

Israel Trade Priorities



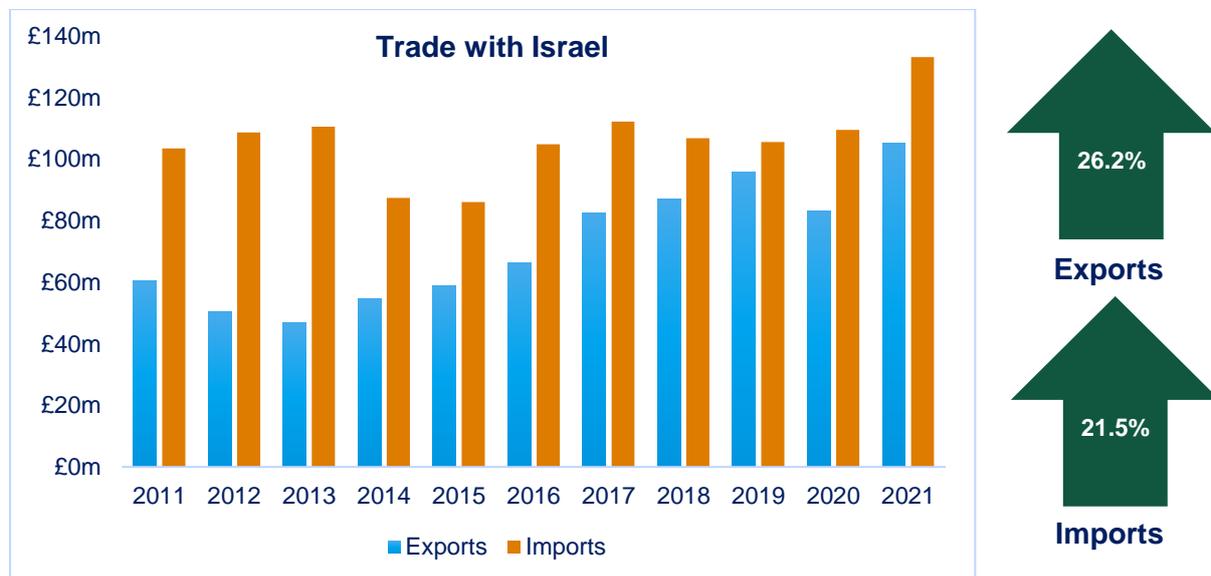
Introduction

Israel is an important trading partner for many UK food and drink manufacturers. While a continuity trade agreement currently applies to trade between the UK and Israel, an updated deal could significantly boost our trade and benefit both parties. In 2021, our exports were worth **£105.1 million**, up 26.2% from 2020, while UK imports from Israel experienced similar growth of 21.5% to **£133.1 million**. Israel is currently our sector's 33rd largest export destination and our 47th largest supplier of imported food and drink.

Like the UK, Israel's relatively small geographical size and limits on agricultural production precludes self-sufficiency in food and drink. This should present a good opportunity to negotiate a new trade deal that better reflects the needs of both markets, delivering increased market access and facilitating growth in agrifood and drink trade in both directions.

Our main priority is to secure improved market access for UK exporters through a more ambitious goods chapter that delivers reductions and simplifications to tariffs applying to trade in both directions. Israel is an important supplier to the UK market and reducing barriers to imports would benefit UK manufacturers and consumers.

This paper sets out priorities for the renegotiation of the existing UK-Israel preferential trade agreement that have been identified in discussion with the FDF's members.



Top five products (2021)			
Exports		Imports	
Whisky	£49.5m	Fruit	£64.8m
Chocolate	£12.7m	Vegetables	£15.6m
Breakfast cereals	£6.5m	Potatoes	£10.2m
Gin	£3.4m	Tinned vegetables	£8.7m
Oats	£3.1m	Savoury snacks	£5.3m



Executive summary: ten priorities for UK government

We have identified the following key opportunities for the re-negotiation of a preferential trade agreement with Israel:

