Independent Commission on UK - EU Relations

MANUFACTURING BEYOND BREXIT

HOW TO REIGNITE A CRITICAL SECTOR

01

ABOUT

INDEPENDENT COMMISSION ON UK - EU RELATIONS

The Independent Commission is a politically neutral, timebound commission which examines the impact of the Trade and Cooperation Agreement (TCA) and Northern Ireland Protocol (NIP) on the UK.

As well as looking at impacts on different sectors of the economy we look more broadly at impacts on sectors including security and defence, health, education and human rights.

Members of the Commission are leaders in business, journalism, civil society and academia. They work with a team of expert advisors.

The intended outcome of the Commission is to recommend changes to the TCA and Protocol which if implemented would improve outcomes for UK sectors and the people who live and work in the UK.

Our recommendations will be developed in collaboration with UK and EU politicians and relevant officials. We confer with parliamentarians from all parties as well as with regional and devolved and local politicians and party staff.

As well as informing parliamentarians and political parties the Commission will inform the public of its work, both to highlight and explain challenges created by current arrangements and potential amendments.

For further information see:
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FOREWORD

This report clearly recognises the importance of manufacturing to the UK economy. Manufacturing is a cornerstone of our GDP. It has been proven time and time again that when manufacturing is strong the UK economy is in a good place.

Successive governments and politicians have consistently failed to recognise this reality – unless they can see a vote attached to it. What is continually frustrating is that many economists seem to share the same view and often talk down the manufacturing sector.

Brexit has deepened these divides, leaving our sector at the mercy of one of the most divisive outcomes in UK history. Central to this is the persistent unwillingness to acknowledge that the EU is our biggest and nearest market. Just as critical is the failure to recognise that UK businesses function – when allowed to do so seamlessly and effectively – in a highly interconnected and interdependent supply chain.

We need to leave the debate on the rights and wrongs of leaving the EU to those on each side of the divide. We in manufacturing cannot afford to 'look back in anger' but, as most good businesses do, must take a pragmatic approach to work our way through these issues to continue to contribute decisively to the British economy and employment.

That is something we have already done in relation to Steel Safeguarding, which created massive challenges, as a result of the UK carrying over EU safeguards without looking at the impact on downstream metal users. The CBM worked intensively and successfully, at least for now, to achieve pragmatic amendments that did not undermine the viability of British steelmakers but avoided downstream manufacturers being hammered by substantial and unnecessary costs.

The Trade and Cooperation Agreement was a 'bridge' to continue trade. It was never a solution. In my view, we were far better with it than without it but as this Commission report rightly highlights it has serious flaws. Many of those were the function of ideological thinking prevailing over pragmatism – interpretations that demonstrated a fundamental lack of foresight, even common sense. A prime example has been the long, painful saga of the introduction the UKCA mark. Companies spent millions of pounds and countless hours trying to conform before the Government announced 'it's as you were' for many sectors.

I think you will find the report covers all the major concerns the manufacturing sector faces. What it needs to address is timing. This Government has continually been behind the curve with policy which has inflicted more harm to manufacturers, especially those that export and function in European and global markets. The Government has listened to those able to shout loudest, those that wield the most political influence. It has failed to reach out and speak to the right people, those working relentlessly on the ground for the good of ‘UK PLC’.

Consistently, Government has failed to recognise the lead times involved in complex supply chains and in both maintaining and developing manufacturing processes. Right now there are clear examples in the form of the latest round of EU Russian sanctions and CBAM, the lack of clarity over UK policy on these issues, and the changes to Rules of Origin enshrined in the TCA. The administrative and actual costs of rapidly trying to conform to these will cause further damage to manufacturing exporters and importers – including to the critical automotive export sector.

“IT HAS BEEN PROVEN TIME AND TIME AGAIN THAT WHEN MANUFACTURING IS STRONG THE UK ECONOMY IS IN A GOOD PLACE

Speedy pragmatism needs to come to the fore otherwise we will experience further detriment to the UK manufacturing sector. We need what businesses always need – a clear time-phased plan that recognises the reality on the ground and provides the basis for investment and commitment. The actions highlighted by this report are crucial in ensuring no further harm comes to manufacturers who contribute so much to GDP and our trade balance – to enable those manufacturers to continue to deliver growth and well being to the British economy and people.

Stephen Morley
President, Confederation of British Metalforming

1 EXECUTIVE SUMMARY

IMPORTANCE OF THE MANUFACTURING SECTOR TO THE UK ECONOMY

The importance of manufacturing to the UK economy cannot be overstated. According to MakeUK the UK manufacturing sector accounts for:

2.5m
JOBS PROVIDED BY THE SECTOR

15%
OF TOTAL BUSINESS INVESTMENT

51%
OF TOTAL UK GOODS EXPORTED

IMPACT OF THE UK'S DEPARTURE FROM THE EU, THE TCA (TRADE AND COOPERATION AGREEMENT) AND THIRD COUNTRY FTAS

- Leaving the EU has seriously disrupted the sector, creating new customs friction and procedures, difficulty attracting investment and challenging regulatory issues, with SMEs disproportionately impacted.
- There are few opportunities in the TCA or third country FTAs given the sector is highly dependent on a strong UK-EU relationship. The UK Government should prioritise mitigating and resolving challenges experienced by the sector as a result of Brexit.

CHALLENGES FACED BY THE SECTOR UNDER THE TCA

- Increased costs and complications from new VAT rules, administrative burdens and tariffs on goods that do not meet rules of origin requirements.
- Relatively low levels of regulatory alignment and mutual recognition in the TCA.
- Uncertainty around data protection.
- Restricted access to labour and skills as a result of restricted mobility and lack of recognition of professional qualifications.
- Access to Research and Development funding and exclusion from Horizon Europe.
- The long term impact of uncertainty, disruption and reputational damage on investment, supply chains and pipeline opportunities.
- Administrative complications caused by the Northern Ireland Protocol and political consequences.
- Adapting to new conformity assessment rules.

RECOMMENDATIONS

- The planned 2026 review of the TCA will provide an opportunity to discuss and resolve challenges facing manufacturing. This is essential to the economic prosperity of the UK and to a strong UK-EU relationship.
- The following should be among the negotiating aims of the UK Government.
- Lobby to extend the rules of origin exemption for electric vehicles.
- Pursue UK accession to the pan-Euro-Mediterranean cumulation and the PEM Convention. This system of Pan Euro Mediterranean cumulation of origin allows for the application of diagonal cumulation between the EU, EFTA States, Turkey, the countries which signed the Barcelona Declaration, the Western Balkans and the Faroe Islands.
- Liberalise labour mobility by expanding the qualifying categories for movement of workers.
- Find a viable alternative to the Lugano Convention to ease administrative burdens facing companies.
- Negotiate entry, or develop a viable alternative, to the European Chemicals Agency (ECHA).
- Rethink the approach to UKCA markings.
- Rejoin Horizon Europe.

2 INTRODUCTION

The Trade and Cooperation Agreement (TCA) provides some certainty and avoids costs for the manufacturing sector, particularly through 0% tariffs on products that meet rules of origin requirements.

