activities. This, in turn, reinforces the necessity for UK companies and financial institutions to exercise heightened due diligence in all transactions related to the Gulf.

The breadth of potential infractions stemming from UK investments and trade in the Gulf is extensive. There are clear concerns that the free trade agreement and related investment treaties could lower standards in several key areas, exposing the United Kingdom to legal liability and reputational risk. Trade and investment law challenges arise if the agreements fail to ensure transparency and uphold British regulatory standards. Competition issues are evident if state-subsidized enterprises in the Gulf maintain an unfair advantage over UK companies. Consumer protection, labor standards, and human rights issues are at risk if the trade deal facilitates the import of substandard products or indirectly supports exploitative labor practices. Environmental commitments may be undermined if the deal permits a relaxation of UK climate policies or facilitates carbon leakage.

The analysis is further complicated by the dynamics of illicit financial flows, which highlight the potential for tax evasion, corruption, and other financial misconduct. The role of the banking sector is equally critical, with risks of corruption and money laundering underscoring the need for robust internal controls and due diligence practices. A forward-thinking legal strategy should emphasize rigorous enforcement of domestic standards in any trade or investment agreement with the Gulf. This involves integrating clear, enforceable provisions on human rights, labor, environmental protection, and anti-corruption. UK companies must conduct comprehensive risk assessments, and financial institutions should ensure that their governance frameworks are robust enough to prevent the facilitation of illicit financial flows. Only by adopting a holistic and proactive approach can the United Kingdom safeguard its regulatory integrity and public trust while engaging in high-stakes international trade and investment.

Trade Law and FTA Obligations

UK-GCC FTA and Legal Standards: The UK Government has repeatedly stated that any trade agreement with the GCC *"must contain binding commitments to protect people and the environment, and not compromise UK values and long term public interests, in exchange for short term private interests*. In its *Strategic Approach* for the GCC FTA, the UK pledged to uphold high human rights, labor, food safety, and animal welfare standards.

However, civil society groups fear these commitments may not be meaningfully enforced. Notably, it was reported in 2022 that the UK *"quietly dropped 'human rights' and 'rule of law' from its list of objectives"* for the GCC trade deal, apparently to avoid jeopardizing the negotiations. GCC officials have even explicitly warned to **stay silent on human rights** if it wants a deal.

WTO Framework and Trade Agreements:

All GCC states and the UK are members of the World Trade Organization, meaning WTO rules govern their trade in the absence of an FTA. Normally, WTO law (e.g. GATT's most-favored-nation rule) would prohibit offering the GCC special trade preferences not given to others, but a comprehensive FTA can be an exception if it covers substantially all trade. The proposed UK-GCC FTA aims to remove or reduce tariffs and other barriers, consistent with WTO provisions on regional trade agreements. The EU, notably, has **refused** to conclude an FTA with the GCC in the past **due to human rights concerns**, illustrating that trade deals can be halted on legal/political grounds. The UK, in proceeding despite similar concerns, risks scrutiny under domestic law (such as the *Trade Act 2021* procedures and the Constitutional Reform and Governance Act 2010 which require parliamentary oversight of treaties) if it appears to sacrifice human rights or labor/environment standards for commerce.

Trade Act 2021 and Parliamentary Oversight:

The Trade Act 2021 established processes for implementing trade agreements and created bodies like the Trade and Agriculture Commission to review impacts on standards. While the Act doesn't outright prohibit deals with rights-abusing states, Parliament considered amendments (the so-called "genocide amendment") to bar trade deals with genocidal regimes. Ultimately, a compromise requires the Government to allow parliamentary debate if a court or committee finds serious human rights abuses. For the GCC deal, there is concern that entering an agreement without robust rights conditions could violate the *spirit* of these oversight mechanisms.

Trade unions and NGOs argue the Government should be prepared to walk away rather than accept a *"low-standards agreement"* with the GCC that conflicts with *"the settled view of the UK public"* on human rights and climate change. (PM announces the UK will end support for fossil fuel sector overseas)ial WTO and Treaty Conflicts: Another trade law aspect is whether the UK could breach international trade obligations by taking measures to address GCC-related abuses. For example, the UK may face pressure to ban imports made with forced labor or to restrict goods over human rights (such as goods produced under the **kafala** system of migrant labor).

WTO law does allow trade restrictions for public morals or human protection (GATT Article XX), and a ban on forced-labor goods could be justifiable on moral grounds. wever, such measures must be applied carefully to avoid WTO disputes (they must not be arbitrary or protectionist in disguise).

Similarly, if the UK were to halt certain exports (such as arms or surveillance technology) to GCC states for human rights reasons, that could implicate treaties like the Arms Trade Treaty (see below) more than WTO rules, since arms trade is often outside typical trade regimes.

In sum, under **trade law**, the *possible infractions* relate less to breaching WTO rules and more to **potentially breaching the UK's own legal standards and commitments** in pursuit of the FTA. There is a tension between trade expansion and obligations to uphold human rights, labor, and environmental standards. If the final FTA lacks enforcea (UK arms sales to Saudi Arabia unlawful, court of appeal declares | Court of appeal | The Guardian) on these issues, it could be seen as *allegedly* conflicting with the UK's obligations under the Trade Act 2021 (to maintain standards) and international conventions (e.g. commitments to sustainable development in trade). It may also expose the Government to judicial review or parliamentary challenge for failing to balance trade with human rights (as happened with arms exports). Indeed, NGOs have warned that a weak trade deal would risk *"becoming complicit in abuse"*.

Investment Law and ISDS Risks

Bilateral Investment Treaties (BITs): The UK already has several bilateral investment treaties with individual GCC countries (such as Bahrain, Oman, and the UAE), and has signed others (with Kuwait and Qatar) that are not yet in force. These BITs typically allow investors to sue states in international arbitration (Investor-State Dispute Settlement, or ISDS) if certain protections (like fair treatment or protection from expropriation) are violated. Critics point out that ISDS clauses can undermine **sovereign regulatory power**, especially on human rights or environmental regulation. There have been calls for the **termination of ISDS clauses in BITs between the UK and GCC states**. In fact, a parliamentary submission recommended ending ISDS in those BITs (and even exiting the multilateral Energy Charter Treaty) because such provisions are *"incompatible with human rights and environmental protections"*.

ISDS in a UK-GCC FTA: If the UK-GCC FTA includes an investment chapter with ISDS, it could enable **GCC-based investors to challenge UK laws or policies** – or vice versa – outside of the UK court system. This is a significant concern from an environmental perspective. Experts warned that ISDS could be used by companies to *"challenge new climate change regulations"* if those policies hurt profits. For example, if the UK tightened environmental rules (such as banning certain polluting activities or phasing out fossil fuels to meet climate targets), a Gulf investor in the affected sector might sue the UK for damages under ISDS. Such cases are not hypothetic (UK: Court to Rule on Arms Sales to Saudi Arabia | Human Rights Watch) investors have filed claims over climate and public health measures (e.g. challenges to coal phase-outs and oil drilling bans). A UN expert recently cautioned that ISDS claims can *"slow, weaken and even reverse climate and environmental actions,"* with *"devastating consequences"* for human rights and the planet. In other words, ISDS is seen as a **"hidden handbrake"** on government policy for climate and human rights.

