To:	House of Commons International Trade Committee	Date:	January 2022
		Contact:	

The NFU represents 55,000 members across England and Wales. In addition, we have 20,000 NFU Countryside members with an interest in farming and rural life.

NFU response to the House of Commons International Trade Committee inquiry on UK trade negotiations: Agreement with the Gulf Cooperation Council (GCC)

Summary

1. UK agricultural producers would benefit from increased access to the Gulf Cooperation Council (GCC) market and we hope, if negotiated, an FTA will provide further opportunities for British farmers to sell more great British food overseas. We are confident that if UK farmers are allowed to compete on fair terms, we can lead the way when it comes to sustainable, high welfare and climate-friendly farming. There is potential to expand exports of high-quality UK produce, especially in our red meat and dairy sectors.

2. Despite UK businesses encountering trade barriers, both tariffs and non-tariff, when exporting to the GCC, the region is already well served with British agri-food exports, capitalising on strong recognition of British product in the market with UK exports known for their safety, quality and high standards. The rising population, growth of the middle class and large tourism industry means there is opportunity to grow UK exports into the region further. Efforts should be made to not only liberalise the GCC market but also reduce the non-tariff barriers to trade for UK business, to ensure that UK business can make use of the opportunities afforded by this FTA. UK negotiators should use the FTA talks as an opportunity to push for transparent, uniformly applied import procedures and requirements.

3. Targeted and effective export promotion will also be key in growing British exports. We welcome the government's recent commitments in this area to open and promote new markets and trade opportunities, with the agri-food and drink sector at the core, including the establishment of a Food and Drink Export Council. These commitments must be rolled out as a matter of priority, and with sufficient resource and energy, to ensure British farmers can embrace the opportunities ahead.

4. The GCC members are all Islamic nations which means religious beliefs are central to the way standards are set and business is carried out. All meat imported into the GCC region must be halal, bar pork which is only permitted under strict regulation in the UAE. The UK can now demonstrate assurance of halal acceptability of stunning methods through a new DEFRA supported protocol, endorsed through participating halal certification bodies. This should be promoted within the region and in our response, we outline further steps the government should take.

5. Stakeholders should be actively consulted and kept abreast of developments prior to the commencement of, and throughout, any negotiations. We welcome the forums such as the Trade Advisory Groups set up by the government to enable this, but as yet do not believe that the level of engagement has been sufficient nor meaningful. We also believe that Parliament should be consulted at the beginning stages of the treaty process as mandates are set, updated throughout negotiations and should be given a yes / no vote at the end of negotiations. In that respect, we also believe there is a role devolved governments with respect to UK negotiations, not least because many of the obligations that a concluded trade deal will give rise to will need to be delivered, implemented and overseen at a devolved level.

Introduction

6. The NFU welcomes the opportunity to respond to this inquiry on future UK trade negotiations with the GCC. In 2019, the UK imported £9.7 billion worth of goods from the GCC and exported £14.8 billion, leading to overall goods trade of £24.5 billion. Between 2010 and 2019 UK exports of goods to the GCC have increased by 63.6% over the same period and the region is now the UK's second largest non-EU export market. Last year over £597 million of British food and drink exports headed to GCC countries[1]and there is opportunity to grow UK exports into the region further.

7. Despite being in existence since 1981 the GCC has negotiated very few Free Trade Agreements (FTAs). The level of ambition in the GCC is currently unclear in respect to trade negotiations with the UK and we understand whilst the UK is seen as an important trade partner, there are some doubts on the merits of including agri-food in the agreement. The GCC represents a promising and growing opportunity for UK food and drink exports and it is therefore vital that any FTA negotiated must include agri-food.

Current trading relationship between the UK and GCC

8. Made up of six countries (The United Arab Emirates, Saudi Arabia, Kuwait, Bahrain, Oman, and Qatar), the GCC is home to more than 57 million people and is ethnically diverse with a large expat population. For example, it is estimated that around 90% of the population in the UAE is an made up of expats. The region acts as a hub between Europe and Asia and historically this has made it a vibrant centre for diverse culture and cuisine. As a result, there had been quick adoption of Western diets and with a wealthy growing middle class, this creates opportunity to grow British agri-food exports. UK products are already sought after for their quality and heritage, this is demonstrated by the fact that between 2018 and 2019 UK exports of lamb grew by 652% by value.

9. As the world's largest oil- and gas-producing region the GCC enjoys the highest standard of living in the Middle East. Many consumers have large disposable incomes and are prepared to use it to pay premium prices for quality products. Many GCC nationals identify strongly with the UK - for instance, many are educated in the UK, the UK Premier League has a passionate following in GCC states, and like the UK many of the nations have and support monarchies. As a result, indigenous consumers are very "pro-British" and there is good recognition of UK brands. The expansion of tourism across the region also creates a huge opportunity for British food and drink, particularly in the hospitality and food service sector. For example, Dubai alone attracts more than 16 million tourists a year, occupying 70,000 hotel rooms[2]. Dubai is currently host to the world expo event, the first one in its history to be hosted in the Middle East.. Despite the global pandemic, there has been almost three million visitors to the Expo[3] to date and whilst some of these will be domestic visitors, many will have travelled to the region staying in hotels and eating out. Other countries wish to follow Dubai's example and Saudi Arabia has outlined as part of its "Vision 2030"[4] aims to raise the contribution of the tourism sector to more than 10% of GDP, provide one million additional job opportunities and attract 100 million annual visits by 2030. In 2022 Qatar is set to host the FIFA World Cup, which will bring additional tourists to the country and surrounding region.