While this is welcome the TCA does not replicate the frictionless trade that existed before Brexit and creates serious challenges for companies and policy makers.

Manufacturing is a broad sector covering a variety of industries. Brexit has created numerous obstacles to production and trade including administrative barriers and disruptions to labour flows. This slows down trade in goods and increases costs. In the long run it also impacts investment flows and business confidence.

Manufacturing is regionally concentrated in certain parts of the UK. As a result increased costs for the sector have an outsized impact on those regions, impacting jobs, the regional economy and prospects for future development. This includes relatively poorer parts of the UK including the North East and West Midlands.

According to research conducted by the British Chamber of Commerce up to 80% of businesses have a negative view of the TCA. SMEs have a particularly low view of the TCA, a reflection of the fact that in most cases they do not have the capacity to adequately respond to its requirements or the resources to absorb the additional costs created.

The UK Government's inconsistent approach to issues such as UKCA markings, third country FTAs and border checks has intensified these impacts.

Research by the House of Commons International Trade Select Committee identified four key impacts of the TCA experienced by manufacturers:

1. **Added expense and complexity:** the introduction of tariffs on goods that do not meet rules of origin requirements and compliance with new customs and logistics rules have increased costs.
2. **Lost mobility:** loss of freedom of movement and new rules on business travel for manufacturing personnel fulfilling service contracts, exhibitions, and other specialist purposes have increased costs and reduced opportunities.
3. **Divergence:** active and passive divergence from the EU regulatory regime including the introduction of UKCA markings, changed market surveillance regulation, risk to GDPR and specialist regulation, and the risk that new trade deals could lead to further divergence, all further imperil EU access and dissuade EU clients from working with UK manufacturers.
4. **Lost trust:** confidence in the UK as a place to do business has been hit, making it harder for businesses to continue collaboration with EU partners.

This paper outlines how the TCA has caused significant disruption to the manufacturing sector with far reaching implications for the UK economy and for domestic political and social issues.

Trade and business obstacles are often technical and bureaucratic, however workable solutions exist. Below we outline recommendations which if implemented would improve the manufacturing provisions of the TCA, mitigating challenges now faced by the sector.

3 THE UK MANUFACTURING SECTOR[1]

Economic value

- £183bn of output from the UK manufacturing sector in 2022
- 12% higher wages on average compared to the whole economy
- Key sectors: food and drink, chemicals, pharmaceuticals
- The UK is the 9th largest manufacturing country in the world; manufacturers invest £31 billion into the UK economy each year
- 64% of all UK business research and development

Number of jobs

- 2.5m jobs in UK manufacturing in 2022

Trade and Investment

- 51% of UK total exports are goods
- 15% of total UK business investment
- Key exports of manufactured goods: transport including automotive, chemicals, pharmaceuticals
- The UK exports globally, major destination countries include the United States (£43.2bn), Germany (£32.4bn), the Republic of Ireland (£21.6bn) and the Netherlands (£19.7bn)
- 46% of all UK manufactured goods were exported to European countries, totalling £169 billion in value

Geographic spread

- Manufacturing exists across the UK; harm done to the sector impacts some of the UK's poorest regions including the North East, Midlands, Wales and South West
- The North East is expected to be hit hardest by Brexit as its firms are particularly reliant on exports to the EU; the East of England (which has a high share of food manufacturing) and Scotland are expected to outperform the rest of the country

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1. makeuk.org/insights/publications/uk-manufacturing-the-facts--2022#/

51%

OF UK TOTAL EXPORTS

12%

HIGHER WAGES ON AVERAGE THAN REST OF THE ECONOMY

GLOBAL EXPORT PARTNERSHIPS

bn

IN UK
URING
2022

15%

OF TOTAL UK BUSINESS INVESTMENT

46%

OF UK MANUFACTURED GOODS EXPORTED TO EUROPEAN COUNTRIES

9th

LARGEST MANUFACTURING COUNTRY IN THE WORLD

64%

OF ALL UK BUSINESS RESEARCH AND DEVELOPMENT

TURING
CROSS
UK

4 WHAT CHANGED FOR MANUFACTURING AFTER BREXIT?

LEAVING THE EU

Technical changes and increased costs: Upon leaving the EU a number of technical changes came into force beyond trade in goods.These changes have made doing business much more difficult for the sector. The Trade Policy Observatory estimates that new trade frictions under the TCA mean that manufacturing output will be lower by almost 4% on average per annum.

VAT: Brexit led to changes in VAT on UK-EU trade. Normally when a firm imports goods it pays the importing country's VAT on those goods at the border when the import occurs. While the UK was still an EU member and during the transition period for VAT purposes imports of goods by UK firms from the EU were not counted as imports but as acquisitions. VAT was not paid at the border when importing, but only when companies filed their VAT returns (usually every three months). Now businesses must generally pay VAT at the point of import, adding additional friction and cost.

Movement of workers: Previous arrangements involving free movement of workers from the EEA ended on 31 December 2020. Manufacturing companies across the UK report significant levels of labour and skills shortages, in sectors including automotive, engineering, HGV drivers and production. This is having a harmful impact on the sector.

Conformity assessment: The Government intends to introduce its own conformity assessment processes. Products being sold on the GB and EU markets will have to undertake separate assessments and affix relevant markings to goods. Dual marked goods will be allowed to circulate in both markets but the key issue for manufacturers, particularly SMEs, is the cost and complexity of duplicating conformity assessment processes. The UK Government has on a number of occasions changed deadlines and rule changes, leading to additional uncertainty and cost for EU and UK companies.

THE TCA

Whilst a 'no deal' Brexit was avoided and the TCA preserved the possibility of tariff free trade, products are still required to meet rules of origin requirements.

This raises costs for some products and administrative burdens, particularly for SMEs. The required value of local content varies but generally is around 55%. The TCA allows 'bilateral cumulation', that is, components from both the UK and the EU can count as 'local content'.

Nonetheless many products fall foul of rules of origin requirements. The manufacture of others is made more complex and expensive by the need to abide by these rules.

Beyond tariffs there are a significant number of changes which have raised market access barriers regarding customs formalities, certification and paperwork. This has slowed production and increased costs, significantly holding back the sector and harming its ability to be internationally competitive and productive.

THE UK'S FTA PROGRAMME AND THIRD COUNTRY ENGAGEMENTS

The UK has embarked on an ambitious programme of FTAs with an aim to cover 80% of trade.

As a significant driver of UK exports the manufacturing sector may benefit from the removal of tariffs on industrial goods, with the UK-Australia FTA for example expected to reduce tariffs by around £100 million per year. Nonetheless this does not compensate for harm done to the sector by the TCA.

Trade barriers with the EU have made the sector uncompetitive, given the level of cross-European supply chains and removal from EU regulatory bodies and rules and subsequent loss of influence. Non-EU global exports will not replace lost European trade.

Geopolitical developments mean the UK is attempting to rely less on some export markets, primarily China. The need for closer trade relationships with like minded partners is essential. The UK and EU's geographic proximity, historic ties and likeminded values mean that a stronger relationship will always far outweigh what can be delivered through the UK's FTA programme.

