
Report to: Business, Innovation and Growth Panel

Date: 25 February 2021

Subject: **EU Exit and future trade policy**

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1. Purpose of this report

- 1.1 To provide an update on EU exit, covering three main sections: current intelligence on the implications of the EU-UK Trade and Cooperation Agreement (TCA), relevant business support available through the Leeds City Region Enterprise Partnership (LEP), and emerging areas for discussion related to future EU-UK relations and trade policy.
- 1.2 The BIG Panel are asked to consider the content of the report and provide their input particularly to future prioritisation of activity.

2. Information

Implications of EU exit and EU-UK Trade and Cooperation Agreement (TCA)

- 2.1 The transition period of the UK's exit from the European Union ended on 31 December 2020 and the two parties agreed a Trade and Cooperation Agreement (alongside several separate agreements on individual topics). A paper outlining the key implications of the Agreement was presented to the LEP Board on 21 January 2021 (see background documents).
- 2.2 The LEP and West Yorkshire Combined Authority have been engaging with businesses and partners across the region to understand the immediate implications the Agreement. Key feedback has been:
 - The full impacts will take time to come through - with many businesses making arrangements before the New Year to conduct business before the changes at borders, or delaying trade to understand new procedures from 1 January.
 - Requests for support being received by business membership bodies are complex, and often refer to specific challenges in relation to

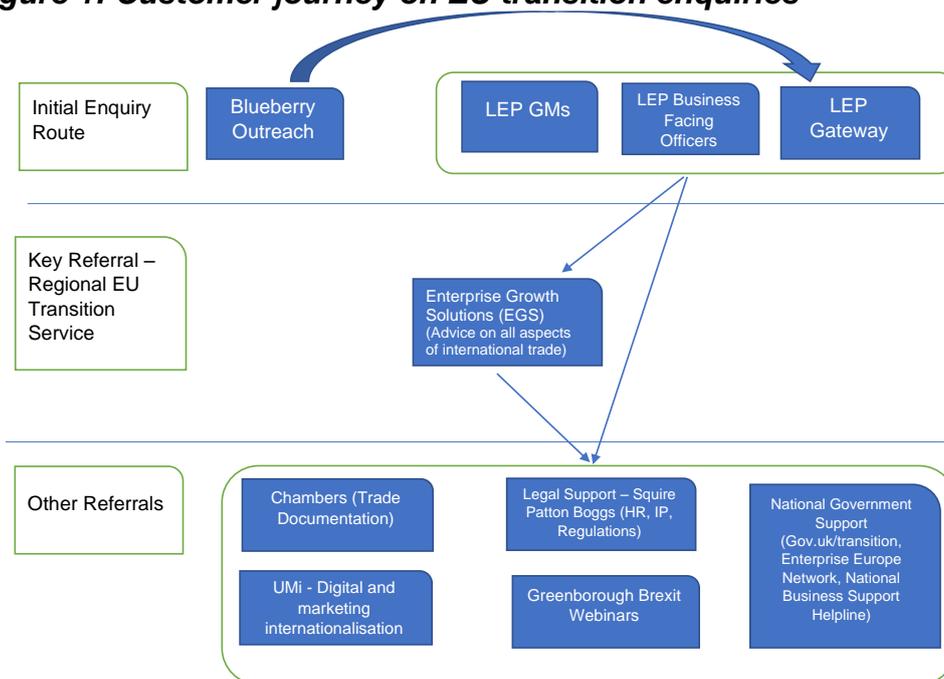
compliance, certifications and financial arrangements for products being traded with the EU.

- Rules of Origin issues and VAT compliance are reported most frequently as issues that businesses require support with.
- The impact of increased compliance paperwork and delays in movements of goods are impacting particularly (but not exclusively) on trade in fresh produce.
- There are issues in relation to the availability of skilled trade advisors and freight forwarders, which, anecdotally, is feeding through into increased costs for these services.
- There is a large amount of detail and support being made available, but it is not straightforward to navigate, and the LEP has a clear role to play, particularly through communication and signposting.

