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Attitudes To Trade Survey 2023

March 2023



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Executive Summary

It has been three years since the UK left the European Union. As the most significant change to British economic and foreign policy in half a century, Brexit marked the beginning of a permanent reshaping of trade and investment flows to and from the UK. Deloitte has been helping businesses adapt to changes in UK trade policy since the referendum in 2016.

The UK's independent trade policy was finally implemented in 2020. It has continued to evolve under successive Conservative governments but the central objective to date is widely known: to strike new Free Trade Agreements (FTAs) around the world.

We commissioned professional polling partner Opinium to conduct field research to gauge sentiment towards achieving this aim and to identify key challenges facing UK businesses. The survey exclusively targeted senior decision-makers representing 750 businesses from the UK who are trading internationally.

One hundred respondents were C-suite representatives of small businesses (10-49 employees); 150 respondents were board level representatives of medium-sized businesses (50-249 employees); 250 respondents were at least senior directors or decision makers at large businesses (250-999 employees); and 250 respondents were at least senior directors or decision makers at large corporates (1000+ employees). Our findings can be split into three broad themes.

1. The post-Brexit trading environment:

- Almost three quarters (74%) of participants whose businesses traded in Europe saw a negative impact to EU trade as a result of Brexit.
- However, two thirds (66%) of businesses that trade globally experienced some compensating gains in non-EU markets. Over one third (35%) of those businesses recouped their EU losses entirely and a further 31% reported regaining some of their EU trade. The survey suggests that businesses' global trade footprint has been an important factor in their ability to adapt to Brexit.
- The single greatest area of change for respondents' businesses since leaving the EU has been in respect of tariffs/duties. This could be explained by rules of origin requirements in the UK-EU Trade and Co-Operation Agreement (TCA) and additional customs administration costs arising from new trade frictions.

2. FTA awareness & engagement with government

- Businesses are reasonably aware of the contents of the UK's FTAs.
- Government communications with business were found to be satisfactory. Small businesses tended not to rate the government's communications as highly as larger businesses.
- Despite broadly positive results, there is still a significant number of businesses trading internationally that are not engaging at all with government on trade negotiations or for help with exporting.
- Generally, businesses felt that the government's priorities in trade negotiations matched their own, with some exceptions – most notably in the movement and recruitment of staff.

3. Sentiment about the future

- Businesses were generally optimistic about the benefit of the UK's FTA programme and are buoyant about the potential impact on economic growth.
- All of the UK's trade negotiations are generally considered by business to be beneficial to their business.

In the conclusions, we bring together some common themes. While business is proving resilient and is optimistic about the future, there is room for more action from the government and trade bodies, namely by:

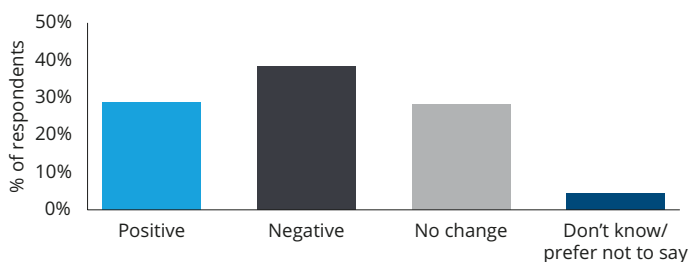
- Placing a greater emphasis on improving trading conditions for those trading in goods.
- Improving the quality of government communications regarding FTAs and trade support.
- Further prioritising small businesses, which generally appear to be the most disengaged with trade policy.
- Driving up business engagement with trade policy more generally: around a third of businesses consistently reported low levels of trade awareness and no or low levels of engagement with government.

“ We commissioned professional polling partner Opinium to conduct field research to gauge sentiment towards achieving this aim and to identify key challenges facing UK businesses. ”

Section 1: The post-Brexit trading environment

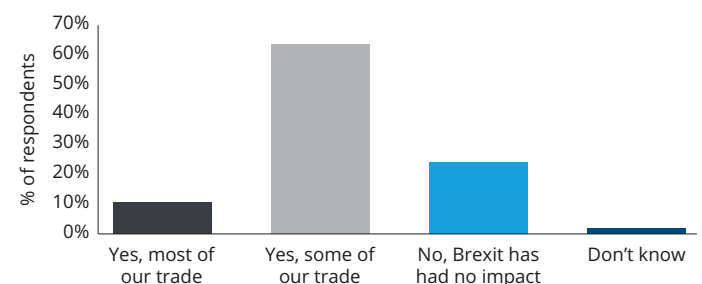
The businesses represented in this survey have had different experiences of Brexit. Respondents did not overwhelmingly report either a positive or negative change in their overall trading operations as a result of Brexit. Indeed, 38% reported a negative change, 29% a positive change and 28% reported experiencing no change at all.

