



GLOBAL BRITAIN

TRADE POLICY FOR A WORLD CLASS FOOD, DRINK AND AGRICULTURE INDUSTRY

*An outline proposal from the
UK's food and drink sector*

OUR AMBITION

Our vision is for a future UK trade policy which will drive growth, promote efficient and sustainable food production and stimulate innovation, while providing consumers and shoppers with even greater choice and better value.

This will enable the food, drink and agriculture sector to:

- take advantage of opportunities created by departure from the EU to develop trading relationships which ensure food security and deliver for UK consumers and shoppers.
- build strong and competitive businesses in all parts of the UK, generating employment and wealth creation throughout the nation.
- provide a choice of delicious, safe, sustainably produced food and drink, at competitive prices.
- grow domestic supply and exports both to existing and new markets.

This outline looks at:

- the **priorities** in terms of what should be achieved in the national interest;
- some **principles** that are likely to help in delivering those priorities; and
- the appropriate **process** for developing a UK trade policy and for managing negotiations with the EU and other partners including the USA, Japan, Australia and New Zealand.

This paper has been developed by representatives of the entire food chain working in three Defra-sponsored groups:

- The Food and Drink Roundtable;
- Brexit Livestock Group; and
- Brexit Arable Group.

It distils common themes which we believe should form the core of Government thinking on trade policy for the agriculture, food and drink sectors as we negotiate with the EU, the USA and others in 2020 and beyond.

We stand ready to assist Government in the development of more detailed plans so that this vital industry can take advantage of the opportunities created by the UK's departure from the EU and deliver benefits to citizens and businesses throughout the United Kingdom.

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1. TRADE POLICY PRIORITIES

Support value addition and jobs in the UK

The UK's food and drink supply chain from farm to fork contributes £460 billion to the national economy, directly employing more than 4 million people up and down the entire country, with value addition greater than £120 billion. Our industry is uniquely placed to deliver the benefits of the UK's independent trade policy to every UK community. Policy should continue to encourage job creation and value addition in the UK – both in food/feed production (farming) and food processing (manufacture). The food industry provides employment indirectly to other industries such as transport and logistics, cold stores, packaging, catering, food service, retail etc and so is a vital sector for all parts of the UK. The hospitality sector is both a major customer and a vital “shop window” for showcasing UK food and drink to visitors from across the world, as well as selling services and produce into export markets.

Retain UK's ability to deliver high standards at competitive consumer prices

UK consumers and shoppers already enjoy food and drink with an unrivalled combination of value, safety, choice and quality. This is delivered by the whole industry including farmers, manufacturers, importers, the hospitality sector and retailers. It is also achieved at very competitive prices - expenditure on food and drink in the UK as a proportion of household income is the third lowest in the world (behind the USA and Singapore). Trade policy should maintain this balance between competing priorities to ensure the continued availability of high quality, safe food at a range of price points to suit consumer and shopper demand.

Encourage sustainable food production, diminish environmental impact

Trade policy needs to support the shared ambition, set out in the Agriculture and Environment Bills, to raise levels of sustainability in food and animal feed production and manufacture and reduce its environmental impact so that the UK leads the world in these fields.

Encourage UK innovation and grow exports

The UK is well known for the diversity of its food market along with the rate of innovation and new product development. Policy should encourage continued innovation and better support businesses seeking overseas markets for their products.

2. TRADE POLICY PRINCIPLES

Our vision is for a future UK trade policy which will drive growth, promote efficiency and stimulate innovation, while providing consumers and shoppers with even greater choice and better value. Most trade negotiations aim to reduce levels of protection (from tariff and non-tariff barriers) to further the mutual interests of both sides. The UK already enjoys completely free and frictionless trade with EU countries, but now has the opportunity to build on these benefits in a series of new independent deals with others. For the food and agricultural sector, this will require a clear approach to balancing the potential of new trade agreements with the possibility of new tariff or non-tariff barriers in trade with the EU, which is by an overwhelming margin both our largest market and our largest supplier.

