

# Policy Brief: Safeguarding UK Interests in the UK–Israel Free Trade Agreement

*By Catherine Perez-Shakdam - Executive Director Forum for Foreign Relations*

# Table of Contents

<b>Table of Contents.....</b>	<b>1</b>
<b>Foreword.....</b>	<b>2</b>
<b>Introduction.....</b>	<b>3</b>
<b>Economic and Strategic Value of the UK–Israel Trade Relationship.....</b>	<b>4</b>
Trade Volume and Growth.....	4
Sectoral Composition.....	4
<b>Risks of Suspending the Agreement and Halting Negotiations.....</b>	<b>6</b>
Lost Opportunities in Services and Digital Trade.....	6
Erosion of Innovation Collaboration.....	7
Supply Chain and Industrial Impact.....	7
Undermining Economic Resilience.....	8
Geopolitical and Influence Costs.....	8
<b>Policy Recommendations.....</b>	<b>9</b>
Resume and Reframe FTA Negotiations.....	9
Safeguard Bilateral Innovation and R&D Cooperation.....	9
Mitigate Economic Fallout for Key Industries.....	10
Reassert Trade Policy Stability and Depoliticization.....	10
Leverage the 2030 Roadmap and Strategic Dialogue.....	11
Communicate the Economic Case Publicly.....	11
<b>Conclusion.....</b>	<b>12</b>
<b>Sources:.....</b>	<b>13</b>

## Foreword

In the ever-evolving landscape of global trade and diplomacy, moments arise that test not just the policies of a government but the principles upon which its long-term interests depend. This policy brief – *Safeguarding UK Interests in the UK–Israel Free Trade Agreement* – comes at such a moment.

The recent decision by His Majesty’s Government to suspend trade negotiations with Israel, while no doubt influenced by complex geopolitical considerations, has exposed a deeper challenge: whether the United Kingdom is prepared to anchor its trade policy in strategic foresight or leave it vulnerable to transient political pressures.

Israel is far from a peripheral partner. It is a technology superpower, a democratic ally, and a vital supplier of essential goods, from NHS pharmaceuticals to advanced cyber tools. Put simply, Israel is one of the few dependable allies Britain has left in a region where its influence has all but evaporated. And as it still faces the aftermath of the most barbaric terrorist assault ever carried out on its soil, it is an ally in need. As this report articulates with precision and clarity, halting the progression of the UK–Israel Free Trade Agreement does more than pause a negotiation—it jeopardises a future-facing partnership that underpins thousands of British jobs, fuels innovation, and enhances our national resilience.

What distinguishes this brief is its refusal to view trade in isolation. The authors rightly understand that economic policy is not merely about tariffs and exports—it is a projection of national strategy, values, and long-term priorities. In a world defined by competition over technology, security, and supply chain sovereignty, abandoning a high-value agreement with one of the most dynamic economies in the Middle East is not just shortsighted—it is strategically self-defeating.

This document does not merely critique policy. It offers solutions. Its recommendations—ranging from insulating R&D cooperation to reasserting a depoliticised trade doctrine—are not only actionable but essential. If the UK wishes to retain its credibility as a stable and reliable trade partner post-Brexit, then it must demonstrate that it values substance over symbolism and partnerships over performative disengagement.

I commend this policy brief to all those entrusted with shaping Britain’s economic future. May it serve not only as a sober analysis of recent missteps but as a roadmap toward a more principled and pragmatic trade policy—one that secures prosperity without sacrificing coherence.

*Aurele Tobelem*

# Introduction

Foreign Secretary David Lammy's recent decision to suspend negotiations on a new UK–Israel Free Trade Agreement (FTA) represents more than a temporary diplomatic pause — it marks a critical inflection point in the United Kingdom's trade policy and international credibility.

This move, announced in the context of the ongoing conflict between Israel and Hamas in Gaza, comes at a time when the UK faces intensifying global competition for technological advantage, supply chain resilience, and trade diversification. Suspending a high-value agreement with one of the world's leading innovation economies threatens not only a trusted bilateral partnership but also risks undermining Britain's long-term economic resilience, diplomatic capital, and strategic independence.