1. The government should aim for **full tariff liberalisation in food and drink** to boost the competitiveness of UK exporters and reduce the cost of imported inputs. Further tariff reductions and the removal of quota restrictions would unlock export growth.
2. **The removal of tariffs and elimination of TRQs on imports** of agrifood and drink products from Israel would deliver benefits and present only a minimal risk for UK producers. Removing tariffs on imported ingredients and inputs used in UK manufacturing, such as fruit and vegetables, would improve the competitive position of UK manufacturers and would benefit UK shoppers and consumers.
3. If full tariff liberalisation can't be achieved, the UK should seek to ensure **simplified ad valorem tariffs apply to UK exports** to Israel. At present, where tariffs do apply, manufacturers face significant administrative complexity because of the use of a complicated mixture of ad valorem, specific and compound tariffs, and TRQs.
4. It should deliver **business-friendly rules of origin** that facilitate trade, including simple and straightforward change of tariff heading rules, as seen in the UK-Australia FTA, rather than 'wholly obtained' rules with complex exceptions. It should include generous tolerance provisions and an exemption for the use of inputs originating from the United Nations (UN) list of Least Developed Countries (LDCs).
5. We anticipate the loss of extended cumulation for EU inputs and processing but the inclusion of **generous tolerance provisions and product-by-product solutions** can help ensure UK exporters are not disadvantaged and benefit from a more generous approach to rules of origin. We are keen to work with Defra/DIT to ensure the best possible outcomes. The UK should aim to secure **full diagonal cumulation** with Israel and shared trade partners (EFTA, Turkey, Canada and Mexico), including provisions for a potential future agreement with the EU.
6. It should include an **ambitious chapter on innovation** that delivers an open, risk-based and permissive sample import system to facilitate movements of products and product samples for testing and research purposes, to facilitate new product development in the UK for customers and business divisions in Israel.
7. It should include provisions on the **enhanced digitalisation of documentation and commitments to simplify customs procedures**, as seen in the UK-Singapore Digital Economy Agreement and the new UK deals with Australia and New Zealand, to simplify processes and expedite movements of perishable goods.
8. The UK should seek **recognition for all existing UK Geographical Indications (GIs)** that can be sold in Israel, including a simplified and transparent process to support the future recognition of new GIs by both parties.
9. A dedicated **chapter on animal welfare** would be welcomed, building on the chapter in the UK-Australia agreement. UK trade deals should help to ensure high animal welfare standards and deliver a level playing field with trade partners.
10. The UK should unilaterally take steps to help SMEs to take advantage of new trade agreements by **creating a dedicated trade portal** to ensure ease of access to key information on tariffs, taxes, rules of origin, border processes and certification requirements. For Israel, a dedicated list of kosher certification organisations that are approved by both the UK and Israeli governments, would benefit UK exporters

Israel: trade priorities in detail

1. Tariffs

We urge the government to aim for **full tariff liberalisation** to boost UK food and drink exports to Israel. Significant opportunities exist to increase UK exports given their need for imported food and drink.

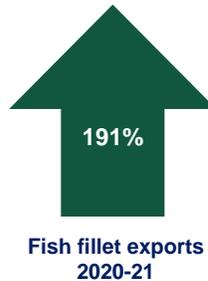
This would benefit both existing exporters and manufacturers of products that offer significant potential growth opportunities but are currently unable to compete because of the added cost of tariffs. The following products would benefit significantly from tariff removal (current rates in brackets):

- 2105.00: Ice cream (0.24 ILS/kg, but not more than 85%)
- 0304.89: Fish fillets (11.00 ILS/kg)
- 0402.10: Milk and cream (162% tariff)

Many tariffs are already low because of the existing trade agreement, but exporters would benefit from the liberalisation of tariffs for products that are currently restricted by tariff rate quotas (TRQs). We would welcome either the **full liberalisation of TRQs**, or at a minimum, a substantial increase in the TRQ volumes to create opportunities for further export growth, focusing in particular on the below products, where the UK regularly exceeds quota limits and is well placed for further growth:

- 0405.10: Butter and spreads (TRQ: 89t)
- 0406.90: Cheese (TRQ 113t)
- 2106.90: Chewing gum (TRQ 10t)
- 1905.90: Sweet biscuits (TRQ 163t)
- 2009.90: Fruit juices (TRQ 76-227t)
- 2001.00: Prepared fruits (TRQ 30-305t)
- 2204.00: Wine (TRQ 586hl)

Cheese is an important UK export that offers significant future growth opportunities. Exports to Israel were worth more than **£2 million** in 2021, with sales up 613% over the past decade, becoming our sector's sixth largest export to Israel. An ambitious new agreement that removes existing tariff and quota restrictions on UK dairy exports, or at the very least, increases the size of the

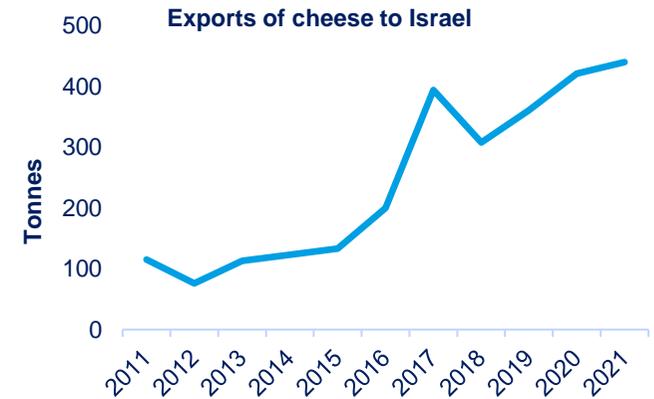


UK's TRQ could make UK cheese and dairy products more competitive and provide further opportunities for growth.