Business Support for EU Exit

2.3 The LEP, in its role as the region’s business support hub, is seeking to be the key co-ordinating body for all EU-exit related business issues. To ensure that businesses can access the most relevant advice and support available, the Combined Authority and LEP are working with partners at national, regional and sub-regional level, including the Department for Business, Energy and Industrial Strategy (BEIS), the Department for International Trade (DIT), Innovate UK (EDGE), West Yorkshire Consortium of Colleges and business representative groups. The diagram below demonstrates the approach being used through the Business Support Service of the LEP to signpost and triage businesses. The following sections provide additional detail on some of the support that is being made available through that process.

Figure 1: Customer journey on EU transition enquiries



National support

- 2.4 The LEP is signposting to relevant national initiatives that support businesses in transition:
- **National Business Support Helpline** - offers free advice and guidance to new and existing businesses.
 - **Innovate UK Edge** - support for businesses with information about the regulatory and procedural changes
 - **Online webinars** – being run by departments such as HMRC, DEFRA and DIT on key topics for EU transition

LEP/Combined Authority support

- 2.5 A number of critical business support activities have been mobilised by the Combined Authority. At a regional level, the LEP is playing a central role as the lead for the Yorkshire and Humber Growth Hub Cluster and has commissioned additional activity following the provisional allocation of c£250,000 from BEIS in late December 2020.
- 2.6 **EU Transition Support Service** being delivered by Enterprise Growth Solutions (EGS), providing one-to-one advice and support for businesses, via a dedicated team of experts, on any issues related to the impact of the TCA. The service will initially be in place until the end of March 2021 and will complement the export support activities already being delivered by EGS (through its contract with DIT), and the broader support available from the Business Support Service. 115 businesses have been supported to date, with 27% of these receiving under an hour of support, 42% receiving 1-2 hours, with the remaining 31% receiving more than 2 hours of support.
- 2.7 **Telemarketing outreach service** being delivered by Blueberry. This will complement and guide businesses towards the Support Service. Partnering with York and North Yorkshire LEP, it commenced in January 2021 and involves proactive targeting of businesses to offer help and advice. There have been 198 business referrals to date, 72 of which are EU exit referrals (46 of the 72 are interested in both EU exit support and wider Growth Hub support)
- 2.8 **EU Exit Legal Clinic** being delivered by Squire Patton Boggs. This will provide advice and support to businesses on issues related to contracts and terms (with customers, suppliers, employees and landlords), intellectual property rights, data protection, data storage and retrieval, and any other relevant matters in need of legal advice. There have been three enquiries since the service started on 22 January 2021. More promotion is being done.
- 2.9 **Support to internationalise web and social media presence**, being delivered by UMi Commercial. This is to help businesses access new customers and markets. Delivery begins 23 February 2021 with the first webinar, then two webinars a week to end of March. Target of 150 businesses

- 2.10 **Assessing the impact of EU exit on international trade (funded by DIT)** being delivered by KADA research and due to be completed by March 2021, it focusses on two key areas of work; a programme of business engagement to understand impacts on the ability of businesses to trade internationally, and a series of workshops bringing together relevant experts with local businesses to address the key issues identified. Interviews with both businesses and stakeholders are currently underway.

Chamber / business representative group support

- 2.11 In addition to the commissioned regional activity, the LEP is supporting the City Region's two Chambers of Commerce (West & North Yorkshire via its trading arm for international trade, Chamber International, and the Mid-Yorkshire Chamber of Commerce) to build capacity to provide specialist support for traders on the new import and export documentation, and regulatory requirements, responding to ongoing high demand.
- 2.12 The support provided by the Chambers, available to both members and non-members, will complement that of EGS via the regional service, which will handle the less intensive and more transactional enquiries from businesses, referring more detailed and resource-intensive ones to the Chambers.

Chamber International Businesses supported to date: 121

Mid-Yorkshire Chamber of Commerce Business supported to date: 53

(delivery began 22 January 2021, figures backdated to December 2020)

Future EU-UK relationship and trade policy – developing a Leeds City Region perspective on what next.

