



INTERIM REPORT 2021



**UK TRADE & BUSINESS
COMMISSION**

UK TRADE & BUSINESS COMMISSION

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INTRODUCTION

HILARY BENN & PETER NORRIS

The UK's departure from the EU has seen new trading and political relationships with the EU and globally.

As the UK Trade and Business Commission, our intention is to help promote a truly global UK. We have heard in our evidence sessions about the impact of these new barriers to trade on different sectors of the UK economy, with concerns about lost competitiveness, and potentially jobs, and few new opportunities.

From musicians' tours to food standards, data transfer to industrial goods, the changes will have a long term impact. Business corridors within the UK, notably those with Northern Ireland, have also been heavily affected.

However, to date, many businesses are facing new costs, while few appear yet to see opportunities. What is clear is that there are new border checks on goods and restrictions on the movement of people for work, among other changes affecting virtually every sector of the economy. The sessions that we have held have been insightful and illuminating, but they only represent the start of our work.

This interim report includes a summary of the sessions we have held to date, some of the main issues that have emerged, and our initial recommendations. We do not claim to have provided an exhaustive look at all the impacts, but we have tried to give a flavour of what is involved for different sectors.

As co-convenors of the Trade and Business Commission we are delighted to be helping to lead this work on the UK's trade. Bringing together politicians and business leaders has provided us with a unique insight.

We will be holding further evidence sessions in the coming weeks and months, with the aim of developing our recommendations for a further report at the end of the calendar year. Thank you to all our commissioners and witnesses, as well as to the staff from the secretariat for all their support.



HILARY BENN

*Labour MP for Leeds Central
Co-Convenor of the Commission*



PETER NORRIS

*Chair of the Virgin Group
Co-Convenor of the Commission*

EXECUTIVE SUMMARY

OUR FINDINGS TO DATE

The UK's trading relationship with its largest trading partner, the EU, underwent a very significant change on 1st January 2021. Trade with the EU, and between Great Britain and Northern Ireland, is now governed by new treaties signed by the UK Government.

It is therefore important that we understand their effects on businesses, not least because, for the first time, a new trade deal has imposed additional costs, checks and red tape on UK businesses seeking to trade.

As the UK Trade and Business Commission, we have heard in our evidence sessions about the impact of these new barriers to trade on different sectors of the UK economy, with concerns about lost competitiveness, and potentially jobs, and few new opportunities.

We have heard from companies and specialists who sell goods and services, and from companies large and small, across all parts of the UK. In particular they have said:

- **UK businesses are suffering because of these new barriers to trade with the EU in all parts of the UK**
- **New trade deals to date have not made up for the costs imposed by these new barriers and may exacerbate problems**
- **Small businesses and freelance workers are encountering particularly severe problems**
- **Northern Ireland businesses face specific difficulties**
- **The Government doesn't appear yet to fully understand the scale, range and complexity of the issues.**
- **That disruption to trade cannot merely be explained by Covid, and in many cases, Brexit has had a more significant negative impact.**
- **Businesses have long lead times and last minute changes by government can have serious, sometimes fatal consequences, particularly for SMEs.**

It is not surprising that businesses have faced difficulties given the extent of the change and the impact it is having on supply chains.

These need to be addressed to support UK businesses, and we recommend as immediate steps:

- **Better engagement with UK businesses by the Government to identify ways of reducing the new barriers and additional costs**
- **The development of an integrated international trade strategy, differentiating areas under full UK Government control from those requiring negotiation, with full consultation with devolved governments and parliaments**
- **Implementation of a programme of export digitisation and improvements to visa processes**
- **Introducing a cross-departmental trade scheme to support SMEs with export capabilities**
- **Focusing negotiations with trading partners, in particular the EU, on improving conditions for UK (and EU) business through building trust and identifying ways of reducing bureaucracy, delay and additional costs.**

A national effort is now required to improve the UK's trading position, and we stand ready to work with Government, business and devolved governments on this task.

In our future sessions we will turn our focus from what is happening to how the situation can be made better. We expect to issue a further report at the end of the year making more detailed recommendations for the future, which we hope the Government will adopt.

The UK has many economic strengths, above all the people who work so hard to help their businesses succeed. In turn, they deserve the best possible support to help them do this. Some of their stories are reflected in this report. Together with government, we hope to raise the ambitions for our country and deliver a truly global U.K.

SESSIONS A BRIEF OVERVIEW

Since its inception, the UK Trade and Business Commission has held fortnightly evidence sessions with businesses and experts. Across a wide range of topics relevant to UK trade after Brexit, these have provided insight into the changes and challenges currently facing businesses along with those expected in the future.

ECONOMIC IMPACT

Session One | 15 April 2021

Economists assessed the negative impacts on UK trade as a result of new barriers with the EU, especially a disproportionate impact on SMEs. They expressed differing views on likely future performance; but agreed on the importance of tracking the impact on trade between Northern Ireland and Great Britain.

SMALL BUSINESSES

Session Four | 27 May 2021

SMEs gave evidence about the multitude of new barriers facing UK-EU trade. They highlighted areas needing focus, and advocated the appointment of a dedicated SME trade minister. Professional trade associations explained there is government engagement, but only limited action so far. More urgency was needed in listening and responding to issues.

UK-AUSTRALIA TRADE

Session Seven | 1 July 2021

A session on the UK-Australia free trade agreement heard from agricultural and trade specialists on the likelihood of negative impacts on UK farming due to lower-standard food imports, and the lack of a wider food strategy. It appears the UK will gain little in return for opening up to Australian produce but potentially face significant disbenefits.

FOOD & DRINK

Session Two | 29 April 2021

Food and drink specialists detailed the complexities of new trading arrangements with the EU, given the UK is now a third country, and the possible pathways to easing new burdens. Some form of equivalence or alignment is fundamental, and this will require the UK to build trust with the EU.

VETERINARY AGREEMENT

Session Five | 10 June 2021

Veterinary specialists discussed the increased requirements for checks as a result of the Trade and Cooperation Agreement and NI protocol compared to being in a single market; how paper-based UK systems are outdated; and why an agreement between the UK and EU on equivalent or aligned standards, plus groupage (the consolidation of goods from multiple suppliers in a single container), would drastically reduce barriers to trade in food products.

DATA & DIGITAL TRADE

Session Eight | 8 July 2021

Data and digital trade experts emphasised the importance of maintaining data equivalence with the EU, and data adequacy, against the possible attraction of divergence. For future trade agreements we should be wary of attempting to enshrine commitments while policy remains in flux, and rather emphasise regulatory cooperation.

FINANCIAL SERVICES

Session Three | 13 May 2021

Financial services representative bodies and experts discussed the UK's position after Brexit, noting that despite relocations, London would remain an international financial centre. All agreed on the importance of high regulatory standards and working with the EU, particularly as co-supervisors of major companies.

CULTURAL & CREATIVE

Session Six | 24 June 2021

Cultural and creative industries were very concerned about the impact on touring and witnesses raised common issues such as visas; transport of equipment and cabotage (the transport of people or goods within a country by a haulier from another country); a perceived lack of will to address issues; the need for better guidance from government; obtaining specialist materials; and knock-on effects on domestic industry and global activity.

RESEARCH & INNOVATION

Session Nine | 22 July 2021

Research and innovation representatives from higher education and industry explained that the UK's success requires international collaboration. They welcomed UK Government commitments to funding and participation in Horizon, but expressed concerns about reliability; the stability of funding; the regulatory environment; and the cost and complexity of visas.

KEY STORIES CASE STUDIES



Phil Stocker is the Chief Executive of the National Sheep Association, a membership organisation for sheep farmers across the UK. He is a farmer by trade, and still acts as a small-scale sheep keeper. Stocker expressed his concerns over the UK-Australia trade deal, and the impact it would have on British farmers.



Jilly Greed is a co-founder of Women in Beef and works as a beef producer and arable farmer in Devon. Jilly explained to the Commission how she works in the suckler beef sector, the largest supplier of prime beef in the UK, describing it as “one of the most vulnerable sectors” that would be hit by trade deals.

“

“They will compete on price, they won’t compete on quality of environmental standards or animal welfare standards but they will compete on price... any increased volume of a product coming onto our market that puts downward pressure on prices will affect the entire market over time... price pressure at a time when we’re going through that transition and that change and volatility is really unhelpful.”

Phil Stocker

“

“This is an absolute betrayal. This is Christmas all over for Australia.

“Currently there are about 3,700 tonnes of Australian products coming into this country. As soon as this [deal] is signed, this will increase to 45 times that amount, reaching 170,000 in 15 years’ time. So much has been given away, for such little benefit to the consumer. I don’t have any confidence in this government, they will just do a box-ticking exercise.”

Jilly Greed

SPOTLIGHT: FOOD & DRINK

"Nobody's trying to send anything across the channel at the moment in my sector, they've given up... this is just going across the Irish Sea, this is. So the £780 million or so estimated retail market that we're trying to supply, would be about 5000 people's jobs in GB (Great Britain)."

The sector faces "archaic paperwork, byzantine process and kafkaesque differences of interpretation".

At present, the largest export market for Great Britain in the chilled food sector is Northern Ireland and the Republic of Ireland.