10. UK exports are already recognised for their quality and with consumers in the regions becoming wealthier, areas like our high standards of animal welfare and environmental protection will resonate even more with consumers. In this respect, properly financed and targeted market development and promotion will be key. Last year the NFU was pleased to see the introduction

[1] https://www.gov.uk/government/news/uk-prepares-for-trade-deal-with-gulf-cooperation-council
[2] https://ahdb.org.uk/trade-and-policy/Horizon-blog-Gulf-deal
[3] https://www.mediaoffice.ae/en/news/2021/November/08-11/Expo-2020-Dubai-latest-visit-figure-approaches-3-million
[4] https://www.my.gov.sa/wps/portal/snp/aboutksa/tourism

of a government placed Agriculture, Food and Drink Counsellor for the Gulf. We also welcome the government's recent commitments to extend its export campaigns to open and promote new markets and trade opportunities, with the agri-food and drink sector at the core. However, these commitments must be rolled out as a matter of priority, and with sufficient resource and energy, to ensure British farmers can embrace the opportunities ahead. The NFU believes this requires:

a. A minister given exclusive responsibility for agri-food trade and competitiveness, working across government and with the devolved administrations to deliver, in partnership with the industry, the ambition set out within the government's "Made in the UK, Sold to the World" export plan
b. Speedy deployment of agricultural attachés in our embassies in key overseas markets, including effective training and knowledge-building through collaboration with the food and farming industry
c. The establishment of the recently announced UK Food and Drink Export Council, bringing together the four nations' administrations and the food and farming industry to implement and manage demonstrable improvements in UK agri-food export performance.
d. A dynamic and adaptable approach to domestic farm policy that supports improvements in on-farm productivity and competitiveness and ensures future changes in farm regulation have improved productivity and sustainability at their heart.

11. This year Dubai once again also plays host to Gulfood, the region's largest food showcase event that brings together buyers from the area and further afield. UK product is not the most price competitive and as a result, opportunities like Gulfood are key to developing market opportunities and for promoting "Brand Britain". In return, UK officials here at home have a key role to play in helping UK businesses understand the opportunities and navigate the market requirements. As discussed later in this response, the GCC has a complex web of regulations and consumer expectations that UK businesses may be unfamiliar with, so initiatives such as the DIT Export Support Service are helpful and can be built on. This is particularly relevant for supporting SMEs to export more as they are unlikely to have dedicated export personnel.

12. On average the region imports around 90% of the food it consumes; low water availability, an arid climate and a shortage of arable land mean domestic production is very challenging. The UN estimate that by 2025 all GCC countries will experience severe water stress[5]. Domestic production of dairy, poultry and protected horticulture (i.e. production in glass houses) is increasing in a bid to increase the regions self-sufficiency but it is starting from a very low base and domestic production growth is ultimately limited by water availability. The reality is that the region will always be reliant on imports of food and drink making it an attractive market for UK agri-food products.

13. Currently as there is no FTA in place, the UK and GCC countries trade on WTO terms. The GCC is a customs union and as such, has a common external tariff although there are some exceptions where a member has an interest in domestic production (generally outside of agriculture). Tariffs on UK agri-food products entering the region are set relatively low at either 5% for most products including frozen meat, dairy and processed products or 0% for fresh meat and some but not all, fruit and veg.

Areas of priority for UK negotiators in negotiations with the GCC

14. **Eliminating tariffs** – as mentioned tariffs on agri-food products entering the GCC market are relatively low. That said, in any trade negotiation UK negotiators should seek elimination of tariffs where they exist. The GCC is currently in the process of negotiating trade agreements with several partners including the EU and Australia, as a result it would place UK exporters at a

[5] https://www.fao.org/3/cb4070en/cb4070en.pdf

competitive disadvantage if these other partners were able to secure tariff elimination and UK did not.

15. **Reducing non – tariff barriers (NTBs):** with relatively low tariffs it is the non-tariff barriers which pose the biggest challenge for UK exporters when accessing the GCC market. In the recent DIT consultation document the government note that in total, the GCC has 955 SPS measures and 3,823 TBT measures compared to the UK's respective 4 SPS and 56 TBT measures. Complying with the myriad of non-tariff measures is time consuming, complex and ultimately adds cost to UK exporters. To ensure UK businesses can make the most of the opportunity the GCC market presents, negotiators should seek to reduce barriers and streamline market access procedures.