From a legal standpoint, including ISDS in the FTA could clash with the UK's **international human rights obligations**. While investment treaties aim to protect investors, they must be balanced against a state's duty to regulate for public welfare. If an ISDS tribunal forced the UK to pay massive compensation for enforcing, say, a new labor law or an environmental regulation, that could chill further regulatory action – effectively prioritizing investor rights over human rights or

environmental commitments. This is why some advocate for carving out social and environmental measures from ISDS, or excluding ISDS entirely in modern agreements. The UK-New Zealand FTA, for instance, omitted ISDS, and there are proposals to use only state-to-state dispute resolution in the GCC deal to avoid these risks.

Investor Obligations and UK Liability: Another angle is UK investors operating in the Gulf. Investment law typically protects investors, but their conduct can raise issues too. If UK companies invest in GCC projects that result in environmental damage or human rights abuse, those companies could face legal actions either abroad or at home. For example, a UK investor in a Gulf infrastructure project that displaces communities or pollutes water might be sued in the host country (though GCC legal systems may not be robust in this respect), or potentia (Free Trade Agreement Negotiations with the Gulf Cooperation Council - International Trade Committee) to home-country litigation or OECD complaints. Under the UN Guiding Principles on Business and Human Rights (a soft-law framework), the UK is expected to ensure its firms do not violate human rights abroad; failing to do so might not violate a specific law, but it undermines the UK's international commitments to corporate responsibility.

Competition: Subsidy Issues

State-Owned Enterprises and Subsidies:

The GCC economies (Stay silent on human rights to strike deals, Gulf states tell UK – POLITICO)state-owned or state-controlled enterprises (from oil companies like Sau (UK quietly drops 'human rights' and 'rule of law' from list of goals in Gulf trade deal | The Independent)state airlines like Emirates and Qatar Airways, to sovereign wealth fund-owned conglomerates). A recurring concern is **unfair competition** due to heavy state **subsidies** or preferential treatment for these entities. According to input received by the UK government, *"there are a substantial number of state enterprises across the GCC"*, and **UK businesses find it difficult to compete** with Gulf companies that receive state support. Respondents to the FTA consultation highlighted *"state subsidies to GCC competitor companies"* as a major concern.

For example, Gulf airlines have been **alleged** (by U.S. and European airlines) to benefit from over $40 billion in unfair state subsidies, allowing them to undercut competitors with below-cost fares. Such subsidies can skew markets and potentially violate trade rules if they cause harm to foreign industries. Both the UK and GCC are signatories to the WTO Agreement on Subsidies and Countervailing Measures, which disciplines trade-distorting subsidies. However, WTO enforcement is cumbersome, and to date there has been little formal action against Gulf subsidies – partly due to political considerations and the complexities of proof. In the context of the FTA, the UK aims to include provisions on **competition policy, state enterprises, and subsidies** to ensure *"open and fair competition"*. The Government says it will seek rules against discriminatory treatment by state enterprises and will address harmful subsidy practices. If these commitments are weak, the **possible infraction** is that UK companies could continue to face anti-competitive conduct in GCC markets, effectively losing out due to practices that would be illegal under UK/EU competition law. Notably, GCC competition laws (where they exist) often **exempt state actions or state-owned firms** from their scope, and enforcement is very weak. One analysis found that pro-competition rules in the Gulf do *"not apply to governmental acts or acts of entities controlled by the State"*, and that the laws exist *"only on paper"* with lacking deterrents. This divergence means a UK-GCC FTA could struggle to create a level playing field unless it contains binding competition clauses – otherwise, UK firms may have no legal recourse if, say, a state-favored Gulf company engages in predatory pricing or excludes competitors.

UK Competition and Subsidy Controls:

On the UK side, an influx of Gulf investment raises competition law questions as well. UK merger control and antitrust laws apply to foreign companies operating in the UK, including state-owned ones, but enforcement can be challenging if the entity has government backing. For instance, if a GCC sovereign wealth fund were to acquire strategic UK companies and then receive implicit subsidies (like bailouts or extra-cheap capital from its government), UK regulators might need to intervene to prevent market distortion. Post-Brexit, the UK has its own **Subsidy Control Act 2022** for domestic subsidies, and it is exploring tools to address **foreign subsidies** that distort the UK market (the EU has such a mechanism). A **possible legal issue** is if the UK fails to scrutinize investments from GCC state entities that could harm competition – potentially disadvantaging UK competitors or consumers. Though not an "infraction" in a strict sense, it could be seen as dereliction of the UK's duty to maintain fair competition.

Notable Example – Aviation:

The rivalry between Gulf airlines and British/European airlines illustrates the subsidy issue. Gulf carriers (Emirates, Qatar Airways, Etihad) are state-owned and have benefitted from government support such as interest-free loans, capital

injections, subsidized fuel, and government-paid infrastructure. European airlines (like Air France/Lufthansa) long complained these advantages violate the "fair competition" clauses of aviation agreements, and the **Open Skies** treaty's spirit. British Airways, conversely, has a partnership with Qatar Airways (which owns 25% of BA's parent company IAG), and has at times opposed EU efforts to curb Gulf airline access. This underscores a conflict: UK companies themselves may profit from or abet anti-competitive Gulf practices. If a UK firm colludes with a subsidized Gulf partner to carve up markets (even informally), that could breach UK competition law or at least raise ethical concerns.
There is no public allegation of illegal collusion in this case, but BA's alignment with Qatar's interests led it to quit a European trade association that took a hard line on Gulf subsidies. **Potentially**, UK companies might prioritize profit over principled competition, which complicates enforcement.

State Aid and Procurement:

Another area is government procurement and state aid. GCC governments often favor local or state-owned firms in awarding contracts, which foreign bidders see as unfair. The FTA negotiations explicitly seek to *"secure more extensive market access to government procurement in the GCC"* for UK businesses. If successful, this could reduce discrimination. But if the GCC reneges or creates opaque tender processes, UK firms could be shut out contrary to the FTA terms – a breach that might require state-to-state dispute resolution. Conversely, if the UK Government were to offer sweeteners (like export subsidies or lenient export financing) to encourage trade with the Gulf, it must remain within WTO rules. The UK has already **ended official export finance for fossil fuel projects overseas** in principle, to meet climate commitments. Violating that (for instance, by quietly funding Gulf oil infrastructure for the sake of trade relations) would breach the UK's policy pledge and possibly WTO subsidy rules. There is no evidence of such violation at present, but it remains a point of vigilance.

In summary, **competition law infractions** in the UK-GCC context are mostly *alleged* on the GCC side – **state-sponsored anti-competitive practices** that may go unchecked. The UK could become complicit by signing a deal that doesn't address these or by failing to enforce its rights. The Government acknowledges this risk, noting it will insist on fair competition rules so UK businesses can compete fairly with state enterprises. Ensuring those rules are truly enforceable will be key. If they are not, UK companies harmed by unfair Gulf competition might seek remedies (e.g. lobbying for WTO cases or domestic trade remedies). Likewise, if any **UK firms engage in anti-competitive conduct in the GCC** (such as cartels or abuse of dominance with local partners), they could face UK prosecution under the Extraterritorial reach of UK competition law (if it has effects on UK markets) or at least reputational/legal risks abroad.