Karin Goodburn is Director General of the Chilled Food Association which represents manufacturers supplying primary retailer own label chilled prepared food markets in the UK. Goodburn explained how the main issues for the chilled food sector come from an inadequate system



OUR RECOMMENDATION: **DIGITISATION**

We have heard repeatedly that the new realities for doing business in Northern Ireland, which relies on goods coming to or from Great Britain, are unclear and bureaucratic, and that notwithstanding the Trader Support Service the government and the EU need to show greater willingness to compromise. There are clear issues with the Protocol, but there may also be opportunities from fewer barriers to trade with the EU.

Export health certificates and other checks on food exports should be digitised through an integrated, end-to-end electronic tracing and certification system, modelled on other European countries with less cumbersome processes.

OUR RECOMMENDATION: **FOOD STANDARDS**

We have not come across any appetite for widespread deregulation or divergence from EU rules. To trade with others we need to meet their rules and requirements, as one witness said: "if you're in an advanced economy and you're in our position...you're going to pick the highest standard that allows you to work with everyone". There is broad concern that the UK Government does not understand this.

A new authority to look at food standards in trade agreements should be established to protect and maintain standards in future UK trade agreements. This agency should carry out an independent and comprehensive impact assessment of any proposed divergence from EU food regulations, including the impact on UK-EU trade and Northern Ireland.

“

“In a nutshell, if nothing is resolved this year we will relocate.

“We’ve got nearly 50,000 products sold in the UK, over 200,000 bottles. I will be shipping most of those into the Netherlands to set up a brand new facility... it’s impossible to remain competitive in Europe by shipping from the UK with the current methods.”

Lee Jones



Fluorochem Ltd is a chemicals business located in High Peak, Derbyshire which sells products in small batches to academic institutions across Europe. One of its main clients has been Oxford AstraZeneca. Managing Director Lee Jones explained how current trading terms are forcing him to move operations to the Netherlands.



Gary McFarlane is Director at the Chartered Institute of Environmental Health in Northern Ireland. MacFarlane discussed issues around food standards and how new trade deals won’t replicate the same quality of standards that was seen in trade with the European Union.

“

“The Government has repeatedly stated that it will not compromise on our food standards and on health protection, but it has, it has to be said, thus far singularly & spectacularly failed to legislate for that.”

Products from trade deals with countries with lower standards than the UK’s “will not end up on supermarket shelves, they’ll end up in the NHS and in our schools.”

Gary McFarlane

“

New tariffs, rule of origin and VAT rules are creating an array of obstacles for international trade.

“My customer in Sweden had to pay 12% WTO tariffs, 25% Swedish VAT and just for that, another 350 kroner, which is a £35 admin fee. That makes sending to Sweden from the UK non-viable.”

Alan Mitchell



Foxglide Sportswear are designers, manufacturers and retailers of technical sportswear, supplying sports such as curling, rugby, cycling and lawn bowling. They work with various international federations in doing this, across 27 countries. Alan Mitchell, Chief Executive of Foxglide explained the barriers to trade he’s facing.

SPOTLIGHT: SMALL BUSINESS

“They were minded to refuse the delivery but they accepted the delivery because they felt sorry for us, you know. Pity is not a good platform for a business.”

Jin Talog is an award-winning Welsh gin distillery founded in 2018 which rapidly acquired markets across Europe.



However, increased duty and courier costs from Brexit have raised fears their product is now uncompetitive. Founder David Thomas explained to the Commission how an order placed by a customer in Belgium saw them charged an extra €31.67 due to import checks.

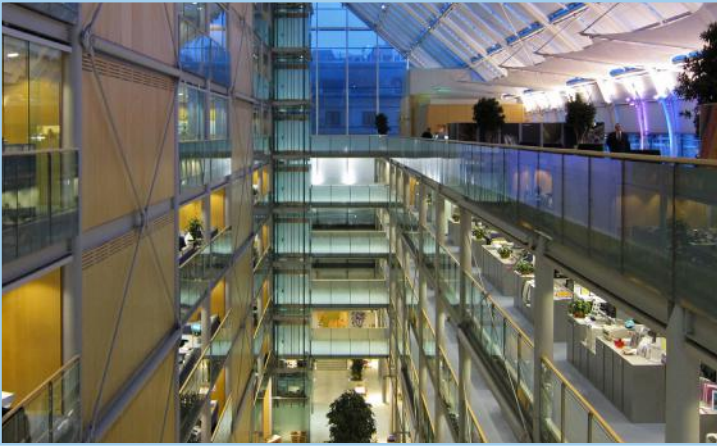


“It’s essentially killed off our business... sending a delivery to Dusseldorf used to be as easy as sending it to Doncaster, but now it’s just a non-starter.”

OUR RECOMMENDATION: **SUPPORT FOR SMEs**

UK businesses now face more barriers than their geographically nearest international competitors, and we heard how this is leading to relocation of activity, from financial services to manufacturing. Some business models that have grown over the last 10 years are no longer viable such as small-scale sales of food products to the EU. There is little expectation that new trade deals will provide significant new competitive advantages, and our apparent desperation to do these deals will make matters worse in some sectors.

The SME Brexit support fund should be relaunched with a simpler application process and larger grants available. The government should also reinstate the Trade Show Access Programme, expand its network of International Trade Advisors and set up an online portal for SMEs to help them take advantage of the guidance and financial assistance available to them. This should complement and work alongside the existing efforts of the devolved administrations to promote international trade.



Martin Smith is Policy & Advocacy Manager at Wellcome Trust, a charitable foundation focused on health research. Smith discussed how the appetite for Research and Development from the Government has been positive and encouraging, but then goes on to elaborate how the stability of funding is a major concern in the science, research and innovation sectors.

“

“There’s never been a better time or stronger appetite for R&D from government at the highest levels, from the Prime Minister, Number 10, there’s a lot of people saying the right thing.

“But then we have these ludicrous situations where suddenly it looks like we might have a £1 billion cut to research funding and we have to suddenly mobilise a huge campaign to stop the Government from doing something that’s just really stupid, and completely the opposite of what they’re trying to achieve.”

Martin Smith



Nick Ashton-Hart is a Special Advisor for International Internet Policy at the International Chamber of Commerce, and is a Geneva representative of the Digital Trade Network. Nick expressed his concerns around the CPTPP in the Commission session on data and digital trade.

“

“We have to accept that we’re going to be asked for things we probably don’t want to give and given the level of enthusiasm this Government has for this project my guess is we will end up making concessions that we will wish we had not made later down the line. If you’re in an advanced economy and you’re in our position in services, number two in the world, you’re going to pick the highest standard that allows you to work with everyone, and that’s the EU. So diverging from that doesn’t really get us anywhere.”

Nick Ashton-Hart

SPOTLIGHT: CREATIVE

“We saw it all (trade) disappear. I mean literally all of it disappear. We take orders for goods that we supply six months in advance and throughout the period of negotiations...all of the stores that we used to sell to said ‘we’re just going to buy from somebody else’.”



Patrick Grant is a fashion designer and acts as director of bespoke tailors Norton & Sons of Savile Row. Grant explained how before Brexit, many fashion stores across Europe would buy British clothes with the same ease as they would buy within their own domestic markets.



Grant then went on to discuss alongside other witnesses the issues around a lack of skilled workers as a result of changes to UK-EU trade.

OUR RECOMMENDATION: **VISAS**

Modern trade is complex and interconnected. The UK cannot simply replace losses caused by barriers to trade with the EU with extra trade elsewhere. It should be looking to expand in all markets. We have heard this message repeatedly across different sectors from small drinks suppliers to touring artists, that difficulties in exporting to the EU will have knock-on effects globally. Supply chains are changed, facilities relocated, importing material needed for re-export has rules of origin consequences, visa regimes require artists to show international merit, and much more besides. As one witness told us: “There are no countries with which we previously didn’t do business that I can see us having any greater opportunity to do business as a result of any changes that have come about”.

The cost of visas for skilled workers and researchers in the UK is roughly five times higher than in our closest competitors. The government should reduce the cost and complexity of UK visa processes, including the health surcharge, and introduce loans to support applicants with their initial costs, and reduce surcharges. The government should also add garment workers and drivers to the shortage occupation list; at least until T-Levels have been introduced for a sufficient length of time, or when suitable training has been given to workers in the UK.

OUR FINDINGS

CROSS CUTTING THEMES

1

The UK has considerable and diverse economic strengths,

including food, drink, industrial goods, and financial, digital and cultural services. All contribute strongly to the economy domestically and internationally.

2

UK businesses now face more barriers than their geographically nearest international competitors,

and we heard how this is leading to relocation of activity, from financial services to manufacturing. Some business models that have grown over the last 10 years are no longer viable, such as small-scale sales of food products to the EU. There is little expectation that new trade deals will provide significant new competitive advantages, and our apparent desperation to do these deals will make matters worse in some sectors.

3

Modern trade is complex and interconnected.

The UK cannot simply replace losses caused by introducing new barriers to trade with the EU with extra trade elsewhere. It should be looking to expand in all markets. We have heard this message repeatedly across different sectors from small drinks suppliers to touring artists, that difficulties in exporting to the EU are having knock-on effects globally. Supply chains are changing, facilities relocating, importing material needed for re-export has rules of origin consequences, and visa regimes require artists to show international merit. As one witness told us: "there are no countries with which we previously didn't do business that I can see us having any greater opportunity to do business [with] as a result of any changes that have come about".

