

## Canada Trade Priorities

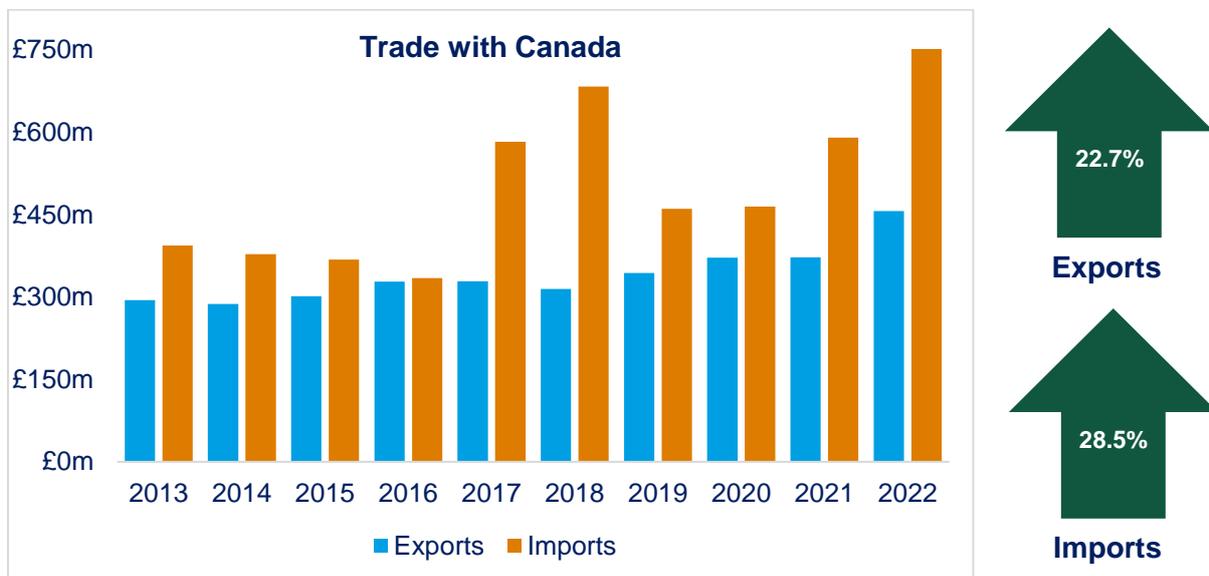


UK food and drink is a success story that sits at the heart of our country's social and cultural fabric. Our industry is creative, innovative and diverse, providing consumers with unrivalled choice and variety throughout the year, and with both nourishment and pleasure. Our products are found in every household across the UK and – more and more – in households across the world.

Canada is a major trading partner for many food and drink manufacturers. It is a valuable market for exports of high-quality value-added products worth **£456.5 million** in 2022, up 22.7% since 2021. It is also an important supplier of ingredients and raw materials that aren't produced in sufficient volumes domestically and complement the use of domestically produced inputs. Imports from Canada were worth **£758.6 million**, up 28.5% in 2022.

The UK and Canada should aim to improve on the existing agreement, to better reflect the interests and needs of businesses on both sides. This presents an opportunity to customise the trade deal to the specific priorities, strengths and trading patterns of UK manufacturers. Through increased trade, our industry is uniquely placed to drive growth and job creation in all UK regions.

Following extensive engagement with our members, we have set out in this paper our priorities for a new UK-Canada trade agreement.



Top five products (2022)			
Exports		Imports	
Whisky	£140.1m	Wheat	£214.6m
Beer	£41.1m	Cereals	£142.4m
Chocolate	£33.8m	Kidney beans and lentils	£78.6m
Gin	£25.3m	Crustaceans	£73.7m
Sweet biscuits	£19.1m	Savoury snacks	£36.7m

