

## Mexico 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.

Mexico is an important trading partner for many food and drink manufacturers with exports of high-quality value-added products worth **£168.5 million** in 2022, up 18.7% since 2021. It is also a supplier of ingredients, raw materials and finished products with imports worth **£133 million** in 2022.

Significant opportunities exist to expand trade in both directions through a more comprehensive and ambitious preferential trade agreement. The existing deal with Mexico doesn't deliver the ambitious outcomes seen in recent trade deals and excludes many food and drink products, with prohibitively high tariffs effectively blocking many UK exports. Outcomes should at least match the new EU-Mexico agreement, to ensure UK exporters can compete effectively with EU counterparts.

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



Top five products (2022)			
Exports		Imports	
Whisky	£136.6m	Tequila	£52.1m
Gin	£9.4m	Fresh fruit	£17.6m
Coffee	£6.6m	Coffee	£12.6m
Malt extracts	£2.5m	Jams and spreads	£9.6m
Ice cream	£1.8m	Honey	£6.4m

## Ten priorities for UK government

- 1** **Tariff reduction** in most areas is welcomed to increase exports and help deliver continued competitive prices for UK consumers and manufacturers. The existing agreement offers limited benefits for many UK food and drink businesses and improved terms can help drive significant growth in UK manufactured food and drink.
- 2** The complete removal of all agri-food and drink tariffs may not be in the best interests of UK manufacturing or consumers. Some **sensitive UK sectors** may require ongoing protection in the form of phased tariff removals, quotas or a safeguard clause to ensure ongoing competition and supply chain resilience.
- 3** Mexico is an important source of **imported ingredients and raw materials** used in British food and drink manufacturing. Lower tariff rates, higher tariff rate quotas and more flexible rules of origin would support further growth in our trade with Mexico.
- 4** **The EU** remains crucial for most UK manufacturers and in updating the existing trade agreement with Mexico, government must ensure that this doesn't undermine UK producers' ability to export to the EU.
- 5** We anticipate the loss of extended cumulation of EU inputs and processing 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 a more restrictive approach to rules of origin. We are keen to work with Defra/DIT to ensure the best possible outcomes.
- 6** The agreement should deliver improved, **business-friendly rules of origin** that do not act as a barrier to trade. The use of 'wholly obtained' rules should be kept to a minimum and the use of detailed and complex exceptions included in the UK-EU Trade and Cooperation Agreement (TCA) should be avoided.
- 7** A mechanism should be included in the rules of origin that would enable the establishment of **full diagonal cumulation** between the UK, Mexico 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 Mexico to expedite the flow of perishable goods.
- 9** DIT should create a **dedicated online trade platform** that provides access to vital information that will enable SMEs to effectively export to or import from Mexico, or other markets. The UK offering on Gov.uk lags significantly behind the clarity and business friendly communications of Canada, the EU, the US and most of our key trade partners.
- 10** The UK has **high environmental standards and ambitions** but at this stage Mexico does not have a plan in place to deliver carbon neutrality. The government needs to ensure that through higher imports from Mexico, that it is not encouraging increased carbon emissions outside our borders.

# Our trade priorities

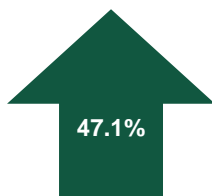
## 1. Tariffs

The FDF urges the government to aim for **the highest possible tariff liberalisation for most sectors to help boost UK food and drink exports to Mexico**, targeting agri-food sectors that currently do not benefit from the existing agreement.

UK manufacturers would also see benefits from reduced tariffs for imports of Mexican agricultural raw materials, however this would need to be handled with care due to potential implications for domestic UK production in sensitive sectors of the industry.

**The UK should aim to secure an agreement on tariffs that is at least as generous as that in the updated EU-Mexico trade agreement**, to ensure UK manufacturers can compete effectively with EU counterparts when trading with Mexico. The precise outcomes should be revised to reflect the specific interests of UK manufacturers. For example, liberalising the Mexican tariff lines outlined below will offer immediate benefits to UK exporters:

- secure preferential access for cheese exports
- increase TRQs on milk powder
- increase TRQs for pork and other red meats such as beef
- eliminate tariffs on chocolate



UK coffee exports (2020-22)

Our conversations with UK officials in Mexico indicate there is a strong opportunity to grow UK dairy exports to Mexico if the right terms of access are secured.