CBAM (CARBON BORDER ADJUSTMENT MECHANISM)

CBAM is a carbon tariff on carbon intensive products imported by the European Union.

On leaving the EU the UK Government developed its own scheme to replace the EU system.

Failure to bring both the UK and the EU on to an equal, suitable costing risks further impact on manufacturers. This is because of the interwoven and complex supply chains in industries such as automotive in which added trade friction increases costs and reduces slim profit margins.

To reduce investment uncertainty, the UK should consider close multilateral cooperation with the EU on a robust policy package to support industrial decarbonisation, including linking of emissions trading systems, equitable CBAM design, the gradual phase-out of free allocation of permits, support for innovation, and carbon contracts for difference.

The UK and EU should standardise carbon costs and ensure close linkages between their CBAM programmes. A shared cost is better for business, while a higher cost of carbon is better for efforts to reduce emissions and mitigate climate change.

THE INFLATION REDUCTION ACT

The Biden administration's industrial policy is built on four major legislative initiatives: the American Rescue Plan Act, the Infrastructure Investment and Jobs Act, the Inflation Reduction Act (IRA), and the CHIPS and Science Act.

The Inflation Reduction Act includes a broad range of subsidies, incentives, and domestic manufacturing requirements meant to spur green technological innovation in wind, solar, and hydrogen, among others. It is designed to encourage the purchase of US made green energy products.

The Act presents a challenge to the EU and UK as green energy, battery and associated manufacturers are incentivised to invest in or relocate to the UK to take advantage of IRA subsidies.

The Act provides investors with certainty still lacking in the UK. The UK is unlikely to be able to meet the levels of subsidy offered by the IRA. Only in collaboration with the EU would it be able to do so.

5 THE NORTHERN IRELAND PROTOCOL AND THE WINDSOR FRAMEWORK

THE PROTOCOL

The Northern Ireland Protocol creates a customs border between Great Britain (GB) and Northern Ireland (NI) instituting checks and declarations on goods transferred.

From 1 January 2021 businesses moving goods from GB to NI need to make declarations and pay tariffs if those goods are at risk of entering into Ireland and other member states in the EU's single market. The Trader Support Service helps businesses move goods between GB and NI as well as bring goods into NI from outside the UK.

The Protocol caused additional costs and friction for traders, including manufacturers. It led to political tension within NI and between the EU and UK given the latter's refusal to fully implement the agreement.

THE WINDSOR FRAMEWORK

The announcement of the Windsor Framework in February 2023 was a welcome development. It resolved many practical issues and simplified some processes and requirements for traders.

It has been beneficial for wider EU-UK relations, not least because as part of the agreement the UK agreed to abandon the Northern Ireland Protocol Bill which, if implemented, would have unilaterally disapplied parts of the Protocol, breaking international law in the process.

Nonetheless uncertainty remains on issues not resolved by the Framework and on long term solutions beyond its implementation. In many cases goods inspections are still required at Northern Ireland ports, increasing costs for UK exporters. Politics within Northern Ireland remains tense; at the time of writing the DUP still refuse to re-enter Stormont.

The concern that fallout over Northern Ireland would likely spill out into disruptions to UK-EU trade overall has been significantly reduced. However broader issues with the TCA and Protocol remain which will impact the overall health of the NI economy. Stephen Kelly, head of Manufacturing Northern Ireland, described the TCA as "ugly scaffolding" that does not provide a solid, long term basis for the UK-EU trade relationship.[2]

For the Windsor Framework to be effective there needs to be planning beyond its implementation and a clear strategy to utilise the new sense of political goodwill and to improve the broader aspects of the TCA. The UK and EU need to listen to manufacturers and traders who point to issues which will remain even when the Framework has been fully implemented.

There also needs to be an understanding of the legacy of the original Protocol and the two years of disruption this caused to business, putting many at a disadvantage in today's business environment.

2. theguardian.com/uk-news/2022/may/15/northern-ireland-protocol-economy-brexit

THE NORTHERN IRELAND ECONOMY

The Brexit outcome for Northern Ireland is substantially different from that of Great Britain in one respect; due its land border with Ireland it remains in the EU single market for goods.

It is subject to relevant EU rules and regulations. The consequence has been that Northern Ireland's economy has fared less badly than that of Great Britain since Brexit.

Should the Framework end uncertainty inward investment is likely to grow despite continuing GB-NI trade friction, given its unique place in both the EU and UK internal markets.

Before the announcement of the Windsor Framework in February 2023 there was growing evidence that suggested Northern Ireland had adapted to new arrangements and started to profit from its new situation.

The benefits of access to the EU single market for goods and the rest of the UK outweigh the costs of administering checks on some goods entering the region from GB. "Every piece of evidence presented so far shows a positive impact," argues Stephen Kelly.[3]

The original Protocol initially disrupted supply lines but began cushioning the region from the costs of Brexit, he added. "Our members have largely gotten to grips with it. Three quarters of them say there are opportunities and [they] are grasping those opportunities."[4]

Amongst NI manufacturers we surveyed, almost two thirds rated the original Protocol as their least challenging issue, with less than 1 in 7 saying it was their biggest challenge. Almost 60% reported that access to labour is their biggest issue; 80% ranked this as a key inhibitor for their business and ability to thrive and expand.

3. theguardian.com/uk-news/2022/may/15/northern-ireland-protocol-economy-brexit
4. theguardian.com/uk-news/2022/may/15/northern-ireland-protocol-economy-brexit

6 CHALLENGES FACING MANUFACTURING AFTER BREXIT

"96% OF MANUFACTU[RERS] IN FEBRUARY REPORTED TO [...] THAT THEY FACED SIGNI[FICANT] CHALLENG[ES]

As part of our research for this paper we conducted focus groups and interviews with key stakeholders to identify the main challenges facing the manufacturing sector. A full list of contributors can be found below.

Interview and focus group participants found the TCA has caused significant disruption to the sector through cost increases, administrative burdens and difficulties in long term engagement with EU traders and investors.

Whilst tariff free trade is welcome, despite its limitations given the need to ensure goods meet rules of origin requirements, many of the negative impacts on the sector are unrelated to tariffs and are more technical and long term. Participants highlighted a clear need for workable alternatives and a shift in the political approach to support the sector.

The current situation was described as one of "putting off potential EU investors and employers" and "leaving the manufacturing industry limping along". Many hoped that the Windsor Framework will enable the UK and EU to reconsider the TCA and find ways to reduce trade barriers, however to this point there is little sign of either side considering such changes.

TARIFFS

Participants cited tariffs on goods that do not meet rules of origin requirements as a key concern.

Although most UK produced goods can meet this requirement some depend on components that are neither produced in the UK nor imported from the EU. This is problematic for electric vehicles (EVs) where costs could rise by 10% from 2024 when tariff exemptions, agreed as part of the TCA, come to an end. Given the complex components that make up EVs rules of origin requirements are particularly difficult to meet. This has been made more difficult by Government failure to safeguard the UK battery industry.

Many manufacturers are choosing to pay tariffs rather than spend the additional time and money attempting to qualify for tariff free access, with serious financial ramifications.