Consumer Protection and Labor Standards

Weak Consumer Protection in the GCC: Consumer protection laws in GCC countries vary, but generally enforcement is **weaker than in the UK**. Issues can include lax product safety oversight, less stringent food and drug regulations, and limited legal recourse for consumers. In FTA consultations, stakeholders called for a dedicated **consumer protection chapter** to promote consumer rights and ensure UK standards aren't undercut. The Government has signaled it will seek provisions to protect consumers from *"misleading, fraudulent, deceptive, and unfair commercial practices"* in the GCC FTA.

A *possible infraction* would be if the UK knowingly facilitates trade in products or services that do not meet its usual consumer safety standards. For instance, if an FTA led to **mutual recognition** of standards in a way that allowed lower-standard GCC goods into the UK market, that could conflict with UK consumer law. The Government insists it will **uphold the UK's high food safety and product standards** and not compromise them in trade talks. As evidence, the UK did not lower standards in recent FTAs (e.g., hormone-treated beef is still banned despite trade deals). So direct breaches of UK consumer protection law due to the GCC deal seem unlikely.

However, UK companies could still be involved in **unethical consumer practices in GCC markets**. For example, selling products that are banned or deemed unsafe in the UK to less-regulated Gulf markets could be seen as exploiting weak consumer protections. This practice, while legal under local law, raises moral questions. (A historical parallel is how some Western companies sold pesticides or baby formula in developing countries with looser rules). If such cases came to light, they could violate international guidelines or even UK law if any fraud or mislabeling is involved. One respondent to Parliament suggested the UK use the FTA to improve cross-border cooperation on consumer issues, ensuring that UK e-commerce and online consumer protection standards are respected in GCC countries. Without such measures, GCC consumers might remain vulnerable to unsafe or substandard goods and services, including those supplied by UK firms, with little recourse. That can be viewed as a form of *alleged* negligence or profiteering at the consumer's expense.
Live Animal Exports and Food Standards: Consumer protection intersects with animal welfare and food safety standards.

The UK exports significant quantities of meat (including halal meat) to GCC states. Ensuring these exports meet both UK welfare standards and GCC requirements is a challenge. The Government has noted the need to invest in R&D for humane stunning methods to satisfy halal rules without cruelty. A stark concern raised by NGOs is the *possible* resumption or increase of **live animal exports** to the Gulf for slaughter. *Compassion in World Farming* warned that the FTA *"must not facilitate the live export of breeding animals to the Gulf, due to their appalling slaughter conditions"*, which would undermine British animal welfare standards.

The UK had promised (via the now-withdrawn Animal Welfare (Kept Animals) Bill) to ban live exports for slaughter, reflecting strong animal welfare and consumer ethics commitments. If trade deals incentivize or allow more live exports, the UK could be accused of undercutting its own laws and consumer expectations regarding animal welfare. While animal welfare is not typically framed as consumer protection, it is part of the "ethical quality" of products consumers care about. Thus, any **alleged lapse** in enforcement (for example, allowing animals to be exported into inhumane conditions) might be challenged as inconsistent with UK law and policy.

Labor Protections (Kafala System): Labor standards are a critical area where GCC practices fall short of international norms. All GCC states have relied on the **kafala** sponsorship system for migrant workers, tying workers' residency to their employer and greatly restricting workers' mobility and rights. As Human Rights Watch explains, under kafala workers *"are not able to change their jobs without their sponsor's permission,"* often resulting in **exploitation** and **forced labor** conditions. Migrant laborers (who form ~70% of the workforce in the Gulf) have faced **terrible abuses and deadly conditions**, from construction heat deaths to unsanitary labor camps. These practices violate basic International Labour Organization (ILO) standards and have been described as **modern slavery** by activists.

The *possible infraction* for the UK is one of **complicity**: if the UK enters trade/investment arrangements without addressing or mitigating these labor abuses, it may indirectly endorse or benefit from them. The International Trade Committee acknowledged that the UK's leverage to reform GCC labor laws is limited, but stressed the UK can tighten its **own laws to avoid complicity**. Specifically, it urged *"comprehensive and meaningful implementation of the Trade Act 2021 and the Modern Slavery Act 2015"* so that UK supply chains are free of rights abuses.

Under the **Modern Slavery Act 2015**, large UK companies (annual turnover > £36 million) are required to publish annual statements on steps taken to prevent slavery in their operations and supply chains. This creates a legal obligation (at least in reporting, if not yet in due diligence outcome) for UK firms to vet their Gulf business partners and suppliers. If a UK construction firm or retailer benefits from forced labor in a GCC country (say, using a subcontractor who withholds workers' passports or doesn't pay wages), that could violate the spirit – and perhaps the letter – of the Modern Slavery Act.

At minimum, a company that fails to disclose such risks or to take action could face legal repercussions, including injunctive orders or future legislation that introduces **civil penalties for non-compliance** (the UK Government has discussed strengthening the Act). Indeed, Parliament has suggested requiring **mandatory human rights due diligence** by companies in the future. So UK businesses operating in the Gulf should be on notice: **alleged labor abuse** in their GCC supply chains or projects could lead to legal liability in the UK.

A real-world example is the case of UK construction giants Balfour Beatty and Interserve, which were **accused** by migrant workers of labor abuses on projects in Qatar (through joint ventures they co-owned). Workers alleged **passport confiscation, deceptive recruitment, debt bondage, and underpayment** – all hallmarks of forced labor – on sites operated by those firms' subsidiaries. The companies claimed to be addressing the issues, but this illustrates the risk: British companies have been directly linked to **kafala-style exploitation** abroad. Such allegations, if proven, could violate UK laws (like the prohibition on human trafficking or even the UK's Bribery Act if bribes were involved in securing those contracts) and open them up to lawsuits. Notably, UK courts have allowed foreign claimants to sue parent companies for overseas human rights abuses in other sectors (e.g. mining) when a duty of care can be established. A similar suit could be envisioned on behalf of Gulf migrant workers against a UK firm, claiming negligence or breach of duty in failing to prevent abuse – a serious legal liability.

UK Complicity in Repression: Beyond labor rights, the GCC states have **widespread human rights issues** – from the repression of women's and LGBTQ+ rights to crackdowns on free expression and civil society. The UK's trade dealings raise the question of **complicity by silence**. If the UK **omits human rights conditions** in agreements and does not speak out, it arguably sends a signal of tacit acceptance. NGOs warn that a trade deal without human rights benchmarks means the UK risks *"becoming complicit in abuse"* by prioritizing commerce over values. This is not a direct legal violation, but it contravenes the UK's commitments under international human rights frameworks (for example, the UK is party to the UN Covenant on Civil and Political Rights, and has a Global Human Rights sanctions regime to hold abusers accountable). There is a moral and legal expectation (under the **Arms Trade Treaty**, UN Guiding Principles on Business and HR, etc.) that the UK should *not facilitate* human rights violations.

One stark area is **arms sales**, discussed more in the next section on human rights law. In terms of labor and consumer context, consider that goods produced in the Gulf with exploited labor might end up in UK consumer markets. Although Gulf states are not manufacturing powerhouses for consumer goods (they mostly export oil, petrochemicals, and some metals), there are increasing Gulf exports of aluminum, plastics, and services. If any such products involve forced labor (for instance, construction materials made by unpaid migrants), importing them could violate emerging laws. Other jurisdictions (like the U.S. with its Uighur Forced Labor Prevention Act) have begun **banning imports tainted by forced labor**.