Chart 1: Have you experienced a positive or negative change in your trading operations as a result of the shift from EU membership to the EU-UK TCA?



However, when respondents that trade in Europe were asked about trade with the EU specifically, 74% reported losing trade with the EU as a result of Brexit, of which 11% lost most of their trade. Only 23% noticed no impact at all.

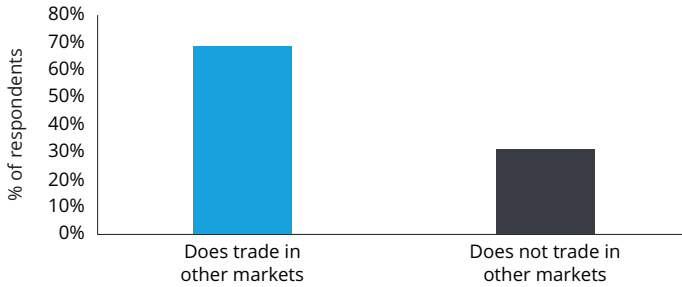
Chart 2: Have you lost any trade (in goods and services) with the EU as a result of Brexit?



“ Respondents did not overwhelmingly report either a positive or negative change in their overall trading operations as a result of Brexit. ”

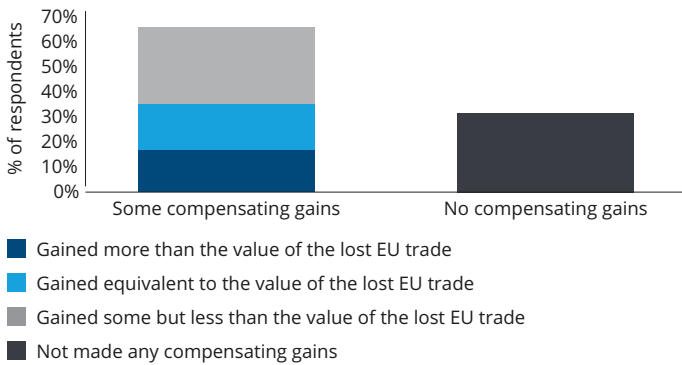
Of those respondents whose businesses lost some of their trade as a result of Brexit, seven in ten (69%) also trade outside the European Union.

Chart 3: Whether businesses that have lost trade as a result of Brexit also trade in other markets.



Furthermore, of those businesses that reported losing trade with the EU and who also trade outside the EU, a total of 66% reported having experienced gains in non-EU markets.

Chart 4: 'Some gains' vs. 'no gains' from respondents trading in non-EU markets.

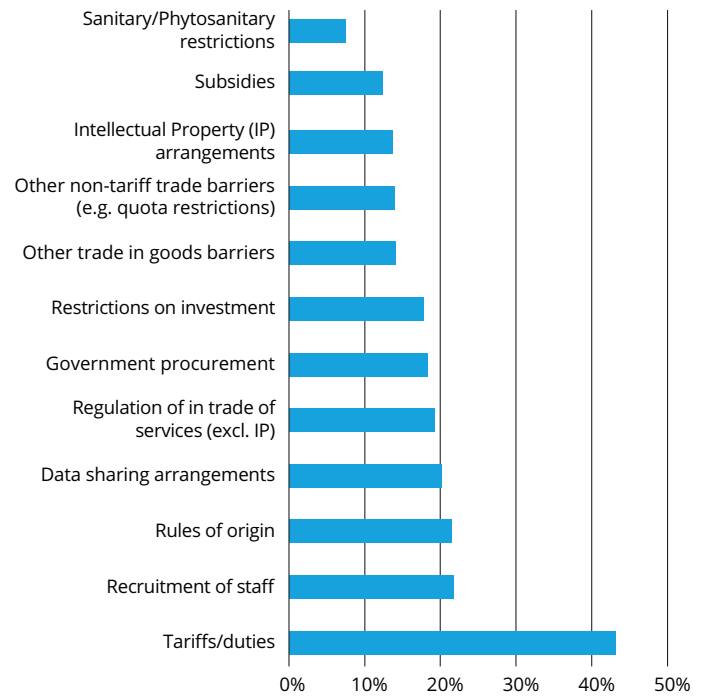


Over a third of these respondents (35%) reported gaining back their lost EU trade entirely by gains made elsewhere. A further 31% of respondents reported making some compensating gains (but less than the value of lost EU trade). A similar proportion (32%) reported making no compensating gains from lost trade with the EU. Small businesses were much more likely (46%) to say they had not made any compensating gains.