16. The national standards bodies of the six GCC countries and the Yemen work together to establish and adopt common standards through the Gulf Standardisation Organisation (GSO). The GCC is not a single market and as such, in addition to anything agreed at GSO level all the members retain the authority to develop and implement their own national legislation. In theory, GSO draft regulations and standards are notified to the relevant WTO committee and once a new standard is approved by the GSO Board of Directors it is implemented in each GCC member country. However, the reality is very different and GCC countries tend to have different timescales for implementation of regulations (if they are implemented at all) and there is no common enforcement regime. In practice this means that the six member countries have different regulations to navigate which not only increases the paperwork burden on exporters, but also increases the cost of the product to GCC consumers. It also creates logistical challenges for UK exporters as product will need to comply with different regulations across the bloc which reduces flexibility when exporting (i.e. the exporter needs to know exactly which country in the bloc its product is destined for).

17. The GSO also suffers from an acute lack of transparency which makes it difficult for exporters to navigate and understand the requirements of its markets. The GSO standards are kept behind a paywall which makes it difficult to know which standards need to be applied to which product. This issue is particularly problematic for processed products which will need to comply with multiple regulations governing everything from labelling to packaging. The GSO publishes draft standards but does not publicly confirm if they have been approved by the members or if the draft dates for implementation have been met. This makes it difficult for exporters to understand which standards are in place and can lead to rejections or delay at the border. There are also examples of legislation changing overnight or whilst goods are in transit, the poses significant risk for exporters especially if trading in short life perishable products. UK negotiators should use the FTA talks as an opportunity to push for transparent, uniformly applied and predictable import procedures and requirements.

18. All products exported into the GCC need to be individually registered with each member country. As registration happens at a product level this means every bar code must go through a separate process for each country. This also means the same product in different sizes (e.g. 100g containers and 500g containers) must be registered separately. This creates an extra hurdle for exporters and reduced flexibility as without the correct registration, product will be rejected at the border.

19. There are also restrictions on which companies are allowed to import into the GCC. For example, in the UAE only companies which have at least 51% UAE ownership, can obtain a licence to import goods. This licensing requirement does not apply to goods imported into free zones (the UAE version of freeports) of the country. Whereas, in Kuwait Importers must be citizens of Kuwait, or be Kuwaiti-based brokers and are required to register with the Ministry of Commerce and Industry in Kuwait. If granted, import licences in Kuwait last one year. Again, this places extra administrative burden in exporters which increases cost and can make importing into the region logistically challenging.

20. **Labelling** – the GCC has complex and very strict rules around labelling of product. As mentioned previously, it is difficult for exporters to understand the exact labelling requirements, in part because GSO standards are not publicly available but also because some GCC members apply their own requirements on top of GSO requirements. Across the GCC it is mandatory for labels to be either in Arabic or accompanied by an Arabic translation on the pack. If stickers are used to display any information, they must be affixed prior to export and must be approved by the relevant GCC national body. The GCC also has prescriptive rules on nutritional labelling and from January 2022 the UAE will introduce mandatory traffic light labelling for all pre-packaged foods. Whilst the likelihood of changing these requirements is low, the UK should seek to streamline the process of approval, should seek alignment on requirements between GCC members and should request greater transparency for requirements e.g. one central GCC store of regulations.

21. **Shelf life** – GCC countries set prescriptive rules on shelf life of products. Taking labelling first, all products must be marked with the date of production and the date of expiration. These dates must be either engraved, stamped with permanent ink directly onto packages or displayed on the original label. The GCC does not permit the use of stickers for adding either of these dates onto product.

22. Unlike other international trading partners, the GCC also prescribes in legislation what the maximum shelf is for certain products. Any meat exported into the GCC must have at least 50% of its shelf life remaining which can pose a challenge for UK exporters. As a result, the majority of the meat exported from the UK to the GCC must be air freighted and although the region is well serviced with direct flights from the UK, it is much more expensive than sea freight. This in turn, reduces competitiveness of UK product compared to other suppliers who are able to ship goods due to longer shelf lives. For example, in recent years New Zealand has improved their competitiveness in fresh lamb exports through investing significantly in processing and transport. “Super chilled” container ships extend the lamb’s shelf life from 28 days to 60 days. By comparison, HCC / Meat Promotion Wales has started investing in using these innovative methods in the processing and production of Welsh lamb and has achieved a 16% (5 day) improvement resulting in a shelf life of 33 days. To make the most of the opportunity the GCC market presents, the government should commit to working with industry to improve the shelf life of British product to make it more competitive.

23. **SPS** – the NFU strongly believes that in all FTA negotiations the UK should retain it’s right to regulate as set out under the WTO SPS agreement. The NFU is not opposed to the principle of establishing a mechanism by which parties can agree equivalence in the future. However, we believe any agreement on equivalence should be agreed on a case-by-case basis and not up front in an FTA. In line with the agreement the UK has struck with Australia and New Zealand, we believe the SPS chapter should not be subject to the dispute settlement mechanism in any FTA. Instead, parties should try and settle disputes on SPS through the committee structure likely set out in the FTA and if this is not possible, the WTO should be the final arbitrator. The NFU strongly believes our domestic SPS regime should not be subject to negotiation.