The UK does not yet have a blanket import ban, but the idea has been floated. The Trade Act 2021 could potentially be used to enact such import restrictions to meet the UK's international obligation to eliminate forced labor. Should the UK fail to enact or enforce such measures, it might be criticized for lagging on its duty to protect human rights, although until a law is in place, it's a policy choice rather than a legal breach.

In summary, under **consumer and labor protection law**, the **alleged infractions** involve **failure to enforce high standards across borders**. Consumers could be harmed if lower standards slip through, and workers *are* being harmed in GCC supply chains – raising the specter of UK corporate liability and government responsibility. The UK has tools like the Modern Slavery Act and Trade Act to address these issues; not using them vigorously would leave the UK **open to accusations of complicity** in any abuses that expand under a UK-GCC trade regime. Any legal strategy here would focus on strengthening and enforcing domestic laws (e.g. making due diligence mandatory, barring imports from forced labor, and holding companies accountable for violations) so that the UK isn't knowingly profiting from others' rights being violated.

Human Rights Law Implications

Arms Sales and Complicity in War Crimes: The UK's arms trade with GCC countries, especially Saudi Arabia and the UAE, has been one of the most controversial aspects of the relationship. These weapons have been used in the Yemen conflict, where the Saudi/UAE-led coalition has committed grave violations of international humanitarian law (IHL) against civilians. In 2019, the UK Court of Appeal delivered a landmark judgment that **found the UK government's continued arms exports to Saudi Arabia *unlawful*** because ministers had failed to assess the risk of IHL violations. The court held it was irrational and unlawful to license arms without making a determination on whether Saudi forces had a record of bombing civilians. This prompted a temporary suspension of new arms licenses. However, in 2020 the Government resumed arms sales after a review, claiming the past violations were "isolated incidents". Human Rights Watch and others strongly dispute that characterization, pointing to *"ample evidence"* that Saudi violations are systematic and that **UK weapons have been used with impunity in airstrikes on civilian targets**.

In 2023, campaigners (CAAT) brought a fresh legal challenge to the resumption of arms sales. The High Court, in a controversial decision, **rejected** the challenge and deferred to the Government's risk assessment, accepting that it had a "rational" basis for resuming exports. This means that, as of now, arms transfers continue – but the underlying human rights issue remains stark. Rights groups allege that by providing bombs and aircraft used in Yemen, the UK is **directly aiding and abetting war crimes**. CAAT argues the UK is *"directly complicit"* in Saudi Arabia's unlawful strikes due to these arms transfers. Under international law, a state can indeed incur responsibility if it aids another state in committing serious violations, **if** it knows of the violations and the aid contributes to them (Article 16 of the International Law Commission's Articles on State Responsibility).

The UK's knowledge of Saudi abuses is well-documented by UN experts and NGOs, so a case could be made that continuing arms exports constitutes **a breach of the Arms Trade Treaty (ATT)** (to which the UK is party). The ATT expressly forbids states from authorizing arms exports when they have knowledge that the arms would be used for genocide, crimes against humanity, or war crimes. Given the evidence from Yemen, it's arguable the UK is violating its ATT obligations by not halting arms to Saudi.

From a domestic perspective, while the latest court ruling favored the government, the *2019 Court of Appeal judgment stands as a precedent* that **export decisions ignoring human rights can be unlawful**. If new evidence emerges of egregious misuse of UK arms, the Government could face another legal challenge. Additionally, Parliament has tools: under the consolidated EU and now UK export control laws, there are criteria that arms sales should not proceed if there's a clear risk of humanitarian law breach. A legal strategy to hold the UK accountable could involve judicial review (as CAAT has done) and pushing for parliamentary inquiries or an arms export embargo. Indeed, some MPs and European parliamentarians have called the UK out for breaching the ATT and urged a stop to these sales.

Human Rights Clauses in Trade Deals: Typical modern FTAs include chapters or side-agreements on human rights or at

least on labor and environment ("Trade and Sustainable Development" chapters). If the UK-GCC FTA omits meaningful human rights clauses, it would break with what many consider best practice. The European Parliament's refusal to deal with the GCC without human rights improvements sets a benchmark that the UK is not following, potentially undercutting international human rights advocacy. Moreover, the **UK Human Rights Act 1998** incorporates the European Convention on Human Rights (ECHR) into domestic law. While the ECHR generally doesn't impose an obligation to protect rights outside the UK's territory, one could argue that certain extreme cases (like a UK official licensing something that leads to torture or killing abroad) engage the UK's own human rights duties. This is largely untested, but creative legal arguments could be explored. For instance, families of Yemeni victims attempted to bring legal action in some jurisdictions against arms-supplying states – these efforts show the evolving view that **business-as-usual with abusive regimes can carry legal risk**.

Migrant Workers and Modern Slavery: Labor rights are human rights. The conditions under kafala in the GCC – debt bondage, restrictions on movement, and hazardous work – meet international definitions of **forced labor and human trafficking**. The UK has obligations under the ILO conventions on forced labor and under the 2012 UN Protocol on Trafficking in Persons to discourage and address forced labor. By engaging in trade that relies on such labor, the UK could be failing its duty to **exercise due diligence** to prevent human rights violations. While international law doesn't mandate that one country force changes in another's labor laws, there is a growing concept of **extraterritorial human rights obligations** – that is, the responsibility of countries to consider the human rights impact of their actions abroad. In practice, this means the UK should conduct robust human rights impact assessments for the FTA (the Trade Justice Movement urged the Government to *"evaluate and publish the likely impact of this FTA on the human rights situation in the GCC"*, including on women and LGBTQ+ people). If the UK fails to do so, it could be criticized for not complying with its own policy of human rights due diligence.

On a more concrete level, the **UK Modern Slavery Act** and related laws can be tools to hold UK **companies** and possibly officials accountable. A company knowingly profiting from forced labor might face prosecution under UK statutes (for example, if any element of the crime occurred in the UK, possibly under forced labor or trafficking offenses in the Modern Slavery Act). Even absent criminal charges, civil liability through tort law is a possibility, as mentioned earlier. There's also reputational and commercial liability: a company found complicit in Gulf labor abuses could be barred from UK Government contracts under procurement rules that exclude human rights violators.

Freedom of Expression, Gender, and Minority Rights: The Gulf states impose severe restrictions on free speech, civil society, and minority rights (for instance, criminalizing homosexuality and suppressing political dissent). If UK-based individuals or companies contribute to this repression – for example, by selling surveillance technology used to target activists, or by training Gulf police who then commit abuses – they could attract legal scrutiny. The UK has Magnitsky-style sanctions legislation allowing it to sanction individuals complicit in human rights abuses. It would be a grave hypocrisy (and potentially actionable by judicial review or parliamentary pressure) if the UK on one hand sanctions officials for, say, the murder of journalist Jamal Khashoggi, but on the other hand signs a trade deal with Saudi Arabia that makes no reference to the *"rule of law"*. This inconsistency can be framed as a legal failing in the UK's **foreign policy coherence** mandated by the British International Human Rights Policy.

That said, most **human rights law infractions here are indirect** – it's less about the UK violating human rights at home, and more about the UK **abetting** violations abroad. Legally, the strongest cases of abetment are in areas like arms (where tangible UK items contribute to war crimes) and labor (UK firms' involvement in exploitation). Other areas, like the repression of speech or women's rights in Gulf states, are primarily the responsibility of those states. The UK cannot be legally forced under current law to refuse trade with repressive regimes (absent UN sanctions). But the UK could be seen as breaching *political commitments* (for instance, those under the Global Compact on Migration to protect migrant workers, or CEDAW – the Convention on Elimination of Discrimination Against Women – where the UK should promote women's rights globally).