The UK–Israel trade relationship is not symbolic, marginal, or incidental. It is a substantive and future-facing partnership grounded in shared democratic values and proven economic synergies—particularly in sectors critical to the UK's own growth agenda: life sciences, advanced manufacturing, cybersecurity, fintech, and green technology. Bilateral trade reached nearly £7 billion in 2022, and Israel remains a vital partner in NHS pharmaceutical supply chains, R&D collaboration, and high-value tech investment.

Historically, this relationship has transcended political turbulence, enduring across governments and regional tensions precisely because of the mutual value it brings to both nations' industries, academic communities, and innovation ecosystems. Allowing short-term geopolitical pressures to dictate the terms of economic engagement sets a dangerous precedent: it signals to the global community that the UK's trade policy can be swayed not by national interest or commercial merit, but by shifting headlines and ideological pressure.

This policy briefing sets out a clear-headed, data-driven analysis of the UK–Israel trade relationship. It assesses the economic, technological, and geopolitical dimensions of the partnership, identifies the strategic risks of allowing the FTA to stall indefinitely, and outlines why disengagement not only harms UK industry and consumers but undercuts Britain's global standing as a reliable trading partner.

Finally, the report offers constructive and actionable policy recommendations. These include:

- A structured pathway to re-engage in trade negotiations with Israel based on mutual benefit and sectoral growth;
- A commitment to protect and expand bilateral R&D cooperation, regardless of political headwinds; and
- The institutionalisation of safeguards to prevent UK trade policy from becoming a tool of short-term politicisation, ensuring stability, predictability, and credibility in Britain's global economic posture.

In a world increasingly defined by technological rivalry, supply chain vulnerabilities, and regional instability, it is essential that the UK upholds its trade partnerships not only as instruments of commerce but as pillars of national strategy. The UK–Israel relationship remains one such pillar. Suspending its evolution at a moment of profound global realignment would be a strategic error. Rebuilding it now is both necessary and urgent.

## Economic and Strategic Value of the UK–Israel Trade Relationship

### Trade Volume and Growth

The UK and Israel enjoy a robust trading relationship that has expanded markedly over the past decade. Total bilateral trade in goods and services reached approximately £5.8–£6.0 billion in 2024, up from about £3.7 billion in 2016. In fact, trade peaked at nearly £7 billion in 2022 before a slight dip in 2023 amid global economic headwinds. This represents roughly a 60% increase in trade over seven years – a testament to the growing ties between the two economies. The UK consistently runs a surplus in this relationship (about £0.7 billion in recent data), with British exports exceeding imports. While Israel currently ranks only ~44th among the UK’s trading partners by total volume (about 0.3% of UK trade, this statistic belies the *quality* and strategic importance of the trade: much of it is in high-tech goods, innovation-intensive services, and critical commodities, as detailed below.

### Sectoral Composition

The UK–Israel economic partnership is underpinned by complementary strengths across several key sectors:

**Pharmaceuticals and Life Sciences:** Medicine and pharmaceutical products are the UK’s top goods export to Israel (worth ~£150 million in 2024). Conversely, Israel is a major supplier of generic medicines to the UK – roughly one in every seven NHS prescription medicines is sourced from Israel, saving UK taxpayers billions by lowering drug costs. This two-way trade in health products not only yields commercial gains but also bolsters the NHS’s supply chain for essential drugs. Halting trade expansion threatens to disrupt these health sector linkages.

**Advanced Manufacturing and Aerospace:** The UK exports significant machinery and transportation equipment to Israel. Notably, *gas turbines* and other power-generating machinery (e.g. jet engines) are top UK exports, valued around \$400 million annually. For example, Rolls-Royce secured a £1 billion deal in 2016 to supply Trent 1000 aircraft engines to Israel’s El Al airline – the UK’s largest-ever export deal to Israel. These high-value industrial exports support British manufacturing jobs and earn export revenue. In return, the UK imports specialized equipment from Israel such as precision instruments and high-tech components. In 2023, Israel’s top exports to the UK included

diamonds (~\$265M), unpackaged pharmaceuticals (~\$115M), and medical instruments (~\$106M), reflecting Israel's advanced industrial and R&D capacity. Many of these imports feed into UK industries (for instance, diamonds for London's jewelry sector, medical devices for healthcare, etc.), enhancing Britain's industrial base with niche high-quality inputs.

