

India 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.

India is an important trading partner for many food and drink manufacturers. It is a valuable market for exports of high-quality value-added products worth **£316 million** in 2022, up 84.5% since 2021. India is also an important source of ingredients and raw materials that are not produced domestically with imports worth **£787 million** in 2022, up 17.8% since 2021.

A preferential trade agreement presents opportunities for UK producers but carries risks and will require a different approach to the FTAs with Australia and New Zealand. UK government should exercise caution due to challenges presented by India's inconsistent application of production and labour standards and its use of trade distorting export subsidies. No outcome of negotiations should result in any weakening of protections for health, safety or the environment.

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



Top five products (2022)			
Exports		Imports	
Whisky	£282.3m	Husked rice	£130.9m
Gin	£6.6m	Crustaceans	£108.4m
Chocolate	£3.7m	Spices	£66.5m
Breakfast cereals	£3.1m	Molasses	£56.9m
Protein concentrates	£2.1m	Tinned vegetables	£50.3m

Ten priorities for UK government

- 1** **Tariff reductions** are welcomed to increase UK exports and help deliver continued competitive prices for UK consumers and manufacturers. India applies prohibitively high tariffs to food and drink, and this shuts out many exporters. Improved terms can drive significant export growth for manufactured food and drink.
- 2** India's focus on self-sufficiency in food means it is unlikely to agree to the complete removal of all agri-food and drink tariffs. UK government should **offer only targeted tariff reductions to India** for food and drink to protect the interests of UK manufacturers and consumers. Government must work with industry to ensure tariff reductions are targeted at sectors that will benefit from improved market access.
- 3** Reductions to UK tariff rates, expanded tariff rate quotas and more flexible rules of origin can support growth in trade with India, benefiting UK producers and consumers. However, preferential access into the UK market must be contingent on meeting UK standards and subject to **robust safeguard measures** to ensure ongoing compliance. Government must guard against any risk of incorrect classification of goods or products being dumped on the UK market. Access to preferential tariffs should be linked to meeting equivalent environmental, animal welfare, food safety, human rights and labour standards.
- 4** The UK should as a priority seek to **address major non-tariff barriers**, such as extra SPS checks and extra regulations on products of animal origin, discriminatory and unnecessary standards and regulations, and the need for extra export licences.
- 5** **The EU** remains crucial for most UK manufacturers and in updating and expanding trade with India, government must ensure that this doesn't undermine UK producers' ability to export to the EU.
- 6** 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.
- 7** A mechanism should be included in the rules of origin that would enable the establishment of **full diagonal cumulation** between the UK, India and the EU in the future, should all parties be willing to do so.
- 8** More efficient **border and customs processes** should be targeted, ensuring that the UK government's 'Borders 2025' work links in closely with key trade partners including India to expedite the flow of perishable goods.
- 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 India and other markets. Gov.uk lags significantly behind the clarity and business-friendly communications provided by our key trade partners.
- 10** The UK has **high environmental standards and ambitions** but at this stage India does not have an ambitious plan for carbon neutrality. The government needs to ensure that through higher imports from India, that it is not encouraging increased carbon emissions outside our borders.

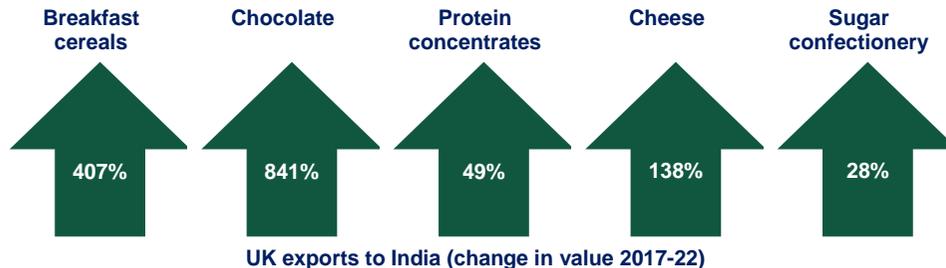
Our trade priorities

1. Tariffs

The UK should **aim for the highest possible tariff liberalisation** to help boost exports to India, targeting products with high tariffs and exports which have significant room to grow. However, India's self-sufficiency policy means it is likely that they will not be keen to reduce many of their prohibitively high tariff rates.

As a result, UK government should pursue a highly targeted approach to securing tariff reductions that will benefit export sectors that are best placed to take advantage of tariff reductions. The following products should be among the government's priorities for our sector:

- Breakfast cereals (30% current tariffs)
- Chocolate and chocolate products (30% current tariffs)
- Protein concentrates and textured protein substances (40% current tariffs)
- Cheese (30-40% current tariffs)
- Sugar confectionery (30-45% current tariffs)



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.

Given the high volume of imports from India, UK manufacturers would also see benefits from UK tariff reductions for certain product lines, such as frozen prawns, as well increasing eligible types of husked rice to access preferential tariffs.

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).

Government should pursue a cautious approach to tariff liberalisation with India given the inconsistent application and adherence to production standards in India, their use of export subsidies to support unfair competition and the risk this presents both to UK producers but also to the high safety standards of UK food and drink. Decisions around UK tariff reductions should take place on a product-by-product basis and handled with extreme care due to potential implications for domestic UK production in sensitive sectors of the industry.

UK government should **maintain the tariff on imports of milled and semi milled rice**. This import tariff must be retained to ensure the UK's thriving rice milling sector, worth almost £1 billion to the UK economy, can continue to operate and supply the highest quality products to UK consumers and to other markets around the world. UK rice mills provide **vital food security** for the UK and this tariff is essential to ensure fair competition, support UK producers and preserve jobs.

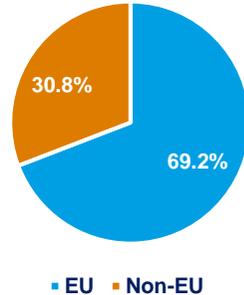
While a reduction in tariffs could increase the competitiveness of UK goods, it remains a priority for our industry to ensure that new UK preferential trade agreements **do not undermine existing UK market access via other trade deals**, including with our closest and most valuable export market, the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

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-India 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, potentially the EU in the future.

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.

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.

The UK should seek to address unnecessary and unjustified requirements facing UK exporters. This includes the required use of chemicals in UK factories that are banned in the UK and much of the world, and additional requirements in place for dairy products that are not relevant to the UK agriculture system. Removing these requirements would simplify export processes and reduce costs.

Where possible, the UK and India 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 India.



An agreement with India 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 India to expedite the flow of perishable goods. The UK should work closely with India 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 India** to maximise cooperation between agencies, and only require a single declaration covering the required customs and safety and security data.

The UK and India 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 Indian producers, R&D centres and customers.**

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

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 India but also for Indian 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.

9. Trade and environment

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.

The UK should ensure that an agreement with India reflects the UK's zero carbon commitments. India does not have ambitious targets for carbon neutrality which may present a challenge. The UK should consider emissions when trading with India and should seek to ensure that the trade deal isn't driving increased carbon emissions outside our borders. The UK's food and drink industry operates to high environmental standards and as such increasing certain exports and growing UK production in place of manufacturing overseas can help lower global emissions.