24. Product entering Saudi Arabia from New Zealand is subject to fewer controls as they have negotiated a memorandum of cooperation which verifies New Zealand's food standards with Saudi food standards. This is a good example of how cooperation on SPS issues can work outside of an FTA and the NFU would support the replication of something similar for the UK. As with most international markets products entering the GCC must be accompanied by a health certificate and must enter through a Border Inspection Post for checks, including laboratory tests if deemed necessary. In the past GCC countries have introduced regulations without notifying the WTO. Many have also been accused of making regulations which are not based on science or evidence. UK negotiators should focus on ensuring the SPS chapter provides for trade which is predictable, transparent and any checks should be based on risk.

25. Any FTA with the GCC should seek to recognise regionalisation. This is a recognised principle by the WTO and OIE which allows trade to continue from areas outside of the zone surrounding a disease outbreak. Currently this is particularly relevant for the poultry sector given the prevalence of Avian Influenza (AI), but the principle is applicable to other notifiable diseases. In the past GCC countries have taken different approaches to applying the principle, with some members such as Saudi Arabia imposing whole country bans as a result of disease outbreaks and others such as UAE applying regionalisation (as it did for the UK following the 2016 AI outbreaks). Currently, the EHC for sending UK produced poultry meat to Saudi Arabia is suspended in light of the current AI outbreaks. UK negotiators should seek to ensure the SPS chapter recognises regionalisation and critically, there should be commitment from all GCC members to apply it in a uniform, predictable and least trade restrictive way.

26. **Halal** – the GCC members are all Islamic nations and as a result, there are strict rules governing the importation of products of animal origin. The Islamic faith prohibits the consumption of pork and importation of pork is banned in all GCC members bar UAE. Pork imported into the UAE is covered by heavy restrictions, it must be clearly labelled and sold in areas marked “non-Muslim” in the supermarket. Pork is generally never found on menus in hospitality or food service. All other meat and dairy entering the GCC must be halal, even if it is likely destined for non-faith consumers. The GCC has a common standard on halal which it applies but importers must be registered in each member state.

27. The requirements for halal are outlined in various religious texts and decrees, but are interpreted at an individual and community level, with respected Imams or Scholars pronouncing on the matter at relevant times. Halal certification bodies, often working internationally, are third party organisations attesting to halal standards of products and their production, including slaughter methods, ingredient origin or processing techniques (e.g. alcohol extraction of flavourings). The certification organisations respect and incorporate the views of trusted scholars into their assurance standards and seek to align these with particular markets in Muslim majority nations. Depending on the position of the certification body and their scholars/intended markets, the assurance body may or may not accept reversible stunning methods to be used in the slaughter process. This position is founded in the hitherto lack of capacity to assure that the stunning method doesn’t kill the animal before the prayer and cut, a fundamental requirement for halal, rather than a preference for animals to be slaughtered whilst conscious.

28. The UK is now in a position to demonstrate assurance of halal acceptability of stunning methods in the UK through a new DEFRA supported protocol, endorsed through participating halal certification bodies. Muslim majority countries are already familiar with similar systems applied in New Zealand processing and it is they who tend to lead the way on international standards and those of other countries in the region. There are in excess of eighteen halal certification bodies in the UK, but only a handful of them are accredited to issue halal export certificates to countries in the GCC .

29. The NFU has several suggestions for ways the government can help support the halal market at home and abroad. This includes:
    a. further endorsement and support of the Demonstration of Life protocol, working with the food and farming sector to extend its use to other species when appropriate slaughter systems are in commercial operation
    b. recognition and support for the commercial mechanisms already in play within the sector which drive demand for assured halal products, without need for regulatory intervention
    c. engagement with the food industry and halal sector representatives to establish a forum for recognition and development of halal standards
    d. exploring potential for extension of government-supported assurance to wider aspects of food quality through a halal stakeholder forum. This would have a positive effect on domestic and international confidences in halal standards and would likely reduce incidence of halal food fraud reporting – one of the most significant areas of growth for food-crime. We have recommended that the New Zealand ‘Halal Notice’ is a strong

example of how government recognition of food quality assurance standards can underpin substantial international trade opportunities.

30. **Agritech and genetics** – as mentioned countries in the GCC are trying to grow their domestic production base which creates opportunity for UK agri-tech, expertise and genetics. The UK is recognised as a global hub and is well placed to export genetics from across the species to the region. For example, Saudi Arabia is aiming to become 100% self-sufficient in poultry meat, but to do this it will need access to new and productive breeding stock. It is estimated that 70% of the worlds broiler production derives from UK genetics meaning our breeding companies are perfectly placed to help Saudi reach this goal. The UK bioscience and more specifically agricultural science sector has a lot to offer GCC members. As their agriculture sector becomes more commercial there may be opportunities to collaborate on areas like resource efficiency (especially water) and climate adaptability. Agriculture around the world relies on innovation to tackle the challenges it faces and the NFU would encourage UK negotiators to explore ways in which any FTA can be used to support innovation.