In crafting a legal strategy, activists might invoke **UK domestic laws** such as the **Proceeds of Crime Act 2002** (if UK banks or companies are handling profits derived from forced labor or corruption in the Gulf, that could be "criminal property"), or even the **Equality Act 2010** in procurement (ensuring the government does not contract with suppliers that discriminate, etc.). Internationally, they might use the **OECD Guidelines for Multinational Enterprises**: the UK National Contact Point can hear complaints against UK companies for human rights abuses abroad and issue findings. Though**Environmental and Climate Law Concerns:**

All six GCC states are heavily reliant on fossil fuels, with **low climate ambition** compared to Western countries. Friends of the Earth told Parliament that *"no GCC nation offers a viable model for climate adaptation or mitigation"* and that their economic plans focus on gas, carbon capture, and tree-planting rather than cutting emissions. The UK, by contrast, has binding climate obligations (Net Zero by 2050 in the Climate Change Act 2008) and is a party to the Paris Agreement.

Critics warn that a UK-GCC trade deal could exacerbate a **disconnect** between the UK's climate goals and its trade policy – potentially **undermining the UK's climate leadership**. Indeed, witnesses asserted that pursuing an FTA with the Gulf *"will not help the UK achieve its climate and international development objectives"*. This raises possible legal tensions: for example, if increased trade leads to higher UK consumption of carbon-intensive Gulf products, the UK might struggle to meet its carbon budgets.

One specific risk is **carbon leakage**. If the UK tightens environmental regulations domestically but imports cheaper, high-carbon goods from the GCC, global emissions may simply shift rather than fall. The Government itself noted this risk, given the UK is likely to implement climate policies faster than Gulf states. To mitigate it, the UK is considering measures like a Carbon Border Adjustment Mechanism (carbon tariffs on high-emission imports). However, implementing such measures in the context of an FTA could be tricky and might conflict with the FTA's terms if not negotiated upfront. The FTA should ideally include strong climate commitments – e.g. affirming the Paris 1.5°C goal, **non-regression clauses** so neither side weakens environmental laws, and cooperation on carbon pricing or subsidy reform. Omission of these would be a red flag.

The **Green Alliance** advised that the FTA's environment chapter *should be subject to dispute resolution*, not just aspirational language. If the environment chapter is weak or unenforceable, the UK could be **contractually hampered** from holding the GCC to higher standards, potentially conflicting with its own environmental policy commitments.

Beyond climate change, there are other environmental law aspects. The GCC's diversification projects (new cities, tourism developments, industrial zones) often carry significant environmental impacts (habitat loss, water scarcity, pollution). UK companies involved in or financing such projects could face accountability under international norms. For instance, if a UK investor is part of a consortium building a mega-project that displaces communities or harms marine ecosystems, that investor might be subject to the OECD Guidelines for Multinational Enterprises (which cover environmental due diligence) or even lawsuits if damage is caused. Additionally, **transboundary environmental harm** could become an issue – imagine a scenario where a major oil spill in the Gulf (linked to a UK-supported venture) affects other countries; the UK entity might face claims under international environmental principles. While speculative, these possibilities mean UK actors must exercise caution and adhere to best environmental practices to avoid legal liability.

Finally, UK **domestic environmental legislation** can be a tool for oversight. The Environment Act 2021 and the Climate Change Committee's mandates require the government to consider the climate impacts of its policies. If the UK signs a trade deal that, say, locks in fossil fuel dependence or increases importation of high-emission goods, environmental groups might challenge it as inconsistent with the UK's Net Zero duty. There is a precedent for such scrutiny: Friends of the Earth recently challenged UK export finance for an overseas liquefied natural gas project on climate grounds, arguing it ran contrary to the Paris Agreement (though the court ultimately found against them on the facts). Similarly, if the Government were to subsidize fossil fuel projects in the GCC (despite a policy to end overseas fossil fuel support), it could face legal challenge for breaching that policy or even WTO rules (as a prohibited subsidy).

In summary, the **environmental law issues** revolve around the UK potentially **compromising its climate commitments** through enhanced Gulf trade. Any failure to integrate climate safeguards in the FTA is a *possible infraction* of the UK's broader legal duty to pursue sustainable development. Investor-state disputes could also threaten climate action (as discussed, a company could claim compensation for stricter environmental rules), which is why eliminating ISDS or carving out climate measures is legally prudent. Moving forward, a robust legal strategy would demand that any UK-GCC agreement explicitly upholds the Paris Agreement and allows the UK full freedom to meet its environmental targets – otherwise the agreement itself could come under fire as undermining international environmental law.

How UK–Gulf commerce may engage the NSIA's oversight powers

Trade and investment ties between the UK and the Gulf Cooperation Council (GCC) have deepened significantly in recent years, raising parallel questions about national security oversight. The GCC – comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) – is now a major economic partner for Britain. A prospective UK–GCC free trade agreement is expected to boost bilateral trade by at least 16% and Gulf sovereign wealth funds rank among the world's most active investors. The UK has been a prime target: in 2024 alone, GCC sovereign investors deployed roughly $9.5 billion into UK assets.

Such engagement brings undeniable economic benefits, but it also exposes the UK to legal, ethical and structural risks that fall squarely within the remit of the National Security and Investment Act (NSIA) 2021. This annex examines how UK–Gulf commerce may engage the NSIA's oversight powers, connecting potential risks from UK–GCC deals to the Act's mandate, and offers recommendations to manage these risks. It focuses on how Gulf-related activities – in sectors like infrastructure, energy, defence, communications and data – might pose national security concerns and how transparency,

investor influence, sovereign wealth funds and supply-chain vulnerabilities come into play under the NSIA's regime.
The NSIA, which came into force in January 2022, empowers the UK government to scrutinise and intervene in acquisitions that could harm national security. It establishes a **targeted investment-screening regime**, especially focused on 17 sensitive sectors ranging from **critical infrastructure and energy to defence, communications and data technology**

Under this law, certain deals (such as foreign takeovers of a UK defence company or key telecom network) must be notified to the government in advance, and **any transaction** can be "called in" for review if the Secretary of State reasonably suspects a security risk. Importantly, the NSIA's scope is limited to national security – it "will not be used to interfere unnecessarily with investment" or serve as a general industrial policy tool

All decisions must be **proportionate and based on security factors alone**. The government has also signalled that the regime is **country-agnostic**: the NSIA "does not regard state-owned entities, sovereign wealth funds – or other entities affiliated with foreign states – as being inherently more likely to pose a national security risk"

This means Gulf investments are not automatically suspect simply because they stem from governments or royal families. Each case is judged on its merits. Nevertheless, the Act provides broad powers to address risks from **any** source if an acquisition raises red flags. Even as Britain courts Gulf capital, Gulf-related deals in sensitive domains are subject to the same rigorous checks as any other – an approach consistently emphasized by ministers.