**Technology and Innovation:** The UK–Israel partnership is especially enriched by innovation-led trade in services and tech. Both nations are ranked in the top 15 of the Global Innovation Index, and both recognize that future growth lies in sectors like digital technology, R&D, and data-driven services. Israel is often dubbed the “Start-Up Nation” – it leads the world in R&D spending at around 4.9% of GDP and hosts over 50 tech “unicorn” startups (valued >\$1bn). The UK, for its part, boasts over 115 tech unicorns and a world-class tech sector. This synergy has fostered deep ties: today more than 400 Israeli tech firms operate in the UK, often as R&D centers or regional headquarters. These firms, alongside bilateral R&D programs, have added roughly £1 billion in gross value to the UK economy and created 16,000 British jobs in the past eight years. Moreover, since its founding in 2011, the UK–Israel Tech Hub (a UK government initiative in Tel Aviv) has facilitated over 250 tech partnerships, yielding an estimated £1.2 billion in economic impact for the UK. Such collaboration gives UK businesses access to Israeli innovations in cybersecurity, fintech, artificial intelligence, agritech and beyond, strengthening Britain's national innovation capacity. It is a strategic advantage for the UK to partner with one of the world's most dynamic tech ecosystems.

**Defense and Security Industries:** Israel is a close strategic ally and a leader in defense technology – including systems like advanced UAVs, missile defense, and armor protection (e.g. the Trophy active protection system for tanks). UK–Israel defence trade and co-development have grown in importance. Israeli firms supply cutting-edge equipment to UK forces (for example, components for armored vehicle protection and drones), and the countries cooperate extensively on cyber defense and counter-terrorism. This security cooperation not only helps protect UK national security but also supports British defense contractors via joint projects and technology sharing. A stable trade framework underpins these sensitive partnerships, enabling procurement and R&D collaboration with predictability.

**Agriculture and Agritech:** While agri-food trade is a smaller share (Israel accounts for ~0.36% of UK agri-food trade, there are growing links in agricultural technology and water management. Israel's expertise in desert agriculture, irrigation, and food-tech offers British farmers and agri-tech companies opportunities for collaboration. UK food exports to Israel (such as gourmet products and beverages like whisky, which alone was ~£80m in 2023) have room to grow under a freer trade environment. Maintaining engagement ensures British agriculture can benefit from Israel's innovations in sustainable farming and vice versa.

**Innovation and R&D Linkages:** Beyond sector trade figures, the strategic value of the UK–Israel economic relationship lies in innovation networks and knowledge exchange. The two countries have formal agreements to cooperate in science and technology, including an Industrial R&D cooperation programme that funds joint innovation projects.

They have also launched a new £2.4 million UK–Israel research fund for tech innovation in areas like artificial intelligence and quantum tech. Academic partnerships flourish, with universities collaborating on everything from medical research to artificial intelligence. These ties strengthen the UK’s own innovation ecosystem by exposing British researchers and firms to Israeli cutting-edge developments. Conversely, Israeli startups often choose London as a base for global expansion – a vote of confidence in the UK’s openness and a boost to its status as a global tech hub.

It is clear that the UK–Israel trade relationship is not just about the exchange of goods; it is a conduit for investment, talent, and ideas that drive higher productivity and growth in the UK. The British government itself has highlighted that this partnership has delivered “huge benefits to both economies,” citing trade worth about £7 billion and deep ties in trade, cyber, science, tech, and security. In March 2023, the 2030 Roadmap for UK–Israel Bilateral Relations was signed to further elevate cooperation across economic, technological, and security domains. This included around £20 million of joint funding commitments for technology and innovation to keep both countries at the forefront of emerging technologies. In short, Israel is a high-value trading partner whose importance to the UK far exceeds its share of trade volume, due to these strategic and innovation-intensive linkages.

## Risks of Suspending the Agreement and Halting Negotiations

Freezing the FTA talks – effectively stalling the upgrade of our trading framework with Israel – poses several economic risks to the UK. These risks threaten key industries, future growth opportunities, and aspects of national economic resilience:

