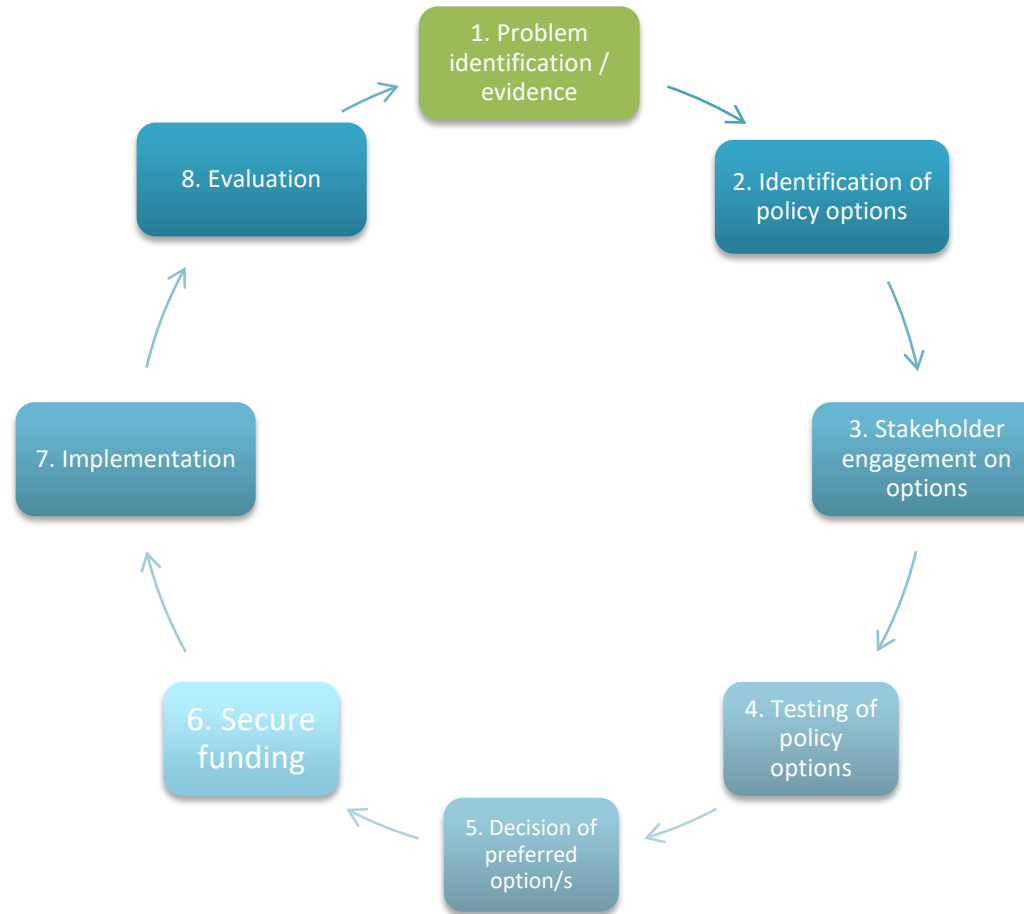


***THINKPIECE***  
**Regional Trade Policy – post EU exit**

DRAFT – Policy in development

# WYCA Policy Development Cycle



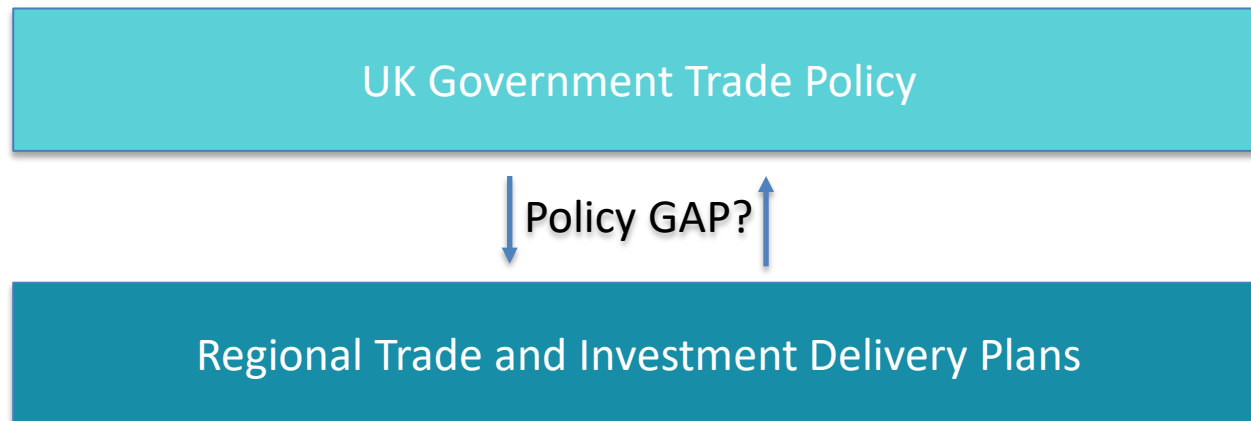
This paper looks at **stages 1** of the policy cycle in relation to **trade policy post-EU exit**