UK–GCC investment ties intersect with multiple NSIA-sensitive arenas. One prominent area is **energy and infrastructure**, where Gulf states are key suppliers and investors. Qatar, for example, supplies a significant portion of the UK's imported liquefied natural gas, and both Qatar and the UAE have invested heavily in British infrastructure (from ports to power and real estate). In May 2022, Qatar's government pledged £10 billion in new investment across UK sectors – including technology, healthcare, infrastructure and clean energy – as part of a "Strategic Investment Partnership"

The year prior, the UK struck a similar deal with Abu Dhabi's Mubadala fund. Notably, these Gulf pledges target many **critical or high-tech industries**, and they come amid the backdrop of Britain's reliance on Gulf hydrocarbons. As one legal observer noted, "there appears to be a clear link between these deals and the critical energy supplies (including natural gas) coming from the Gulf states to the UK"

This convergence of **foreign investment and vital resource supply** heightens concern that economic dependence could become a strategic vulnerability. If, for instance, a Gulf sovereign fund took ownership of a critical UK energy terminal or electricity grid operator, would the UK's energy security be at risk? Officials must consider scenarios in which political tensions or conflict could see a foreign owner curtailing supplies or access. The recent war in Ukraine – and the ensuing energy crisis – has made the **risks of over-reliance on any one region's oil and gas "painfully clear"**

The NSIA was designed to mitigate such vulnerabilities. **Energy** is one of the sectors explicitly covered by the Act's mandatory notification rules, and the government has indeed intervened under NSIA powers to protect energy infrastructure when needed. In essence, Gulf investments in UK energy and infrastructure are welcome for growth, but they are scrutinised to ensure they do not hand a foreign state lever(s) over Britain's critical systems. The NSIA's call-in powers act as a safeguard: if a Gulf investor (state-owned or otherwise) seeks to buy control of a strategic pipeline, port, power plant or telecommunications node, the government can **pause** the deal and assess whether conditions or blocks are required to protect national security.

Defence and advanced technology form another focal point of UK–Gulf economic engagement – and a core concern for NSIA oversight. Several GCC countries have long been customers for UK defence exports, and increasingly they also aspire to invest in or acquire cutting-edge technologies. This raises two worries: the **outflow of sensitive intellectual property/ know-how**, and the **potential influence of foreign powers over companies that supply the UK military or security sector**. Under the NSIA, any acquisition of a certain share (25% or more, or other significant control) in a UK defence firm or a dual-use technology company by a foreign actor is typically subject to mandatory notification and approval

If a Qatari or Saudi entity attempted to buy, say, a British cybersecurity firm, a manufacturer of military components, or a satellite company, the NSIA process would kick in immediately. Indeed, in the NSIA's first year, nearly half of all notified deals were in the defence or military dual-use category, and defence-related acquisitions featured prominently among those ultimately subjected to government intervention

The UK government has shown it will act decisively: of the 15 transactions blocked or amended by final orders in the NSIA's initial year, several involved companies in defence or advanced tech sectors

This includes cases where the acquirer was based in the Middle East or other regions outside the traditional Western allies.

Moreover, NSIA scrutiny is not confined to overt weapons systems; it extends to enabling technologies like **communications networks and data infrastructure**. A striking example came in 2023, when the government **called in for review** the proposed £15 billion merger of mobile network operators **Vodafone UK and Three UK** on national security grounds

One trigger for that intervention was that **Emirates Telecom (e&)** – a UAE-based telecoms company, ultimately answerable to the Emirati state – had become a major shareholder in Vodafone and would have influence in the merged entity

Telecom infrastructure is clearly sensitive (as the earlier Huawei 5G debate showed), and here the worry was that a foreign state-linked investor could gain insight or sway over British communications networks. By using NSIA powers to probe the Vodafone/Three deal, the government set a precedent that even partnerships involving friendly Gulf nations will face scrutiny if they touch strategic technologies

This rigorous approach helps ensure that initiatives like the UK–GCC tech partnerships (for example, Saudi or Emirati investment in UK biotech, AI, or aerospace startups) do not inadvertently compromise UK security or export controls. Any **transfer of advanced know-how**, or access to sensitive data sets, through such investments can be vetted and conditioned. The message to investors has been clear: Britain is open to Gulf capital in its high-tech economy, but it will ring-fence critical security capabilities as needed under the NSIA.

Beyond specific sectors, broader governance issues in UK–Gulf deals have caught the attention of policymakers, linking ethical and structural risks to the NSIA's remit. A central concern is the **role of Gulf sovereign wealth funds and state-owned enterprises**. These entities blur the line between commercial investment and state influence. As one MP put it during a parliamentary debate on a mooted UAE takeover of a British media company, *"the concern is not foreign ownership, it is foreign state ownership"*, warning that when it comes to investors from the Gulf, *"you cannot separate sheikh and state."*

In other words, a nominally private consortium bankrolled by a Gulf royal or sovereign fund may effectively be an arm of that foreign government's strategic agenda. This raises the risk that investments could be guided by political or security motives (for example, gaining influence over critical infrastructure or information flows) rather than just profit. The NSIA is equipped to handle this risk in principle – its reviews consider the **acquirer risk** (who the buyer is, and any affiliations) alongside the target's nature. But doing so requires high transparency. Here, the Gulf presents challenges: transparency standards and corporate disclosure in some GCC states are relatively opaque by Western norms. The **UAE, in particular, has been identified as a "key piece in the global money-laundering puzzle"**, with a history of lax controls that have allowed illicit finance to circulate in its jurisdiction

This means UK authorities must be diligent in piercing through complex ownership structures when a Middle Eastern fund is involved. If a London-based shell company with obscure beneficiaries suddenly bids for a UK defense supplier, is it ultimately backed by a Gulf sovereign investor – or even by third-country actors channeling money through the Gulf? Such scenarios are not hypothetical; they are precisely why the NSIA process gives the government broad information-gathering powers during reviews. Expert testimony during the NSIA's passage noted that a company registered in a country without strong **beneficial ownership transparency** could easily hide "ill intent towards us"

Gulf jurisdictions have been improving their financial transparency (the UAE recently exited the FATF "grey list" after reforms), but significant gaps remain. Accordingly, NSIA officials must treat Gulf-origin deals with a healthy skepticism, verifying not just the immediate investor but any **state connections or ultimate beneficial owners** behind it. The **ethical dimensions** also come into play: for instance, if a UK firm's acquisition by a Gulf fund might implicate human rights concerns or sanctions (such as technology potentially usable for repression), that might not fall under "national security" narrowly, but it heightens the sensitivity of the deal. While the NSIA itself focuses only on security, the government's integrated approach means these factors could raise the profile of a transaction for closer review.

