

## Gulf Cooperation Council Trade Priorities

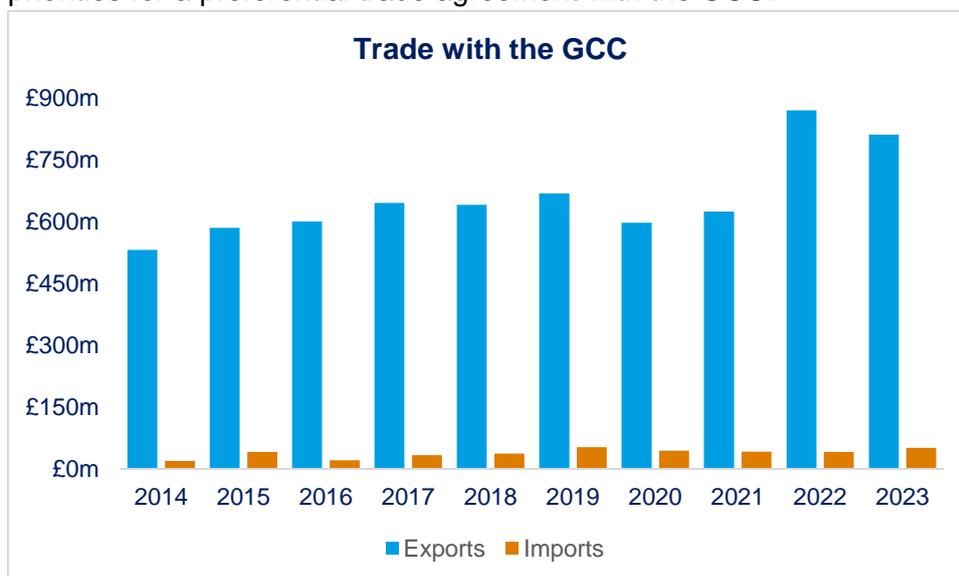


UK food and drink is a success story that sits at the heart of our country's social and cultural fabric. Our industry is creative, innovative and diverse, providing consumers with unrivalled choice and variety throughout the year, and with both nourishment and pleasure. Our products are found in every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

The Gulf Cooperation Council (GCC) is an important trading partner for many food and drink manufacturers, primarily as an export market that offers significant potential to further grow sales of high-quality value-added products. Our exports were worth **£811.1 million** in 2023, down 6.8% since 2022. Imports from the GCC are comparatively low at **£51.2 million**. As a bloc, it is our sixth largest export destination and second largest non-EU market.

Saudi Arabia is the GCC's biggest importer of food and drink but only the second largest GCC destination for UK exports after the UAE. Our priorities focus largely on securing new and improved market access for UK exporters via an expansive UK approach that delivers extensive tariff liberalisation and more harmonised and simplified approaches to labelling, certification and border requirements. This would remove barriers that currently impede UK exports and would unlock opportunities to drive future growth.

Following extensive engagement with our members, we have set out in this paper our priorities for a preferential trade agreement with the GCC.



Top five products (2023)			
Exports		Imports	
<b>Whisky</b>	£145.8m	<b>Animal and vegetable oils</b>	£17.5m
<b>Breakfast cereals</b>	£115.6m	<b>Fruits</b>	£9.9m
<b>Chocolate</b>	£92.8m	<b>Pulses</b>	£5.6m
<b>Cheese</b>	£42.8m	<b>Soft drinks</b>	£2.7m
<b>Milk and cream</b>	£38.4m	<b>Cereal flours</b>	£2.4m

