

Gulf Cooperation Council Trade Priorities



Introduction

The Gulf Cooperation Council (GCC) is already an important trading partner for many UK food and drink manufacturers, primarily as an export market, but offers significant untapped potential to further grow sales of value-added UK food and drink. In 2020, our exports were worth **£624.5 million**, up 4.5% from 2020 due to the impacts of COVID-19. Imports of food and drink from the GCC are comparatively low at **£41.8 million**. As a bloc, the GCC is our sector's seventh largest export destination and our third largest non-EU market.

Our sector runs a large annual trade surplus with the GCC of £580 million or more with many sub-sectors offering significant further growth opportunities. Saudi Arabia is the GCC's biggest importer of food and drink but only the UK's second largest GCC export destination after the UAE.

Our priorities are overwhelmingly related to securing new and improved market access for UK exporters and we would support an expansive UK approach that can deliver substantial reductions in tariffs and more harmonised and simplified approaches towards labelling, product certification and border requirements, including a more consistent approach towards Halal labelling. This would remove barriers that currently impede UK exporters that offer the greatest potential to take advantage of opportunities created by the GCC's rapidly expanding population and increasing westernisation.

This paper sets out key priorities for the Government's preferential trade negotiations with the GCC that have been identified through extensive member consultation.

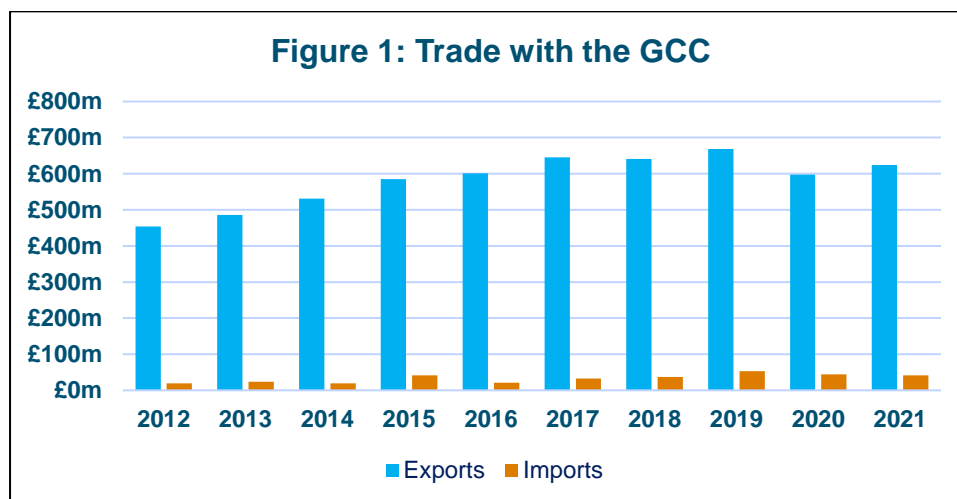


Figure 2: Top five products (2021)

Imports		Exports	
Animal and vegetable oils	£12.9m	Whisky	£93.8m
Fruit	£9.0m	Breakfast Cereals	£85.5m
Pulses	£4.8m	Chocolate	£71.5m
Rice	£1.9m	Sweet biscuits	£30.8m
Savoury snacks	£1.2m	Oats	£21.4m



Executive summary: ten priorities for UK Government

We have identified the following key opportunities and concerns for the negotiation of a preferential trade agreement with the GCC:

1. The Government should seek **full tariff liberalisation in food and drink** to enable UK exporters to more effectively compete and harness untapped export potential. Tariffs are already relatively low but they are inconsistent. Harmonisation in terms of zero-rated tariffs would greatly simplify matters for UK exporters and would unlock valuable new opportunities across the GCC, particularly in Saudi Arabia.
2. The GCC exports limited volumes of food and drink to the UK and **full tariff liberalisation presents little risk to UK producers**. Removing tariffs could offer some benefits for UK producers and consumers, for example where imports of dates and grapes from the region would be cheaper.
3. The agreement should deliver **business-friendly rules of origin** that facilitate trade, including simple and straightforward change of tariff heading rules rather than 'wholly obtained' rules with detailed and complex exceptions. It should include generous provisions around tolerance with exemptions for LDC content.
4. The UK should prioritise the inclusion of **full diagonal cumulation** between the UK and GCC and each of their shared preferential trade partners, currently EFTA and Singapore, while including provisions allowing the potential future agreement of diagonal cumulation with the EU and other countries.
5. 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 changes to food and drink regulations** in GCC Member States, providing sufficient lead times for UK producers to adapt and implement these requirements.
6. **Complicated and inconsistent labelling requirements** in GCC Member States need to be addressed. The UK should target any opportunities to make permanent the temporary labelling easements introduced during the COVID-19 pandemic.
7. The agreement should help to 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.
8. 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 to be targeted.
9. The UK should aim to secure **enhanced commitments on customs procedures** as seen in the UK-Australia agreement and streamlined SPS processes with the GCC, to expedite movements of perishable goods.
10. The UK should aim to **secure recognition for all existing UK Geographical Indications (GIs)** that can be sold in the GCC, including a simplified and transparent process to support the future recognition of new GIs by both parties.

GCC: trade priorities in detail

1. Tariffs

The FDF urges the Government to aim for **full tariff liberalisation** to boost UK food and drink exports to the GCC. Significant opportunities exist to increase UK exports to the Gulf given their need for imported food and drink.