Where the cost of paying the tariff is too high, many firms have withdrawn, or are considering withdrawing, some products from the EU market entirely, either temporarily or permanently. Similarly many EU companies have stopped selling some or all products in the UK.

Although many UK manufacturers will be able to meet rules of origin requirements as set out in the TCA some sectors are struggling. Perhaps the most prominent of these is the UK car industry; typically just 20-25% of the overall value of cars produced here comes from the UK, while the rest comes from imported parts or parts bought from a UK supplier that itself imported from a non-UK or EU country. HMRC estimates that costs associated with formally fulfilling the rules of origin requirements will increase costs for the sector by £5.5 to £6 billion per year.

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CASE STUDY: THE NORTH EAST

In May 2022 the Independent Commission for UK-EU Relation ran a roundtable at the University of Northumbria on the impact of Brexit on manufacturing in the North East. Representatives of local business and professional organisations attended. They told us that:

- The EU was the largest trading partner for businesses in the NE region pre-Brexit.
- New customs requirements post-Brexit are a ‘massive shock’ to small exporters who had only ever dealt with EU.
- Businesses do not understand what is required on the import side as they have had no exposure.
- There is a lack of government guidance, accessible knowledge or ‘single point of contact’ to help businesses navigate customs processes.
- There are not enough trained people in government - e.g., in the Department for International Trade - to answer questions or guide companies. The Export Support Service, which has been set up to do this, is not answering questions; too often just sending guidance or legislation.
- There are insufficient trained individuals or logistics professionals to manage the customs processes. The people who were familiar with the paperwork required 20/30 years ago are ‘long gone’. Often ‘the team loading the truck does it’. Work is being farmed out to lawyers and accountants.
- Government rhetoric on new trading opportunities for NE businesses is ‘misleading and unfair’.
- Much of the impact of Brexit-related changes has been masked by Covid - a ‘boon’ for government in terms of shielding from worst impacts of Brexit and providing time to mitigate.

ADMINISTRATIVE ISSUES

New administrative and bureaucratic requirements for traders have delayed trade and increased costs.

Many manufacturers, particularly SMEs, have reported being overwhelmed with added bureaucracy and paperwork, with MakeUK stating that the implementation of the TCA was "bumpy" due to new export paperwork. Manufacturers expressed dismay to MakeUK at the additional cost faced as compared to pre-Brexit arrangements.

One large UK manufacturer reported an increase of £19m in the cost of its operations because of the additional export paperwork required to conduct business. Smaller enterprises have been the worst affected due to costs disproportionately affecting them and due to their more limited ability to adjust.

"Some smaller manufacturers had never exported before in their whole history. For them the EU was part of an internal market, it was just as easy to ship products to Stuttgart as it was to Sheffield. Having to do customs declarations and the rules of origin work, [small manufacturers] have found this incredibly complicated to deal with." Fergus McReynolds, MakeUK

Depending on the amount of processing of a product in the UK it is possible that if the processing is found to be insufficient then it could attract duties coming into both the UK and then on export to the EU, resulting in double duties needing to be paid.

Whilst much of the political narrative has focused on FTAs and compensating for lost EU trade by diversifying exports this has run into obstacles. As John Pearce from Made in Britain noted, "when you double the distance, you halve the trade", referring to the increased costs and logistical challenges of exporting to more geographically distant markets.

MakeUK noted that a difficult UK-EU relationship is having a damaging impact on trade ties elsewhere around the world, with signs that companies from outside the EU have grown more cautious about supplying the UK.

Improved relations following the Windsor Framework may help change this; indeed the UK's accession to CPTPP was only agreed by Japan following the Framework's announcement as it gave them renewed confidence that the UK could be a trusted trade partner. The same decision may be made by manufacturing companies interested in partnering with UK equivalents.

LOST TRADE IN GOODS AND SERVICES

Goods: As of March 2022 the Office for Budget Responsibility (OBR) estimated that despite tighter restrictions on the EU side of the border UK goods imports from the EU had fallen by more than UK goods exports to the EU. In the fourth quarter of 2021 goods imports from the EU were down 18% on 2019 levels, double the 9% fall in goods exports to the EU. The weakness of EU imports is more striking compared to the 10% rise in goods imports from non-EU countries, suggesting some substitution between them. However, there is little sign to date of UK goods exports to non-EU countries making up for lower exports to the EU, with the former down 18% on 2019 levels.[5]

Services: UK services trade with the EU fell by more relative to 2019 levels than non-EU trade. However, much of this decline is likely to reflect the impact of the pandemic, particularly in sectors such as travel and transport that accounted for a greater proportion of pre-pandemic EU services trade than non-EU. UK service exports to the EU and rest of the world subsequently recovered to around 5% and 10% below 2019 levels while imports of services from the EU remain down by over 30%.[6]

Impact on manufacturing: OBR statistics show that UK manufacturers have lost out to EU or other non-EU manufacturers.

80% of manufacturers have experienced supply chain disruptions. Manufacturers we spoke to highlighted the reluctance of EU importers to pay additional costs and to face the uncertainty

5. obr.uk/box/the-latest-evidence-on-the-impact-of-brexit-on-uk-trade/
6. obr.uk/box/the-latest-evidence-on-the-impact-of-brexit-on-uk-trade/

caused by delays at border controls. At the same time Brexit has given them no additional advantage in other markets, while new FTAs have so far done little for the sector.

Some companies have responded to supply chain challenges by changing manufacturing locations or finding new suppliers. However this can increase other compliance, quality assurance and commercial risks.

One of the worst hit sectors is the manufacture of electrical equipment, which is particularly reliant on cross border supply chains.

The automotive industry has also been impacted badly. While only 20% of the EU's auto imports are from the UK this represents approximately half of the UK's auto export. Estimated border costs are higher for some manufacturing products, in particular sectors with complex global value chains such as motor vehicles. EV tariffs, set to be introduced in 2024, will add additional costs to the sector.

While manufacturing is generally seen as a goods issue the lack of provision for services trade in the TCA has also caused significant harm. Many manufacturing sales make a significant proportion of their profits with the sale of servicing contracts. Given the lack of services trade provision these contracts are now impossible to fulfil with UK based staff, resulting in unfulfilled contracts or companies needing to source EU based labour at additional cost.

REGULATORY ALIGNMENT

The low level of regulatory alignment and mutual recognition agreed in the TCA places additional burdens and costs on the manufacturing sector.

There was some attempt to mitigate new costs through the negotiation of bespoke conditions in the TCA and through unilateral decisions, but firms still face a more costly and uncertain future than before.

Focus group participants were concerned that further dealignment from EU regulations will place additional costs on the sector, further imperilling trade and the viability of their operations. Participants expressed concern about the Government's Retained EU Law Bill which if implemented will remove unknown parts of former EU, now UK, law, standards and regulations. If the Bill is implemented it could cause chaos in the sector but even before then its existence extends uncertainty and makes investment and planning decisions more difficult.

DATA PROTECTION

Sharing data is essential if companies are to be able to continue to export and import. This is particularly important to manufacturing industries such as the chemicals sector.

As of the end of the Brexit transition period on 31 December 2020 the UK retained GDPR in domestic legislation but maintains the right to alter its provisions.