## Ten priorities for UK government

- 1** The government should seek **full liberalisation of food and drink tariffs**. While exporters face relatively low tariffs in GCC Member States, they are inconsistent and typically higher in Saudi Arabia. Harmonised zero-rated tariffs would simplify trade for UK businesses seeking to export throughout the GCC, boosting UK export competitiveness and helping to harness our sector's untapped export potential.
- 2** 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.
- 3** **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.
- 4** The agreement should address inconsistent approaches between GCC Member States to food standards and regulations that make it challenging and costly for UK exporters by providing an early warning system to **alert UK exporters to future regulatory changes** in GCC Member States, providing sufficient lead times for UK producers to adapt and implement new requirements.
- 5** **Complicated and inconsistent labelling requirements** in GCC Member States should be addressed. The UK should target opportunities to make permanent temporary labelling easements introduced by certain GCC Member States during the COVID-19 pandemic.
- 6** The agreement should reduce the **cost and frequency of EHCs** for exports to the GCC by removing the need for separate certificates for every site and batch. This is costly and unnecessary and particularly impacts SME exporters.
- 7** The UK should secure **approval for the use of UK origin certificates** for exports to the GCC in place of Arab Certificates of Origin which are more costly and slower to obtain. The GCC-EFTA agreement allows the use of EUR1 certificates, so there is a useful precedent for this outcome.
- 8** The UK should aim to secure **enhanced commitments on customs procedures** as seen in the UK-Australia agreement and streamlined SPS processes that help to expedite movements of perishable goods and avoid costly border delays.
- 9** Our sector is brand-rich and makes heavy use of intangible assets and innovation. The **intellectual property (IP) rights** that protect this innovation should be robustly championed and defended through robust commitments, including for the protection of UK Geographical Indications (GIs).
- 10** DBT should create a dedicated online trade portal that provides access to key information that enables SMEs to effectively export to or import from GCC Member States and other markets. Gov.uk lags significantly behind the clarity and business-friendly communications provided by our key trade partners.

# Our trade priorities

## 1. Tariffs and quotas

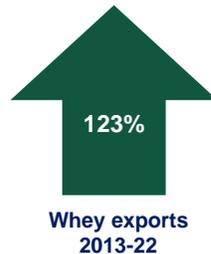
The UK should aim for **full tariff liberalisation** to boost UK food and drink exports to the GCC. Significant opportunities exist to increase UK exports across the Gulf region given their growth and increasing need for imported food and drink.

This would benefit both major existing export categories and products with significant growth opportunities, including whey. The following products would benefit significantly from removal of tariffs (current rates are in brackets):

- 1904: breakfast cereals (5-12%)
- 1104: oats (5%)
- 1806: chocolate and chocolate products (5-8%)
- 2103: sauces and condiments (5-12%)
- 1905: sweet and savoury biscuits (5-15%)
- 1704: sugar confectionery (8-10%)
- 2106: herbal infusions (5%)
- 2105: ice cream (5-15%)
- 0910: spices (5%)
- 0404: whey (5-10%)
- 0910: turmeric and Ginger (5%)
- 0904: black pepper (5%)

UK exporters face varying tariff rates between the six GCC Member States, with Saudi Arabia typically imposing higher tariff rates than the other countries. Full tariff liberalisation would deliver consistent tariff rates between each GCC Member State which would simplify matters for UK exporters.

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.



The GCC currently exports only limited volumes of food and drink to the UK and full tariff liberalisation presents little risk to UK producers. Removing tariffs could benefit UK producers, for example, importers of dates and grapes from the region.

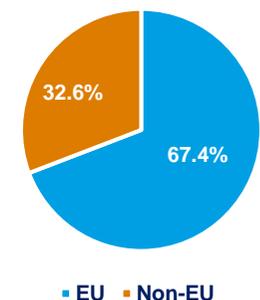
While a reduction in tariffs could increase the competitiveness of UK goods, it remains a priority for our industry to ensure that new UK preferential trade agreements **do not undermine existing UK market access via other trade deals**, including with our closest and most valuable export market, the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

## 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 the GCC.

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 UK-GCC 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.

### 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.

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.