While there is perhaps an expectation of some lost UK-EU trade following the move from EU membership to the TCA, these findings show that two thirds (66%) of businesses trading outside the EU have experienced some gains in these markets. This may be due to stronger growth in other world regions outside of Europe or due to a change of business strategy in diversifying markets served. The survey suggests that businesses' global trade footprint has been an important factor in their ability to adapt to Brexit.

Given there has been a noticeable change in market conditions for many UK traders, we sought to find out: what has changed most? When asked which areas have seen the greatest change as a result of the shift from EU membership to the FTA relationship, businesses of all sizes consistently identified tariffs/duties, which at 43% was identified as an area of change significantly more than the next most chosen option, recruitment of staff (22%).

Chart 5: In which area have you seen the greatest change as a result of the shift from EU membership to the EU-UK Trade and Cooperation Agreement (EU-UK TCA)?



“ While there is perhaps an expectation of some lost UK-EU trade following the move from EU membership to the TCA, these findings show that two thirds (66%) of businesses trading outside the EU have experienced some gains in these markets. ”

At face value this might be surprising, given the UK-EU TCA was announced as a “zero tariff, zero quota” trade agreement. However, there is a sizeable caveat to being able to trade without customs duties being applied: businesses must first satisfy the relevant rules of origin and corresponding customs paperwork.

Rules of origin determine how much of a product’s content is required to be originating from certain territories in order to qualify for zero-tariff treatment. They did not apply to trade conducted between the UK and other EU countries during EU membership.

Under the TCA, a product usually qualifies if it is wholly obtained or has been substantially transformed in either UK or EU territory. Therefore, businesses that re-export goods originating outside of the UK to the EU, with little or no additional value being added, are likely to see their product incurring import duties. Rules of origin could be acting as a substantial barrier to bilateral UK-EU trade and were identified directly by respondents as the third biggest area of change.

It is possible that the rules of origin are too complex and so some businesses are not attempting to satisfy the conditions (even if they could). This may especially be the case for lower value or more occasional shipments where duty application can be tolerated. Equally the rules of origin may simply be too onerous, with goods being exported unable to fulfil the relevant criteria¹.

In addition, there is now a significantly greater burden on businesses trading internationally to satisfy customs paperwork requirements, and respondents could be attributing changes in tariffs/duties to this associated cost.

Recruitment of staff was selected as the second most common area of change. It is well known that the UK has suffered a labour market shortage for some time, partly explained by demand and supply differentials since the height of the Covid-19 pandemic. However, new immigration rules introduced since the UK left the EU may also be having an effect, as the UK has been experiencing lower levels of net migration from the EU and businesses have reported fewer EU applicants².

“ Under the TCA, a product usually qualifies if it is wholly obtained or has been substantially transformed in either UK or EU territory. Therefore, businesses that re-export goods originating outside of the UK to the EU, with little or no additional value being added, are likely to see their product incurring import duties. ”

1. A recent study undertaken by the University of Sussex identified that only 82% of relevant UK exports are entering the EU tariff-free, compared to 90% of EU exports entering the UK. (Tamberi, N. and Koechlin, M., “Preference Utilisation in the TCA: how are we doing?”. Briefing Paper 72. [UK Trade Policy Observatory](#), December 2022).

2. “Hospitality businesses are most likely to be struggling to fill vacancies”, [ONS](#), 16 September 2021.



Section 2: Businesses are aware of FTAs and are engaging with government

Businesses were generally aware of the UK’s free trade agreements and what they contain (the terms of which are mostly derived from EU-negotiated agreements when the UK was a member state). We polled business awareness of 39 agreements currently in force and found reasonable levels of recognition. Agreements with generally high levels of recognition included FTAs with Singapore (62%), Japan (61%), Canada (74%) and Mexico (61%).

Given generally high levels of awareness of the contents of trade agreements, we sought to find out how well government had communicated with business in this respect. We found respondents were favourable by a small margin of the government’s communications around the benefits of FTAs.

Chart 6: How aware of the following trade agreements are you?