UK firms now need to ensure they comply with relevant UK and EU data protection regimes. This may introduce new costs and complications such as analysing aspects of local privacy laws or nominating an EU regulator as a Lead Supervisory Authority for EU personal data.

The EU's adequacy decision in favour of the UK permits the free flow of personal data between the UK, EU and wider EEA.

There is however a significant risk that the UK could lose this status should the EU assess that the UK no longer ensured adequate levels of data protection.

The UK Data Protection and Digital Information Bill, introduced in March 2023, has raised concerns that UK could significantly diverge from GDPR rules.

UK plans to allow automated decision making by private sector organisations, and the proposed abolition of the Information Commissioner's Office and its replacement's independence from Government, are of particular concern to the EU.

The UK's FTA programme adds to these uncertainties given its potential impact on UK data protection regulations. The UK's accession to CPTPP includes a requirement that members allow the cross border transfer of data by electronic means. This may conflict with EU data adequacy provisions.

Beyond 2025, when the decision is reassessed, revision or withdrawal of the adequacy agreement would mean that transferring personal data from the EU/EEA to the UK would be on a third country basis.

Revoking adequacy would create new requirements for costly bureaucratic systems to share data, whilst simultaneously restricting companies' ability to handle EU citizens' data. Companies would need to put in place safeguards such as contractual clauses, new certification and codes of conduct.

MOBILITY, WORKFORCE AND SKILLS

Worker shortages: The TCA contains no provision for worker mobility between the UK and EU. The UK now has a visa system which prioritises particular sectors and worker groups. While inward UK migration is now at record levels, primarily from non-EU countries, many sectors face worker shortages which they cannot address since the workers they need are not provided for under the new system. Many businesses and sectors are as a result inhibited by their inability to find sufficient qualified labour.

Before the pandemic the UK manufacturing sector employed approximately 2.7 million people, including approximately 200,000 EU nationals. In 2022 the sector employed 2.5 million people. Business leaders and MakeUK report that the sector now faces "chronic" labour shortages. The UK also has skills shortages in engineering, data analysis and numerous other areas relevant for manufacturing.

Lost productivity and lower wages: Focus group participants believe the TCA has made the UK a more "closed economy" and "less competitive" which in turn will "reduce productivity and real wages". Research estimates that labour productivity will be reduced by 1.3% by the end of the decade by changes in trading rules alone.[7] This will contribute to weaker wage growth, with real pay set to be £470 per worker lower each year, on average, than would otherwise have been the case, according to the Resolution Foundation.[8] Given high inflation the household and personal costs of these wage reductions will be particularly harmful.

Lack of awareness of new rules: Almost two thirds (61%) of manufacturers regularly send employees to the EU for business purposes. This is unsurprising as many manufacturers provide a service as part of the manufacturing of a good, undertaking activities such as servicing and maintenance as well as training or attending business meetings. Despite this being a common activity three in ten companies are unaware of new rules and requirements they need to send workers to the EU to undertake business. The EU will soon introduce new incoming border checks workers which will enable them to deny entry to those travelling without proper authorisation.

Lack of recognition of professional qualifications: UK professional qualifications are not recognised in the EU and vice versa. This adds additional difficulty for manufacturers wishing to fulfil service agreements or engage with EU based colleagues or partners. For jobs in regulated professions EU citizens wishing to work in the UK not only need to obtain a visa but also to obtain recognition of their qualifications by the relevant UK regulator; the same is true for UK workers seeking to work or provide services in the EU.

RESEARCH, DEVELOPMENT AND HORIZON EUROPE

Following Brexit the UK left EU science programmes including the €95.5 billion Horizon Europe funding programme, the Copernicus Earth observation satellite system and Euratom's nuclear energy R&D scheme.

Negotiations to re-associate as a third country stalled amid arguments over post-Brexit trade rules in Northern Ireland. Talks finally restarted in March 2023 after London and Brussels agreed the Windsor Framework.

The European Commission confirmed it would not require the UK to pay backdated participation fees for the two years it had missed of the current seven-year Horizon Europe funding initiative. Negotiations are currently on hold given UK demands for a further rebate, which as of writing the EU has refused.[9]

Horizon membership or its lack has most impact on UK universities and the broader science and research sector. It also impacts manufacturing given its close links to education, science and research.

Should the UK Government continue to refuse to join Horizon on available terms it has developed a domestic replacement. It is not a like for like replacement. It cannot create the opportunities for cross Europe collaboration which come with Horizon. The sector expects that available funds would be significantly lower than grants available through Horizon.

The implications for universities, science and research would be dire given the loss of funding and collaboration which would endure for years to come. Manufacturing too would be impacted, losing available grants and the added value that comes from a vibrant UK research sector.

Business groups and executives have urged Rishi Sunak to move "as swiftly as possible" to rejoin Horizon Europe as fears mount that the country's scientists will be barred from crucial international projects.[10]

7. resolutionfoundation.org/press-releases/brexit-has-damaged-britains-competitiveness-and-will-make-us-poorer-in-the-decade-ahead/
8. resolutionfoundation.org/press-releases/brexit-has-damaged-britains-competitiveness-and-will-make-us-poorer-in-the-decade-ahead/
9. politico.eu/article/uk-weighs-value-for-money-of-returning-to-eu-science-after-brexit-hiatus/
10. ft.com/content/e48ba4d0-8647-4683-a41b-edb109296ea4

BusinessLDN chief John Dickie and NPP head Henri Murison called on Sunak to “move as swiftly as possible to rejoin”, saying that the previous Horizon programme led to 31,000 global collaborations, with almost 2,000 businesses nationwide benefiting directly, including many smaller groups and start-ups.

Noting that Russell Group universities alone had won grants worth €1.8bn from the European Research Council — more than all of France — they said: “Membership of Horizon is critical to Britain’s world-leading research and development work, which in turn is the foundation for economic growth.”

Stephen Phipson, head of Make UK, the manufacturers’ trade association, said Horizon had “always been one of those areas of the EU budget where the UK gets more out than it puts in”.

“If the government is to achieve its stated aim of becoming a science superpower, then it’s vital that the UK retains its place in the programme. This should be one of the main pillars around which a modern industrial strategy could be built,” he added.[11]

Remaining outside of Horizon also excludes the UK from cross-border collaboration through the European Space Agency, which has worked with a large number of SMEs from the UK. Funding has previously contributed to a 6.7% growth in jobs in the UK space industry, and an annual turnover of £6.5bn.[12]

UNCERTAINTY AND INVESTMENT

Uncertainty ranked as the highest concern among focus group participants following years of political and economic changes and unresolved political arguments.

Ongoing uncertainty has made it more difficult for UK manufacturers to win new business, plan for the long term and attract investment. Given ongoing argument over Horizon, UK incoming border checks and the Government’s Retained EU Law Bill many fear this uncertainty will continue, further inhibiting planning and investment.

According to MakeUK almost half of 100 interviewed leading industrial companies said EU suppliers had grown more cautious about doing business in Britain. Brexit uncertainty has played a role in deterring investment in the automotive sector in future production and capacity, according to the APPG on Manufacturing.