Tariffs and Rules of Origin

While the aim of all preferential trade negotiations is to seek mutually beneficial reduction in tariffs, the potential to offer market access concessions requires maintaining an appropriate applied MFN tariff that serves the interests of consumers, shoppers, and businesses. Furthermore, these are worthless without adequate Rules of Origin. The UK food and drink sector is unusual in its tendency to use a mixture of imported and home-produced ingredients in manufactured foods. Therefore, in all negotiations, and especially the one with the EU, the UK should seek [accommodating Rules of Origin](#) that are tailored to meet the needs of our industry. Product specific detail is crucial, but as a minimum any transformation which brings about a change in chapter heading should be sufficient to confirm UK origin.

Adaptation

Evidence from other negotiations is that business will do best given time to adapt to changes in competitive positioning arising from the creation of new trade agreements. For example, tariff reductions can be phased over a period of years or managed with quotas. Furthermore, trade adjustment assistance should be provided to sectors where there is potential for a negative impact from the implementation of new trade agreements.

Even where tariffs do not change – as in a new UK-EU trade agreement – there may still be a need to allow for adaptation to any new regulatory conditions or border formalities (see above). This will be particularly true in respect of Northern Ireland under the provisions of the Withdrawal Agreement, where it is essential that food business operators are closely involved in assessing the impact of changes.

Regulation

Non-tariff barriers are a serious impediment to food and drink trade, so the UK's negotiating objective should be to minimise the impact on our exports of any non-tariff barriers arising from regulatory difference with all countries (e.g. SPS checks). Addressing these issues is central to the success of any FTA for the food and drink sector.

Regulatory autonomy is welcome, yet we begin with the same quality, safety and technical standards as other European countries. Careful thought should be given to the benefits and costs of choosing to move away from these technical standards. Erosion of existing integrated supply chains risks damaging our ability to develop and compete in other markets in future and to deliver the choice and quality UK consumer and shoppers demand.

Where UK domestic policy choices – for example in relation to food production methods or environmental sustainability – have an impact on the relative cost of production, this should be taken into account in framing any trade agreement.

Global trade leadership

The UK should seek to play a central role in maintaining and enhancing the rules-based multilateral international trade system, and in particular the development of trade policy – both in general terms and with regard to specific trade agreements – that achieves broader policy aims, for instance relating to climate change objectives and achieving a more sustainable, global food production system.

3. PROCESS OF TRADE POLICY DEVELOPMENT

A clear and integrated lead negotiating structure

Government needs to put in place new and dedicated arrangements to lead trade negotiations with the EU and other jurisdictions. Where other departments including Defra and the devolved administrations need to play an expert role from the start, clarity and transparency is needed around their precise responsibilities.

Effective two-way consultation with industry

The food and drink sector has the expertise and is ready to help establish effective two-way mechanisms of consultation and engagement between Government and industry. This is a pre-requisite to steer successful negotiations and identify where new market access opportunities can achieve the greatest gains, including outside of formal preferential trade negotiations. These processes must be transparent, agile and able to move quickly (i.e. in real time). The Government should take the best elements from the models applied in the USA, EU, Canada, Australia and New Zealand.

Business involvement in real time

The consultation mechanism must include a process for looking at the detail of potential decisions and trade-offs to fully understand potential long-term implications. This cannot be done without careful discussion with industry to understand potential ramifications of decisions. This would, for example, be particularly important in relation to the detail of the Northern Ireland protocol in the Withdrawal Agreement. In live negotiations, Government should look to build on Mexico's model from NAFTA talks, where they placed business representatives 'in the room next door'.

A national trade strategy

Government should look to build on examples such as New Zealand's ['Trade For All Agenda'](#) in setting out a national trade strategy, taking account of devolved interests, that delivers in terms of jobs and growth in all regions and communities to preserve the UK's single market, underpinned by suitably robust mechanisms of trade defence. For agri-food and drink this should include the overall objectives and priorities set out in this note.

Linkage with National Food Strategy

As a matter of urgency, we recommend that the Government establishes a cross-party commission on trade in agri-food and drink to work in close partnership with the National Food Strategy workstream and industry bodies to create a dedicated long-term UK trade policy for food and drink.