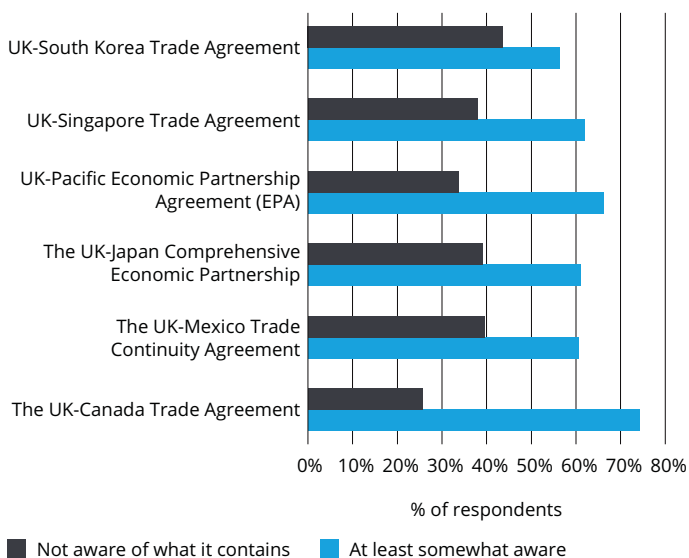
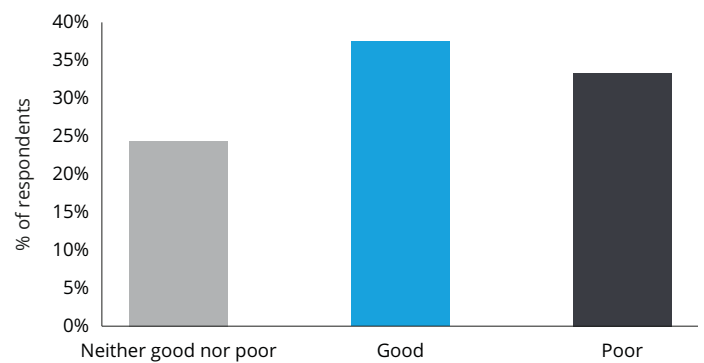
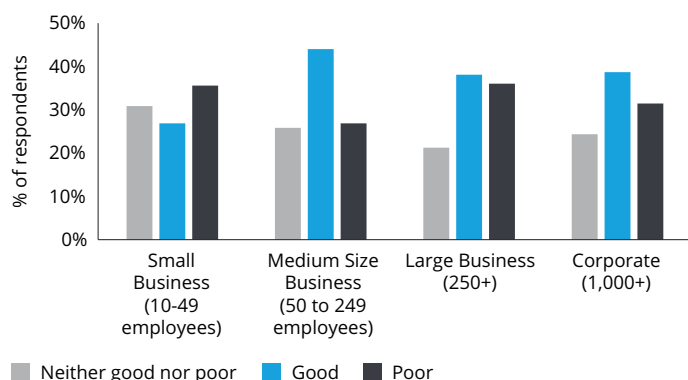


Chart 7: How well has government communicated the benefits of FTAs?



However, there is a noticeable difference between small and larger businesses. Thirty six percent of respondents representing small businesses believed that government communications have been poor overall, relative to only 27% who thought government communications have been good overall.

Chart 8: How well has the government communicated the benefits of FTAs?

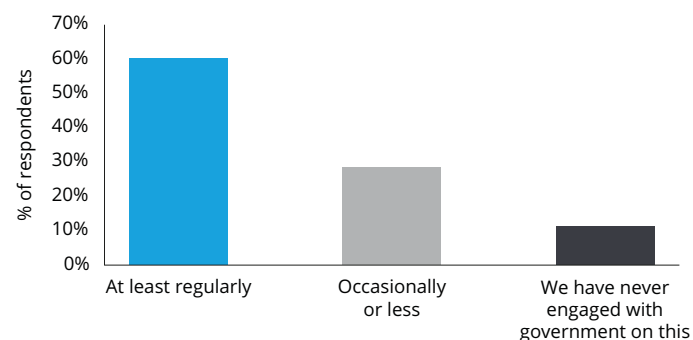


It is perhaps unsurprising that larger businesses have been more approving of government communications around FTAs. Larger businesses are more likely to be trading in higher values or volumes of goods or services and may be investing more resource in understanding treaty contents.

Equally, small businesses may well have less time and fewer resources. However, it may also be the case that government communications are not adequately addressing the concerns and interests of smaller firms. Given the government’s emphasis on boosting trade undertaken by small and medium sized enterprises³, it will be hoping to improve attitudes among representatives of small businesses over the longer term.