This is found too in the pharmaceutical sector where investment projects typically last for two to five years. In aerospace investment projects last much longer, often for decades, yet aerospace companies also report they have cut back on investment due to ongoing uncertainty.

Focus group participants believe the TCA “is making the investment landscape very uncertain; this is inevitably leading to job losses and reducing the expertise of the UK manufacturing industry”. MakeUK noted that more than 40% of manufacturers thought the political chaos of recent years had damaged the image of the UK as a place for foreign direct investment.

CONFORMITY ASSESSMENT AND PRODUCT MARKINGS

Certification marks on commercial products are used to indicate product standards and regulations.

The Government planned to replace the EU CE marking and with a domestic, “copycat” UKCA system despite objections from manufacturers. Any manufacturer exporting to the EU would have needed to ensure its products complied with and were certified by both systems, and businesses importing from the EEA would have needed to affix UKCA markings.

Fortunately, on August 2 2023 the government retreated on this plan. UKCA was “indefinitley” postponed and the government stated businesses would now be free to use either UKCA or CE marks.

11. ft.com/content/e48ba4d0-8647-4683-a41b-edb109296ea4
12. thenextweb.com/news/blocking-the-uk-from-eu-horizon-programs-is-bad-for-everyone

However, medical devices and construction products were not covered by the announcement and will still have to use UKCA. The TCA does not provide for a form of 'mutual recognition', leaving manufacturers facing the cost and bureaucracy of multiple conformity assessments, registrations and labelling.

The Government has changed its plans for the introduction of UKCA on a number of occasions, adding to business uncertainty and delaying investment decisions. The most recent development is likely to be welcome to businesses, but the uncertainty on the path here likely will not have been.

Furthermore, given UKCA will brought in (albeit as an optional alternative) there appears to remain potential for divergence between UK and EU product standards.

VAT

The impacts of the UK departure from the EU VAT area are far reaching and impact both consumers and manufacturers.

The UK is a 'third country' for EU VAT purposes.

Goods entering Great Britain before Brexit were considered acquisitions but are now considered imports. This means that VAT and other duties apply upon import, necessitating new processes, costs and administration.

UK manufacturers selling to the EU need to register for VAT in each member state; there is no single VAT system for third countries. Exporters pay that state's import VAT when goods arrive in the country and charge local VAT on sales.

Since many companies operate with low cash reserves this is a challenge for the c.100,000 firms that are both above the VAT threshold and have only ever traded externally with the EU. SMEs are disproportionately impacted given lower cash reserves and more limited staff resources.

One manufacturer we spoke to pointed to the added administrative burden of having had to open 27 separate bank accounts to deal with the different VAT requirements of each EU member state.

Special provisions apply to Northern Ireland. The Windsor Framework means the UK can choose reduced VAT rates within Northern Ireland and not be obliged to apply the special EU VAT scheme for small business. However, should the UK apply the scheme, it will have to adhere to the EU set threshold, in order to enable a level playing field for EU established SMEs.

7 RECOMMENDATIONS

The following recommendations have widespread support within the manufacturing sector. If implemented they would reduce costs and trade friction. They would enable the UK manufacturing sector to thrive, bringing needed income to the UK and enabling manufacturers to secure current jobs and to create more skilled jobs in years to come.

LOBBY TO EXTEND RULES OF ORIGIN EXEMPTION TO ELECTRIC VEHICLES

TCA provisions on tariffs and rules of origin requirements are not compatible with the changing nature of the automotive industry.

They fail to take account of the important role EVs play in tackling climate change and the shared need in the UK and EU to move away from fossil fuel powered cars as soon as possible.

Not enough batteries and precursor chemicals are currently made in Europe. This requires non-EU or UK imports, making it almost impossible for EV manufacturers to avoid hefty tariffs due to their inability to meet rules of origin requirements. As a result many EVs moving between the UK and the EU will pay a 10% tariff, increasing prices for consumers and reducing margins for manufacturers.

A change in policy has the support of Xiana Mendéz, Spain's trade minister. Spain is the second-largest carmaker in Europe by volume, producing 16 separate electric models. Spain will assume the Presidency of the Council of the European Union during the second half of 2023, creating a new opportunity for engagement.

EVs should be removed from rules of origin requirements. Failing that the proportion of EU/UK material needed to comply should be reduced in recognition of the need for manufacturers to source batteries and other materials outside Europe. Failure to address this issue would undermine UK and the EU meaningful progress at COP26 and the WTO on net zero.

UK ACCESSION TO THE PAN EURO MEDITERRANEAN (PEM) CONVENTION

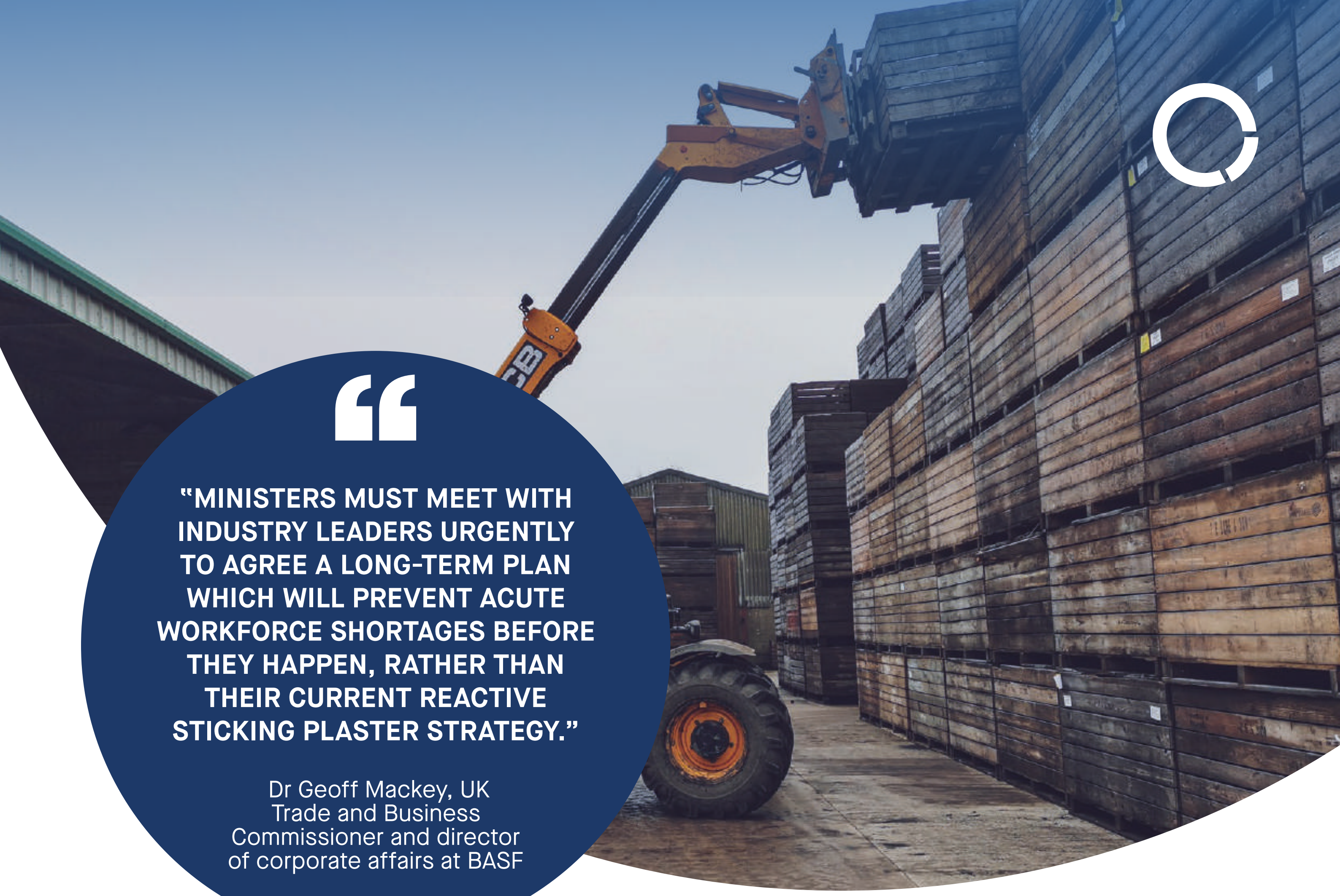
The PEM Convention allows diagonal cumulation on rules of origin between members.