31. **Geographical Indicators -** The NFU supports maintaining a system that protects current UK GIs and develops new ones to safeguard and promote high value products. The UK has over 70 GIs on agricultural products such as West Country Cheddar, Welsh lamb or Stilton cheese and we believe ensuring they receive protection in any future trade deal must be a priority for the government.

Sector analysis

32. **Beef** – The UK currently has an Export Health Certificate (EHC) in place to export beef to UAE and Qatar, the other four members of the GCC currently ban British beef exports. The region is highly reliant on imports for beef, the UAE, Kuwait, Oman, Qatar and Bahrain import almost all the beef they consume. In Saudi Arabia, generally over half of beef consumed is imported, with the rest coming from both live imports and local production. Across the GCC region consumption of beef is forecast to grow, largely driven by increasing disposable incomes, ongoing urbanisation, changing diets, sizable wealthy expatriate populations and an expanding tourism sector[6].

33. As demonstrated with consumption increasing there are significant opportunities for British beef exports. Although the UK has a higher cost of production compared to the major suppliers, there is good recognition of “Brand Britain” in the market and the high levels of food safety, traceability and heritage all act as valuable selling points for British beef. However, all of the beef exported to the GCC region must be halal which poses a particular issue for the UK as currently less than 1% of UK beef is certified as halal. Market insight suggests that halal ‘British beef’ has been an interest for domestic retailers in the GCC for some time, as much for the large expat residents as for the indigenous population.

34. To overcome this barrier, we have requested that the government explore practical application of current legally permitted and reversible stunning methods suitable for halal beef in UK slaughterhouses. Presently, though permitted, they are not in practical use in the UK due to operational and technical concerns, nonetheless the systems are used elsewhere in the world without compromise to animal welfare (e.g. New Zealand).

35. **Lamb -** The UK currently has EHCs in place for all six GCC countries for sheepmeat and over the last three years, has exported product to every member. Figures from HMRC show that between 2018 and 2019, there was a 301% increase in the volume of UK lamb exported to the Middle East from animals that were stunned prior to slaughter, in compliance with the relevant halal standards. The volume of fresh and frozen sheep meat exported to the UAE alone increased from 112 tonnes in 2019 to 853 tonnes in 2020[7]. Currently fresh product can enter the

[6] https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/os-markets/export-statistics/november-2021/2021-mena-market-snapshot-red-meat_111121_distribution.pdf

market tariff free but frozen product attracts a 5% tariff, removal of this tariff should be a priority for UK negotiators.

36. There is a strong tradition of consuming sheep meat in the region and demand continues to grow. An increase in per capita consumption of sheep meat is projected, with demand growth tightly linked to the oil market, which heavily influences both the disposable income of the middle class and government spending patterns[8]. To put this into perspective, per capita consumption of sheepmeat in Kuwait is 9kg/head/annum, 11.8kg/head/annum in UAE and 12.3kg/head/annum in Qatar[9]. This compares to the UK where consumption of lamb has fallen by 80% since 1980. There is significant demand for both mutton and lamb in the GCC countries, although demand for premium fresh lamb is increasing especially amongst younger sections of the population and wealthy expats. Aside from the usual consumption of meat, consumption peaks around the three key Islamic festivals: Ramadan, Eid-al-Fitr and Eid-al-Adha / Qurbani. These festivals usually include family and community events and celebratory meals, in which meat typically features heavily.

37. The main supplier to the GCC market is Australia followed by New Zealand. Alongside lower cost of productions compared to the UK, the sheepmeat from both countries has a longer shelf life which, as discussed earlier, is an important factor when exporting to the GCC market. AHDB[10] note that shelf life is a limitation on UK product and competing southern hemisphere suppliers can supply sheepmeat with a shelf life up to 120 days, due to exceptional hygiene processes and different shipping conditions, compared to a UK average of around 40 days. Improving UK shelf life of fresh product is an ongoing challenge, producers and hauliers have a role to play in ensuring clean animals are presented for slaughter, but the main investment is required at the point of processing including in lairages. In the short term, shipping more frozen lamb would also help mitigate the shelf-life limitations. Although not such a high value product there is opportunity to supply it into the food service market. In FTA negotiations with the GCC, the UK should look to secure the removal of the 5% tariff which is applied to frozen lamb. In addition, to ensure the UK is "match ready" to make the most of these overseas opportunities and the government should commit to working with industry in a tangible way to improve competitiveness of British lamb exports. This should include the government, FSA and industry working together to ensure official controls are fit for the future and allow the UK red meat sector to adopt the latest technologies than can drive efficiency and improve product quality such as longer shelf life.