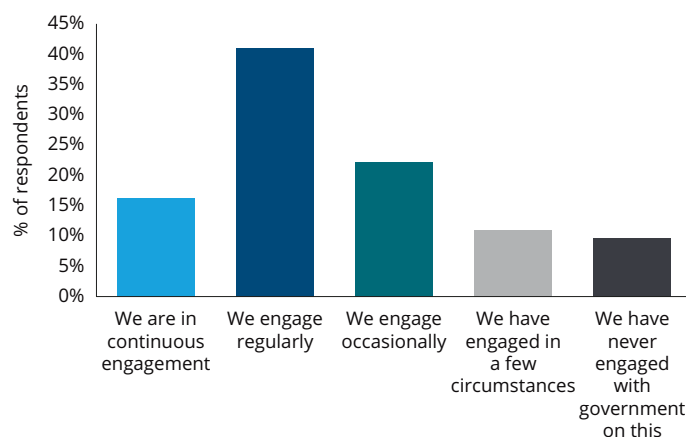
Given that there appeared to be widespread recognition of government communications around trade (regardless of whether the quality of communication was positive or negative), we asked how much direct engagement is taking place. We found that 60% of respondents have engaged with government regularly on trade negotiations being undertaken with other countries.

Chart 9: How engaged is your business in communicating with government about trade negotiations?



We also found that 57% of respondents have engaged with government support programmes or received advice on exporting. While these results are generally positive, government could benefit from identifying the 11% of businesses trading internationally who have never engaged and increase interaction with the 28% that do not engage regularly.

Chart 10: How engaged is your business in communicating with government on support programmes or advice on exporting?



Engagement for small businesses was worse than for those with 50 or more employees, with just half of small business engaging at least regularly compared to 60%+ for larger firms.

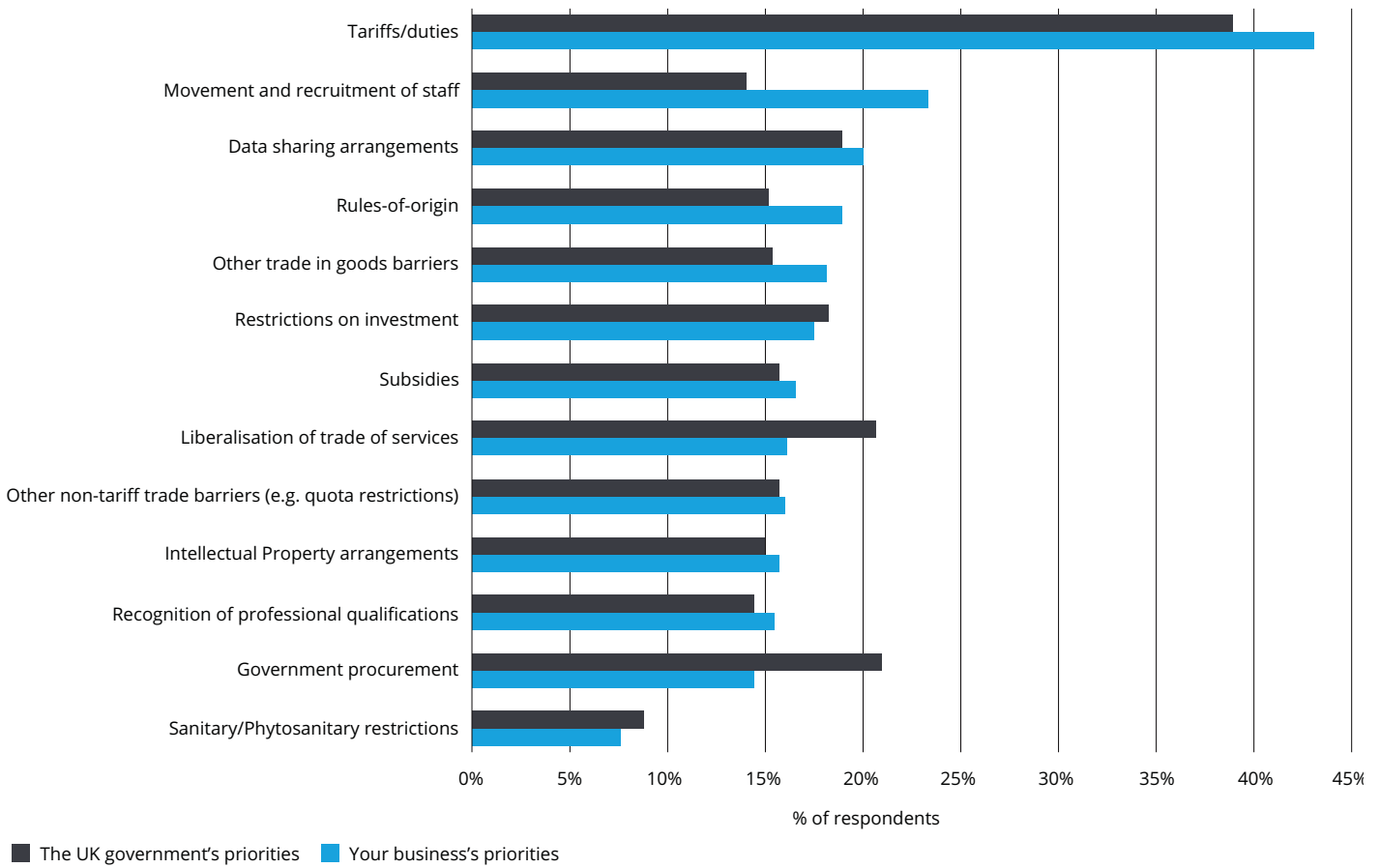
The levels of overall engagement with government on trade negotiations are suggestive of a substantive dialogue taking place between government and business. We know that business engagement has been taking place in various forms, including directly with policymakers, through organised events, online webinars, briefings and through the government’s Trade Advisory Groups (TAGs).