- 2.13 This section covers a number of areas of developing thinking regarding what the implications and opportunities of EU exit mean for the Leeds City Region. Other parts of the UK are already developing their own strategies for trade, including The Scottish Government Vision for Trade published in January¹, and there could be value in exploring priorities at the Leeds City Region level. The first part of this is to consider the short-term support needs of businesses, and how this can be provided by the LEP. The second part considers the UK's future trade targets and what priorities might be from a Leeds City Region perspective. The third part then turns to the domestic trade support infrastructure to support a future UK trade policy.

Short term business support needs

- 2.14 As was highlighted at the start of this report, at a Leeds City Region level we are already gathering significant intelligence on the immediate implications for businesses of the changes to the UK's trading relationships with the EU. Whilst some implications are likely to be resolved through one-off actions (re-negotiation of a contract, acquiring a license, applying the right commodity code), others could potentially require much more complex decisions, impacting on supply chains, business locations or subsidiaries and in some

¹ <https://www.gov.scot/publications/scottish-government-vision-trade/>

cases even underlying business models.

- 2.15 From evidence collected to date, it is thought that the following areas are likely to continue to require business support at least to the end of Q2 2021:
- Trade documentation on existing imports and exports with the EU (and ongoing related to new products) and on customs compliance
 - VAT, tariffs and other accounting matters as a result of trading in goods and services with the EU
 - Legal advice related to contracts, terms, data and intellectual property
 - Support to find trade advisors and freight forwarders
 - In depth support related to major business decisions – including onshoring production and supply chains or establishing EU subsidiaries.
- 2.16 Whilst much of the support referenced in the second section of this report is intended to meet the demand in these areas, the current Government funding only runs to the end of March 2021. The LEP is exploring how the available support could be extended beyond March, however this is dependent on securing funding and agreeing extensions or new supplier contracts.

UK future trade targets

- 2.17 Although no written policy has been produced by Government on future trade targets, the recent 'Global Britain' debate in the House of Commons and announcements in relation to renewing existing deals secured as EU members and future deal priorities provide some idea of where future policy might lead. For Leeds City Region, it is important that we look to develop a clear perspective on our own trade targets to feed into Government negotiations. For simplicity we might think of this in three questions: what, where and how.

What?

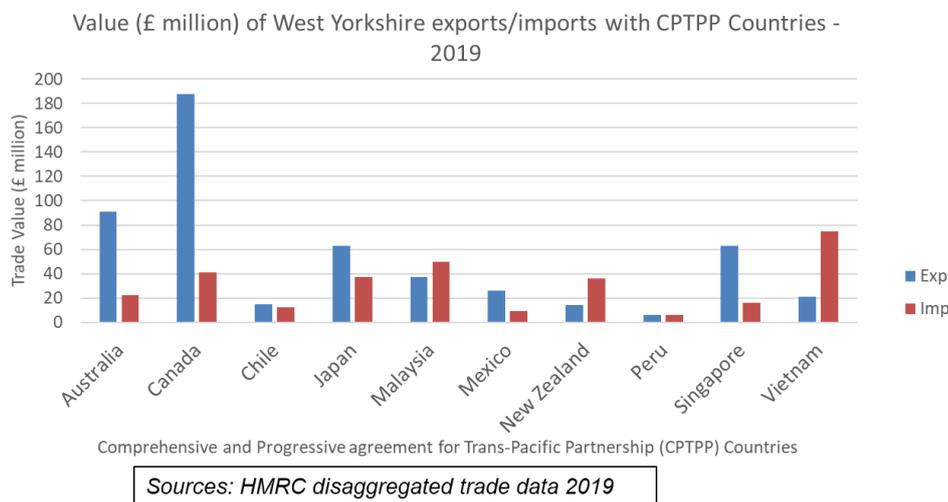
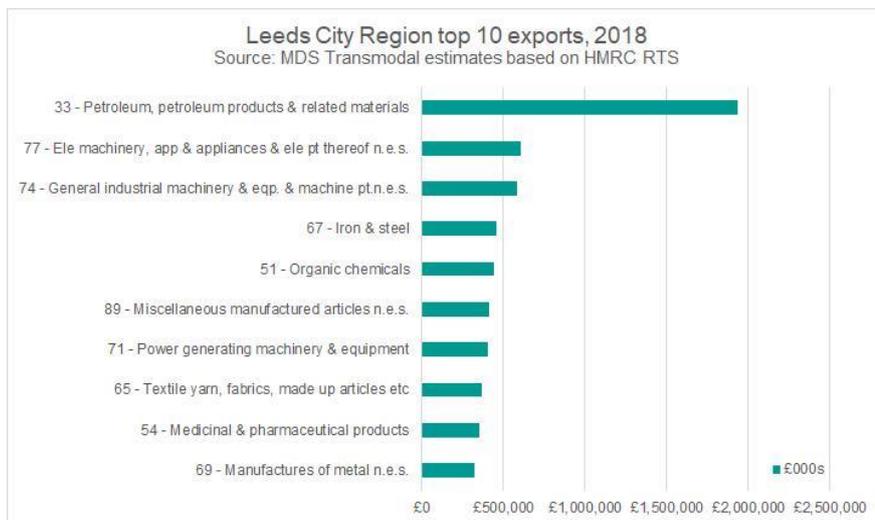
- 2.18 The Secretary of State for the Department for International Trade made reference to “championing exports in our key industries” in their Global Britain speech. From a Leeds City Region perspective, we have an opportunity to identify key industries for growing exports, building on areas where the region has world-leading businesses delivering high productivity jobs.
- 2.19 Existing trade data can help give an early indication of what should be prioritised. In terms of exports, petrochemicals accounts for 20%, followed by electrical and industrial machinery, with textiles and medicinal & pharmaceutical products also in the top 10 commodities. This to some degree reflects the region’s industrial specialisms, and aligns closely with the main import commodities.