Given the high quality of our food and drink sector, our high standards of food safety and animal welfare must not be undermined, or we risk the loss of consumer confidence in UK food and drink. **Any deal should include a non-regression clause to avoid any lessening of these protections.**

The GCC imposes inconsistent standards and regulations for imports, making it challenging and costly for UK businesses to export to multiple markets in the region. Manufacturers report that Saudi Arabia tends to impose additional requirements quickly, such as packing regulations and Halal rules that makes it less attractive as an export market.

UK exporters also face frequent changes to food and drink regulations in GCC Member States, including around the provision of nutritional information, halal requirements and product labelling. Changes are frequently implemented with unrealistic timescales that fail to take into account the cost and complexity imposed on exporters that are required to undertake expensive changes in production processes or even to stop production.

Halal standards present a common challenge across the GCC as the region seeks to transition to uniform rules. A consistent GCC-wide approach to halal requirements would be very welcome for UK exporters. A trade agreement with the GCC **should contain provisions for an early warning system** that provides sufficient time for manufacturers to change production processes and products to ensure their continued regulatory compliance.

Complicated labelling requirements including the need for Arabic labelling and dates of production impose high additional costs on UK manufacturers, especially where requirements are inconsistent between GCC Member States. This can present a trade barrier for businesses that otherwise could benefit from significant growth opportunities in the region, while compliance checks also increase border delays.

The **simplification and standardisation of labelling rules** would greatly benefit UK exporters. Abu Dhabi and Dubai adopted temporary measures during the COVID-19 pandemic to ensure the continued arrival of imports of food and drink, including labels not requiring Arabic translations and the inclusion of a date of production. The UK should explore opportunities to make these measures permanent to boost exports and speed up the flow of goods.

#### 4. Certification and documentation

Exports of food and drink to the GCC frequently require export health certificates (EHCs) and these are needed for each manufacturing site and batch. Each EHC typically costs upwards of £200 and companies operating multiple sites are hit particularly hard.



This added cost can be a significant barrier to smaller businesses that export smaller volumes from each batch of production. Given the UK's high production standards, a priority outcome should be to minimise unnecessary costs by **simplifying and reducing the frequency with which EHCs are required for exports to the GCC**, especially where producers already have a demonstrably strong record of compliance in exporting to the GCC. The requirements for an EHC for every site and batch should be removed to encourage increased trade and reduce costs for shoppers and consumers.

The GCC doesn't accept UK origin certificates and instead requires an Arab Certificate of Origin. These are more expensive than UK certificates and take weeks longer to process. In the GCC-EFTA trade agreement, the GCC has accepted the use of EUR1 certificates of origin. The UK should press for an equivalent outcome **allowing the use of UK origin certificates**. This would reduce the cost of obtaining certificates for UK businesses offering immediate benefits for exporters to the Gulf. Perhaps more importantly it would deliver much-needed consistency for UK business that export worldwide.

Additional import requirements such as the use of the Emirates Quality Mark (EQM) add unnecessary cost for UK exporters. The duration for use of the EQM should be extended for businesses that have a demonstrable record as responsible and compliant traders between the UK and GCC Member States.

## 5. 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 the GCC.

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



Further measures to streamline the movement of goods through customs and borders would be welcomed, especially for 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 the GCC to expedite the flow of goods in both directions. The UK should work closely with the GCC 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 the GCC** to maximise cooperation between agencies, and only require a single declaration covering the required customs and safety and security data.

Any deal with the GCC will also need the UK and the GCC to cooperate in order 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.

## 6. 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 Indian producers, R&D centres and customers.**

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

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

## 7. 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. In particular, 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 trade deal with the GCC, with the **aim of securing recognition and protections for all registered UK GIs** that can be sold in the GCC and ensuring a simplified and transparent process to support the future recognition of new GIs by both parties, 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.

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

Government 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 the GCC but also for GCC businesses exploring opportunities to trade with UK businesses and invest in the UK.



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.

## 9. 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.

## 10. 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.