Given the extent of the dialogue, we sought to understand if businesses felt that the government’s priorities in trade negotiations matched those of businesses. Survey responses indicate that in many instances the perceived priorities of the government align with those of businesses. The gap between what businesses ranked as their priorities and the perceived priorities of government was less than five percent in almost all cases.

However, there were a few notable exceptions, including in the movement and recruitment of staff (23% business priority vs. 14% perceived as a government priority) and government procurement (14% business vs. 21% government). We also saw an interesting result for liberalisation of trade in services (16% business vs. 21% government).

3. For instance: “Government boosts UK Export Finance as part of package of support for SMEs”, [GOV.UK](https://www.gov.uk/government/news/government-supports-uk-export-finance), 17 November 2022

Chart 11: What are your/the government's top three priorities for FTA negotiations?



The greatest discrepancy was identified in the movement and recruitment of staff, which respondents suggest is a higher priority for business than the government. This finding is also supported in an earlier question which found that the recruitment of staff was the second most commonly identified area of change due to Brexit. This may be a function of labour shortages or the UK's new immigration system. Alternatively it may be that business is finding the UK government to be too defensive on mobility as a negotiating priority, or unwilling to engage deeply on this topic due to political sensitivities.

The government's perceived emphasis on liberalisation of trade in services is reflective of the UK's pre-eminence as a global services exporter and the degree of trade restrictive measures affecting services in many of the world's fastest growing markets. Nevertheless, this survey suggests that traditional trade barriers affecting goods are very much still a priority for business.

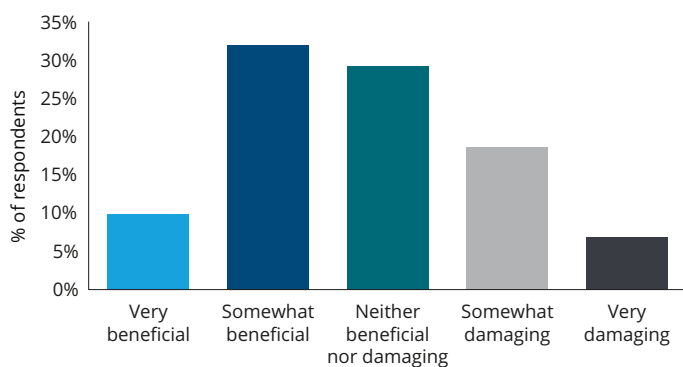
Interestingly, slight discrepancies can also be seen in 'tariffs/duties' and 'other trade in goods barriers', supporting an emerging theme that business is continuing to emphasise the need to address more traditional trade barriers in goods, rather than those affecting other areas like services or government procurement (two notable areas that respondents felt government was over-prioritising).

“ The government's perceived emphasis on liberalisation of trade in services is reflective of the UK's pre-eminence as a global services exporter and the degree of trade restrictive measures affecting services in many of the world's fastest growing markets. **”**

Section 3: Business is cautiously optimistic about the direction of UK trade

While responses to earlier questions indicate a negative impact to trade as a result of Brexit, we found that businesses remained fairly optimistic about the UK's trade prospects. Indeed, we found that 42% of businesses think the FTA programme will be beneficial to their business, 29% do not think it will be beneficial or damaging, and 26% of respondents think it will be damaging. Of the respondents, only seven percent thought it will be very damaging, which could be because some markets can be exposed to greater competition after an FTA has entered into force.