38. Historically the UK has exported around one third of lamb produced with the vast majority (generally over 95%) destined for the EU. The UK sheep sector is keen to ensure it has access to a diverse portfolio of outlets as reducing the sectors reliance on one trade route will help build resilience. Although UK product is unlikely to compete with Australia and New Zealand on price, there is increasing demand for British lamb in the GCC as it is already recognised as a high-quality and versatile product. To build on this recognition, targeted market development and promotion will be vital to grow the UK's market share. Large expo events are an important aspect, but relationships are key to doing business in the Middle East and smaller events which connect exporters with consumers are equally as important. The recent joint trade mission organised by AHDB and DIT is a good example of this and is something the NFU supports. It

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7 https://projectblue.blob.core.windows.net/media/Default/Beef%20&%20Lamb/HorizonOppsSheepSector4196_260321_WEB.pdf

8 https://projectblue.blob.core.windows.net/media/Default/Beef%20&%20Lamb/HorizonOppsSheepSector4196_260321_WEB.pdf

9 https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/os-markets/export-statistics/november-2021/2021-mena-market-snapshot-red-meat_111121_distribution.pdf

10 https://projectblue.blob.core.windows.net/media/Default/Beef%20&%20Lamb/HorizonOppsSheepSector4196_260321_WEB.pdf

gave five UK lamb exporters the opportunity to meet fifteen of the key buyers to understand their requirements and to build relationships[11].

39. All the sheepmeat exported to the GCC must be halal. As mentioned earlier, the UK can now demonstrate assurance of halal acceptability of stunning methods in the UK through a new DEFRA supported protocol, endorsed through participating halal certification bodies. This places the UK is a good position to supply the GCC, as quality assurance in this market equates to halal. UK officials with “boots on the ground” based in the Gulf have an important role to play in supporting UK companies and building confidence in stunning for halal buyers. In this respect given it is vital that the agri-councillor (and their team where applicable) is equipped with training or specialist knowledge in this area.

40. **Poultry -** The UK has EHCs in place to export poultry meat to Saudi Arabia, Qatar, UAE and Bahrain. The remaining two countries of Kuwait and Oman still ban British poultry exports. The GCC is currently reliant on imports and in 2019 the UAE imported $80.4 billion[12] of poultry products (excluding eggs) with 70% of this coming from Brazil. There is domestic production of poultry in the region and Saudi Arabia is currently around 60% self-sufficient[13], with production expanding it hopes to reach 100% self-sufficiency by 2030. In 2018 the UK exported 464 tonnes of poultry meat to the region worth £181,000 and the majority of this was destined for the UAE.

41. The UK is around 63% self-sufficient in poultry meat, making it a net importer. More than half of the meat consumed in the UK is poultry and the sector continues to grow both consumption and production. As in other livestock sectors carcase balance is an important dynamic in poultry meat markets. The UK consumer prefers white poultry meat (chicken breast) to dark poultry meat (legs and thighs), meaning we tend to export dark meat and import white meat. As a result, the UK poultry meat sector is particularly supportive of the government opening up new outlets for dark meat which in turn can help balance the carcase for UK producers.

42. As with other meats, all poultry exported to the region must be halal. The current GCC standards for poultry meat require non-stun product which is a barrier for the UK as most birds killed in the UK are stunned prior to slaughter. The International Poultry Council has been trying to make progress in persuading the trading block to amend its halal standards to allow stunned product but as yet, the GCC has not agreed. Until this requirement is removed, there will be limited opportunity for UK poultry meat in the GCC market. The NFU supports this work and believes UK negotiators should as part of any FTA negotiations, explore what might be possible in this area. If the halal requirements were amended, then there would be opportunity for UK poultry meat, where reversible stunning methods are used.

43. **Dairy** - The UK currently has EHCs in place for all six GCC countries for dairy products and over the last three years, has shipped product to every member. The GCC countries are huge importers of dairy and consumption continues to grow due in part to rising disposable incomes in the middle class but also the ever-expanding hospitality sector. Currently the UK faces a 5% tariff on cheese and other dairy products entering the GCC market. UK negotiators should prioritise the elimination of these tariffs in any FTA negotiated with the bloc.

44. Within the GCC, the UAE is an important market and in 2019 it imported $1.4bn worth of dairy products, of this 29% came from the EU and 26% from New Zealand. It is an important market for UK dairy and in in 2018, the UK shipped 2,400 tonnes of cheese to the UAE which is up from 1,200 tonnes ten years earlier. Most of the cheese imported into the UAE from the UK is cheddar (mild cheddar is the preferred product) and a small amount of goat’s cheese . Although volumes

[11] https://foodvoices.co.uk/mission-to-the-uae-to-explore-opportunities-for-uk-red-meat/

[12] https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Exporter%20Guide_Dubai_United%20Arab%20Emirates_12-31-2020

[13] https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Saudi%20Arabia%20Drastically%20Reduces%20Poultry%20Imports_Riyadh_Saudi%20Arabia_06-09-2021

are relatively modest compared to other markets there is significant potential to grow exports. Many well-known UK brands already have a strong presence on supermarket shelves in the UAE particularly in UK influenced retailers such as M&S and Waitrose and UK products are generally respected and recognised as being of a high quality.