4

Small and medium sized businesses, including freelance workers, face a disproportionate burden in adjusting

to new barriers. Government acknowledgement, guidance and help has not always been available, leaving businesses to make do as best they can. A witness from the British Chamber of Commerce suggested that more timely guidance around what a trade deal means in practice would be helpful for business looking to export for the first time. Interaction with the government has left some SMEs concerned that nobody appears to be listening.

5

Overall government engagement with business is variable.

There has been positive engagement with officials, but little confidence in Ministers taking action. "In terms of action, though, you are in a pretty tricky position where you've got to try and find the sweet spot, something the Government is willing to do, that the EU has not already rejected, and that will make a difference," as one witness told us.

6

We have heard repeatedly that the new rules for doing business in Northern Ireland, which has always

relied on goods coming to or from Great Britain, are unclear and bureaucratic, and that notwithstanding the Trader Support Service, the EU and the UK Government need to agree a sensible way forward. There are clear issues with the Northern Ireland protocol, but there may also be opportunities for Northern Ireland from fewer barriers to trade with the EU than those faced by the rest of the UK.

7

For UK farming we heard that the impacts of decisions taken now may not be felt for 10 to 15 years, by which time irrevocable damage

could have been done. There is particular concern that promises made about new trade deals have been broken. "We've received promise after promise that our higher welfare and environmental standards will be protected and it does seem at the moment that there's a complete roll back on those promises," as one witness said. This long term impact could also apply to other sectors.

8

We have not yet received evidence from any witnesses that they have an appetite for widespread

deregulation or divergence from EU rules, even in emerging areas like digital trade. Divergence was sold as a Brexit benefit, despite business preference for alignment. As one witness told us, "you need trust in the digital economy". To trade with others we need to meet their rules and requirements, and as another witness said: "if you're in an advanced economy and you're in our position in services, number two in the world, you're going to pick the highest standard that allows you to work with everyone". There

OUR INTERIM RECOMMENDATIONS



DIGITISATION

Export health certificates and other checks on food exports should be digitised through an integrated, end-to-end electronic tracing and certification system, modelled on other European countries with less cumbersome processes.



SUPPORT FOR SMEs

The SME Brexit support fund should be relaunched with a simpler application process and larger grants available. The government should also reinstate the Trade Show Access Programme, expand its network of International Trade Advisors and set up a single online portal for SMEs that trade internationally to help them take advantage of the guidance and financial assistance available to them.

As a first step, we believe it is essential that the Government spends more time listening to businesses affected by new trade barriers, and thinking about how issues can be resolved. Some of this will require negotiation with the EU and others, but there are some things that are within our own gift, including the four recommendations laid out here.



VISAS

The cost of visas for skilled workers and researchers in the UK is roughly five times higher than in our closest competitors. The government should reduce the cost and complexity of UK visa processes, including the health surcharge, and introduce loans to support applicants with their initial costs, and reduce surcharges. The government should also add garment workers and drivers to the shortage occupation list; at least until T-Levels have been introduced for a sufficient length of time, or when suitable training has been given to workers in the UK.



FOOD STANDARDS

A new authority to look at food standards in trade agreements should be established to protect and maintain standards in future UK trade agreements. This agency should carry out an independent and comprehensive impact assessment of any proposed divergence from EU food regulations, including the impact on UK-EU trade and Northern Ireland.

We would prefer to see an integrated trade strategy developed with business, in which the Government provides business with the best opportunity to succeed, and is open to conversation where there are problems. Without this there appears little confidence that the issues we have heard from witnesses will be resolved.

NEXT STEPS THE REST OF 2021

In the next stage of the Commission's work we aim to focus further on the steps the UK needs to be taking to retain our place as a leading economic and trading power. This will start by looking at the state of our negotiating and diplomatic function, and we will move on to look at significant questions around the state of the union, our approach to regulatory alignment, the climate crisis, and how to maintain our service and goods strengths.

UPCOMING SESSIONS OF THE UK TRADE & BUSINESS COMMISSION

16 SEPTEMBER 2021

EU-UK DIPLOMATIC RELATIONS

30 SEPTEMBER 2021

UK TRADE DEALS AND THE IMPACT ON DEVOLUTION

14 OCTOBER 2021

REGULATORY APPROACHES - PHARMACEUTICALS,
MEDICINES & CHEMICALS

28 OCTOBER 2021

COP26: UPDATING TRADE FOR THE CLIMATE CRISIS

4 NOVEMBER 2021

SERVICES: THE LION'S SHARE OF THE UK ECONOMY
(INCLUDING PEOPLE, TALENT & SKILLS)

25 NOVEMBER 2021

PROTECTING UK MANUFACTURING IN THE
GLOBAL SUPPLY CHAIN

9 DECEMBER 2021

THE FUTURE OF UK TRADE IN 2022



“

Since its inception, the Commission has held fortnightly evidence sessions with businesses and experts across a wide range of topics relevant to UK trade. Each of these has provided insight into the changing nature of UK trade after Brexit, and the challenges ahead.

If you would like to submit evidence to the Commission for any of these sessions, please visit the website:

tradeandbusiness.uk/evidence



IMPACT PUBLIC OPINION

Since its launch, the UK Trade and Business Commission, and Best for Britain as secretariat, have worked hard to highlight the issues faced by UK businesses from their new trading environment and have been effective in bringing them to the attention of the public and policy makers. Alongside national coverage in broadcast, print and online outlets, numerous features in Scottish, Northern Irish, Welsh and regional English outlets have highlighted to people how businesses have been affected in their area. This has encouraged the government to agree to meet with representatives of the Commission to discuss these issues and explore potential solutions.

MEMBERS OF THE COMMISSION



Professor L. Alan Winters
Director, UK Trade Observatory
University of Sussex



Alison Williams
Global Head of Data
Dunnhumby



Aodhan Connolly
Director, Northern Ireland Retail
Consortium



Andrew Ballheimer
Former Global Managing Partner
Allen & Overy LLP



Caroline Lucas MP
Green MP
Brighton Pavilion



Claire Hanna MP
SDLP MP
Belfast South



Dr Geoff Mackey
Director of Corporate Affairs &
Sustainability Director, BASF



Hilary Benn MP
Labour MP
Leeds Central



Layla Moran MP
Liberal Democrat MP
Oxford West & Abingdon



Liz Saville-Roberts MP
Plaid Cymru MP
Dwyfor Meirionnydd



Paul Blomfield MP
Labour MP
Sheffield Central



Paul Girvan MP
DUP MP
South Antrim



Peter Norris
Chairman
Virgin Group



Dr Philippa Whitford MP
SNP MP
Central Ayrshire



Sir Roger Gale MP
Conservative MP
North Thanet



Dame Rosemary Squire
Joint CEO and Executive Chair
Trafalgar Entertainment



Professor Shearer West
Vice Chancellor and President
University of Nottingham



Dr Stephen Farry MP
Alliance MP
North Down



Tamara Cincik
Founder and CEO
Fashion Roundtable

The UK Trade and Business Commission was launched in April to provide independent scrutiny of the UK's trade deals with Europe and the rest of the world. It brings together eleven MPs from all nine Westminster parties and all four nations of the UK, along with business leaders and expert economists. The Commission is co-convened by Hilary Benn MP and the Chairman of Virgin Group, Peter Norris, and the secretariat is provided by the cross-party, pro-internationalist group Best for Britain.



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**UK TRADE & BUSINESS
COMMISSION**

UK TRADE & BUSINESS COMMISSION SESSION REPORTS

SESSION REPORTS APRIL - AUGUST 2021

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ABOUT THE COMMISSION

What is the Commission?

The Commission consists of business leaders and parliamentarians working together in the national interest to assess the impacts on UK businesses and consumers of international trade deals and government policy. This information is used to produce and deliver recommendations to the UK Government.

Why was the Commission set up?

The Commission was launched in April 2021 to provide independent scrutiny of the UK's trade deals with Europe and the rest of the world.

Who sits on the Commission?

The Commission brings together ten MPs from all nine Westminster parties and all four nations of the UK, along with business leaders and expert economists. The Commission is co-convened by Hilary Benn MP and Peter Norris, the Chairman of Virgin Group.

Secretariat

Secretariat is provided by Best for Britain. The secretariat provides support to commissioners in their work on the Commission, and administers the Commission's inquiries. The secretariat's work includes providing research, administration and logistics for the Commission.

Evidence

The UK Trade and Business Commission is collecting evidence about how the UK's trading relationships with the EU and other countries and trading blocs have changed, and how UK businesses and consumers have been impacted.

Visit tradeandbusiness.uk/evidence to submit evidence.

