
Report to: Business Innovation and Growth Panel

Date: 19 May 2021

Subject: **EU Exit and Future Trade Policy**

Director: Liz Hunter, Director of Policy and Development

Author: Alex Clarke, Business Growth and Resilience Policy Manager

1. Purpose of this report

- 1.1 To support a discussion on the development of a regional Trade Policy, and to outline what priorities for trade could be for the region.

2. Information

- 2.1 At the last panel meeting, a paper was presented on the impact of EU exit on the city region and some emerging areas for consideration related to future EU-UK relations and trade policy.
- 2.2 Since that meeting, officers of the Combined Authority and LEP, together with the trade delivery partners in the region, have developed an outline proposal of a regional Trade Policy. Appendix 1 provides some policy in development work on which the views of the Panel are sought.

EU Exit

- 2.3 As was described in the report to the last Panel meeting, the LEP business support hub has been working as the key regional co-ordinating body for all EU-exit related business issues. It also commissioned circa £250,000 of direct support for key transition needs, funded by the Department for Business, Energy & Industrial Strategy delivered between January and March 2021.
- 2.4 A summary report has been completed to evaluate the performance of the support funded by the LEP, and further detail can be found in Appendix 2 to this report. Headline delivery numbers are outlined in the table below:

	Business Supported
EU Transition support service (Enterprise Growth Solutions)	283
Trade related documentation support and advice through the EU Transition (Chamber International)	202
Trade related documentation support and advice through the EU Transition (Mid Yorkshire Chamber of Commerce)	143
EU Exit legal advice & support (Squire Patton Boggs)	7
EU Transition webinars (Greenborough)	49
Webinars to help businesses internationalise their marketing activity (Umi)	100
Total number of businesses supported:	784

- 2.5 The following main issues have been highlighted by businesses participating in these schemes in trading with the EU since January: Rules of Origin (ROI), VAT, data compliance, commodity / tariff codes, intellectual property, travelling to the EU and Incoterms (a set of international rules defining the responsibilities of sellers and buyers). Understanding the compliance and interpretation of the rules by different nations and individual borders was identified as an ongoing challenge, as was data transfer. The main sectors engaged through the provision were: manufacturing and engineering, logistics, food and drink, business services and creative industries.
- 2.6 The results highlighted key areas of business learning that have been supported through the provision: looking beyond Europe for new markets, expanding their understanding and experience of trade procedures and putting in place relevant procedures (e.g. for customs brokers), and an increasing majority of businesses now feel as though they understand the new UK-EU trading rules following the support they have received.
- 2.7 The LEP has also received funding from the Department for International Trade, which has funded KADA Research to assess the impact of EU exit on international trade. Key findings from that work will be available soon, but a number of the outputs have been included in the development of the trade policy outlined in Appendix 1.

Future Trade Policy

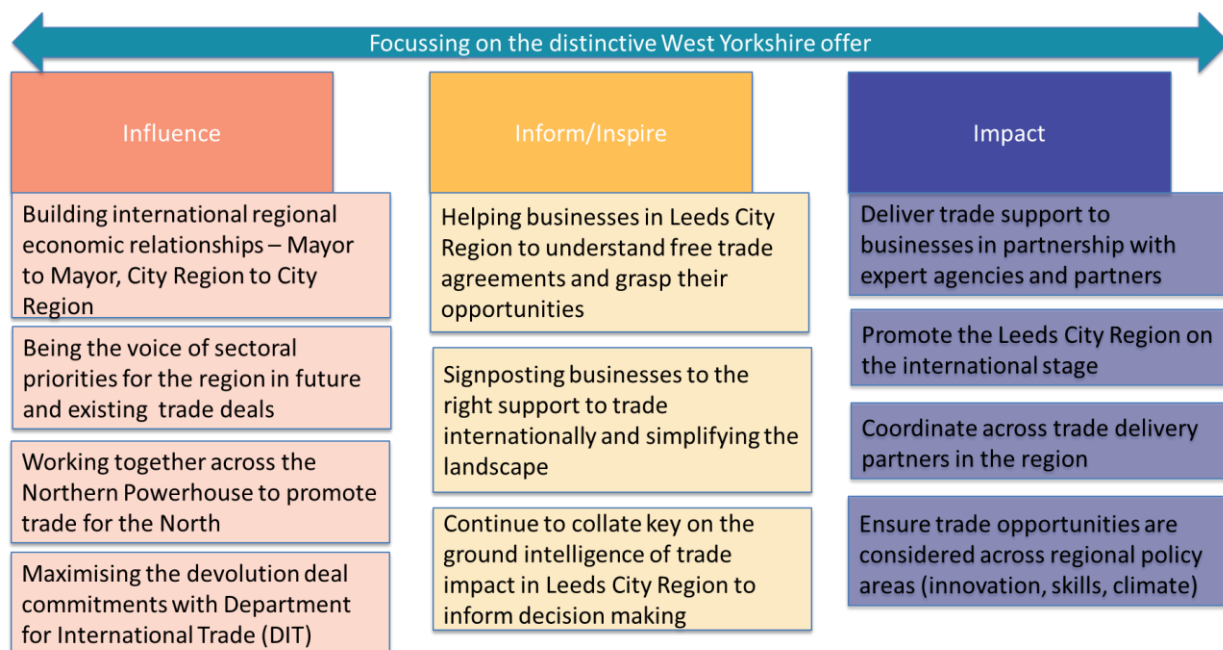
Current Leeds City Region trade performance