The extent to which these risks are recognized is evident in both **official reports and parliamentary scrutiny**. The government's first NSIA annual reports (covering 2022–2023) already acknowledged significant foreign involvement in sensitive UK sectors. While acquisitions linked to China accounted for the largest share of interventions (around 40% of call-in notices), deals involving GCC countries have not gone unnoticed. In fact, the most recent NSIA Annual Report confirms that **an acquisition by a UAE-associated investor was subjected to a final order** – meaning it was blocked or had conditions imposed – during the reporting period. (Although the specific transaction wasn't named publicly for confidentiality, this statistic underscores that the new regime is indeed scrutinising Gulf-related deals and prepared to intervene when necessary.) British lawmakers, too, have been vocal. In early 2024, a cross-party group of MPs raised an **urgent question in Parliament** about the proposed purchase of the *Daily Telegraph* newspaper by a consortium largely funded by UAE interests. They argued that such a flagship media asset, though not on the NSIA's list of mandatory sectors,

could have profound national security implications if it fell under the influence of a foreign state. One MP warned of the *"impossible to separate"* link between the UAE royal backer and the state, and cautioned that the Telegraph must not become a *"PR arm of a foreign state with access to our daily news cycle"*, which would be "unhealthy…for our democracy"

She pointed out that the government's recent decision to review the Emirates Telecom stake in **Vodafone** had "set a precedent" for intervention even in a case (news media) that isn't explicitly covered by the NSIA sectors. In response, ministers reassured the House that **NSIA powers could indeed be used if needed** to protect the public interest in such situations. Although the Telegraph sale ultimately did not trigger a formal NSIA block (the scenario evolved with different bidders), the parliamentary exchange itself is telling. It shows a heightened awareness in Westminster that Gulf investments — whether in telecoms, media, or other strategic assets — **must be vetted through a national security lens**, and that the NSIA provides a mechanism to do so. The Investment Security Unit (the team within government handling NSIA cases) now operates under the watchful eye of a dedicated parliamentary select committee, which has an agreement (Memorandum of Understanding) to receive updates on its work

In their oversight, MPs have specifically probed how the NSIA is handling **sovereign wealth fund** transactions, seeking assurance that no "broad-based carve-outs" are being granted to oil-rich allies

This underscores a clear policy: **no investor is exempt from scrutiny**. Even friendly Gulf nations' deals are scrutinised on national security grounds if they intersect with UK security interests. Against this backdrop, it is crucial to ensure that UK–Gulf trade and investment activities are managed in a way that **maximises economic opportunities while minimising security risks**. The following strategic recommendations outline how the UK can strengthen its approach under the NSIA framework:

1. Reinforce vigilance and clarity in NSIA screenings of Gulf-related deals.

The government should continue – and if necessary, increase – the proactive use of NSIA call-in powers for acquisitions involving GCC investors in sensitive areas. This means not hesitating to scrutinise deals even in non-mandatory sectors when a security concern is plausible. Clear guidance should be given that transactions involving foreign state-backed investors **will** be assessed on a case-by-case basis for any security implications, regardless of the UK's diplomatic or commercial relationship with that state. As Deputy PM Oliver Dowden recently affirmed, Britain "welcomes investment" from partners like the UAE and Saudi Arabia, but "any investment from any state" must still undergo the NSIA regime

That principle should be consistently upheld. There should be **no perception of "safe havens" or exemptions** under the NSIA for certain countries. This consistency not only manages risk but also provides predictability to honest investors. The government can reference the Vodafone/Three case as a paradigm – i.e. demonstrating that even an ally's partial stake in a telecom company was enough to justify a detailed security review. Such examples set a deterrent against potentially problematic deals and reassure the public that **economic expediency will not trump security**.

2. Enhance transparency and due diligence in Gulf investments.

Given the opacity issues noted above, the UK should require robust disclosure from any Gulf investors, especially sovereign wealth funds, as part of NSIA review processes. This could involve mandating detailed beneficial ownership information and governance structures when filings are made. If a corporate vehicle from the Gulf is making an acquisition, the onus should be on the acquirer to demonstrate its independence from undue state direction (if it claims to be private) or to acknowledge and mitigate the state link (if it is sovereign). Upping the transparency around Gulf investments might also involve cooperation with international partners: for instance, intelligence-sharing on the activities of certain Middle Eastern funds, or joint dialogues through the **CFIUS** (US) and **EU investment screening** networks, to pool knowledge on emerging risks. On the UK side, improving domestic transparency tools – such as the Companies House reforms to verify overseas owners – will complement NSIA checks by making it harder for hidden actors to operate. The UK may also consider incorporating provisions in any future UK–GCC trade agreement that commit all parties to high standards of financial transparency, anti-corruption and compliance with international sanctions. This would address systemic risks at the source. The UAE's recent efforts to clean up money flows are a positive sign; the UK should encourage the continuation of those reforms, as they directly facilitate safer investment partnerships.

3. Mitigate supply chain and dependency risks through a holistic approach.

Many national security vulnerabilities arise not just from who owns what, but from **who the UK relies on** for crucial goods and services. The Gulf region figures prominently in UK's supply chain for energy (oil, gas) and increasingly in high-tech (for example, rare earth investments or petrochemical components). While the NSIA covers ownership of UK entities, the government should use its powers in concert with broader strategies to avoid single-point failures. For example, if a Gulf

investor seeks to acquire a UK firm that produces a component with few alternative sources, the review should weigh how that acquisition might affect the resilience of the wider supply chain. Conditions could be attached to such deals – e.g. requiring supply commitments or diversification plans – to prevent a scenario where a foreign-controlled supplier could "cut off" the UK in times of disagreement. More broadly, the UK's **Integrated Review** of security and foreign policy (2023 refresh) has already flagged the need to reduce "fragile supply chains and economic dependencies on hostile and authoritarian states"

Applying that logic, while GCC states are UK partners, the UK should still guard against **over-dependence** on any single provider. This might mean, outside of NSIA, maintaining strategic reserves (like gas storage), fostering alternative trade partners, or ensuring critical infrastructure has redundancy. But within the NSIA's domain, it means using the **call-in powers** to pre-empt any acquisition that could create a monopoly choke-point controlled by a foreign state actor. An example could be if a Gulf logistics company (state-backed) moves to buy a chain of ports or warehouses that handle defence supplies – even if that sector isn't mandatory, it should be examined for the supply security angle. By embedding supply risk criteria into NSIA decision-making (something hinted at in the Section 3 Statement's risk factors), the UK can better protect itself against indirect threats.

4. Maintain rigorous oversight and public accountability regarding NSIA and the Gulf.

As the NSIA regime matures, it will be important to demonstrate that it is addressing the full spectrum of threats, including any linked to Gulf investments. The annual reports on the NSIA should continue to break down interventions by country of investor and sector, and future editions could explicitly note trends involving Middle Eastern funds. Thus far, these reports show that while Chinese and North American transactions have dominated interventions, a UAE-related deal was among those curtailed for security reasons – a fact that should be highlighted to dispel any notion that allies get a free pass. Parliamentary committees (such as the Foreign Affairs Committee and the BEIS Committee's NSI sub-committee) should be kept informed of any significant Gulf-related cases. If certain patterns emerge – say, multiple notifications from a particular GCC state in a critical sector – Parliament might even recommend policy responses (for example, diplomatic dialogues or sectoral guidelines). In debates, MPs have already proven alert to these issues, effectively acting as a guardian of the NSIA's consistent application. The government should welcome this oversight as it reinforces confidence that the NSIA process is robust. Public communication is also key: the government may consider, where appropriate, **naming the country of origin** when announcing a high-profile NSIA intervention.

For instance, if a decision is made to block an acquisition with Middle East involvement, stating that openly (as was done in cases involving China or Russia) educates other investors and the public on the boundaries of acceptable risk. The ultimate goal is to send a message that **Britain will continue to do business with the Gulf, but on secure and transparent terms**. By articulating that stance consistently, the UK can manage any diplomatic sensitivities – Gulf partners should understand that the NSIA process is not a politicised weapon, but a standard procedure applied to all for safeguarding security.