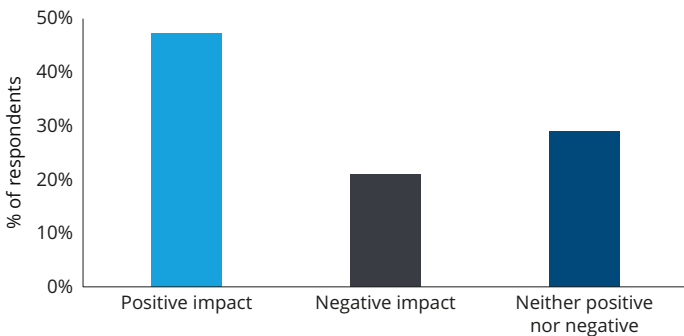
Chart 12: How beneficial or damaging do you anticipate the UK's FTA programme being to your business?



Businesses that only trade in services were likely to be less optimistic, with only 35% thinking that the FTA programme has been positive for them. This is 13% lower than the comparable figure for businesses that trade in goods. This could be partly explained by services businesses understanding the complexity of reaching agreement on deep services liberalising measures in trade negotiations and therefore taking a more sceptical stance. Either way, it shows us that the government has further to go with services rather than goods businesses to convince them of their share of the benefits of FTAs.

More broadly, businesses are buoyant about the impact of the UK's free trade agreements on economic growth. Almost half of businesses expected the UK's FTAs to have a positive impact over the next decade, with 21% expecting a negative impact. This tallies to most official forecasts which predict a positive (albeit modest) impact on the UK's growth over the long run.

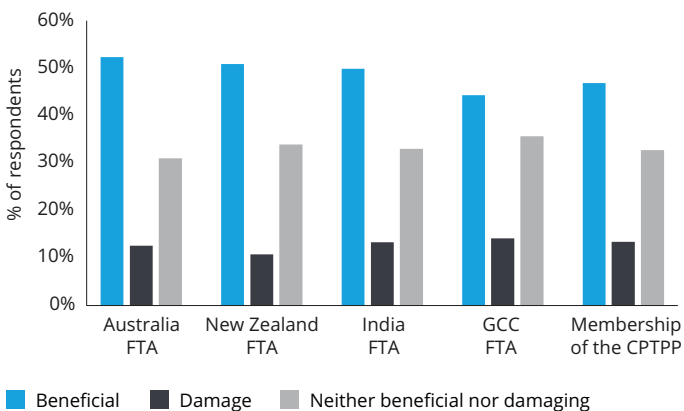
Chart 13: Do you think the free trade agreements negotiated by the UK government will have a positive or negative impact on growth over the next decade?



Looking closer at particular FTA opportunities, a potential trade agreement with the USA scored most highly in terms of anticipated benefits. However, negotiations with the USA are not currently ongoing and are not due to recommence in the immediate future (although discussions are taking place at a sub-federal level).

Other prospects on the horizon, including agreements with Australia, New Zealand, India, the Gulf Cooperation Council (GCC) and membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) were consistently considered to be more beneficial than damaging by respondents. At least half of all respondents thought FTAs with Australia, New Zealand and/or India would be beneficial. No more than 14% of respondents thought any of these opportunities would be damaging to their business.

Chart 14: Would you anticipate the following trade arrangements to be beneficial for your business

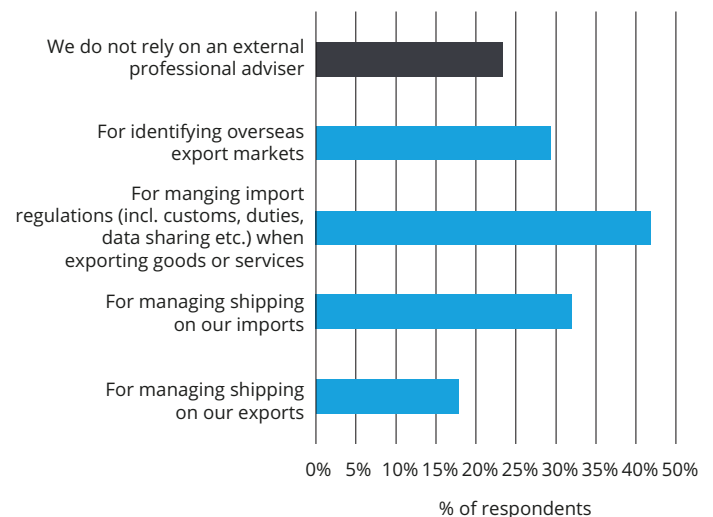


It is interesting to note that approval ratings do not appear to track with the size of market opportunity in each geography. For instance, the economy of New Zealand is significantly smaller than that of India or the Gulf countries. Similarly, CPTPP when fully implemented will account for 13% of global GDP. One explanation could be the high levels of media coverage and government promotion of the Australia and New Zealand agreements (which have already been signed) compared to others which are still under negotiation.