**DRAFT – Policy in development**

What is the  
problem we  
are trying to  
solve?

# A regional trade policy perspective post-EU exit?

- As the UK has shared trade policy with the EU before 2021, issues specific to regions of the UK would need to have been raised and agreed with other member states.
- However, with an independent UK trade policy, it is conceivable that there is **greater opportunity for issues of importance to Leeds City Region to have a voice in UK policy**
- Whilst operational plans on international trade are a common part of major city region/LEP areas activities, and involve close working with the Department for International Trade – there is a potential **gap around policy objectives for trade at the regional level** to influence national policy and guide practical delivery
- To fill that gap – the region would need to articulate what its trade priorities are within an independent UK trade regime

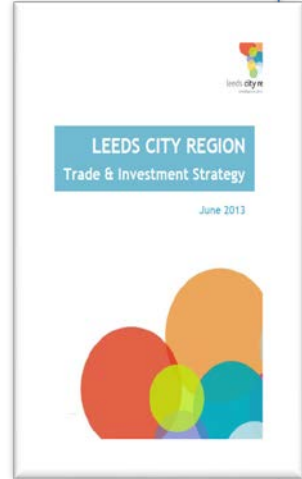


DRAFT – Policy in development

## Leeds City Region Trade and investment strategy

The Leeds City Region has a formal **trade and investment strategy** that was set in 2014, with a International Business Plan commissioned in 2015. Since then, the City Region's trade and investment team has been reshaped and its trade activities set according to capacity and partners' job creation priorities. Most recently through the **International Trade Plan 2016-21**.

When both the Trade and Investment Strategy and International Trade Plan were written, it was within a context of trade as a member of the EU.



# Trade Policy for regional priorities?

Trade Policy can make a positive contribution to regional priorities, particularly as trading internationally encourages diversity, innovation, higher skills, better pay and increased productivity.

- Firms which export have systematically higher levels of productivity than domestically-oriented firms, on average by around a third ([Haldane, 2017](#))
- Numerous studies also highlight the positive correlations between exporting and innovation, R&D and, in turn, higher productivity (see for example [Ganotakis, 2011](#))
- The relationship with imports depends on different factors, including the geographical origin and the intensity of the product ([van den Berg & van Marrewijk, 2016](#))



Boosting productivity



Enabling inclusive growth



Tackling the climate emergency

- Traditional theories point to winners and losers of trade, but with overall positive correlations with wages and real income ([IMF, 2021](#))
- Trade is associated with generating high-quality employment opportunities, with median wages on average higher for both direct and indirect jobs ([FAI, 2021](#))
- Understanding negative impacts - including how Free Trade Agreements 'divert trade' ([Department for International Development, 2015](#))

DRAFT – Policy in development

- Trade has a carbon footprint – in production and in transportation – e.g. freight accounts for 30% of transport related CO<sub>2</sub> ([International Transport Forum, 2016](#))
- 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](#))
- The rules of trade, including the World Trade Organisation, have a significant role to play in regulating the carbon footprint of trade