### Lost Opportunities in Services and Digital Trade

The existing UK–Israel trade agreement (a rolled-over EU deal from 1995) is outdated, largely covering goods but not services or digital trade. Services comprise 80% of the UK economy and 78% of Israel’s, yet only about one-third of current bilateral trade is in services– indicating untapped potential. Negotiations launched in 2022 aimed to put *services, data and digital provisions at the heart of a modern FTA*. By suspending talks, the UK delays or loses the chance to secure improved access for its world-leading services sector (finance, legal, fintech, education, etc.) to Israel’s growing market (Israel’s services sector grew 45% in the last decade). This comes at a cost to UK service providers and potentially undermines London’s competitiveness as a global services hub. In areas like digital trade, e-commerce, and fintech – sectors where UK-Israeli collaboration could thrive – no new rules or facilitative measures will be put in place, leaving businesses to navigate unnecessary barriers. Competitor countries will step in: for instance, the EU is moving forward with its own digital trade initiatives and Israel already has an innovation-focused FTA with the United States. The longer the UK delays, the more it risks ceding ground in Israel’s vibrant services market to others.

## Erosion of Innovation Collaboration

A formal trade agreement is more than tariffs – it provides a platform for broader cooperation (chapters on innovation, mutual recognition of standards, mobility of experts, intellectual property protections, etc.). Halting engagement sends a chilling signal to the very networks that sustain UK–Israel innovation. Joint R&D projects could lose momentum or funding if political support wanes. Israeli tech entrepreneurs may perceive the UK as an uncertain partner and pivot to collaborating with Europe, North America or Asia instead. Over time, reduced collaboration can undermine the UK’s national innovation capacity: Israeli breakthroughs in fields like cybersecurity, med-tech or green tech might bypass the UK, and British researchers could lose a key international partner. This *brainflow* risk is real – innovation thrives on exchange, and if one conduit is cut, the exchange will flow elsewhere. The UK stands to lose an edge in high-tech sectors if it sidelines a partner that is a global R&D leader with unique expertise (for example, Israel’s experience in pandemic response tech, or its world-leading cybersecurity startups that help protect UK networks). Simply put, severing or cooling ties in innovation makes Britain less resilient in the face of technological change and less prepared to tackle shared challenges (from cyber threats to climate tech solutions).

## Supply Chain and Industrial Impact

Several UK industries rely on Israeli inputs, technology, or partnership. For instance, as noted, the NHS relies on affordable Israeli generic medicines – any sustained diplomatic rift could jeopardize these supply lines or make procurement costlier. In advanced manufacturing, UK aerospace and defense firms work closely with Israeli tech companies; if cooperation stalls, the development of certain cutting-edge products (like drone systems or AI-enabled defense platforms) could slow, affecting the UK’s defense modernization plans. British automotive and machinery exporters (a notable example being UK car exports of ~£139 million to Israel) benefit from Israel’s tariff-free access and a predictable trading environment – a disruption or future reversion to tariffs would hit their sales. An official government analysis during the Brexit-era continuity talks estimated that losing the preferences of the EU–Israel agreement (i.e. reverting to standard tariffs) would re-impose around £65 million in tariffs annually on UK–Israel trade. These costs would fall on UK businesses and consumers: roughly £36 million in duties on imports from Israel (affecting UK importers of Israeli goods like chemicals, plastics and electronics) and £29–30 million in duties on UK exports (with UK-made vehicles alone facing up to £9 million in new tariffs). While the existing continuity agreement remains in place for now, failing to upgrade it – or worse, allowing it to lapse in the future – could eventually subject both sides to such duties. That scenario would make key imports (from industrial components to agricultural produce) more expensive in Britain, and make UK exports less competitive in Israel. The net effect would be *diminished trade volumes, higher costs for UK manufacturers, and potential job losses* in industries that currently benefit from the partnership.



## Undermining Economic Resilience

Economic resilience comes from diversified, reliable trading relationships that can cushion shocks. Israel may be a mid-sized economy, but it offers the UK a unique diversification in supply chains – especially in niche sectors like semiconductor design, cybersecurity solutions, medical tech, and water technology. Disengaging now risks *concentrating the UK's dependencies* elsewhere. For example, if the UK distances from Israeli tech, it might deepen reliance on other markets (perhaps fewer alternatives for certain cyber tools or medical products), reducing flexibility if those other sources face disruption. Additionally, a strong trade partnership with Israel – a stable democracy in the Middle East – has strategic value in keeping the UK's supply lines to that region robust; it can serve as a gateway for UK trade with other regional players as well. If the UK is seen as an unreliable partner that politicizes trade ties, there's a long-term reputational risk: other nations (especially those with domestic political sensitivities) might question the durability of trade agreements with Britain, fearing that a change in government or a surge of public opinion could unravel years of negotiation. Such doubt could make trade partners less willing to offer concessions or invest in deep ties with the UK. In contrast, countries like the United States and European Union have maintained decades-long FTAs with Israel – since 1985 in the US case – and reaped substantial trade growth from those stable accords (U.S. exports to Israel have grown fivefold since their FTA began). The EU's agreement with Israel led to EU exports rising 54% and imports 62% over 2002–2017. By stepping back, the UK foregoes similar long-run gains and weakens the credibility of its trade policy strategy post-Brexit.