45. As mentioned previously it is the non-tariff measures rather than the headline tariffs which cause the largest trade barrier. The heavy administrative burden of labelling, product registration and other requirements increases the cost of exporting to the region. When cheese prices are high, these costs are more easily absorbed but when prices drop British exporters cannot compete and the cost of compliance erodes profit margins. UK negotiators should seek to agree mechanisms within the FTA which reduce the burden of compliance.

46. **Crops** - The GCC is a net importer of cereal products and as the figures in Annex 1 table 1 show, the region is a small but growing market for British cereals and malt exports. In particular, the export figures for UK barley exports stand out and in 2020 the UK exported 66,000 tonnes. Saudi Arabia is one of the largest importers of barley in the world, importing mostly feed grade product for use as animal feed. The GCC sets tariffs on wheat, barley and oats at 0% but the tariffs on malt are set at 5%, UK negotiators should pursue the elimination of this barrier.

47. On April 15, 2021, the Saudi government fully implemented its November 2020 decree to privatise the importation and distribution of barley. In the future Saudi imports of barley are expected to drop, as consumption of more locally produced feed ingredients is expected to increase but this depends on its price competitiveness. Since the market is for bulk commodity product it is very price driven and the principal suppliers vary depending on market conditions. In the past, Ukraine, Russia, Australia, the US and the EU have all been major suppliers to the Saudi market. If the UK exports to Saudi Arabia it tends to be in big bulk shipments, which means it is only possible in years the UK has an exportable surplus and the price is right. However, the establishment of the FTA could provide the impetus for more regular shipments from the UK.

48. **Horticulture** - As a whole the region is reliant on imports of fruit and vegetables, but domestic production is increasing primarily using glasshouses. To support domestic industry, some GCC countries impose restrictions which require supermarkets and other retail outlets to stock a certain percentage of domestically produced fruit and vegetables. The GCC market is highly competitive with every large fresh produce exporting country accessing it. The UK does already export some fruit and veg to the region as Annex 1 shows, although seen as expensive British produce is generally seen as good quality. The majority of fresh produce is air freighted into the region, but transport time and the time taken to clear the border (customs and SPS checks) are a limiting factor for UK exports of perishable fresh produce. This ease and speed at which legislation can change in the region is another challenge, particularly for fresh produce exports which are perishable and so there is a high risk of wastage if shipments are rejected at borders. UK negotiators should focus on reducing these non-tariff barriers in place, including looking to expedite border procedures to allow perishable products to get into market quicker.

49. The UK also exports seed potatoes to the GCC and volumes are growing year on year, with Saudi Arabia being the main recipient. UK seed potatoes are well regarded for their high health status and are demanded all over the world. Currently the UK is banned from exporting seed potatoes to the EU and while negotiations continue, the development of alternative outlets and promotion of UK product in new markets is vital to maintaining the sector’s ongoing success.

50. **Sugar** - The region is a net importer of sugar and sugar confectionary. Any opportunity for UK exports of sugar will be for processed or finished products such as sugar confectionary and chocolate. For example, the UAE confectionery market is growing at a rate of between 5 – 6% per annum and a wide range of UK products are already available in most of the leading retailers and convenience stores. Most UK products are imported on a direct basis to the UAE from the UK, but some are manufactured in other MENA countries like Egypt. In the UAE market the UK

has a good reputation for confectionery products, especially those that come straight from the UK which are seen as being “the real thing”. The UK is one of the most efficient sugar producers in the world and the sector supports thousands of jobs in the East of England. In order to ensure any opportunities for UK exports of confectionery return value to UK producers, the rules of origin chapter should encourage the use of originating sugar (i.e. UK produced beet sugar). In practise this means setting thresholds for non-originating sugar by weight and at a level which requires the use of domestically produced sugar.

Stakeholder engagement and Parliamentary scrutiny

51. The committee asked for views on the governments approach to consultation and stakeholder engagement. The NFU believes that stakeholders should be actively consulted and kept abreast of developments prior to the commencement of, and throughout, any negotiations. The government has established a number of forums for stakeholder engagement, including Trade Advisory Groups. The NFU welcomes these important bodies but is yet to be convinced that they achieve the degree of engagement and co-operation between government and stakeholders that is required, and that is often the norm in other countries around the world. The recent Australia/UK Agreement in Principle provides a case-in-point, where the details of the significant tariff concessions conceded by the UK government had not been properly shared, tested or interrogated for their impact by affected domestic stakeholders before they were announced as part of a largely “done deal”. Indeed, the details of these concessions were first encountered by UK organisations such as the NFU when they were published by the Australian government.