## Ten priorities for UK government

- 1** The UK should not agree to any loss of existing **preferential access** for food and drink products, and where tariffs continue to apply, further tariff liberalisation should be targeted. The UK and EU have similar interests in terms of exports to Canada, so improving the UK's competitive position in Canada with regard to the EU can help to deliver significant future export growth.
- 2** **The EU** remains crucial for most UK manufacturers and in updating the existing trade agreement with Canada, government must ensure that this doesn't undermine UK producers' ability to export to the EU.
- 3** We anticipate the loss of extended cumulation of EU inputs and it is vital that **generous tolerance provisions and product-by-product solutions** are put in place to ensure UK exporters are not disadvantaged by more restrictive rules of origin. We are keen to work with Defra/DBT to ensure the best possible outcomes.
- 4** The agreement should deliver improved **business-friendly Rules of Origin** based on the model agreed in the UK-New Zealand FTA. The use of 'wholly obtained' rules should be kept to a minimum and detailed and complicated ingredient restrictions in the existing deal should be removed. In some instances, where processing in the UK does not change the tariff classification, an RVC rule may also be beneficial.
- 5** **Generous tolerance provisions and Product-Specific Rules** are needed to ensure UK producers of value-added products can access preferential tariffs. Manufacturers should have the freedom to source imported inputs for use in manufactured products that complement their use of domestically sourced ingredients.
- 6** A mechanism should be included in the Rules of Origin to enable the future establishment of **full diagonal cumulation** between the UK, Canada and other shared preferential trade partners, such as the EU Australia and Canada, where all parties are willing to do so.
- 7** Significant improvements are needed in UK export access in **the dairy sector**, especially for producers that have been disadvantaged by the loss of access to EU cheese export quotas. Many of these businesses are based in areas that the government is seeking to target through its levelling up agenda.
- 8** More efficient **border and customs processes** should be targeted. Ambitious provisions such as document digitalisation, seen in the UK-Singapore Digital Economy Agreement and simplifications employed in the Australia and New Zealand agreements can help improve trade facilitation and ensure goods are cleared and released more efficiently.
- 9** DBT should create a **dedicated online trade portal** that provides access to key information that enables SMEs to effectively export to or import from Canada and other markets. Gov.uk lags significantly behind the clarity and business-friendly communications provided by our key trade partners.
- 10** The UK and Canada have both put in place important **climate ambitions** and as leaders in tackling climate change should include an ambitious commitment in the updated trade agreement on the future collaboration between our two countries.

# Our trade priorities

## 1. Tariffs

The UK should **aim for the highest possible tariff liberalisation** to help boost exports to Canada, targeting sectors where liberalisation was not achieved in the existing agreement or where existing commitments could be more ambitious.

Surges in trade flows can present a risk for producers, so it is important to include a robust, effective and predictable safeguard clause. Phased tariff reductions and the use of tariff rate quotas (TRQs) may be required for some vulnerable sectors. However, such protection should be subject to regular review to ensure it is justified, based on the tests set out in our [Trade and Investment Strategy for Food and Drink](#) (pages 15-16).

**Improved access for UK cheese producers is an essential** outcome and should be prioritised in negotiations. The UK exported **£18.7 million** of cheese to Canada in 2022, accounting for 2.4% of that sector's overall exports, having increased substantially in value since 2013, in part when exporters could access an EU cheese TRQ into Canada. Significantly more could be exported with the right market access in place.



UK cheese exports  
(2013-22)

Supporting UK cheese producers will benefit local economies around the UK, especially in the South West, Wales and parts of the North. This would benefit rural economies, many of which have been classified as low productivity regions. By cutting prohibitively high tariffs and at a minimum delivering generous tariff-free TRQs for UK exports of cheese, these regions can begin recovering lost exports and in time grow this trade further in support of the government's wider levelling up objective

Tariff liberalisation for imports is equally important for many UK producers. Imports are a necessary part of how the UK feeds itself and crucial for UK manufacturing and supply chains. Imported goods allow access to a wider choice of products and ingredients that are not produced in the UK, extend the growing season for seasonal products and can provide a competitive spur to domestic production in some cases to ensure fair prices for producers and consumers.

There are wider opportunities for the UK and Canada to reduce tariff barriers on industrial goods, including machinery, tools and other non-agrifood inputs that are needed in food and drink manufacturing. A strong focus should be placed on

green technologies and the role that UK-Canada collaboration can play in driving growth in food and drink manufacturing while reducing environmental impacts. Reducing tariffs on industrial and green goods can help support necessary UK investment in automation and more efficient and environmentally friendly technologies that will boost UK productivity.