- 2.8 Due to the COVID-19 pandemic, global trade in goods in 2020 experienced significant decreases, affecting the UK's largest trade partners and commodity groups. The USA remained the UK's largest export partner in 2020, despite experiencing the largest value decrease compared to 2019. Total UK exports of goods in 2020 were £314 billion. This was a decrease of £53.6 billion (15%) compared with 2019. Data from early 2021 has however shown some evidence of recovery.

- 2.9 The research by KADA has provided us with some valuable insight in to export activity in this region. Between 2016 and 2019 West Yorkshire businesses exported goods to 105 countries. In 2019, dependence on the EU was high in West Yorkshire with 5,440 businesses exporting goods to the EU. In contrast, 4,390 businesses exported to non-EU markets. 57% of all goods exported by West Yorkshire businesses go to EU countries. Seven out of ten of the region's largest export markets are within the EU with the USA, China and Canada also featuring. The USA is West Yorkshire's largest export market, although this has declined over the last few years.

Developing a Trade Policy

- 2.10 As outlined briefly during the last meeting of the Panel, the changes to the international trade environment for businesses offers an opportunity to consider what priorities we might have locally regarding trade. This also comes at the time when the LEP's current International Trade Plan (2016-21) is coming to an end, and looks to review its own action in relation to trade.
- 2.11 It is also important to note at the outset that delivery of international trade support to businesses involves key partnerships in the region, including with the Department of International Trade (DIT), with which the West Yorkshire Combined Authority has secured specific arrangements for future working through the recent devolution deal. Together with wider regional trade delivery partners, a regional trade forum meets frequently, and have been engaged in developing the work presented with this report.
- 2.12 Appendix 1 to this paper outlines in more detail the proposed approach to developing a regional Trade Policy. Whilst recognising that the UK context for international trade is being reshaped by the agreements made with the European Union and other national states, the focus is less on seeking to affect the content of deals (although the region should be able to promote what it sees as the key opportunities in the region that might support agreements) and more on ensuring that businesses can make the most of them. It is also important to set out the role that trade can play in positively contributing to regional priorities on productivity, inclusive growth and tackling the climate emergency. As outlined in the appendix, trade can make a positive contribution to each of these priorities with the right approach, and is a particularly important mechanism for creating good quality employment.
- 2.13 Within that context, the proposed starting point is to build a Trade Policy based on three action parts: Influence, Inspire and Impact.



Influence

2.14 Acknowledging that we expect a UK Trade Policy to be published by the Department for International Trade (DIT) in the coming months, the *influence* element of a West Yorkshire Trade Policy would look at what more West Yorkshire can do to support the development of trade opportunities for businesses in the region. To this end, three specific ideas are proposed, which would require further work to develop targets:

- **Building International regional economic relationships** – including through the Mayoral Office, but also deepening of relationships through partner local authorities, universities or even business to business.
- **Being the voice of sectoral priorities** – defining key priority export markets, understanding both the current strengths of the region, as well as the growth market opportunities in particular sectors.
- **Working together across the Northern Powerhouse** – influencing the delivery of DIT programmes across the North, and putting forward West Yorkshire priorities for pan-Northern collaborations on trade.
- **Maximising the devolution deal** – building on the commitments from DIT to joint working with West Yorkshire on international trade.