Members of the Commission

Parliamentary Commissioners:

- Hilary Benn, Labour MP for Leeds Central
- Roger Gale, Conservative MP for North Thanet
- Claire Hanna, SDLP MP for Belfast South
- Stephen Farry, Alliance MP for North Down
- Paul Blomfield, Labour MP for Sheffield Central
- Caroline Lucas, Green MP for Brighton Pavilion
- Layla Moran, Liberal Democrat MP for Oxford West and Abingdon
- Dr Philippa Whitford, SNP MP for Central Ayrshire
- Liz Saville Roberts, Plaid Cymru MP for Dwyfor Meirionnydd
- Paul Girvan, DUP MP for South Antrim

Business and Trade Commissioners:

- Peter Norris, Chairman, Virgin Group
- Aodhán Connolly, Director at Northern Ireland Retail Consortium
- Alison Williams, Global Head of Data, Dunn Humby
- Professor L. Alan Winters, Founding Director of the UK Trade Policy Observatory at the University of Sussex
- Andrew Ballheimer, Former Global Managing Partner of Allen & Overy (Legal Services)
- Dr Geoff Mackey, Corporate Affairs and Sustainability Director, BASF
- Rosemary Squire, CEO, Trafalgar Entertainment
- Tamara Cincik, Founder and CEO, Fashion Roundtable
- Professor Shearer West, Vice-Chancellor and President, University of Nottingham

Advisors to the Commission:

- David Henig, UK Director at the European Centre for International Political Economy (ECIPE)

ECONOMIC IMPACTS OF THE TCA

SESSION ONE 15 APRIL 2021

BACKGROUND & WITNESSES

This session considered the likely short and long-term economic impacts of the change in the UK-EU trade relationship, from membership of a customs union and single market, to the Trade and Cooperation Agreement. Witnesses were asked to comment on the immediate impacts and longer term prospects for UK-EU trade, including integration within cross-European supply chains, and whether the effects on trade with the EU will be compensated for by greater trade with the rest of the world.

Economists generally agree that more openness to trade leads to greater prosperity, if not necessarily the exact mechanisms for this. Raising trade barriers conversely leads to less trade. Such trade barriers come in many forms, the main ones being tariffs, differing regulations, border checks, and prohibitions in offering different types of service from another country. Such barriers are tackled by different types of international agreements. In general, it would be expected that greater economic benefits would come from deeper relationships.

In 2019, around half of the UK's trade was accounted for by the EU, plus those countries in close relationships with the EU. Full figures are not yet available for 2020.

A number of economic impact assessments of replacing EU membership with different trading relationships have been produced. The overwhelming majority forecast an economic loss, though the specific figures vary considerably. Such models are usually made by considering a point in time such as years in the future, when adjustments to the economy have happened, not all in one year.



Julian Jessop
IEA Economics Fellow
Independent Economist



Thomas Sampson
Associate Professor,
Department of Economics
at LSE



Vicky Pryce
Economist & Consultant
Former Joint Head of the
UK Government Economic
Service

ISSUES & RECOMMENDATIONS

KEY QUOTES

Economists outlined the negative impacts on UK trade as a result of new barriers with the EU, especially a disproportionate impact on SMEs. They expressed differing views on likely future performance; but agreed on the importance of tracking the impact on trade between Northern Ireland and Great Britain.

THE COMMISSION RECOMMENDS IN THE FIRST INSTANCE:

- The Government publishes comprehensive data on all trading impacts of the TCA, including regional impact data from trade within the UK, with a particular focus on the impact of Great Britain-Northern Ireland trade
- The Government should find mechanisms to help smaller companies to absorb the cost of non-tariff barriers with the EU and all costs outside of Europe.

OTHER SUGGESTIONS FROM THE COMMISSION ARE THAT THE GOVERNMENT WORKS ON:

- A labour mobility agreement, that is bilateral with Member States or negotiated with the EU
- Improving diplomatic relations with the EU
- EU to recognise equivalence in financial services.

Associate Professor Thomas Sampson of the London School of Economics discussed the new non-tariff barriers facing UK firms, including customs checks and “additional regulatory red tape”.

He then added that there remains “considerable uncertainty”, and that it could take up to 10 years for the economic impact of the UK’s exit from the EU to fully bed in.

He said it was reasonable to assume that if UK GDP per capita falls by 4%, real wages will also fall by the same amount, but that there will be lots of variation depending on the sector and region. He also called on the Government to publish more detailed data on trade between Northern Ireland and Great Britain. He said: “The implementation of the border in the Irish Sea - the customs checks which are carried out there - if nothing else, will produce a lot of data on what is going on across the Irish Sea. For understanding the impact of the Northern Ireland protocol, it would be helpful if that data was published.”

Hilary Benn MP, Co-Convenor of the UK Trade and Business Commission, commented: “The witnesses we heard from today agree the UK economy has taken a short-term hit from the end of the EU transition period, with small businesses bearing the brunt of new barriers to trade. However, there is a lot of uncertainty over the longer-term implications of our new trading arrangements for the different sectors and regions of the UK, with some likely to face particular difficulties.

“Our cross-party Commission will now be looking in detail at the range of issues raised today and at the challenges and opportunities facing specific industries, from food and drink to financial services. We will be looking to the future and not the past, with a focus on practical ways to improve trade policy and help businesses bounce back from the pandemic and EU exit.”

“

Former Joint Head of the UK’s Government Economic Service Vicky Pryce said “it is smaller firms that go out of business”, leading to greater concentration of larger firms which is “negative for the economy”.

She welcomed the setting up of the Government’s new £20 million SME Brexit Support Fund, but said the “funding isn’t anything like enough.”

She then warned that the Office of Budgetary Responsibility has forecast that “the long-term loss of productivity in the UK will be something like 4%, which is higher than the Covid loss expected to be 3%”.

“

Julian Jessop from the Institute of Economic Affairs said UK exports to the EU had bounced back in February (after the fall in January) and that these barriers should be reduced over time.

He called for the Government to invest more in customs infrastructure to lessen the burden on firms.

He further argued, however, that while there would be some impact on the UK economic structure, he thought the estimated economic hit of 4% was too high. He added that there had been a “healthy recovery” in exports to the EU in February and that some of the benefits of Brexit have been underestimated.

TRADE BARRIERS ON FOOD & DRINK

SESSION TWO 29 APRIL 2021

BACKGROUND & WITNESSES

Globally the food and drink sector is typically most affected by trade barriers, with both the highest levels of tariffs and the most onerous non-tariff barriers (typically sanitary and phytosanitary or SPS measures). It is therefore unsurprising that this sector has been at the centre of stories about the impact of the changes to UK trade from January 1. The change has been particularly abrupt for movements from GB to the EU and Northern Ireland, the latter due to the provisions of the NI protocol.

This session looked at UK food and drink trade, the changes that came into force on January 1, their impact, how this can be mitigated, and the way this may change for better or worse in the future. There was a particular focus on Northern Ireland, which is being treated as part of the EU in terms of rules covering goods products. Different products and sizes of exporter are affected in different ways, with potentially different solutions, and therefore we sought specific examples wherever possible. The impact of delaying checks on products coming into the UK should also be considered.

On January 1 the UK ceased to be part of the EU customs area, and Great Britain ceased to be part of the EU single market for goods including food and drink, thereby becoming a third country. EU import conditions for third countries are extensive and complex, and as implemented through UK processes create an extensive manual for exporters. The UK has yet to introduce full import checks on food and drink from the EU for GB. Similarly there are grace periods in place for some movements to Northern Ireland. A Digital Assistance Scheme is being developed to support the continued movement of agri-food and live animals from Great Britain to Northern Ireland.

To qualify for zero tariffs on exports to the EU, food and drink products must meet rules of origin requirements. This could be a problem for some products, for example those using sugar or flour from outside the UK. It has also caused issues with distribution centres, as products cannot simply be imported into Great Britain and then re-exported to the EU.



Emily Rees
Senior Fellow at ECIPE & MD
at Trade Strategies



Karin Goodburn
Director General of the
Chilled Food Association



Nick Allen
CEO of the British Meat
Processors Association



William Bain
Policy Advisor at the British
Retail Consortium

ISSUES & RECOMMENDATIONS

KEY QUOTES

DIGITISATION & SIMPLIFICATION OF PROCESSES:

The cost of trade bureaucracy has approximately doubled to £1000 per vehicle processed, requiring border personnel to process paperwork. The Commission recommends the urgent digitisation and simplification of border administration for food trade.

- Digitise all export health certificates, paperwork and composite product documentation
- Redesign the system with just-in-time/short shelf life products in mind, as this is the primary form of food trade with the EU and NI
- Create a traceable and auditable 'chain', rather than paperwork at each step of SPS trade. This includes updating documentation to accommodate composite chain information, and modelling other SPS (meat, dairy etc.) on the auditable 'chain' system.

STANDARDS & REGULATION:

Our exit from the EU should be an opportunity to raise food and agricultural standards. However, any divergence from EU standards will have a major impact on UK-EU trade and regulation within Northern Ireland.

- The Commission recommends enhancing the UK's regulatory approach to take account of divergence.

NEGOTIATIONS:

The NZ/Australia SPS agreements with the EU took around a decade to establish through the incremental building of trust. However, the political and diplomatic, not to mention economic, impact of frictional trade between GB and NI needs urgent action.

- Talks between NI, Europe, UK Government and businesses are vital as the NI protocol 'roadmap' unfolds. Consistently engaging communities and businesses will avoid investment instability and avoid political uncertainty in Northern Ireland
- Low-hanging fruit, sector/product specific agreements which could be agreed through an exchange of letters and would ease immediate problems should be prioritised, as a comprehensive veterinary equivalence agreement will take time to achieve.