It facilitates the dispersion of supply chains across the zone, making it easier for exported goods to qualify for preferential free trade agreements between the various parties. This reduces costs for manufacturers and minimises tariff liabilities.

It has 23 contracting parties including EFTA States, North African, Middle Eastern and non-EU European countries. All signatories have replaced protocols of rules of origin in FTAs between each other with the rules of origin laid down in the PEM Convention, streamlining procedures.

The UK should join the PEM Convention to mitigate many of the issues faced by the manufacturing sector and to lessen disruption to regional supply chains. Doing so would cut costs and simplify trade formalities between the UK and PEM members, including EU member states.

The UK Government in 2022 stated that they would not seek UK accession. This decision should be reversed.



“MINISTERS MUST MEET WITH INDUSTRY LEADERS URGENTLY TO AGREE A LONG-TERM PLAN WHICH WILL PREVENT ACUTE WORKFORCE SHORTAGES BEFORE THEY HAPPEN, RATHER THAN THEIR CURRENT REACTIVE STICKING PLASTER STRATEGY.”

Dr Geoff Mackey, UK Trade and Business Commissioner and director of corporate affairs at BASF

LIBERALISE LABOUR MOBILITY

Lack of mobility provision in the TCA and subsequent UK choices in its new visa regime have together created a major skills shortage. This impacts many employers and sectors including the NHS and manufacturing.

The UK should broaden qualifying categories, qualifying days in each six-month period, and opportunities for cross border labour mobility to ease labour shortages and mobility issues facing manufacturing and other sectors.

It is estimated that about 51,000 EU citizens left the UK between June 2021 and June 2022 as a result of Brexit. Whilst non-EU migration has risen significantly there are sectoral discrepancies, with some industries struggling more than others.

Manufacturing has an estimated 47,000 worker shortfall.[13] Prior to leaving the EU sub sectors such as food manufacturing were heavily dependent on EU staff, where one third of workers were from the EU.[14]

The Migration Advisory Committee (MAC), which advises the Government on how many foreign workers should be granted visas, has already recommended that five jobs including bricklayers, roofers and plasterers should be added to the Government’s shortage occupation list. The MAC should publish further recommendations for subsectors of manufacturing with the aim of reducing these shortages.

This should be supported by a rebooted industrial strategy focused on mobility, skills and supporting manufacturing regions. This would be a boost to the UK economy, attracting international talent at a time when the UK is in need of tax revenue, new global connectivity and a display of openness, cooperation and goodwill to key markets.

13. cer.org.uk/insights/post-brexit-immigration-uk-labour-market
14. policyexchange.org.uk/wp-content/uploads/2018/01/Immigration-after-Brexit.pdf

FIND A VIABLE ALTERNATIVE TO THE LUGANO CONVENTION

The Lugano Convention is an agreement which regulates which courts have jurisdiction in legal disputes of a civil or commercial nature between individuals in different EU member states.

The agreement streamlines legal processes for companies and facilitates business practices such as nationality requirements for boards of directors and the resolution of commercial disputes.

The European Commission rejected the UK's request to join the Lugano Convention in June 2021. The UK should consider re-visiting its application or instead find an alternative to allow businesses certainty on enforcement of civil and commercial judgements in the UK and the EU, and to ease issues around cross-border and regulatory challenges.

The UK could pursue a more general recognition of judgments in the form of the Hague Judgment Convention 2019 given it is creating a more holistic process in relation to reciprocal enforcement to all contracting states, and would apply regardless of the form of the jurisdiction clause, making it easier for UK companies operating in the EU.

For manufacturers this would allow companies to operate cross border with further ease and less complication and would boost the UK-EU commercial relationship.

CREATE A VIABLE ALTERNATIVE TO THE EUROPEAN CHEMICALS AGENCY (ECHA)

The chemical industry: The chemical industry is a key manufacturing sector in the UK, accounting for 9% of total UK goods exports. Trade in chemicals is highly intertwined with the EU; 57% of chemical exports in 2019 went to EU Member states, 73% of chemical imports came from the EU. Chemical products are used in many other manufacturing sectors.[15]

ECHA and EU Reach: The European Chemicals Agency (ECHA) regulates the implementation of the EU's chemicals legislation including REACH (the Registration, Evaluation, Authorisation and Restriction of Chemicals), legislation which governs the production and use of chemical substances and their potential impacts on both human health and the environment.

REACH requires substances that are manufactured in or imported into the EEA to be registered with ECHA. It then provides a regulatory framework to control or restrict the use of hazardous substances based on those registrations.

EU REACH continues to impact UK manufacturing sectors that rely on chemicals given they often have complex supply chains, with chemicals crossing UK-EU borders many times.[16]

UK departure from ECHA and REACH: The UK left both the ECHA and EU REACH when it left the EU. The UK has adopted its own form of REACH, but given the EU version relies on the integrated role of the ECHA and is closely tied to the single market the UK version cannot entirely replicate the original.

The UK REACH Regime was initially designed to establish a UK-wide market for chemicals applying to all chemical substances manufactured and imported into the UK, with the Health and Safety Executive (HSE) established as the UK REACH Competent Agency, taking over the functions of the ECHA.

EU REACH continues to apply in Northern Ireland.

The TCA: The TCA contains an Annex on the trade, regulation, import and export of chemicals. It includes provisions for data sharing (where the information is 'non-confidential') and cooperation, particularly around international standards. The chemicals industry is concerned about the absence of a data sharing agreement on chemicals between the UK and EU.[17]

Currently, there is no provision for the UK to access the ECHA's REACH database – containing detailed information about the intrinsic properties of chemical substances, for the purposes of human and environmental safety – thereby increasing the likelihood that this information will need to be re-registered on a UK-only database.[18]

Recommendations: With the UK now out of the ECHA there is a need for a streamlined approach to chemicals regulation.