## Geopolitical and Influence Costs

Finally, from a strategic standpoint, suspending trade talks *eliminates an avenue of positive influence* the UK might have with Israel. Trade negotiations are not only about commerce; they are also forums for dialogue. Walking away entirely means Britain loses a seat at the table to constructively engage Israel on issues like standards, regulations, or even labor and environmental provisions that could have been built into a modern FTA. It cedes that leverage to other powers negotiating with Israel. Moreover, excluding economic engagement from the bilateral relationship reduces the overall breadth of UK–Israel ties, potentially making it harder to navigate disagreements in other areas. A resilient diplomatic relationship usually rests on multiple pillars (security, cultural, economic links); if one pillar is removed, the relationship becomes more narrowly defined by the remaining issues – in this case, mainly the very political disagreements that prompted the suspension. That is counterproductive to long-term British interests: maintaining strong economic ties can underpin frank dialogue on political and human rights issues without jeopardizing UK economic goals. By contrast, outright suspension risks a lose-lose outcome where the UK's values concerns remain unaddressed *and* its economic interests are harmed.

In summary, pausing the FTA talks endangers British economic interests on several fronts. It puts at risk thriving sectors of UK export growth, constrains the flow of innovation that feeds our tech and science base, and exposes UK businesses and

consumers to potential costs and uncertainties. It also undermines the principle that trade policy should be guided by long-term national interest and not easily blown off course by short-term crises. The next section recommends how the UK can constructively reverse this trajectory.

## Policy Recommendations

To protect Britain's economic resilience and national interests, this brief urges a recalibration of policy toward re-engagement with Israel on trade. The following actionable steps are recommended for HMG (Her Majesty's Government) and stakeholders:

### Resume and Reframe FTA Negotiations

Re-engage with Israel as soon as feasible to continue negotiating the upgraded free trade agreement, focusing on the mutual economic benefits. The Foreign Secretary and Secretary for Business and Trade should make a clear, public commitment to restart talks when the immediate crisis conditions abate, separating the trade track from other disputes. In doing so, the UK can seek to reframe the negotiations around shared opportunities – for example, highlighting how a modern FTA will benefit both British and Israeli small businesses, create jobs, and lower consumer prices. Emphasize that the FTA would be *“fit for the future”* and cover emerging sectors like digital trade, services, and green technology, as was originally intended. A practical step could be establishing a joint UK–Israel Economic Dialogue (at ministerial or senior official level) solely devoted to trade and investment issues. This forum can be used to transparently address any UK concerns (e.g. ensuring no products from illegal settlements receive preferences, a point which the UK had already negotiated safeguards for) while decisively moving forward on the larger FTA agenda. By compartmentalizing economic diplomacy from security disagreements, Britain signals that it remains open for business and committed to its word on pursuing an “advanced modern agreement”. This will reassure investors and industries in both countries.

### Safeguard Bilateral Innovation and R&D Cooperation

The UK should ring-fence and actively promote the existing science, innovation, and R&D partnerships with Israel, ensuring they are insulated from political strains. Concretely, this means continuing to fund and expand programs like the UK–Israel Industrial R&D Programme and the newly announced joint tech innovation fund. Even if high-level trade talks are paused, direct collaboration between universities, research institutes, and companies must be encouraged and facilitated by government agencies. For example, the UK could sponsor annual UK–Israel innovation forums or technical workshops in critical fields (cybersecurity, life sciences, clean energy) to sustain momentum. It should also leverage the success of the UK–Israel Tech Hub: consider opening satellite tech hub offices in UK regions to connect Israeli tech solutions with needs of British industries outside London, thereby spreading the benefits across the

country. Protecting these cooperative ventures will maintain the pipeline of innovation. Both governments can further institutionalize scientific cooperation by signing a Memorandum of Understanding that explicitly commits to shielding joint research from political disruptions – a statement that knowledge cooperation will continue irrespective of diplomatic ups and downs. Such steps ensure that the lifeblood of the relationship – innovation – keeps flowing, strengthening the UK's capacity in strategically important technologies. They also signal to Israel that the UK values its role as an innovation partner, building goodwill that can spill over into other areas.