# UK trade policy post-EU exit – what we know to date

- Trade Policy for the UK has been determined for the last 40 years by collective decisions as a member of the European Union.
  - As the UK has now left the European Union – **it is in a position to determine its own trade policy** – its priorities for things like tariffs and quotas, regulation of product standards, trade defence (action against imports sold at unfairly low prices), help for developing countries and the UK's position at the World Trade Organisation (WTO) ([House of Commons](#), 2020).
  - The **UK can also decide who it enters free trade agreements with, AND what those agreements entail** (subject to conditions like Most Favoured Nation terms)
  - **Currently there is no written trade policy for the UK** – and therefore it is unclear what the Government's priorities are, or how they could affect areas of the UK like West Yorkshire. However, a number of potential priorities have been raised by the SoS [Liz Truss in the "Global Britain" debate](#) and in a UK Board of Trade report [Global Britain, local jobs](#). We expect a written UK policy in the Summer.
- "Global Britain" – headline statements**
- we will use this year, including our Presidency of the G7, to **champion free and fair trade**
  - champion **high environmental and animal welfare standards** in a science-led approach
  - push for **modernisation of the World Trade Organisation** and trade agreements
  - We have already reached **deals** covering 63 per cent of UK trade – well on our way to our manifesto target of **80 per cent** in three years.
  - we will apply to one of the most dynamic trading areas on Earth, the **Comprehensive and Progressive agreement for Trans-Pacific Partnership (CPTPP)**
  - deepening our relationships with countries such as **Canada, Mexico, South Korea and Israel**
  - championing **exports in our key industries**, from our food and drink, to services and technology trade
  - Our new **Office for Investment**, under the leadership of Lord Grimstone...will work tirelessly to secure investment in every nation and region across Britain, backing jobs and livelihoods.
  - Founding our first new **Freeports**