While a reduction in tariffs could increase the competitiveness of UK goods, it remains a priority for our industry to ensure that new UK preferential trade agreements **do not undermine existing UK market access via other trade deals**, including with our closest and most valuable export market, the EU.

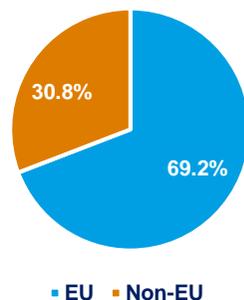
Where trade liberalisation cannot be achieved, the UK should favour the use of simple ad valorem tariffs, though recognising that in some cases specific tariffs may be preferable. The government should work in close partnership with industry to determine the correct types of tariffs that are required for individual products. Compound tariffs and TRQs remain a barrier for exporters due to their comparative administrative complexity.

A significant challenge presented by the government's trade strategy is how new trade agreements – including the conclusion of a revised deal with Canada – will work for producers in Northern Ireland seeking to access preferential tariffs. Extended cumulation in the current deal means this has not yet been an issue, as producers in Northern Ireland can use inputs and processing from the Republic of Ireland. **The loss of extended cumulation and market access for Northern Irish producers in particular requires careful consideration and bespoke solutions to avoid undermining trade in Ireland.**

## 2. Rules of origin

The need for non-UK inputs isn't going to change and given its proximity, the EU will always remain a key source of inputs used in UK manufacturing. UK government should recognise the important impacts of existing extended cumulation provisions to UK manufacturing and should ensure that this is maintained or that new rules of origin deliver at least the same flexibility to support UK manufacturing. As the UK concludes new trade deals, new opportunities will inevitably arise for producers to source essential imports from non-EU suppliers instead of the EU, so the provisions in an updated agreement should help facilitate this increased flexibility.

UK food and drink imports (2022)



Where the UK adopts preferential tariffs, these should be subject to clear and simple origin requirements to ensure they are well targeted. Rules of origin should encourage supply chain and production integration and value-added activity within and between the UK and Canada.

It is vital that they are also designed to be **simple to manage and sufficiently flexible** to ensure they do not become an obstacle to supply chain diversification and effective global sourcing. A new UK-Canada trade deal should contain simple and robust rules that protect targeted trade privileges but also allow diversified global sourcing by manufacturers.

The rules of origin should not act as a barrier to trade with the use of 'wholly obtained' rules and detailed exceptions as seen in the UK-EU Trade and Cooperation Agreement (TCA). As set out in our [publication](#) on rules of origin, a suite of options exists to enable this flexibility, including:

- **product-specific rules** that are based on a simple and straightforward change of tariff heading;
- more generous provisions on **tolerance** e.g. the 15% value or weight option included in the UK-New Zealand FTA; and

- a joint exemption for all content originating from **Least Developed Countries** (LDCs).

They should provide clear scope for **cumulation** between the parties, supported by only limited restrictions in terms of minimum transformation for goods being moved multiple times between the parties. Where appropriate and possible, the UK should seek to ensure provisions to allow **full diagonal cumulation** with shared preferential trading partners, such as Australia and Canada.

Rules of origin **documentation requirements** should be simple and intuitive for food and drink traders, and assistance with rules of origin documentation requirements should be incorporated into an online support facility developed by the UK government to support traders.



We would welcome further simplifications for rules of origin application in the UK, including allowing alternatives to formal certificates of origin, exempting low-value shipments and allowing designations to cover multiple shipments for trusted traders.

In addition, the UK should look to build in mechanisms to future proof the agreement by allowing the potential future agreement of full diagonal cumulation between the UK, Canada and the EU.

## 3. Standards and regulations

Food and drink are highly regulated goods and subject to both product and production standards. This enables the UK to maintain some of the highest food standards in the world. **We should insist on high standards in our key trading partners**, while recognising their right to regulate food and drink transparently, proportionately, and soundly in any way compatible with their international obligations. The UK rightly demands autonomy in setting the detail of food regulation, and it must accept the same in others.

It must also be recognised that these high standards will always add a layer of complexity to international trade in food and drink. In some cases, they can make international trade prohibitively difficult for businesses. **The UK should consistently seek innovative ways to reduce the impact of non-tariff barriers on trade, without compromising standards.** A defining feature of UK trade policy on food regulation should be a practical readiness to see that

different formal approaches to food standards can produce the same high outcomes.