Where?

- 2.20 The Government now have trade deals in place covering 71% of current West Yorkshire trade (58% with the EU). While none of these deals provide greater access than the UK had previously as a member of the EU, it does provide a

strong basis for the further deepening of relationships.

2.21 The UK Government have also begun the formal application for joining the Comprehensive and Progressive agreement for Trans-Pacific Partnership (CPTPP), which includes 11 nations. No formal Government modelling has yet been produced on what the expected impact of this may be, but current West Yorkshire trade with the nations within the CPTPP totals around £524m, equating to 9% of exports (based on HMRC disaggregated trade data). If the UK Government’s desire is to increase these levels of trade, it will be important for Leeds City Region to be able to articulate existing and future opportunities in these markets, as well as any potential threats.



2.22 The future relationships with the European Union must also form part of the UK’s trade policy, and although the TCA forms the start of this, it should not be seen as the end. Based on feedback received so far from businesses, West Yorkshire priorities for the future EU relationship might include:

- Increasing the provisions for mutual recognition and equivalence to reduce non-tariff barriers on goods trade – including prioritising veterinary checks for food and drink and on medical devices

- Securing data adequacy and financial service equivalence – both decisions currently sit with the EU for a decision
- Accelerating the new process for mutual recognition of professional qualifications or re-establish mutual recognition
- Maximising opportunities for high productivity businesses to be able to invest in the region, and to be able to access EU markets

2.23 There are also a number of key markets for the Leeds City Region not covered by a trade deal. Priorities on future deals therefore might begin with the biggest markets for West Yorkshire trade currently like the US, China, India and Brazil, but also consider areas of recent market growth, such as the Philippines, Nigeria or Israel.

How?

2.24 In ensuring the best outcome for key sectors in West Yorkshire, it is essential that the detail of any new deal or extended relationships provides the right opportunities that bring benefits to businesses and consumers. High environmental and labour standards and positive contributions to our net zero carbon target might be two areas that we could consider to be priorities for West Yorkshire. We might also place a premium on reducing the potential for negative displacement of high-quality jobs or businesses from the City Region.

Domestic Trade Support Infrastructure

2.25 Government has already recognised that a change in trading status requires the creation of new process supporting infrastructure, including for customs, regulations and on migration. Three structures in particular should be seen as important developments for the Leeds City Region: the Office for Investment, Freeports and the UK Subsidy Control regime.