DRAFT – Policy in development

# What do we have already we need to take account of?

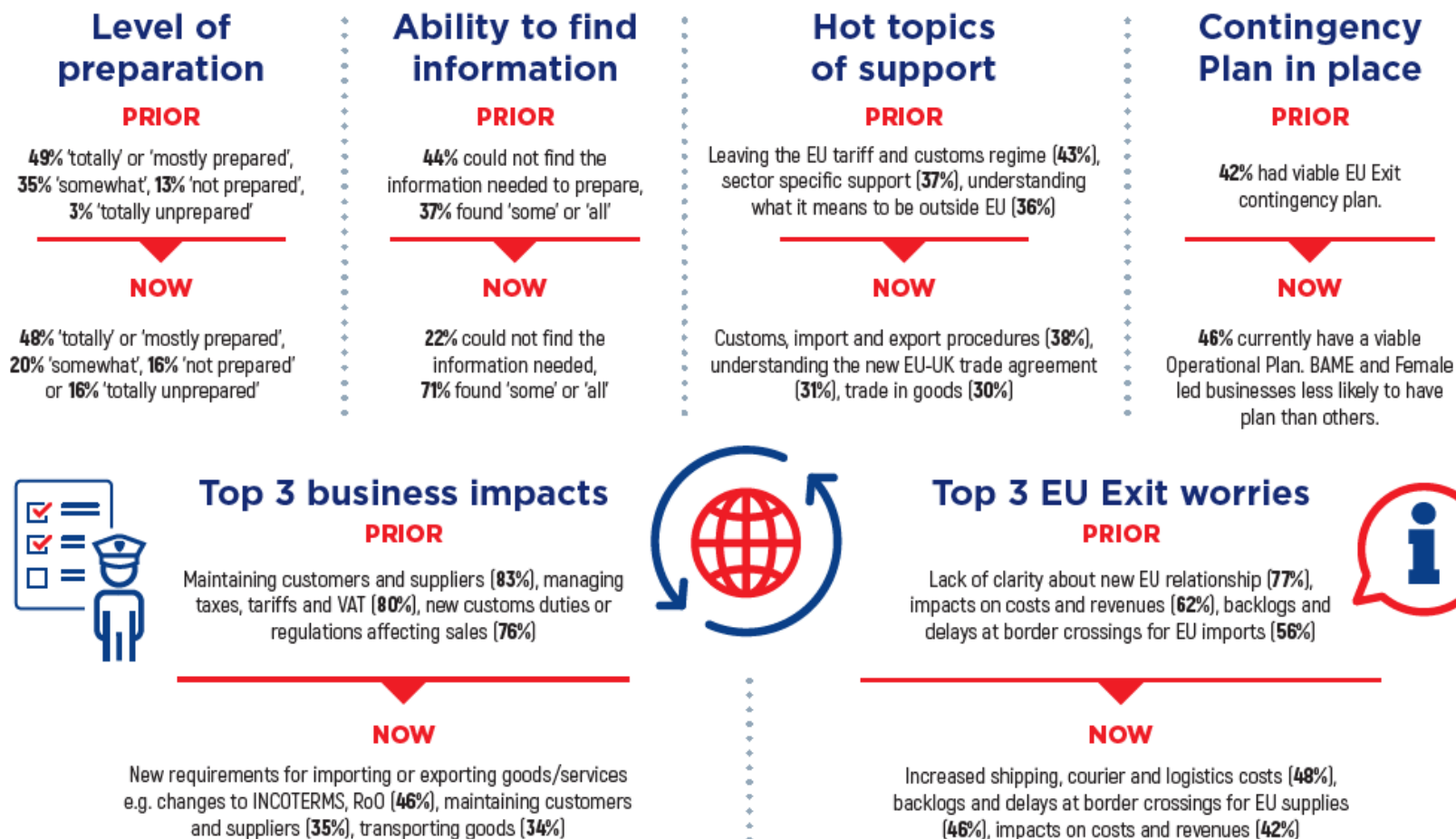
---

- **Data** – what do we know about regional trade (MDST work – currently being updated, other R&I data sources)
- **Intelligence** – impact of EU exit work (BEIS returns, KADA, Trade Partners Forum), DIT intelligence
- **Current delivery** – DIT, WYCA/LEP, Mid-Yorkshire Chamber, Chamber International, WY Colleges, Innovate EDGE, private sector
- **UK negotiated trade relationships and plans** – EU Trade and Cooperation Agreement, other bilateral trade agreements.
- **Trade infrastructure** – officer for investment, freeports, UK subsidy regime, migration policy



# Business concerns for international trade have been altered by EU Exit

## EU Exit Business Surveys: Headlines prior to the EU-UK T&CA and now\* ---- Preparations, Support and Concerns ----



**DRAFT – Policy in development**

\* Data from two business surveys conducted by Kada Research, the first in Dec 2020 (151 exporting SMEs in Leeds City Region and York and North Yorkshire), the second in Feb-March 2021 (80 exporting SMEs in LCR only).



# New rules for trade create new challenges for trade support activity

## EU Exit Business Surveys: Headlines prior to the EU-UK T&CA and now\* ---- Implications for international activity ----

### Barriers to working with EU businesses

#### PRIOR

Increased costs of exporting/importing goods and services (**75%**), keeping abreast of changes to rules and regulations (**62%**), loss of frictionless trade (**62%**)

#### NOW

Increased costs of exporting/importing goods and services (**56%**), loss of frictionless trade (**46%**), keeping abreast of changes to rules and regulations (**43%**)

### Top 5 barriers for exporting to new international markets

- Covid-19 restrictions
- Limited international customer base
- Lack of knowledge and contacts
- Financial and cost barriers
- Limited demand and awareness

### Change in EU trade over the next year

**14%** think EU trade will increase significantly or 'a little'. **36%** think EU trade will remain the same. **25%** think trade will decrease 'a little' and **14%** think EU trade will decrease 'a lot'.

### Free Trade Agreements

**44%** unaware of benefits of FTAs, **28%** think FTAs may have a negative affect on business. **9%** confident FTAs will have positive affect, **16%** see potential.



### Exploration of new international markets

#### PRIOR

**22%** exploring new international markets as a result of the EU Exit (North America, Asia, Africa)

#### NOW

**57%** already or considering exploring new international markets (North America, South America, Australia/New Zealand)

### Characteristics of businesses most likely to consider trading outside EU

**Female-led**  
with existing  
non-EU  
partners

**BAME-led**  
with new  
international  
markets

**Smaller firms**  
(<100k p.a.) with  
new international  
markets

DRAFT – Policy in development

\* Data from two business surveys conducted by Kada Research, the first in Dec 2020 (151 exporting SMEs in Leeds City Region and York and North Yorkshire), the second in Feb-March 2021 (80 exporting SMEs in LCR only).