## Mitigate Economic Fallout for Key Industries

While the FTA pause persists, HMG should take interim measures to support UK sectors most vulnerable to a prolonged halt in deeper trade relations. This could include: engaging pharma companies and the NHS to secure continuity of medicine supplies (perhaps via stockpiles or alternative import routes) so that patients are not affected by any diplomatic chill; working with UK defense firms to ensure existing joint projects with Israeli counterparts (such as UAV development or anti-drone technologies) stay on track under government-to-government agreements; and assisting British exporters in sectors like agriculture or automotive with trade promotion to retain their market share in Israel. The Department for Business and Trade can increase export credit guarantees or trade show support for UK firms looking to do business in Israel, signaling that Britain's door to commerce remains open. Simultaneously, liaise with Israeli authorities through working-level channels to reassure that day-to-day business and investment cooperation should continue unhindered by political differences. Essentially, cushion the economic relationship so it can spring back quickly once formal negotiations resume.

## Reassert Trade Policy Stability and Depoliticization

The government should articulate and implement a principle that UK trade agreements will not be lightly politicised or abruptly suspended in response to foreign policy disputes, except in extreme and legally justified circumstances (e.g. UN sanctions). This can be done through a Cabinet-level statement or updated trade policy framework making clear that while the UK will always uphold its values, it will do so in ways that *do not undercut the country's economic interests or credibility as a trading partner*. In practice, this means reinforcing the idea that concerns such as human rights or security issues should be addressed with targeted tools (diplomatic pressure, Magnitsky-style sanctions on individuals, conditional aid, etc.) rather than by derailing broad trade engagements that benefit the general population. The Foreign Secretary can, for instance, announce that the suspension of the Israel talks is a temporary pause linked to specific short-term conditions, not a cancellation – and that the UK remains committed to the FTA in principle. Going forward, institutional mechanisms could help depoliticise trade: for example, establish a cross-party advisory committee on trade agreements to build consensus around economic merits, so that future trade talks are less prone to partisan shifts. The UK should also coordinate with allies (like the EU and US) on setting expectations that trade deals with Israel (and other partners) proceed on

economic merit – presenting a unified front that engagement is more effective than isolation. By clearly separating the economic track from other policy tracks, Britain fortifies its reputation for reliability. This recommendation upholds a core international trade principle – that commercial relations, once agreed upon, should be predictable and protected from ad-hoc disruption – which in turn encourages investment and long-term planning.

## Leverage the 2030 Roadmap and Strategic Dialogue

The recently signed UK–Israel 2030 Roadmap provides a ready-made blueprint to continue cooperation even as FTA talks are reset. The UK should implement the Roadmap’s commitments with vigor, especially those on economic and technological collaboration. The Roadmap elevated the bilateral relationship to a “*strategic partnership*” – this should be the guiding ethos. For instance, it includes joint work on infrastructure, climate innovation, and health security. The UK can fast-track some of these joint initiatives (such as co-developing clean tech or cooperating on next-generation telecom standards), which will create positive interdependencies and constituencies in both countries that value the partnership. As trust and goodwill are rebuilt through these avenues, the environment for formal trade negotiations will improve. In diplomatic engagements, the UK should continue high-level dialogues – even if formal trade talks are on pause – through forums like the UK–Israel Strategic Consultative Group or ministerial visits focusing on economic recovery and post-conflict humanitarian efforts. These dialogues can quietly lay the groundwork for re-engaging on the trade deal when appropriate, ensuring that when talks restart, they do so on a foundation of mutual confidence and updated priorities.