A significant challenge presented by the government's trade strategy is how new trade agreements – including the conclusion of a revised deal with Mexico – will work for producers operating 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**

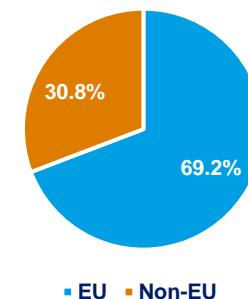
<sup>1</sup> [https://www.fdf.org.uk/corporate\\_pubs/FDF-Rules-of-origin-report.pdf](https://www.fdf.org.uk/corporate_pubs/FDF-Rules-of-origin-report.pdf)

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 food and drink imports (2022)



However, as the UK concludes new trade deals, new opportunities will arise for some producers to source inputs from non-EU suppliers instead of the EU. It is essential that **the rules of origin seek to ensure processing takes place in the UK (and Mexico) but that sufficient flexibility is provided to ensure EU or rest of the world content used in UK manufacturing allows continued access to preferential tariffs.**

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 FDF's previous publications on rules of origin<sup>1</sup>, a suite of options exists to enable this flexibility, including:

- simple and straightforward change of tariff heading rules without exceptions;
- more generous provisions on tolerance e.g. shifting to a 15% value or weight option; and
- a joint exemption for content originating from Least Developed Countries (LDCs).

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, Mexico and the EU.

### 3. Standards and regulations

The FDF emphasises the importance of good cooperation and dialogue between UK and Mexico regulators, political bodies, industries and other stakeholders to ensure regulatory coherence.

Given the high quality of the UK 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. **The deal should include a non-regression clause to avoid any lessening of these protections.**

A key priority on regulations should be secure an agreement that allows simplified labelling for UK exporters, avoiding the need for costly and unnecessary provision of additional information such as the date of production.

### 4. Customs and border checks

Both parties should look to minimise barriers and burdens businesses face when trading between the UK and Mexico. **This could be achieved by using existing models of mutual recognition** such as the agreement in place between the UK and US for their respective AEO and C-TPAT schemes and using that as the basis to develop a system of trusted traders. Crucially, these benefits should be accessible to SMEs.

Simplifications to customs and border checks are important to reduce unnecessary costs and speed up trade. Many food and drink products are perishable, and delays at border erode the quality and value of products. **The UK should push for enhanced commitments around customs procedures, similar to those set out in the agreement in principle with Australia**, which look to digitalise processes to ensure perishable goods clear customs quickly.

The UK's 'Borders 2025' work should link in closely with key trade partners such as a Mexico to expedite the flow of perishable goods. The UK should work closely with international partners including Mexico to streamline and standardise global customs processes where possible, with the aim of introducing a customs single window and removing the need for both export and import declarations.

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

The provisions on SME support in the existing trade agreement with Mexico do not go far enough in terms of practical support. 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.

FDF 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 Mexico but also for Mexican 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.



### 6. Intellectual property



UK whisky exports to Mexico 2020

A more ambitious approach to the protection of UK Geographical Indications (GIs) in a new trade deal with Mexico is needed, with the **aim of securing recognition and protections for all registered UK GIs** and including a simplified and transparent process to support the future recognition of new GIs. GIs that are already protected e.g. Scotch whisky and Irish whiskey should retain their status.

### 7. 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.

## 8. Trade and environment

The existing trade deal with Mexico was agreed and entered into force more than 20 years ago and the section on cooperation on the environment and natural resources is very brief. The UK should seek to modernise to fully reflect the UK's zero carbon commitments. Mexico currently doesn't have similarly ambitious targets for carbon neutrality which may present a challenge, but the UK 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 certain increasing exports and growing UK production in place of manufacturing overseas can help lower overall global emissions.

## 9. Other

Much of our trade in food and drink is in perishable goods. As such, the long transport times, followed by unnecessary border delays can present problems for businesses that move short shelf-life perishable goods when they reach Mexico. It is therefore key **to ensure that an updated deal finds opportunities to improve the practical movements of foods between both countries**, while ensuring protections for food safety and biosecurity are not undermined.

Mexico presents significant opportunities to deliver further growth for quality UK food and drink manufacturing, while also delivering access to competitively priced ingredients and raw materials that are not available in sufficient quantities domestically. Significant opportunities exist to drive substantial growth in trade in food and drink between the UK and Mexico if a new deal can be secured that delivers more ambitious market access terms, underwritten by relevant protections for food safety, animal welfare and the environment.