The results suggest that of the negotiations, CPTPP is a slight outlier. Fewer respondents indicated that they expected it to be beneficial for their business compared to India, New Zealand and Australia, with a broadly comparable level of respondents stating it would be neither beneficial nor damaging. This might possibly be explained by lower levels of understanding of the treaty contents or market opportunity, given geographical proximity and levels of coverage of negotiations.

It was therefore useful that we also asked respondents if they are receiving professional advice on international trade. It is a broad question, since professional advisors are used for a range of reasons – from managing shipping requirements to scoping new markets. We found that advisers are commonly used by all sizes of companies, but most commonly (42%) for helping them manage import regulations relating to the countries that the business was exporting to (such as customs requirements and duties levied).

Chart 15: Do you rely on an external professional adviser to help you navigate any of the following parts of the trade policy landscape?



The survey suggested that fewer than a third of businesses trading internationally are receiving professional advice on identifying overseas export markets. Moreover, 23% of respondents do not use a professional adviser of any kind, and it is particularly acute for small businesses (28%).

Conclusions

The survey suggests that **businesses have suffered a negative effect from Brexit, but those trading in markets outside of the EU are proving resilient in a changing trade landscape post-Brexit**. With some exceptions, **the government's trade agenda is reasonably well regarded by business** and is broadly understood.

However, the survey shows there is clearly more that government and business can do to maximise the UK's international trading potential. The survey suggests that **government could place a greater emphasis on improving conditions for trade in goods**. This is particularly the case in addressing additional tariffs/duties businesses are incurring, possibly because of rules of origin requirements in the TCA, and additional costs as a result of customs administration. We also found that businesses felt tariffs and other goods barriers should be more highly prioritised in trade negotiations compared to other areas.

Government is generally engaging satisfactorily with business, and most businesses report engagement on at least a regular basis. This is positive, especially considering the relative newness of trade policy to our domestic commercial environment. However, **there is clearly room for improvement in the quality of FTA communications**, with roughly one third of respondents rating the government's attempts to communicate the benefits of FTAs as 'poor' and a further 20-30% generally regarding them as 'neither good nor poor'. Given all respondents represent businesses that are already highly engaged in trading internationally, and that almost three quarters have engaged at least occasionally with government, these figures could be more positive.

A **greater focus is required to support small businesses**, with the survey data demonstrating a consistent pattern:

- Representatives of small businesses reported fewer compensating gains from non-EU markets after Brexit than larger businesses.
- Respondents from small businesses thought government communications regarding the benefits of FTAs were poorer than those from larger businesses.
- Small businesses appear to be engaging less with government regarding support programmes or for advice on exporting (only 50% of small businesses are engaging regularly vs. 65% for larger firms).
- Small businesses are less likely to be receiving any professional advice to support their international trade compared to larger businesses (28% of small firms are receiving no professional advice at all).

“ Government is generally engaging satisfactorily with business, and most businesses report engagement on at least a regular basis. ”

Finally, **there is clearly greater scope to drive up business engagement with trade policy.** Throughout the survey results, we consistently find around one third of respondents demonstrate:

- No awareness of the contents of UK trade agreements relating to the area in which they export (30-40% of respondents).
- Disengagement with how UK trade policy could impact their business or the wider economy (29% of respondents thought the FTA programme would have no positive or negative effect to their business and 29% had a similar view of the effect on economic growth over the next decade).
- Low levels of engagement or no engagement at all with government (28% of respondents are engaging occasionally or not at all relating to trade negotiations and 43% of respondents are engaging occasionally or not at all relating to government support programmes or advice on exporting).

There is a missed opportunity particularly with respect to the 43% of businesses that are not reached by government support in exporting. This is particularly the case given that they are already trading overseas and it is generally easier to drive trade growth from this position than as a domestic-facing business that has not yet made the stretch to trading internationally.

In light of the government's push to increase export opportunities, **closer consideration could be given to the breadth of support available and how it is promoted to qualifying businesses.**

“ There is a missed opportunity particularly with respect to the 43% of businesses that are not reached by government support in exporting. ”



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