Office for Investment

2.26 Announced in November, the Office is described as being a ‘single front door’ to all corners of the UK for high value investment opportunities. For Leeds City Region it will be important to work with the office to understand the strengths and opportunities in the region that could be suitable for investment.

Freeports

2.27 Reinstating freeports is another area that the UK Government have promoted as a key element of their post-EU exit infrastructure. The Combined Authority and LEP responded to the first consultation on freeports in 2020, highlighting in particular the need for freeports to avoid displacement of existing businesses and to be built on genuine added value within locations. The process of bidding for sites closed on 5 February, and whilst the Leeds City Region did not put forward a bid, it should be a priority that the region is adequately connected to freeports across the North in a way that adds value to the region’s economy.

Subsidy Control

- 2.28 The EU's state aid rules have been a particularly important feature on the delivery of projects and programmes of the LEP, determining limits such as de minimis, determining assisted areas for investments and providing provisions for investments in things such as Research and Development, transport and energy. Outside of the EU, the UK must determine its own subsidy regime within the parameters of provisions made within trade agreements, and the UK Government has recently launched a public consultation on this issue².
- 2.29 For the Leeds City Region, it will be important to seek to influence this work, setting out principles that the regime should look to achieve from the perspective of our region and our views on the mechanisms under which it will operate. The closing date for the consultation is 31 March 2021.

3. Tackling the Climate Emergency Implications

- 3.1 The TCA covers a wide range of factors that have implications for clean growth, including on energy cooperation and a separate agreement on nuclear energy. The environmental commitments are more extensive than in other EU trade agreements. The UK and the EU will maintain independent energy policies, although they have committed to continued cooperation. As the UK develops its independent trade policy, it is possible that climate emergency could play a much bigger role in trade decisions, and the UK's role in the World Trade Organisation, and chairing the G7 and hosting the 2021 United Nations Climate Change Conference (COP26) are opportunities to promote this further.

4. Inclusive Growth Implications

- 4.1 The TCA will have significant impacts on the region's economy and therefore on inclusive growth. In particular, the agreement commits to non-regression on labour and social standards, an important basis for good work.
- 4.2 In terms of the business support response of the LEP, all tendered and commissioned activity will be delivered in a manner that contributes positively to the Inclusive Growth Framework, and this will form part of ongoing monitoring and evaluations.
- 4.3 In developing the Leeds City Region's trade priorities, it will be important to consider the implications they have on inclusive growth, in particular on labour standards and the potential for displacement or growth in jobs.

5. Financial Implications

- 5.1 The LEP received an allocation of circa £250,000 from BEIS in December 2020 to support the delivery of business support up to the 31 March 2021. Further financial resources may be required to support businesses in

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957958/subsidy-control-consultation-document.pdf

maximising the opportunities and minimising any potential negative impacts of the TCA beyond this point, and this is being actively considered.

6. Legal Implications

- 6.1 The EU-UK Trade and Cooperation Agreement has legal implications for the UK and for the LEP in terms of commercial or cooperation activity with the European Union or individual member states.

7. Staffing Implications

- 7.1 There are no staffing implications directly arising from this report.

8. External Consultees

- 8.1 No external consultations have been undertaken.

9. Recommendations

- 9.1 That the BIG Panel note the updates provided both on the intelligence of the impacts of EU exit and on the support available, providing any relevant feedback from their own experience.
- 9.2 The Panel are also asked to provide feedback on the issues highlighted in the third section and in particular on the following questions:
1. Do the Panel agree with the areas of short-term focus to support businesses in the next quarter to deal with the implications of EU exit?
 2. How should the Leeds City Region develop its position on future trade policy priorities – including on future trade targets?
 3. What do the Panel think should be the priorities on trade for Leeds City Region going forward, and how should that be supported regionally?

10. Background Documents

- 10.1 EU Exit LEP Board Paper 21 January 2021:
<https://westyorkshire.moderngov.co.uk/documents/s18425/Item%206%20-%20EU%20Exit.pdf>

11. Appendices

- 11.1 None.