A new UK-wide Chemicals Agency should take responsibility for the commercial and environmental life cycle of chemicals, applying monitoring and controls. It could administer UK REACH and be accompanied by a Chemicals Act that would give it wider duties and powers, including active gathering data on chemicals.

Without a relationship with EU REACH and ECHA the UK version of REACH has lost access to a huge database of information collected over the past two decades, which increases costs and administration for companies. The Government should seek to affiliate with EU REACH and the EHCA to coordinate regulation decisions and regain access to databases.

The chemicals industry is key to manufacturing. It needs greater support and provision from Government to be able to serve the wider UK manufacturing sector and to trade with EU/EEA partners.

A new agency, combined with integration with the EHCA, would cut costs and facilitates a more efficient relationship between the UK and the EU, supporting UK manufacturing in the process.

15. commonslibrary.parliament.uk/research-briefings/cbp-8403/
16. commonslibrary.parliament.uk/research-briefings/cbp-8403/
17. commonslibrary.parliament.uk/research-briefings/cbp-8403/
18. commonslibrary.parliament.uk/research-briefings/cbp-8403/

RETHINK UKCA, PARTICULARLY FOR MEDICAL DEVICES AND CONSTRUCTION PRODUCTS

Continuous delays and changes to the implementation and development of UKCA markings have caused significant anxiety and disruption to the manufacturing sector. Whilst the partial retreat on the plan is welcome the plans remaining for these two sectors are a cause of concern.

Before the plans shift was announced the Federation of Environmental Trade Associations (FETA) said there is a "lot of scepticism about the real value" of the UKCA mark and the UK should "get rid of it. It's doing everything that Brexit was supposed to not do, and that's increasing costs and increasing red tape for industry".

Many businesses would prefer the UK to continue to follow the existing CE system. This would maintain standards across the EEA and UK. It would cut costs for UK manufacturers given they would need to assess products and comply with only one system.

If UKCA markings are introduced a system of mutual recognition for safe products is needed. This would go some way to repairing the harm in that it would cut costs and facilitate trade in these sectors.

Lastly, there ought to be concern that the remaining existence of the UKCA system across the economy (albeit as an optional alternative in most sectors) will result in divergence between UK and EU standards.

REJOIN HORIZON EUROPE

The UK Government's continued refusal to join Horizon Europe harms not just UK universities but also UK manufacturing, small businesses, the potential for inward investment and to the UK to continue to be a significant force in innovation and research. It inhibits the potential for the UK economy to recover from its current comparative weakness.

Under the previous EU framework programme, Horizon 2020, UK researchers and innovators received more than €7.5 billion. This enabled businesses to grow and underpinned vital research on challenges from healthcare to climate change.[19]

Horizon Europe is the seven year successor to Horizon 2020. It has a budget of €95.5 billion.

UK non-membership has restricted available funding for research and innovation, and delayed or prevented research programmes and collaboration. Scores of academics have left UK universities for those in the EU in search of funding or simply to be able to continue research already begun. The manufacturing sector has been harmed given its close relationship with higher education and lost research opportunities.

The Government should agree membership of Horizon Europe swiftly to support UK higher education, manufacturing, small businesses and the UK economy.

We are relieved to hear that the Windsor Framework has been agreed. The removal of this political roadblock must now lead to the rapid confirmation of UK association to Horizon Europe, Copernicus and Euratom, as set out in the Trade and Cooperation Agreement. Full association with Horizon continues to be the best outcome for both the UK, and for our research partners across Europe and beyond. We urge all sides to start the necessary talks now so that the association can take effect as soon as the Framework is implemented.

Vivienne Stern, Universities UK chief executive

19. www.discover.ukri.org/uk-in-horizon/

8 CONCLUSION

Manufacturing is crucial to the success of the British economy. The scale of manufacturing based outside London also it a vital player in the 'levelling-up' agenda and in wider efforts to upskill and boost the UK.

It is essential that the issues caused by the inadequacy of the TCA are resolved to ensure that UK manufacturing does not continue to be uncompetitive and restrained.

There are workable solutions which can be pursued with the required political will and with a willingness to recognise the benefits that a close commercial relationship with the EU can bring to UK manufacturing.

The Windsor Framework not only demonstrates what is possible in the right political climate but lays the groundwork to resolve challenges created by the TCA and to go further in seeking a better overall UK-EU relationship.

The wider geopolitical situation is also challenging, with issues such as CBAM, the US Inflation Reduction Act and the UK's FTA Programme all having an impact on manufacturing.

With crucial elections coming in the UK, EU and US the political ground will shift again and the UK must be agile. This heightens the need to take available opportunities to support the UK economy including the key sector of manufacturing.

A close and collaborative relationship with the EU supported by a clear industrial vision will not only prevent further drift and loss to manufacturing but can ensure the sector's future prosperity and allow it to reach its full potential, benefitting the UK economy, creating jobs and enabling the UK to contribute to issues of global concern including climate change.

The TCA in its current form has been harmful for manufacturing. It is crucial that action is taken to rethink the UK's approach to trade and collaboration with the EU to secure the future viability of the sector.

9 LINKS TO KEY DOCUMENTS

Links to key documents

- UK in a Changing Europe, Manufacturing after Brexit, David Bailey and Iven Rajich, 2022: https://ukandeu.ac.uk/wp-content/uploads/2022/01/UKICE-Manufacturing-After-Brexit-Report_FINAL-2.pdf

- International Trade Select Committee – EU UK TCA call for evidence Policy Connect and the All-Party Parliamentary Manufacturing Group (APMG) Submission: https://committees.parliament.uk/writtenevidence/42082/pdf/

- MakeUK, The Impact of the EU-UK Agreement on UK Manufacturers, 2021: https://www.ppma.co.uk/static/985662d3-de33-4194-962f233a4084e9ff/MakeUKTheimpactofth-eEUUKagreementonmanufacturers020221.pdf

- OECD, Trade Impact of the Trade and Cooperation Agreement between the European Union and the United Kingdom, 2021: https://one.oecd.org/document/ECO/WKP(2021)49/en/pdf

- British Chambers of Commerce, 'The Trade and Cooperation Agreement: One Year On The Experiences Of UK Businesses': https://www.britishchambers.org.uk/media/get/The%20Trade%20and%20Cooperation%20Agreement%20One%20Year%20On%20FINAL.pdf

- UK in a Changing Europe, 'The impact of the protocol on business in Northern Ireland', https://ukandeu.ac.uk/the-impact-of-the-protocol-on-business-in-northern-ireland/

- Manufacturing NI, 'Traders Experience of the NI Protocol 1 year on': https://www.manufacturingni.org/wp-content/uploads/2022/01/Traders-Experience-of-the-NI-Protocol-1-year-on.pdf

- Financial Times, 'UK government climbs down on post-Brexit product mark': https://www.ft.com/content/69783fa0-4f84-4d0a-8776-4e976e20bed8

- LSE and Grantham Institute on Climate Change and the Environment, 'What does an EU Carbon Border Adjustment Mechanism mean for the UK?', Josh Burke, Misato Sato, Charlotte Taylor and Fangmin Li: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/04/What-does-an-EU-Carbon-Border-Adjustment-Mechanism-mean-for-the-UK_SUMMARY.pdf

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