# Current regional delivery on trade

Our trade activity focuses on the four themes of the current International Trade Plan 2016-21:

- **Simplify** the international trade support landscape for businesses in Leeds City Region and providing a joined-up, collaborative approach that is both accessible and supportive at all stages of a business' export journey.
- **Connect** international trade to other policy areas within the LEP to drive a stronger partnership approach to service delivery.
- **Inspire** more businesses in Leeds City Region to internationalise to service new markets and customers as an integral part of their business growth plans
- **Target** key sectors and markets to maximise the overseas trade opportunities available to businesses in Leeds City Region.



DRAFT – Policy in development



# What might be our focus?

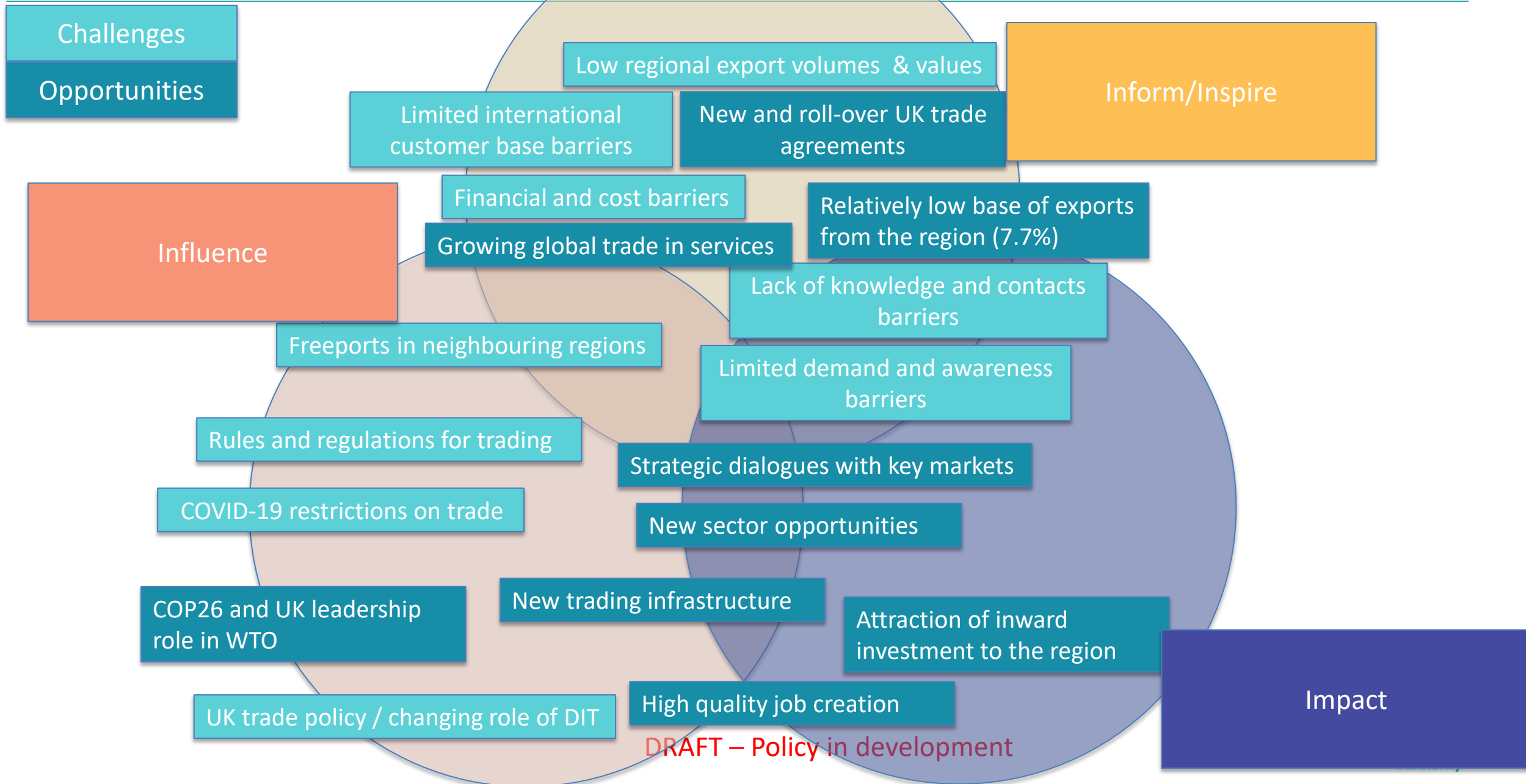
# Challenges and Opportunities – what's the balance?