We think an effective way to achieve this would be by **creating systems of mutual reliance on food and drink regulation**. We recognise that the sensitivity of regulation means this presents some important challenges. However, given the reach of tariff elimination, addressing the question of regulation is the single most important and effective way to further support cross-border supply and distribution of food and drink in and out of the UK.

No outcome of a revised trade deal should risk undermining the UK food and drink sector's high standards of food safety and animal welfare, or we risk the loss of consumer confidence in UK food and drink.

Liberalising access to the UK market for food and drink should be linked to a clear expectation that trading partners will be committed to a set of baseline standards for food and drink production closely aligned to those of the UK, including animal welfare, labour standards and environmental sustainability. While importers must meet UK domestic food and drink standards for products, standards for production are often beyond the scope of domestic market regulation in the UK. The establishment of preferential trading frameworks is an important opportunity to address these. The UK should:

- Consider **developing a 'Trade and food standards' chapter** containing commitments on animal welfare and food manufacturing and processing standards that mirror the commitments in trade and labour chapters. As with labour commitments, these commitments should include non-derogation provisions and obligations to enforce domestic standards that bind trading partners effectively and consistently to enforce their domestic standards on animal welfare and food manufacturing practices, and not to provide derogations from general standards to encourage or incentivise trade or investment.

Where possible, trading partners should also commit to non-regression from their existing standards of animal welfare and food production. Such commitments could in principle be linked to explicit substantive standards that are mutually acceptable to the parties, such as relevant ISO and FAO Codex Alimentarius standards. These obligations should be linked only to traded goods and should be subject to clear arbitration mechanisms or to the dispute resolution mechanisms of the FTA itself.

- Include clear commitments **to ongoing structured dialogue on issues related to food and drink production standards**, including animal welfare, land and water use, labour standards and good manufacturing practice.

Both the UK and Canada enforce high food and drink production standards and it is essential that a trade agreement ensures that future regulatory changes do not undermine trade. Businesses on both sides would benefit from an early warning system through which both parties provide as much notice as possible to each other of intended changes to requirements to ensure businesses are consulted and have sufficient time to adapt to ensure their continued compliance.

Where possible, the UK and Canada should aim to secure **Mutual Recognition Agreements (MRAs)** on product regulations to help unlock practical elements of regulatory relief, brand protection or expedited compliance for exporters and importers.

#### 4. Customs and trade facilitation

Much of our trade is in perishable goods and long transport times followed by unnecessary border delays presents problems for businesses moving short shelf-life products when they reach Canada.

An agreement with Canada should **secure opportunities to improve the practical movement of foods between both countries**, while ensuring protections for food safety and biosecurity are not undermined. The UK should push for provisions like the UK-Australia and UK-New Zealand FTAs which aim to release perishable goods from the border in under six hours.

Further measures to allow streamlining of goods through customs and borders would be welcomed, especially with perishable agri-food products. Ambitious provisions such as **document digitalisation, as seen in the new UK-Singapore Digital Economy Agreement** and simplifications employed in each of the UK's agreements with Australia and New Zealand can help to improve trade facilitation and ensure goods are cleared and released more efficiently.





The UK's 'Borders 2025' work should link in closely with Canada to expedite the flow of perishable goods. The UK should work closely with Canada and other important trade partners to streamline and standardise global customs processes where possible, with the aim of introducing compatible customs single windows and removing the need for both export and import declarations.

UK government should **look to create joint customs offices and integrated Single Windows with Canada** to maximise cooperation between agencies, and only require a single declaration covering the required customs and safety and security data.

The UK and Canada should aim to cooperate to streamline SPS processes as much as possible with the aim of minimising bureaucratic burdens imposed on business and delays imposed on short shelf-life products due to physical checks at the border.

## 5. Innovation

We would like to see the inclusion of an ambitious innovation chapter. The UK is a global centre of innovation in food and drink manufacturing. A partnership approach is key to successful innovation, not least to ensure new products and technologies meet the needs of customers and consumers.