Business Commissioner Aodhán Connolly, Director of the Northern Ireland Retail Consortium, said: "Today's evidence session revealed the sheer scale of the challenge facing food exporters, particularly small businesses, who are facing a nightmare of red tape. Both the EU and the UK Government need to work together with businesses to design solutions that remove some of these frictions and provide long-term certainty. That is particularly true for Northern Ireland, where households have half the discretionary income of those in Great Britain.

"We have heard how there is some low hanging fruit that could help reduce the burden on food businesses, including digitisation and certified and auditable supply chains. All of this needs to happen in a way that keeps businesses in Northern Ireland competitive and gives choice and affordability to households."



Nick Allen, Chief Executive Officer of the British Meat Processors Association (BMPA), told Commissioners the cost of exporting food has gone up "considerably", with most UK meat exporters facing "an extra £1000" to send a lorry through the port. He added that "an army of office workers" are needed to deal with additional bureaucracy and paperwork.

Smaller exporters are struggling with what he described as a "monster of a system" with 29 different processes to follow, and some will have to "give up" unless current checks are simplified. He emphasised the system wasn't designed for just-in-time food supply chains, asking "why we're asking a fully qualified vet to sign an export health certificate for a cream cake to be exported." He called for export certificates to be made electronic, adding it was "utterly ridiculous" to be "messaging around" with sheets of paper.

Karin Goodburn, Director General of the Chilled Food Association (CFA), warned that many businesses had already "given up" on trading across the Channel, with products losing a day's shelf life on lorries. She told the Commission that companies in the chilled foods sector were facing "a lot of pain and a lot of administration".

"We're dealing with archaic paperwork, Byzantine process and kafkaesque differences of interpretation."

Goodburn further outlined how "89,000 export health certificates have been issued this year", a hundred times higher than the 806 issued last year. She explained that at present, it takes vets between "three or four hours" to sign each certificate because it is so complex, which equates to "21,000 eight hour days" in real terms.

Trade expert Emily Rees added that veterinary agreements that can reduce the need for food checks "don't happen overnight", pointing to the EU-New Zealand deal which took over a decade to be agreed.

FUTURE TRADE IN UK FINANCIAL SERVICES

SESSION THREE 13 MAY 2021

BACKGROUND & WITNESSES

According to a report by New Financial, the UK is the second-largest financial centre in the world after the US (from an analysis of 28 metrics of financial activity). This is particularly pronounced in cross-border activity, where the UK has a 15% share of all global international activity compared with 24% for the US and 8% for Hong Kong.

In trade terms the UK is a leading exporter of financial services, on most measures behind the US, and ahead of Luxembourg as the largest three. In 2019 UK financial services exports were estimated at £59 billion, with imports of only £18 billion. Of this number, 40% went to the EU, and 60% to the rest of the world. Financial services are therefore around 8.5% of total UK exports.

The financial sector employs more than 1 million people (around 3% of UK jobs) and in 2019 accounted for £125 billion or 6.5% of the value created in the UK economy. The latter figure reflects a decline from a peak of 8.4% in 2009. Around half of this is generated in London. A House of Commons analysis suggests the contribution of financial services to the UK economy is not unusual by developed country standards, being similar to the Netherlands, South Korea or New Zealand.

These figures are enhanced when considering related professional services such as accountancy, where the UK is similarly strong. The provision of financial services is heavily regulated worldwide. Barriers to trade in financial services are typically associated with these regulations, as there is little mutual recognition of equivalent supervision and the issues are not well covered in FTAs. However, the relationship between trade and regulatory barriers may vary considerably by country and sector. For example, while there may be direct restrictions on providing certain services, such as those related to the Euro, in other instances trade relates to money being brought into the UK.



William Wright
Founder and MD of New
Financial LLP



Emma Reynolds
MD of Public Affairs, Policy
& Research at TheCityUK



Nick Collier
MD, City of London
Corporation in Brussels



Philip Wood CBE QC (Hon)
Former Head of Allen &
Overy Global Law Intelligence
Unit & Visiting Professor,
University of Oxford

ISSUES & RECOMMENDATIONS

KEY QUOTES

DIALOGUE BETWEEN THE EU AND THE UK:

- The UK should look to deepen the regulatory cooperation agreement, which would ease the path to mutual recognition of regulatory regimes and eventually equivalence recognition
- The UK Treasury and the EU DG FISMA should meet biannually to discuss regulatory alignment and policy.

NEGOTIATION GOALS:

- The only successful example of an FTA on financial services is the EU itself. Directly passporting through FTAs into other jurisdictions is unlikely with the EU or elsewhere
- The UK should instead pursue bilateral partnerships, regulator to regulator, to remove individual barriers to trade (Switzerland is a good model for the UK)
- Maintain data adequacy agreement with the EU and build on the MoU
- Optimise the movement of people and locality arrangements. As passporting is unlikely, it is vital that UK firms can logistically set up operations in EU jurisdictions easily. This is particularly important for satellite/support workers
- Agreements on sustainability/ESG.

LEVERAGING UK ASSETS POST-BREXIT:

- Fintech, innovative green finance and data are areas of global growth in the financial services sector, and should be prioritised by the UK Government
- Ensure a stable and welcoming tax, regulatory and employment environment and high standards of business practice to maintain the UK's reputation
- This requires 'joined-up thinking' from Government departments like DIT, DCMS and DWP as well as the Treasury. Suggested policy: fast-track tech visas
- But there was a suggestion that the UK should choose competitors wisely, e.g. the UK should not try to compete with New York/NASDAQ on tech IPOs.

William Wright, Founder and Managing Director of New Financial LLP, remarked that the EU was highly unlikely to grant the UK market access for financial services through its so-called equivalence process, adding: "equivalence is another word for trust. Right now that trust doesn't exist."

"There are jobs in Bournemouth, Manchester, Glasgow, Belfast that could find themselves at risk of being moved to Estonia, Poland, Lisbon...because firms have to rethink their whole business model as a result of Brexit". About 10% of assets in the UK banking system have moved abroad, which could result in a hit to the public finances equivalent to around 1% of total tax receipts.

Peter Norris, Co-Convenor of the UK Trade and Business Commission and chair of Virgin Group, said: "We've heard how the UK will likely remain a leading global financial centre, but the Government must not take this position for granted."

"The current lack of access to EU markets for UK-based financial services firms is already impacting on jobs and exports, including in regions outside of London. This risks causing a potentially significant hit to tax revenue. The Government should focus on reducing tensions and rebuilding trust with the EU, to create the political goodwill needed to improve current arrangements for financial services trade. This will benefit both our world-leading finance sector and businesses and customers on both sides of the Channel."

“

Emma Reynolds, Managing Director of Public Affairs, Policy and Research at TheCityUK, emphasised that "we are not operating in a vacuum" and that EU officials have raised concerns over issues such as the Northern Ireland protocol and fishing, adding that "none of this is helpful to the relationship."

She added that while the risks of an acrimonious no deal had faded, the UK now faced the risk of ending up in an "acrimonious deal situation" which is in "nobody's interests".

Reynolds continued: "We used to export a high proportion of financial services exports to the EU. That has certainly decreased and will continue to, because of these new rules and regulations."

“

Nick Collier, Managing Director of the City of London Corporation in Brussels, said it was "too late for a fish for finance deal." He said EU officials regularly raised concerns about the "rule of law, international law, Northern Ireland and fishing," adding:

"levels of trust are low" and it could take ten years for the UK to rebuild its relationship with the EU following the "traumatic divorce" of Brexit.

Collier added: "The German-speaking salesperson for a big investment bank who was based in London will now be based probably in Frankfurt, because that's a regulated activity."

BARRIERS TO TRADE & SMALL BUSINESS

SESSION FOUR 27 MAY 2021

BACKGROUND & WITNESSES

There are numerous barriers to trading internationally, ranging from finding markets and partners, obtaining insurance and visas, and arranging trade finance, to paying tariffs, meeting appropriate regulations, and ensuring delivery of goods through customs. These barriers ultimately mean higher costs for international compared to domestic sales, particularly when it comes to identifying and overcoming the barriers.

In general larger companies have several structural advantages in trading internationally. Extra costs can be spread over a greater volume of sales; they can afford to employ specialists in international trade; and they can also press governments to seek removal of particular trade barriers.



VERDER

Verder Ltd
Industrial pump manufacturer and distributor
Castleford, Yorkshire



E.A. Martin
& Son Ltd

EA Martin & Son Ltd
Hand tools wholesaler
Coleraine, Northern Ireland



fluorochem

Fluorochem
Chemicals supplier
High Peak, Derbyshire



Foxglide

Foxglide Sportswear
Sportswear clothing manufacturer
Troon, Ayrshire



**JIN
TALOG**

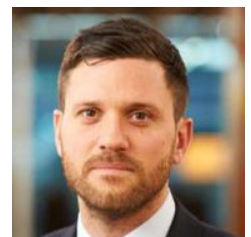
Jin Talog
Organic gin producer
Carmarthenshire, Wales



James Sibley
Head of International Affairs,
Federation of Small Business



Suren Thiru
Head of Economics, British
Chambers of Commerce



Russell Antram
Head of EU Negotiations,
Confederation of British
Industry

ISSUES & RECOMMENDATIONS

KEY QUOTES

THE COMMISSION RECOMMENDS:

- Significantly increase the budget of the SME support fund and loosen its eligibility criteria, to ensure businesses can access the support they need
- Publish a government strategy for SME trade, with an action plan, including the appointment of a single minister dedicated to SME trade
- Establish a regular SME trade forum with representation from relevant businesses and representative organisations from across the devolved administrations and the English regions
- Prioritise resolution of issues particularly affecting SMEs trading with the EU, including by seeking to tackle customs delays
- Ensure the simplest possible bureaucracy for goods movements between Great Britain and Northern Ireland consistent with international commitments
- Create an SME portal as a single entry point to help international trade, similar to the EU's 'Access to Market' system, rather than having information spread across departmental websites.