Challenges	Opportunities
<ul style="list-style-type: none"><li>• Lack of UK trade policy / changing role of DIT – creating an uncertain trade environment</li><li>• Rules and regulations for trading – brought in by the EU-UK Trade and Cooperation Agreement, but also other trade deals</li><li>• New trade infrastructure – including Freeports in neighbouring regions (also a potential opportunity)</li><li>• The region's exporters export less than their counterparts elsewhere (low volumes and values)</li><li>• Barriers identified by businesses to trading internationally:<ul style="list-style-type: none"><li>• COVID-19 restrictions</li><li>• Limited international customer base</li><li>• Lack of knowledge and contacts</li><li>• Financial and cost barriers</li><li>• Limited demand and awareness</li></ul></li></ul>	<ul style="list-style-type: none"><li>• New and roll-over UK trade agreements</li><li>• Establishing new trading infrastructure to support UK businesses</li><li>• Growing global trade in services</li><li>• Positive recent trends in attraction of inward investment to the region (reputation growing)</li><li>• The role that international trade plays in generating high quality job opportunities for delivering inclusive growth</li><li>• New opportunities in health innovation and net zero carbon (where the region has existing strengths)</li><li>• A relatively low exports base from the region (7.7%) so potential for growth, with scope to increase diversity</li><li>• COP26 and UK leadership role in WTO</li><li>• Involvement in strategic dialogues with key markets (Economic Financial Dialogue (CHINA), Joint Economic Trade Committee (INDIA))</li></ul>

DRAFT – Policy in development



# Challenges and Opportunities – where can we act?



# 3 parts to an LCR Trade Policy?

Focussing on the distinctive West Yorkshire offer

## Influence

Building international regional economic relationships – Mayor to Mayor, City Region to City Region

Being the voice of sectoral priorities for the region in future and existing trade deals

Working together across the Northern Powerhouse to promote trade for the North

Maximising the devolution deal commitments with Department for International Trade (DIT)

## Inform/Inspire

Helping businesses in Leeds City Region to understand free trade agreements and grasp their opportunities

Signposting businesses to the right support to trade internationally and simplifying the landscape

Continue to collate key on the ground intelligence of trade impact in Leeds City Region to inform decision making

## Impact

Deliver trade support to businesses in partnership with expert agencies and partners

Promote the Leeds City Region on the international stage

Coordinate across trade delivery partners in the region

Ensure trade opportunities are considered across regional policy areas (innovation, skills, climate)

DRAFT – Policy in development

# 3 parts to an LCR Trade Policy?

## Influence

Building international regional economic relationships – Mayor to Mayor, City Region to City Region

Being the voice of sectoral priorities for the region in future and existing trade deals

Working together across the Northern Powerhouse to promote trade for the North

Maximising the devolution deal commitments with Department for International Trade (DIT)

## Proposed policy development required

- Mapping of existing regional/sub-regional links
- Analysis of Free Trade Agreement's and potential candidate regions

- Review of existing sectoral strengths / new opportunities for international trade
- Engage sectors in setting priorities