Israel is also an important source of imports used by UK manufacturers, providing access to many high-quality, competitively priced ingredients. Imports currently face a mixture of tariffs and TRQs, and these should be re-evaluated to better fit the UK's market needs. UK manufacturers would benefit from **liberalisation of import tariffs**, which would boost their competitive access to essential inputs and reduce the cost of certain products for consumers. For example, the following would benefit from tariff liberalisation.

- 0709.60: Sweet peppers (TRQ 2,349t)
- 2002.10: Dried tomatoes (TRQ 14t)
- 08051080.90: Citrus fruit powder (12% tariff)

If some tariffs remain, we would strongly urge UK government to push for simplifications to the tariffs that do apply. We would like to see the existing complicated mixture of ad valorem, specific and compound tariffs to be replaced by more straightforward ad valorem tariffs. This would make exporting easier for businesses and would help simplify customs checks.



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. However, as the UK concludes new trade deals, new opportunities are arising for producers to source inputs from non-EU suppliers.

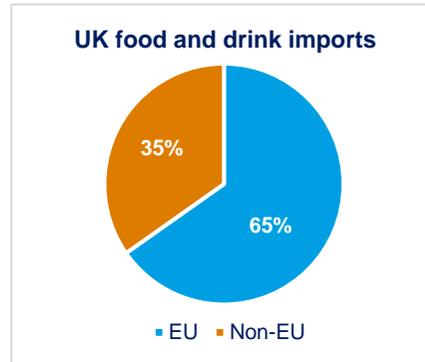
The rules of origin with Israel must seek to **ensure processing takes place in the UK (and Israel)** while providing sufficient flexibility to ensure non-originating content used in manufacturing still permits preferential access for finished products.

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 our [report on rules of origin](#), 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).

With the anticipated loss of extended cumulation with the EU, it is vital that **generous tolerance provisions and product-by-product solutions** are put in place to ensure UK exporters can benefit from global sourcing opportunities in the production and export of value-added products, ensuring they do not face a more restrictive approach to rules of origin.

As the UK concludes new trade deals, new opportunities will arise for producers to source inputs from non-EU suppliers. We would encourage UK government to aim to future-proof this agreement by **including provisions to encourage both parties to aim for the agreement of full diagonal cumulation with shared**



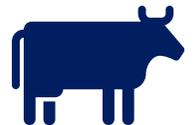
preferential trade partners, including EFTA, Canada, Mexico and Turkey. These provisions could, potentially in the future also apply to the EU.

3. Standards and regulations

We emphasise the importance of good cooperation and dialogue between UK and Israeli regulators, political bodies, industries and other stakeholders to ensure regulatory coherence.

The UK's high standards of food safety and animal welfare must not be undermined through trade agreements or we risk the loss of consumer confidence in UK food and drink. The Israeli market is increasingly harmonised with EU production standards which should mean an updated trade deal is unlikely to impact our ability to export to the EU. The updated deal should **include a non-regression clause to avoid any lessening of these protections.**

We would welcome a dedicated chapter on animal welfare, along similar lines to that included in the Australia and New Zealand trade agreements. A shared commitment to high standards of animal welfare can help ensure the UK and Israel maintain a level playing field on which to trade.



4. Innovation

The UK food and drink sector is highly innovative and is a global hub for new product development. An ambitious chapter on innovation that delivers for food and drink can significantly aid our sector's ability to successfully develop products to export to Israel. Producers face significant, unnecessary barriers and complexity when importing and exporting product samples to third countries, including Israel, both because of requirements in the UK and in Israel. **An innovation chapter that provides simple and practical solutions** that facilitate movements of samples from UK producers and R&D centres to customers and divisions of their business in Israel would be welcome. This is essential to ensure the UK can retain and build on its position as a leading innovator in the food and drink sector.

5. Customs and border checks

A large share of our trade is in perishable goods where long transport times followed by unnecessary border delays presents problems for the acceptability of products by customers. A strong focus of the agreement should be to identify options to **improve the practical movements of foods between both countries**, while ensuring protections for food safety and biosecurity are not undermined.



Further measures that facilitate the flow of food products would be welcomed. Ambitious provisions around the digitalisation of documents in the new UK-Singapore Digital Economy Agreement and simplifications employed in each of the UK's agreements with Australia and New Zealand could 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 key trade partners including Israel to expedite flows of perishable goods in both directions. The UK should work closely with Israel 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.

In any updated deal with Israel, the UK and Israel will need to cooperate closely 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, and the cost and bureaucracy required for SPS certification.

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 small 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 Israel but also for Israeli 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. It should also include a dedicated list of bodies that are approved to provide kosher certification by both the UK and Israeli governments. This would greatly help improve businesses' understanding and utilisation of an updated preferential trade agreement with Israel.

7. Intellectual property

The UK government should aim to deliver a more ambitious approach to the protection of UK Geographical Indications (GIs) in an updated trade deal with Israel, with the **aim of securing recognition and protections for all registered UK GIs** that can be sold in Israel, including a simplified and transparent process to support the future recognition of new GIs by both parties.

8. Labour, human rights and equality

All UK trade agreements 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. 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.