Lee Jones, Managing Director of Fluorochem, said: "We've investigated every possible solution.

"In a nutshell if nothing is resolved this year, because we cannot afford to sit around and wait for things to potentially come up in twelve months or two years, we will relocate."

"It is impossible to remain competitive in Europe by shipping from the UK using the current methods... It's an absolutely crazy system." Mr Jones went on to recommend that a dedicated minister of trade for SMEs would be required to help them navigate these issues.

Jin Talog, an organic gin distillery based in Carmarthenshire, found increased duty and courier costs made their product uncompetitive in what was once an expanding market within the EU. David Thomas, Founder of Jin Talog said:

"It's essentially killed off our business... sending a delivery to Dusseldorf used to be as easy as sending it to Doncaster, but now it's just a non-starter."

“

Suren Thiru, Head of Economics at the British Chamber of Commerce said: "There certainly are some teething problems, so businesses filling in the wrong paperwork and that sort of thing, but in terms of balance, more of it is on the long term structural issues of the deal that means that exporting to the EU may not be viable for some businesses longer term."

“

Commissioner Liz Saville Roberts MP said:

"Exporting jobs and losing business is the opposite of levelling up. It is the clearest sign that our new trading relationship with Europe is not working for small businesses or the people they employ."

"Today's evidence will help us form urgent recommendations on how the Government can begin to repair the damage from their bare-bones trade deal with the EU."

Naomi Smith, Chief Executive of Best for Britain said:

"This powerful testimony from SMEs shows that the TCA is not equipped to deal with the complexity of modern trade and is in urgent need of improvement."

"SMEs account for three fifths of the employment and around half of turnover in the UK private sector and that they have not received sufficient clarity or support is unacceptable."

SECURING AN EU-UK VETERINARY AGREEMENT

SESSION FIVE 10 JUNE 2021

BACKGROUND & WITNESSES

Upon leaving the EU single market at the end of 2020, UK food exports became subject to the extensive EU rulebook for the import of such goods from third countries. Products of animal origin are subject to particularly stringent tests, reflecting the higher risk they pose to health. This rulebook is based on the need to safeguard the movement of goods within the EU, although all countries impose rules on food imports to a degree.

A third country may be added to the list of non-EU countries authorised for the introduction of meat products into the EU, under a Commission Decision which lays down lists of non-EU countries, territories or parts thereof authorised for the introduction into the European Union of certain meat products and the veterinary certification requirements. A non-EU country must be listed in that Decision before exporting meat products into the EU.

This Decision contains details of any animal health requirements, the treating requirements for their manufacture and the appropriate veterinary certificate models which are required to ensure that meat products can be introduced safely into the EU. Such veterinary certificates must accompany all consignments of meat products entering the EU.

In the UK it is the Animal and Plant Health Agency which is responsible for issuing Export Health Certificates to meet EU requirements. Their processes are significantly paper-based. Qualified veterinary surgeons inspect, stamp and sign printed forms for all products of animal origin leaving UK shores.



James Russell
President, British Veterinary Association (BVA)



Gary McFarlane
Director, Chartered Institute of Environmental Health, Northern Ireland



Richard Griffiths
Chief Executive, British Poultry Council (BPC)



Gail Soutar
Chief EU Exit & International Trade Adviser, National Farmers Union of England & Wales

ISSUES & RECOMMENDATIONS

KEY QUOTES

INSPECTION, CERTIFICATION & CAPACITY:

- The current GB export certification system currently relies on a small pool of official veterinarians and environmental health certifying officers to inspect and sign off all products of animal origin leaving GB ports. This should be expanded.

ELECTRONIC DOCUMENTATION & ADMINISTRATIVE STREAMLINING:

- APHA, the issuing authority for Export Health Certificates (EHCs), are struggling to keep up with demand. A recent Freedom of Information request from a UK newspaper revealed that Animal and Plant Health Agency were only processing 250 EHCs a day. If trade with the EU is to get back to normal levels, that number should be closer to 1000 EHCs per day.

STANDARDS & VETERINARY AGREEMENT:

- Since 1 January, the UK has continued to follow EU standards, yet faces complex certifying and checking procedures to prove it. An agreement that UK and EU standards are equivalent or aligned, could remove or reduce the certification and implementation issues outlined above.

Richard Griffiths, Chief Executive of the British Poultry Council said: "At the moment in our sector we estimate that the additional cost per lorry load is around £750 to £1000. And when you consider that we alone as the poultry meat industry export up to 400 loads a week, that's an awful lot of money that is having to be found, money and resources, so digitalisation is the first step but it's absolutely crucial.

"My concern is as we look ahead I'm not confident that we have the political engagement and the political will to find lasting solutions for this, because we can't go on fire-fighting as we have been. Because it's just not sustainable. Whether with the numbers, the vacancies, the lack of resources - it's simply not sustainable."

Gail Soutar, Chief EU Exit and International Trade Advisor, National Farmers Union England and Wales, said: "The UK Government must continue to engage constructively with the EU on securing a way that we can reduce as much as possible the friction that is in place between our trading nations. I don't necessarily want to get hung up on whether that's a New Zealand-style veterinary agreement, a Swiss-style model - we are in a bespoke situation. We are the closest major market for the EU.

"It's in both sides' interests to try and get a very bespoke, robust agreement that seeks to minimise as much friction as possible."

“

James Russell, President of the British Veterinary Association, said:

"Just looking at products of animal origin, we were something like 13,500% up on this time last year, having completed roughly 121,000 certificates, and our best estimate was that that is 116 years of time to complete those certificates. So I think that gives a bit of a flavour for the ask that we're making of these people."

“

Gary McFarlane, Director, Chartered Institute for Environmental Health Northern Ireland, said:

"The Government has repeatedly stated that it will not compromise on our food standards and on health protection, but it has, it has to be said, thus far singularly and spectacularly failed to legislate for that."

He continued: "that goes back to the need for proper robust veterinary agreements and standards that I would argue, let's aim for surpassing the standards within the EU, let's have the best food and environmental standards in the world, because that will ultimately add value to our food products."

CULTURAL & CREATIVE INDUSTRIES

SESSION SIX 24 JUNE 2021

BACKGROUND & WITNESSES

The UK Trade and Business Commission heard evidence around the impact of the UK's new trading arrangements with the world on the cultural and creative industries. Witnesses who gave oral testimony came from the fashion, music, touring, theatre and lighting industries.

The UK's cultural and creative sector is rarely considered when trade deals are discussed. This is despite significant and diverse exports from computer games to music, theatre to fashion. Such neglect has led to problems, most notably in the hugely increased difficulties UK cultural and creative workers now face in touring or working around Europe.

The diversity of UK cultural and creative exports from businesses ranging from a single person to large companies means there are no simple solutions to boosting exports. Rather, the Government needs to understand the range of issues and ways in which these can be overcome, sometimes by domestic policy changes, sometimes through negotiation. In this evidence session Commissioners asked selected experts about the issues and possible solutions, and what support has been forthcoming from the Government to date.



Deborah Annetts
Chief Executive, Incorporated
Society of Musicians



Simon Chambers
Owner, Storm Model
Management



John Horner
Managing Director at
Models1 Limited



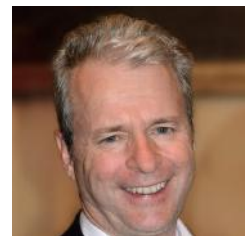
Patrick Grant
Director of bespoke tailors
Norton & Sons of Savile Row



Kash Bennett
MD & Producer of National
Theatre Productions



Paule Constable
Award-winning British
Lighting Designer



Craig Stanley
Promoter & Event Director,
Marshall Arts Ltd



Julian Bird
Chief Executive, Society of
London Theatre & Theatrical
Management Association

ISSUES & RECOMMENDATIONS

KEY QUOTES

NEGOTIATIONS:

The UK cultural and creative industries urgently need new negotiations between the UK, EU and member states, to prevent further adverse impact on both sectors. Freeing movement between the EU and the UK will require diplomatic negotiation both with the EU Commission and EU member states.

- Negotiate an EU-wide cultural touring agreement or visa waiver, including allowances for carnets, CITES and cabotage
- Bilateral visa agreements with more key EU member states
- Maintain an open and ongoing dialogue to facilitate consolidated touring for theatre, music and dance. This is to ensure that touring artists and their entourage don't 'use up' their allowed time in Europe under new visa restrictions, and so that they can travel the continent without disruption
- Be open about ongoing discussions with the EU Commission & member states.

UNILATERAL ACTION FOR THE UK GOVERNMENT:

Guidance, support funds and immigration rules can be implemented unilaterally and rapidly by the Government. It is crucial that guidance is jointly agreed with industry, to ensure the best outcomes for the sector.