In conclusion, UK engagement with the GCC region sits at the nexus of opportunity and vigilance. Gulf investments and trade bring capital, resources and strategic partnerships that can significantly benefit the UK economy. Yet they also carry distinct risks – whether it is a sovereign wealth fund gaining influence in critical infrastructure, questions over the provenance of petrodollar investments, or dependencies in supply chains that could be exploited in a crisis. The National Security and Investment Act 2021 provides a crucial framework for addressing these risks. Through its call-in powers and mandatory notification system, the Act gives the UK government a powerful oversight tool to examine and, if necessary, block or condition transactions that might compromise national security.

Already, this tool has been tested in scenarios involving the Gulf, from telecoms to academia to infrastructure, and Parliament has shown a keen interest in its use. Going forward, the UK should leverage the NSIA's full capabilities to ensure that **investment and trade exposure in the GCC region does not translate into security exposure.** This means scrutinising high-risk deals, enforcing transparency, guarding critical sectors, and remaining alert to the evolving tactics of state-linked investors. By doing so, Britain can confidently deepen its economic ties with Gulf states while upholding its own security, sovereignty and values. The NSIA, buttressed by parliamentary oversight and informed by a clear-eyed view of the legal and ethical complexities, will be central to striking that balance – keeping the door open to commerce with the GCC, but with the UK's national security bolt firmly in place.

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LIABILITY RISK

In navigating trade and investment with the Gulf, the UK and its affiliated actors face a complex web of legal risks. While no single law flat-out forbids trading with GCC states, the **cumulative breaches** in different areas can give rise to liability:

- **Domestic Judicial Review:** The UK government's actions (or inactions) can be challenged in UK courts, as seen in the 2019 **CAAT v. Secretary of State** case where arms export policy was ruled unlawful. Similar challenges could target a future UK-GCC FTA if, for example, it is concluded without proper human rights impact assessment or if it appears to contravene the Modern Slavery Act or Climate Change Act duties.
- **International Legal Forums:** If Gulf state practices (like subsidies or discriminatory treatment) violate the FTA or WTO rules, the UK could initiate **WTO disputes or FTA dispute settlement**. Conversely, if the UK restricts imports on moral grounds (forced labor, environmental protection), it must be ready to justify them under WTO exceptions – a legal defense it would likely base on Article XX of GATT (public morals or conservation). Additionally, under the Arms Trade Treaty, other states or NGOs could raise Britain's compliance in diplomatic forums, even if there's no court enforcement. The same goes for ILO conventions: the exploitation of migrant labor in GCC could be taken up by the ILO supervisory mechanism, indirectly pressuring the UK to use its influence to push for reform.
- **Corporate Liability and ISDS:** UK companies can be sued in UK courts for **civil damages** if victims establish a duty of care (the door opened by cases like *Vedanta* and *Okpabi* for overseas harms). A Gulf construction worker or an environmental NGO could, in theory, bring a case in London against a UK firm for negligence in failing to prevent abuse. At the same time, companies might resort to **ISDS** against Gulf states if their investments are harmed by arbitrary conduct – though using ISDS may conflict with the UK's stance on supporting human rights (e.g. suing a state for raising its labor or environmental standards would be reputationally damaging). A balanced legal strategy would caution UK investors to prioritize dispute avoidance by ensuring contracts and local partnerships uphold high standards (to avoid both local violations and the need for ISDS claims).
- **Human Rights Advocacy and Sanctions:** NGOs and activists will likely continue to shine a spotlight on UK-Gulf dealings, generating reports that can be used in court or parliamentary hearings (e.g. Human Rights Watch documenting UK weapons in Yemen, or the Business & Human Rights Resource Centre tracking UK firms in the Gulf). Such documentation builds the factual basis for any legal claim of complicity. Moreover, the UK has the option of **targeted sanctions**: if egregious abuses occur (say a political prisoner is tortured with UK-made equipment), public pressure might force the UK to sanction individuals, even if an FTA is in place. This political tool can indirectly enforce human rights standards and is part of the legal landscape the UK must navigate.
- **Treaty Obligations and Diplomacy:** The UK remains bound by international conventions like the **UN Convention Against Corruption**, the **Convention on Modern Slavery (Forced Labour Convention)**, and various environmental treaties. While these don't provide private causes of action, they form a framework that a litigant or an international body could invoke to argue the UK is breaching its commitments. For instance, if UK businesses were involved in bribery to secure Gulf contracts (a hypothetical but plausible scenario), that would violate the UK Bribery Act 2010 and the OECD Anti-Bribery Convention – exposing companies to prosecution and the UK to criticism. A comprehensive legal strategy would thus include stringent anti-corruption compliance for any Gulf ventures.

All these avenues underscore that *"business as usual"* with the GCC is high-risk without proper safeguards. The findings above are labeled as **possible or alleged** infractions – each would require evidence and legal proceedings to establish liability conclusively. However, the patterns are clear. The UK government and companies could be **held to account** if they cross red lines: whether by a court halting an arms sale, a tribunal examining an investment dispute, or activists leveraging laws like the Modern Slavery Act to demand transparency and justice. Going forward, any UK-GCC agreements should integrate rigorous labor, human rights, and environmental provisions to mitigate these risks. Failing that, the UK might gain short-term economic deals at the expense of long-term legal and moral entanglements.

QUESTIONS

We would be grateful if you could answer these questions to help us gain a better understanding of this matter:

1. Could you explain how current trade negotiations with the Gulf Cooperation Council are being structured to ensure that established UK standards in human rights, environmental protection, and labor are not compromised in order to secure market access and tariff reductions?
2. What internal evidence or assessments are available that indicate whether the terms of the proposed UK-Gulf trade agreements might knowingly result in the lowering of consumer or safety standards for products entering the UK

market?

3. To what extent has the Government considered and documented the impact of state-subsidized enterprises in Gulf states on fair competition for UK companies, and what measures have been adopted to address any identified risks?
4. Can you provide details of any internal reviews or external audits that have identified potential conflicts between the Government's trade objectives in the Gulf and its domestic commitments to environmental sustainability and public health?
5. How does the Government reconcile the inclusion of investor protection mechanisms in existing bilateral treaties with Gulf states with the need to preserve the UK's sovereign ability to enforce higher domestic standards in cases where investment practices may lead to public harm?
6. What steps have been taken to ensure that UK investments in the Gulf are not indirectly supporting practices that facilitate illicit financial flows, such as tax evasion or transfer pricing manipulations, and what evidence supports the effectiveness of these measures?
7. In light of documented concerns regarding arms exports, can you confirm whether there have been any instances where UK-approved arms have been linked to documented human rights abuses, and if so, what remedial actions were taken?
8. How does the Government justify the ongoing trade and investment engagements with Gulf states in the context of internal evidence suggesting that these engagements may conflict with the UK's international human rights obligations?
9. What assurances can be provided that any free trade agreement or investment treaty will include robust, enforceable mechanisms to prevent regulatory backsliding on labor and environmental protections, especially in relation to the exploitation of migrant workers in the Gulf?
10. Could you outline the timeline and outcomes of any parliamentary inquiries or internal investigations that have specifically addressed the potential for UK trade policies with the Gulf to create vulnerabilities in the areas of competition, consumer protection, and public accountability?

We reiterate our invitation to become members of COCOO and to participate in our campaign.

All the information included herein is based on preliminary assessments and allegations whose clarification or confirmation remains subject to further investigations and judicial or administrative procedures

Sincerely,

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