Inspire

2.15 From the research that has been conducted by KADA in relation to EU transition, it is clear that understanding the new terms of trade with international markets, including the EU, is going to be a significant barrier to many SMEs exploring new markets, on top of existing barriers like lack of contacts, financial barriers and limited demand and awareness. Therefore a critical role of a West Yorkshire Trade Policy will be to inform and inspire

businesses to consider trading internationally or to seek new markets, with a particular focus on increasing diversity. Specific suggestions for this area are:

- **Helping businesses to understand trade deals** – including specifically the EU-UK Trade and Cooperation Agreement, and the identification of opportunities against key strengths of the region's economy.
- **Signposting to the right support** – working across trade partners to simplify the ecosystem, increase diversity of take up, and reviewing the provision of support against the intelligence of business needs.
- **Collecting key intelligence of trade impacts** – supporting effective decision making by continuing to collate key intelligence from existing exporters and delivery.

Impact

2.16 There is currently limited budget and resource at the regional level to support trade focussed interventions. Part of this policy may help to develop business cases for future interventions, but in the meantime the impact focus will look to work with the current partners involved in international trade, including the LEP, DIT, Mid-Yorkshire Chamber, Chamber International, WY Colleges, and Innovate EDGE. Actions proposed could include:

- **Delivering trade support** – working in partnership with organisations to ensure provision to support businesses with international trade in line with priorities of this policy, to increase the number and diversity of exporters, and exploring the needs for further support and developing appropriate business cases
- **Promoting the Leeds City Region** – through trade fairs, events and active communications of the trade strengths of regional businesses
- **Ensuring trade is considered across wider policy priorities** – analysing the role of trade in connected agendas across the Strategic Economic Framework and identify areas of alignment (initial focus areas might include skills, innovation and tackling the climate emergency).

2.17 The Panel are invited to provide their views on the proposal outlined above, and in particular to the following questions:

- Do the Panel agree on the need to develop a Trade Policy for the region?
- What do the Panel think about the Influence, Inspire, Impact approach? Where can a Leeds City Region perspective best add value?
- What do the panel think about the principle of targeting of sectors and markets across the plan?

3. Tackling the Climate Emergency Implications

3.1 Trade policy internationally is increasingly being asked to reflect on the role that global trade plays in terms of global emissions, with the UK Government also talking up the importance of environmental standards.

- 3.2 International trade clearly has a carbon footprint. In production and in transportation, freight accounts for 30% of transport related CO2 ([International Transport Forum](#), 2016). We cannot ignore these links in developing a West Yorkshire Trade Policy, and it is proposed that further work takes place to understand the contribution international trade can play in tackling the climate emergency. One potentially positive angle is to consider the role of the region's green and low carbon industries and what opportunities there might be to export for these businesses. The export market opportunity for the UK's green sector is estimated to be worth up to £170 billion a year by 2030 ([UK Board of Trade](#) 2021).

4. Inclusive Growth Implications

- 4.1 Traditional economic theories point to the overall positive correlations between trade and wages and real income ([IMF](#), 2021). This is supported by evidence that trade is associated with generating high-quality employment opportunities, with median wages on average higher for both direct and indirect jobs ([FAI](#), 2021). In considering a West Yorkshire Trade Policy it will be important to set out how trade can support such opportunities particularly for individuals that face barriers to securing good work, including those with protected characteristics.
- 4.2 It is also understood that whilst there are overall benefits of trading internationally, there are also potential 'losers' to increased international trade, which can include diverting trade away from some areas. As part of the developing of the Trade Policy we will look to understand potential negative impacts - including how Free Trade Agreements might 'divert trade' ([Department for International Development](#), 2015) away from businesses in the region, potentially making them less resilient or viable.

5. Equality and Diversity Implications

- 5.1 Although only a small sample size, findings from the KADA research indicate that female led businesses are the businesses most likely to consider trading with existing non-EU partner countries, and that BAME-led businesses are most likely to consider new international markets. It will therefore be important in developing a regional trade policy that consideration is given to how to increase opportunities for female and BAME-led businesses to access these markets and to ensure they have the relevant support, and how we can maximise the potential of connected programmes such as entrepreneurship in increasing the diversity of our export base.

6. Financial Implications

- 6.1 There are no financial implications directly arising from this report.

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

- 9.1 Development of the paper on future Trade Policy has been informed by discussion with the regional Trade Partners group.

10. Recommendations

- 10.1 That BIG Panel reviews the proposals around develop a regional Trade Policy and provides input particularly to the questions outlined at 2.17.

11. Background Documents

None.

12. Appendices

Appendix 1 – Policy think piece: Regional Trade Policy – post EU-exit

Appendix 2 – EU Exit evaluation report, BEIS contract delivery January – March 2021