- Issue clear guidance (rather than signposting) on visas, carnets, CITES and cabotage for UK and European hauliers and workers
- Add skilled garment workers to the Shortage Occupation List
- Provide a transition support package for young, emerging, self-employed technicians and creatives while long-time solutions are being found
- Active and positive engagement by government with these industries.

Dame Rosemary Squire, Commissioner & Joint CEO and Executive Chair of Trafalgar Entertainment, said: "In their agreement with the EU, the Government have ignored the needs of people working in creative and cultural industries.

"Those who earn a living touring and working across borders don't want to hear more rhetoric or recriminations, they want solutions."

Tamara Cincik, Commissioner & CEO of the Fashion Roundtable, said:

"What we heard today is that the plight of these hugely important sectors are falling on deaf ears in government and it's emerging British talent who are paying the price."

"Not all of these issues require renegotiation with the EU and are in the UK Government's gift to unilaterally change, which would be transformative on issues such as garment workers on the Shortage Occupation List, at least until such time as the T Levels are rolled out and completed.

"We want to work with the Government to fix these problems and we will be taking this evidence to them along with our own recommendations."

“

Craig Stanley, Promoter & Event Director at Marshall Arts Ltd, said:

"Artists have to travel internationally to develop. The Beatles went to Hamburg to become a band. That's as true today as it was then."

"No trucks means no tours. We think there needs to be a cultural exemption. I put that to Lord Frost when I met with him along with David Furnish and Elton John and I was saddened in his rejection of that ask. He would not be drawn on explaining why. As we come out of Covid, tours will not happen. I cannot be more blunt than that."

Deborah Annetts, Chief Executive of the Incorporated Society of Musicians, said:

"We are now way less cool than we used to be... Music doesn't really recognise boundaries and borders perhaps in the same way that Governments do, as creativity can come from anywhere... it's the way the industry works. It's not something that thrives if we don't have collaboration."

Patrick Grant, Director of bespoke tailors Norton & Sons of Savile Row, said:

"We are suffering because the image of Britain as a culturally exciting and culturally liberal place has been tarnished by things like the hostile environment. We are seen now as a less cool country than we were before... that's a pretty significant difficulty."

John Horner, Managing Director, Models 1 Limited, said:

"We estimate that in 2019, 10,000 model trips were made to Europe... but like the music industry, we are getting clients saying, 'No British models because it's too much hassle.' Simple as that."

EVALUATING THE UK-AUSTRALIA TRADE DEAL

SESSION SEVEN 1 JULY 2021

BACKGROUND & WITNESSES

The ability for the UK to reach our own trade agreements has been seen by many as a key benefit of Brexit. After replicating trade agreements with countries with which we already had trade deals by virtue of our EU membership, an 'Agreement in Principle' has now been announced with Australia.

The UK - Australia Free Trade Agreement in principle was published on 17 June 2021. This is not yet legal text, as it is believed negotiations continue in a number of areas. However, it is common for countries negotiating preferential arrangements like this to make an announcement when the main terms have been agreed.

As the first country with which we have agreed a completely new trade deal, there is considerable interest in the content. Nowhere has this been more apparent than in food and drink, where the Government suggests there will be considerable benefits, and UK farmers in particular are concerned about unfair competition.

This extraordinary session of the UK Trade and Business Commission heard from agricultural and trade experts about the UK - Australia trade deal. In particular, we discussed the potential impacts of the deal for UK consumers and producers, what the alternatives may have been, and what it means for UK trade policy, including the precedent for future UK trade agreements.



Jilly Greed
Cofounder of Ladies in Beef,
The Suckler Beef Producers
Association



Phil Stocker
Chief Executive at the
National Sheep Association



Séan Rickard
Former Chief Economist
at the NFU



David Bowles
Head of Public Affairs
at the RSPCA



Dmitry Grozoubinski
Former Australian Diplomat
& WTO Trade Negotiator

ISSUES & RECOMMENDATIONS

KEY QUOTES

UK AGRICULTURE NEEDS A STRATEGY FOR TRADE DEALS:

- The Government needs a long-term food policy which is reflected in trade deals
- If the UK Government wants sustainable UK food production it must seriously consider how the trade deal with Australia and the difference in standards which it will create will effect sustainability
- The Government should introduce plans to support rural populations in the UK, because if agricultural imports are to increase from Australia and the rest of the world, this will have a particularly detrimental effect on the devolved nations of the UK
- The Government should plan for the point at which there could be unlimited Australian imports, and the impact that could have on the agricultural sector.

ANIMAL WELFARE AND ANTIMICROBIAL RESISTANCE:

- If the UK Government is serious about climate change, animal welfare and antimicrobial resistance then imports should reflect these areas of concern just as UK producers have to do
- Existing restrictions such as those covering hormone-treated beef should be maintained.

TRANSPARENCY:

- Greater scrutiny in Parliament before agreeing trade deals is crucial
- The UK Government should create a portal where businesses can post about

Jilly Greed, Cofounder of Ladies in Beef, The Suckler Beef Producers Association, said:

"This is an absolute betrayal. This is Christmas all over for Australia."

"Currently there are about 3,700 tonnes of Australian products coming into this country. As soon as this [deal] is signed, this will increase to 45 times that amount, reaching 170,000 in 15 years' time. So much has been given away, for such little benefit to the consumer. I don't have any confidence in this government, they will just do a box-ticking exercise."

Phil Stocker, Chief Executive, National Sheep Association, said: "They (Australia) will compete on price, they won't compete on quality. Month after month the industry have been promised our higher standards would be protected through these trade deals and that we would be global leaders in pushing forward improvements in animal welfare, health and environmental management but you can see that what we're going to come down to is a discussion on some loose form of equivalence."

"We've always been concerned we'll be the sacrificial lamb in trade deals."

“

David Bowles, Head of Public Affairs at the RSPCA said: "The UK has been very coy... if you don't have conditionality or equivalence in your FTA it means you export your animal welfare standards. Coy is probably a polite way of saying it, a more reasonable way of saying it would be disingenuous."

"We don't have a trade strategy, which sounds bizarre, but we don't. The trade strategy, as far as I can see it, is to sign as many FTAs as possible."

Dmitry Grozoubski, Former Australian Diplomat & WTO Trade Negotiator, said:

"I think the political costs for Boris Johnson in failing to meet that deadline were considerably higher than they were for Prime Minister Morrison."

"Other negotiators are going to have a very hard time justifying to the US Congress, to Bolsonaro in Brazil, why they are coming home with less than what the Australians got, given the size of the Australian market."

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Séan Rickard, Former Chief Economist at the NFU said: "Agriculture is going to bear a disproportionate cost. So desperate are the Government to do deals, they are preparing to slim down agriculture. We have a nutritional policy, we have a social policy, we have an environmental policy. We don't have a food policy."

Commissioner Caroline Lucas MP said: "In their haste to make headlines, the Government has compromised on our standards, our climate commitments and even the livelihoods of our farmers. We will use today's evidence to make constructive recommendations on how this can be improved, but we urge the Government to show some backbone and stand up for Britain in future talks rather than rolling over to make a quick deal."

DATA & DIGITAL TRADE

SESSION EIGHT 8 JULY 2021

BACKGROUND & WITNESSES

A modern economy with international businesses, whether selling goods or services, is reliant on data as much as on people. Digitalisation supported by data flows continues to transform trade, whether in terms of electronic delivery of international services, or the innovations in various areas from financial services to cars with increasingly sophisticated onboard systems.

All developed countries are having to adjust policy and trade frameworks accordingly, and the UK is no exception. This is made more challenging by the absence of globally agreed rules, particularly for a UK seeking to find its place at a time of increasing signs of data protectionism.

This session looked at the UK's international position with regards to digital trade and data, considering the trends and opportunities, as well as the threats such as other countries restricting business operations.



Nick Ashton-Hart
Geneva Representative of the
Digital Trade Network & Special
Advisor, International Chambers
of Commerce



Duncan McCann
Senior Researcher,
New Economics Foundation



Jim Killock
Executive Director,
Open Rights Group



Adam Bowering
Policy Advisor, European
Parliament



Sabina Ciofu
Head of EU and Trade Policy
at techUK



Javier Ruiz Diaz
Digital Policy & Advocacy
Consultant, Ruiz Macpherson
& UK Government Advisor



Dr Emily Jones
Associate Professor in Public
Policy & Director of Global
Governance Economic
Programme, University of
Oxford

ISSUES & RECOMMENDATIONS

KEY QUOTES

STANDARDS:

- The UK should look to operate with the highest standards
- The impact of costs and benefits of divergence have to be considered very carefully.

DIGITAL STRATEGY:

- The UK should adopt a digital strategy for any prospective trade agreement, and to benefit the Government more generally
- There should be greater engagement with groups in civil society and small businesses to ensure policy recommendations are practical
- The UK should be cautious about committing to specifics in treaties whilst the policy remains uncertain, and instead seek regulatory cooperation or at most a memorandum of understanding
- The impact on small and medium-sized businesses must be considered in greater depth with tailored support as necessary
- Maintaining data adequacy with the EU is very important.

CPTPP CONDITIONS:

- The Government should be very careful about commitments including on mutual recognition.