Businesses face significant barriers and complexity importing and exporting product samples. The innovation chapter should help to ensure that both parties agree to **ensure an open, risk-based and permissive sample import system that facilitates innovation and collaboration between UK and Canadian producers, R&D centres and customers.**

As a global leader in environmental policy, a new trade agreement with Canada should reflect the UK's climate ambitions. Provisions around working with Canada to lower emissions should be included.

Innovation in green technologies and research should also be included. The UK and Canada, as advanced economies, should look to foster closer cooperation when it comes to green innovation within food and drink manufacturing, helping the UK and Canada further reduce environmental impacts.

## 6. Intellectual property

The UK food and drink sector is brand-rich and makes heavy use of intangible assets and innovation. As such, the IP rights that protect this innovation should be robustly championed and defended. UK geographical indications (GIs) are a unique source of brand value derived from long heritage traditions and the IP they recognise should be assertively defended in all UK markets, both in legal regimes and in the commitments negotiated in FTAs.

The UK should seek more ambitious outcomes in terms of the protection of UK GIs in a new trade deal with Canada, with the **aim of securing recognition and protections for all registered UK GIs** and ensuring a simplified and transparent process to support the future recognition of new GIs in both countries, as seen in the UK-Japan trade agreement.

Protection for trademarks, trade secrets and other forms of IP are an essential part of promoting the value of UK food and drink exports. Both protection and enforcement of IP is critical – and the latter is often neglected such that the IP loses its value.

**IP protection in the UK should not be watered down as a consequence of any FTA.** Government should instead seek to promote UK brands and related forms of IP through an IP diplomacy strategy and liaison with IP attaché networks in export markets. Government and industry should work in partnership to help companies better understand how to effectively enforce their IP rights.

## 7. Small and medium-sized enterprises (SMEs)

The provisions on SME support in the existing trade agreement with Canada do not go far enough in terms of practical support. Government urgently needs to improve the quality of its digital offer and the way in which it communicates with SMEs as Gov.uk is not fit-for-purpose to disseminate complex information on trade to time-pressed small businesses.

We would like to see the development of **a one-stop-shop that provides ease of access to essential trade information for SMEs**, including those looking into trading with Canada but also for Canadian businesses exploring opportunities to trade with UK businesses and invest in the UK. We would like to see a website similar to



the Australian trade portal which gives a breakdown of clear trade information for individual markets.

This could be housed on the Great.gov.uk website, bringing together key information on processes, procedures, taxes, tariffs, rules of origin, barriers to trade and business opportunities. This could help improve businesses' understanding and utilisation of preferential trade agreements.

## 8. Trade and labour



All trade agreements signed by UK government should include a robust commitment with ongoing monitoring to ensure that they do not in any way contribute to lower labour standards within the UK or abroad.

The UK should maintain its duties as a leader on the protection of human rights, ensuring that all trade agreements include robust provisions requiring signatories to uphold human rights. The UK should include a robust obligation for both parties to uphold human rights as set out in the 30 articles of the UN's Universal Declaration of Human Rights.

The UK is facing sustained and severe labour shortages – all of which are making food and drink production more expensive, less competitive and holding back growth. Vacancies have now reached 7%, more than double the manufacturing and UK average. At any one time there are around 30,000 good jobs available, at all skills levels. If not addressed, this will ultimately impact on our sector's ability to grow and in turn this will inhibit choice and availability for consumers, while contributing to higher prices. We would welcome provisions in the agreement that make the movement or transfer of skilled and experienced workers as easy as possible.

## 9. Trade and environment

The UK should seek to put in place more ambitious provisions than the trade and environment chapter in the continuity trade deal. The new agreement should more closely reflect the UK's zero carbon commitments and should aim to put in place **shared targets to reduce carbon emissions**.



The UK's preference should always be for preferential trading with partners that can meet high domestic sustainability frameworks for food and farming, active management of deforestation and unsustainable water use.

Given Canada's strength in robotics and automation, import tariffs on machinery and other industrial goods that are required by food and drink manufacturers should be eliminated wherever possible, especially on materials and machinery that lead the way in green technologies. The food and drink industry can lower emissions and help deliver the UK's net zero carbon commitments as it transitions to automated technological solutions, utilising more sustainable and lower energy machinery. Cutting tariffs on these goods can help support this investment by UK manufacturers.