52. The NFU also believes that early and ongoing engagement on trade negotiations between government and Parliament is crucial in concluding trade agreements with widespread support and a high degree of legitimacy. One of the lessons of the debates over the recent EU referendum is that the UK public have felt excluded from those making political decisions on issues that affect their day-to-day lives - hence the resonance of the message that Brexit means “taking back control”. The exclusion of Parliamentarians from the process of negotiating trade deals that can have a big impact on people’s lives risks further exacerbating these concerns if future trade deals impact negatively on some sections of society.

53. The NFU believes that Parliament should be consulted at the beginning stages of the treaty process, to respond and voice their concerns when the objectives for negotiations are set. Consultation with Parliamentary Committees and national Parliaments is used both regarding the United States Congress and the European Parliament, which increases scrutiny and transparency in deals struck by their executives. For example, the government has tended to publish scoping assessments – or impact assessments - at the commencement of FTA negotiations. However, as they are released alongside the mandate and in tandem with talks being launched, there is no opportunity for parliament or stakeholders to scrutinise the details. Parliamentary scrutiny needs to form the basis of a mandate being created ahead of talks commencing.

54. In summary, the NFU believes there are a number of measures that should be introduced to improve the scrutiny of trade deals and accountability to Parliament:
    a. Parliament should have a “yes/no” vote following debate once a finalised Treaty has been agreed by the UK government to decide whether that treaty as drafted should be ratified or not. Furthermore, Parliament should agree to the negotiating mandate before negotiations commence and should be kept updated and consulted throughout the negotiations.
    b. The devolved administrations should also be consulted throughout the negotiating process, including with respect to draft texts of agreements.
    c. Stakeholder engagement should involve a higher degree of information sharing, under Non-Disclosure Agreements only where necessary, to ensure proper two-way communication throughout negotiations prior to trade deals being signed.

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d. Comprehensive economic impact assessment should be published prior to negotiations starting

55. The UK Government should maintain an ongoing review programme of all FTAs as they are implemented and through the lifetime of the agreements. This should include a regular assessment of agri-food imports and exports under individual FTAs, looking at the associated effect on domestic prices and levels of UK self-sufficiency and changes in market penetration for UK exports. It should take into account the cumulative impact of each additional FTA as they are agreed and implemented. This will give reassurance to farmers that there is a solid evidence-base to develop domestic and trade policies dynamically as our new FTAs come online to help industry adapt and adjust as necessary.

56. In addition, the NFU would stress the importance of maintaining good lines of communication between the UK and the devolved governments with respect to UK negotiations, not least because many of the obligations that a concluded trade deal will give rise to will need to be delivered, implemented and overseen at a devolved level. This is particularly true in relation to agricultural and environmental matters. The UK economy is not homogenous. For example, the Welsh economy differs from the wider UK economy in that trade with the EU accounts for 61% of its exports, compared to 43% of the UK's exports in 2019. Ensuring that devolved interests inform the UK negotiating position should help identify, avert, and minimise negative impacts that could stem from proposed trade deals as regards their impact on regions of the UK.

57. Whilst the UK Government is responsible for international relations and treaty making, the devolved administrations (DAs) and legislatures are likely to have at least some responsibility for the application, administration, scrutiny, and oversight of the obligations that trade agreements give rise to. It is our view that the Welsh Government and the Senedd ought to have an appropriate degree of involvement by being sighted of relevant documents ahead of such agreements being entered into, as well as the development and approval of implementing legislation which underpins concluded trade agreements. This should include involvement in developing the UK's negotiating mandate and in scrutinising trade negotiations. The NFU does not represent farmers in Scotland or Northern Ireland, but by extension we believe that this approach should be reflected across all constituent parts of the UK.

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Annex 1

Table 1 – UK exports by value and volume of key agri-food products to GCC

Product	2018		2019		2020	
	Value (£)	Volume (T)	Value (£)	Volume (T)	Value (£)	Volume (T)
Beef (0201 & 0202)	102,092	7	2,167,791	415	858,065	105
Sheepmeat	377,342	68	2,837,832	483	11,222,081	1,694
Poultry meat (0207)	451,786	464	62,411	51	181,000	44
Pork (0203)	435,978	220	2,309,767	414	1,276,225	203
Cheese (0406)	20,905,947	4,712	21,602,448	4,621	15,965,070	3,697
Butter (0405)	3,30699	859	3,563,692	1,042	3,667,459	1,126
Tomatoes (0702)	2,428,969	1,284	2,150,606	1,102	866,102	381
Onions (070310)	24,211	38	95,443	160	369,065	677
Apples (080810)	45,529	45	776,344	790	1,029,372	1,094
Fresh & frozen summer fruits	180,985	12,780	44,115	7,900	434,695	102,159
Potatoes (0701)	1,448,961	2,732	2,006,373	3,329	2,575,337	5,397
Oats (1004)	160,370	67	48,702	11	281,298	251
Barley (1003)	4,448	1	8,742,517	62,659	9,606,000	66,000
Wheat (1001)	57,335	38	7,523	0.02	4,91,406	544
Malt (1107)	398,416	286	564,372	427	715,738	467

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