Nick Ashton-Hart, Geneva Representative of the Digital Trade Network, said:

“If you’re an advanced economy and you’re in our position on services, number two in the world, you’re going to pick the highest standard that allows you to work with everyone and that’s the EU. So diverging from that doesn’t really get us anywhere because other countries are converging on the EU standard, even if somewhat unwillingly.”

Professor L. Alan Winters, Commissioner & Director of the UK Trade Policy Observatory, University of Sussex, said: “Digital trade underpins almost every business and is worth hundreds of billions to our economy. While the flow of data continues with our trade partners, we are entering choppy waters as we try to balance the personal aspects, the red tape for businesses and the challenges for our public services. We need to have a national conversation about all of this.”

Alison Williams, Commissioner & Global Head of Data at DunnHumby, said: “We heard today that far from being a hindrance to trade, ensuring high standards of data protection is essential to so much of our economy and there would be great costs to deregulation with little benefit. It makes very little sense to start moving backwards on protecting people’s personal information particularly as we work to remain competitive in global markets and defend the UK from cyberattacks.”

Hilary Benn MP, Co-Convenor of the UK Trade & Business Commission, said: “With the challenges facing Britain’s trading relationships today and in the future, it is clear that the Government should be maintaining strong data protection and not deregulating which, as we heard today, could create significant problems for our growing digital trade.”

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Adam Bowering, Policy Advisor, European Parliament, said:

“Scrapping data protections could further damage Britain’s international standing as EU countries and other democratic nations move to clamp down on the misuse of personal data by big corporations.”

Dr Emily Jones, Associate Professor, said:

“I would like to see us putting stronger provisions in our trade agreements to make sure we have a cast iron situation that cannot be challenged. We need a trade strategy for the UK on digital... it’s not clear to me that we’ve thought about what our priorities are and how we should be approaching them.”

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Duncan McCann, Senior Researcher, New Economics Foundation, said:

“We did some work on what the impacts would be of the UK losing adequacy. We very conservatively put the figure that UK companies would need to engage in as at least £1.6bn worth of compliance costs.”

“That burden would fall disproportionately on the SME community, a community that really can’t bear any more strain - especially as we exit a pandemic.”

SCIENCE, RESEARCH & INNOVATION

SESSION NINE 22 JULY 2021

BACKGROUND & WITNESSES

Science, research, and innovation are increasingly seen as crucial ingredients to a country's economic performance. They are also at the centre of the response to global challenges as immediate as Covid or tackling climate change, which require international collaboration. There are broad policy challenges involved, from attracting and retaining the best researchers, through to using these innovations commercially. Ultimately, science, research and innovation are hugely important to the UK's future prosperity.

In this session the UK Trade and Business Commission considered the international dimensions of science, research and innovation. This included the basis for collaboration, the regulatory infrastructure, and our visa regime. Such collaboration normally takes place outside of trade agreements, but areas such as the UK's continued participation in the Horizon programme comprise a fundamental part of our EU relationship.



Geeta Nathan
Head of Economics and Insights,
Innovate UK



Irene Graham OBE
CEO, ScaleUp Institute



Naomi Weir
Head of Innovation,
Confederation of British Industry



Jamie Arrowsmith
Assistant Director, Policy,
Universities UK International



Professor Chris Pearce
Vice Principal, Research,
University of Glasgow



Martin Smith
Policy & Advocacy Manager
(UK & EU), Wellcome Trust

Dr Geoff Mackey, Commissioner and Director of Corporate Affairs & Sustainability Director for BASF, said:

“The Government’s ambition to make the UK a science superpower overlooks the fact that in so many respects we already are one, previously punching way above our weight in terms of research outputs.

“This has been built on generations of strong international partnerships and collaboration. Today’s evidence would indicate that the policies currently being pursued are harming our science superpower status - not helping it.”

ISSUES & RECOMMENDATIONS

KEY QUOTES

INTERNATIONAL COOPERATION:

- Deepen science and innovation discussions with trade partners, building on clauses in trade deals such as in the UK - Australia Free Trade Agreement
- Reduce the cost and complexity of the UK visa system. The cost of skilled worker and academic visas is roughly 5.5 times more expensive than UK's competitors (*source: Royal Society*). The UK should bring in sponsors to support applicants through the initial cost via loans, reduce surcharges, and streamline the system
- Improve cooperation between government departments to reduce fragmentation of digital regulation and make the UK an attractive place to innovate in the digital sphere.

REGULATORY STABILITY:

- UK research needs at least a decade-long programme of activity and funding, which is not subject to sudden politically-motivated changes (for example, concerns and confusion around Horizon funding, or recent cuts to Official Development Assistance which will negatively impact research)
- The temporary and uncertain nature of the EU's data adequacy decision on the UK threatens international clinic trials and sharing of necessary information with EU scientists, e.g. Open Data has been a key driver for the green economy
- Set out a credible plan to meet the 2.4% investment target, with clear evidence of where funding will come from.

FUNDING STRUCTURES:

- Ensure equitable funding outside the 'golden circle'. Important for the UK's 'scientific superpower' reputation to present to the world a UK-wide and comprehensive research environment. That requires cooperation and communication between stakeholders in universities, Whitehall and devolved administrations
- Allocate universities flexible resources to invest in strategic relationships and research partnerships through dual support systems
- Need to free domestic funding, especially pension and insurance funds invested in green technology in the long term - insolvency rules are a barrier which needs to be overcome to match Canada and US funding. Innovate UK, Breakthrough Fund can only stretch so far, the UK must scale up funding alongside ensuring its stability
- Build on the opportunity of the Subsidies Bill and divergence from EU subsidies and state aid rules, to invest in green technology and net zero innovation.

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Professor Chris Pearce, University of Glasgow, said: “European funding supported major R&D collaborations as well as supporting knowledge exchange, and enabled lasting partnerships to be developed. Over the last few years a lot of those partnerships will have dissolved.”

Jamie Arrowsmith, Universities UK International, said: “The cuts to, in particular, the Global Challenges research funding, due to the removal of the ODR target of spending 0.7% of GDP on development, created really significant challenges for universities... There are research projects where there were legal commitments and contracts in place where funding has been cut, and I think that can only have a negative impact.”

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Professor Shearer West CBE, Vice Chancellor & President of the University of Nottingham, said: “There is real potential for research and development to help drive forward the economic recovery post-Covid and to ensure that we maintain and develop the UK as a global leader. What we have heard clearly demonstrates the appetite and ambition to do just that, although there is frustration about vacillations in research funding over the last few months. A longer term strategy from the Government is essential to ensure this ambition can be delivered.”

Martin Smith, Policy and Advocacy Manager at the Wellcome Trust, said: “There’s never been a better time or stronger appetite for R&D from government at the highest levels, from the Prime Minister, Number 10, there’s a lot of people saying the right thing.”

“But then we have these ludicrous situations where suddenly it looks like we might have a £1 billion cut to research funding and we have to suddenly mobilise a huge campaign to stop the Government from doing something that’s just really stupid, and completely the opposite of what they’re trying to achieve.”

Naomi Weir, Head of Innovation at the CBI, said: “Trust, aligned aims, certainty - lots of this has been eroded somewhat with the UK as being a trusted partner in recent years. It’s important the UK’s brand is seen as a trusted partner, and is helpful for our businesses and for others looking to make those collaborations. And anything we can do in terms of long-term certainty around funding for programmes and infrastructure will really help with that.”

MEMBERS OF THE COMMISSION



Professor L. Alan Winters
Director, UK Trade Observatory,
University of Sussex



Alison Williams
Global Head of Data,
Dunnhumby



Aodhan Connolly
Director, Northern Ireland Retail
Consortium



Andrew Ballheimer
Former Global Managing Partner,
Allen & Overy LLP



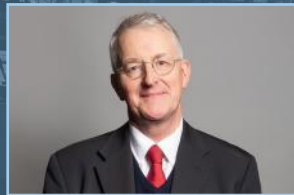
Caroline Lucas MP
Green MP
Brighton Pavilion



Claire Hanna MP
SDLP MP
Belfast South



Dr Geoff Mackey
Director of Corporate Affairs &
Sustainability Director, BASF



Hilary Benn MP
Labour MP
Leeds Central



Layla Moran MP
Liberal Democrat MP
Oxford West & Abingdon



Liz Saville-Roberts MP
Plaid Cymru MP
Dwyfor Meirionnydd



Paul Blomfield MP
Labour MP
Sheffield Central



Paul Girvan MP
DUP MP
South Antrim



Peter Norris
Chairman
Virgin Group



Dr Philippa Whitford MP
SNP MP
Central Ayrshire



Sir Roger Gale MP
Conservative MP
North Thanet



Dame Rosemary Squire
Joint CEO and Executive Chair
Trafalgar Entertainment



Professor Shearer West
Vice Chancellor and President
University of Nottingham



Dr Stephen Farry MP
Alliance MP
North Down



Tamara Cincik
Founder and CEO
Fashion Roundtable

The UK Trade and Business Commission was launched in April to provide independent scrutiny of the UK's trade deals with Europe and the rest of the world. It brings together eleven MPs from all nine Westminster parties and all four nations of the UK, along with business leaders and expert economists. The Commission is co-convened by Hilary Benn MP and the Chairman of Virgin Group, Peter Norris, and the secretariat is provided by the cross-party, pro-internationalist group Best for Britain.



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