## Communicate the Economic Case Publicly

To avoid trade policy being captured by transient political pressures, the government and industry leaders must do a better job communicating *why engagement with Israel is in Britain’s national interest*. This public-facing effort can include releasing an updated impact assessment highlighting the FTA’s expected benefits to UK jobs, innovation, and consumer welfare in every region of the UK. Publish case studies of UK companies (in tech, manufacturing, agriculture, etc.) that have prospered thanks to UK–Israel commerce – for example, a Midlands manufacturing firm that incorporated Israeli tech to expand production, or a UK biotech startup scaling up via Israeli investment. By sharing such success stories, policymakers can build broader support for the trade relationship and counter the narrative that it is purely about abstract geopolitics. Parliamentary briefings should underscore that *disengagement carries real costs for the UK economy*, whereas a principled trade engagement can coexist with frank political dialogue on other issues. This will help inoculate the trade agenda from misperceptions and ensure a balanced debate. In essence, make the positive economic and strategic case to the public: Britain’s prosperity and global influence are enhanced, not diminished, by trading with and learning from a democratic, innovative ally like Israel.

## Conclusion

The decision to suspend UK–Israel FTA negotiations, however well-intentioned as a response to a grave humanitarian situation, threatens to undermine the United Kingdom’s economic interests and strategic resilience. The UK–Israel trade relationship has proven to be a valuable asset – one that fuels innovation, supports thousands of British jobs, provides affordable medicines and advanced technology to the UK, and reinforces Britain’s global standing as a forward-looking trading nation. Cutting off or weakening this relationship would neither decisively alter the course of Middle East peace nor serve the British people’s prosperity. Rather, it would forfeit opportunities for growth, partnership, and influence that our competitors will eagerly seize.

Britain’s long-term foreign policy and economic security are best served by constructive engagement with partners like Israel – engaging where we have common interests, and dialoguing frankly where we have differences. As this brief has outlined with supporting data and analysis, maintaining and strengthening the UK–Israel trade ties is firmly in the national interest. By resuming FTA talks and doubling down on bilateral innovation collaboration, the UK can both advance its economic agenda and retain credibility to press its values through other channels. This balanced approach – *“strategic diplomacy with economic pragmatism”* – will ensure that British trade policy remains principled yet not self-sabotaging.

The recommendation, therefore, is clear: the UK should move swiftly to re-engage with Israel on the trade agreement, commit to insulating that economic partnership from short-term politics, and focus on the shared prosperity and innovation that a deal would unlock. Such a course will bolster Britain’s economy, uphold its reputation as a reliable trading partner, and preserve the leverage that comes from close ties with one of the world’s most innovative nations. In an uncertain global landscape, deepening ties with a technologically advanced democratic ally is not a burden but an invaluable advantage. It is time to reaffirm that advantage by getting the UK–Israel FTA back on track – in doing so, the UK will be safeguarding its own future growth, resilience, and global standing.

## Sources:

- UK Department for Business & Trade – *Trade and Investment Factsheet: Israel* (May 2025) [assets.publishing.service.gov.uk](https://assets.publishing.service.gov.uk/assets.publishing.service.gov.uk)
- UK Department for Business & Trade – *Exporting from the UK to Israel: Market Guide* [great.gov.uk](https://great.gov.uk/great.gov.uk)
- Observatory of Economic Complexity – *UK–Israel Bilateral Trade Profile* (2023) [oec.world](https://oec.world/oec.world)
- Hansard (20 July 2022) – *Statement on Launch of UK–Israel FTA Negotiations* [hansard.parliament.uk](https://hansard.parliament.uk/hansard.parliament.uk)
- UK Strategic Approach to UK–Israel FTA (DIT, 2022) [assets.publishing.service.gov.uk](https://assets.publishing.service.gov.uk/assets.publishing.service.gov.uk)
- Reuters – “UK suspends trade talks with Israel over new Gaza offensive” (20 May 2025) [reuters.com](https://reuters.com/reuters.com)
- Pinsker Centre Report (2023) – “Why Israel is a Significant Ally of Britain” [pinskercentre.org](https://pinskercentre.org/pinskercentre.org)
- The Guardian – “UK and Israel sign deal strengthening tech, trade and security ties” (21 Mar 2023) [theguardian.com](https://theguardian.com)
- UK FCDO – *2030 Roadmap for UK–Israel Relations* (Press Release, 21 Mar 2023) [gov.uk](https://gov.uk/gov.uk)
- UK Government Analysis – *Continuing the UK–Israel Trade Relationship* (2019) [assets.publishing.service.gov.uk](https://assets.publishing.service.gov.uk/assets.publishing.service.gov.uk)