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

- 1904: breakfast cereals (5-12%)
- 0406: cheese (5-6%)
- 1806: chocolate and chocolate products (5-8%)
- 2103: sauces and condiments (5-12%)
- 1905: savoury biscuits (5%)
- 1704: sugar confectionery (8-10%)
- 1905: sweet biscuits (5-10%)
- 2105: ice cream (5-15%)
- 2201: water (5%)
- 0404: whey (5-10%)

UK exporters face varying tariff rates between the six GCC Member States and Saudi Arabia tends to impose higher tariff rates than other members. Full tariff liberalisation would deliver consistent tariff rates between each GCC Member State which would simplify matters for UK exporters.



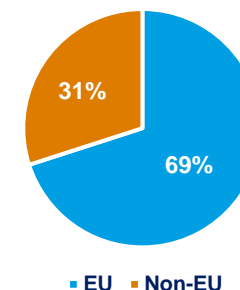
The GCC exports limited volumes of food and drink to the UK and full tariff liberalisation presents little risk to UK producers. Removing tariffs could benefit UK producers that import dates and grapes from the region.



2. Rules of origin

The need for non-UK inputs and ingredients isn't going to change and given its proximity, the EU will remain a key source of inputs used by UK manufacturers (see figure 3 for imports from the EU in 2021). However, as the UK concludes new trade deals, new opportunities are arising for producers to source inputs from non-EU suppliers.

Fig. 3: UK food and drink imports



The rules of origin agreed with the GCC must seek to **ensure processing takes place in the UK (and the GCC)** while providing sufficient flexibility to ensure non-originating content used in manufacturing still permits preferential access.

Rules of origin should not act as a barrier to trade with the use of 'wholly obtained' rules and detailed exceptions seen in the UK-EU Trade and Cooperation Agreement (TCA). As set out in the FDF's publications on rules of origin¹, 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. a 15% value or weight option; and
- a joint exemption for all content originating from Least Developed Countries (LDCs).

The UK and GCC both have preferential trade agreements with EFTA and Singapore. Both parties should explore the possibility of **diagonal cumulation provisions with Singapore and EFTA**. The agreement should be future proofed by including provisions that would allow the potential agreement of full diagonal cumulation between the UK, GCC and shared preferential trade partners, including the EU.

¹ https://www.fdf.org.uk/corporate_pubs/FDF-Rules-of-origin-report.pdf

3. Standards and regulations

The FDF emphasises the importance of good cooperation and dialogue between UK and GCC Member State 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. **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 that makes it less attractive as an export market.

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

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

Complicated labelling requirements including the need for Arabic labelling and dates of production impose high additional costs for UK manufacturers, especially where requirements are inconsistent between GCC Member States. This can present a trade barrier for businesses that otherwise have significant growth opportunities in the region, and compliance checks also increase border delays. The **simplification and standardisation of labelling rules** would greatly benefit UK exporters. Abu Dhabi and Dubai temporarily adopted measures during the COVID-19 crisis to ensure food imports arrive, including labels not requiring Arabic translations and production dates. The UK should explore opportunities to make this a permanent measure with the GCC 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 (EHC) and these are needed for each manufacturing site and batch. Each EHC costs around £200 and hits companies with many sites particularly hard.



This added cost can be a significant barrier to SMEs that are not exporting large 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 quality products to the GCC. The requirements for an EHC for every site and batch should be removed to encourage increased trade and to reduce costs for GCC shoppers.

The GCC is the only region that 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 that would **allow the use of UK origin certificates**. This would help reduce the cost of obtaining these certificates for UK businesses and would offer immediate benefits for sales to the Gulf, but more importantly it would deliver much-needed consistency for UK business that export worldwide.

Additional import requirements such as use of the Emirates Quality Mark (EQM) add unnecessary costs for UK businesses when exporting to the UAE. 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 border checks

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.



Simplifications to customs and border checks can help reduce unnecessary costs and speed up trade. Many food and drink products are perishable, and delays at the border erode the quality and value of products – and their acceptability to customers. **The UK should aim to secure enhanced commitments around customs procedures, similar to those secured in the UK-Australia deal**, which look to digitalise processes to ensure perishable goods clear customs quickly and efficiently.

The UK's 'Borders 2025' work should link in closely with key trade partners including the GCC to expedite flows of perishable goods in both directions. The UK should work closely with the GCC 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.

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. 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 businesses.

FDF urges the Government to develop **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 should bring together key information on processes, procedures, taxes, tariffs, rules of origin, barriers to trade and business opportunities. This would help improve businesses' understanding and utilisation of preferential trade agreements.

7. Intellectual property

A more ambitious approach to the protection of UK Geographical Indications (GIs) in a new trade deal with the GCC is needed, with the **aim of securing recognition and protections for all registered UK GIs** that can be sold in the GCC, including a simplified and transparent process to support the future recognition of new GIs by both parties.

8. Labour standards

All trade agreements signed by the 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.

9. Human rights and equality

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.



10. Environment and climate change

The UK should aim to put in place ambitious provisions to protect the environment. The new agreement should more closely reflect the UK's zero carbon commitments and they should aim to put in place **shared targets to reduce carbon emissions**. 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.