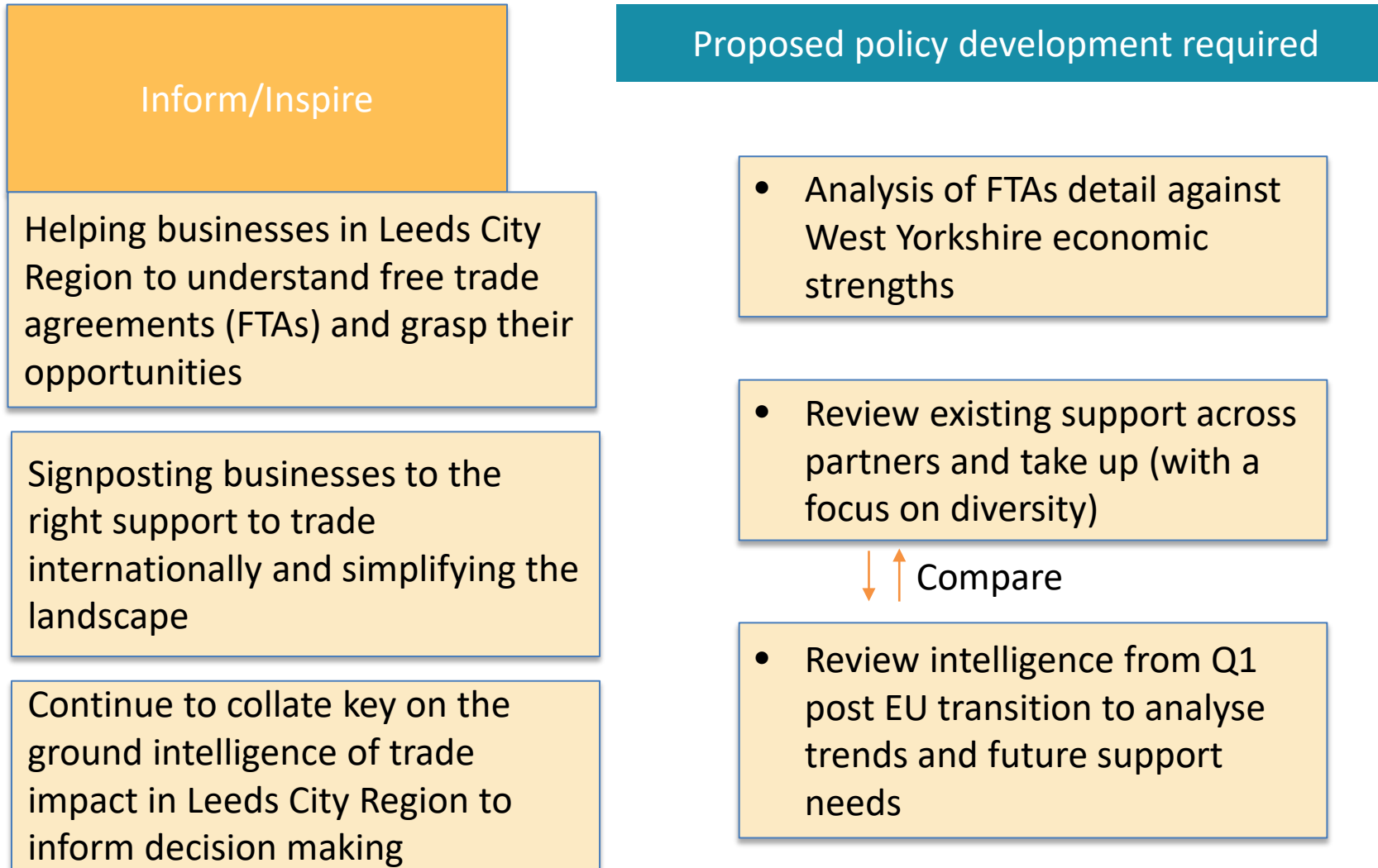
- Agreeing key West Yorkshire priorities with potential pan-Northern interests

- Developing of the joint plan between DIT and the regional trade forum
- Bringing forward priorities for further collaboration

**DRAFT – Policy in development**



# 3 parts to an LCR Trade Policy?



DRAFT – Policy in development

# 3 parts to an LCR Trade Policy?

---

## Impact

Deliver trade support to businesses in partnership with expert agencies and partners

Promote the Leeds City Region on the international stage

Coordinate across trade delivery partners in the region

Ensure trade opportunities are considered across regional policy areas (innovation, skills, climate)

## Proposed policy development required

- Utilise analysis of trends in support and intelligence on needs to identify gaps in provision and barriers to take up
  - What works in terms of trade support, including innovative best practices
- 
- Analyse the contribution of trade to wider West Yorkshire Strategic Economic Framework policies and identify areas for alignment
  - Review the implications of the new UK migration policy on the West Yorkshire labour market

DRAFT – Policy in development

# Key questions for BIG panel discussion

---

- Do the BIG Panel agree on the proposal 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?

**Thank you**