



FLEISHMANHILLARD



International Trade Report 2023

Britain's Changing Position in Global Trade

Foreword

The disrupted landscape for UK trade

2022 was another challenging year for international trade, with the tailwinds of the COVID-19 pandemic, the invasion of Ukraine by Russia and the continued impacts of Brexit creating a trading environment that is fraught with challenge and uncertainty.

Despite promises of new trade deals breaking down barriers for business and shifting market focus away from Europe, the UK's closest trading partners continue to be within the EU, with access to them inhibited by new and costly delays and blockages.

The impacts of Brexit have extended further than just connectivity across the Channel, with business reporting significant impacts to their ability to trade with the rest of the world too, with border delays hampering efforts to send goods and services overseas.

Conversely, confidence in the UK government has stayed even and the UK's attractiveness as an investment destination remains high. This is seemingly driven by the maintenance of strong legal and regulatory clarity in the UK.

With 73% of business leaders recognising the strong correlation of trade issues and their business performance, addressing the critical barriers to trade should be a focus of the Government.



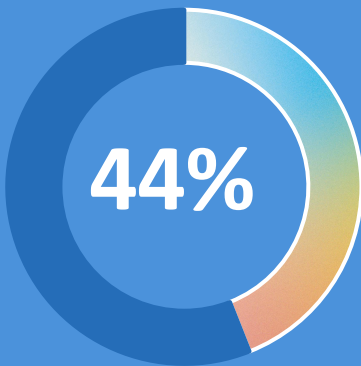
UK businesses want regulatory and legal clarity



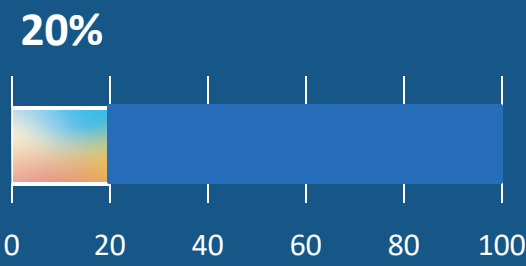
Post-Brexit disruptions are impacting UK business



Supply chain issues are most impacting trade with the EU



of UK businesses say trade with the rest of the world has become harder

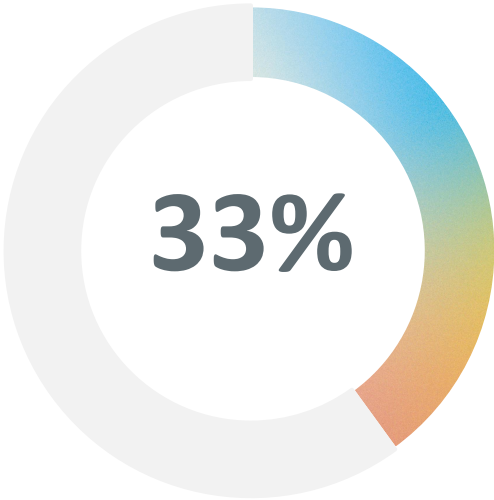


20% of businesses reported that export volumes had declined in the past year

Methodology

Results in this report are based on an online survey of 201 senior decision makers from medium-sized and large enterprise businesses in the UK.

The survey was conducted by TRUE Global Intelligence, FleishmanHillard’s in-house research and analytics practice, and responses were collected in January of 2023. Results are reported at the 95% confidence level with a margin of error of +/- 6.9%



A third of businesses reported international trade issues having a negative impact on their reputation.



1.

The Post-Brexit Trade Landscape



Brexit is stifling trade

The business community has struggled with the realities of Brexit since 2021, and subsequent market conditions have not been conducive to growth.

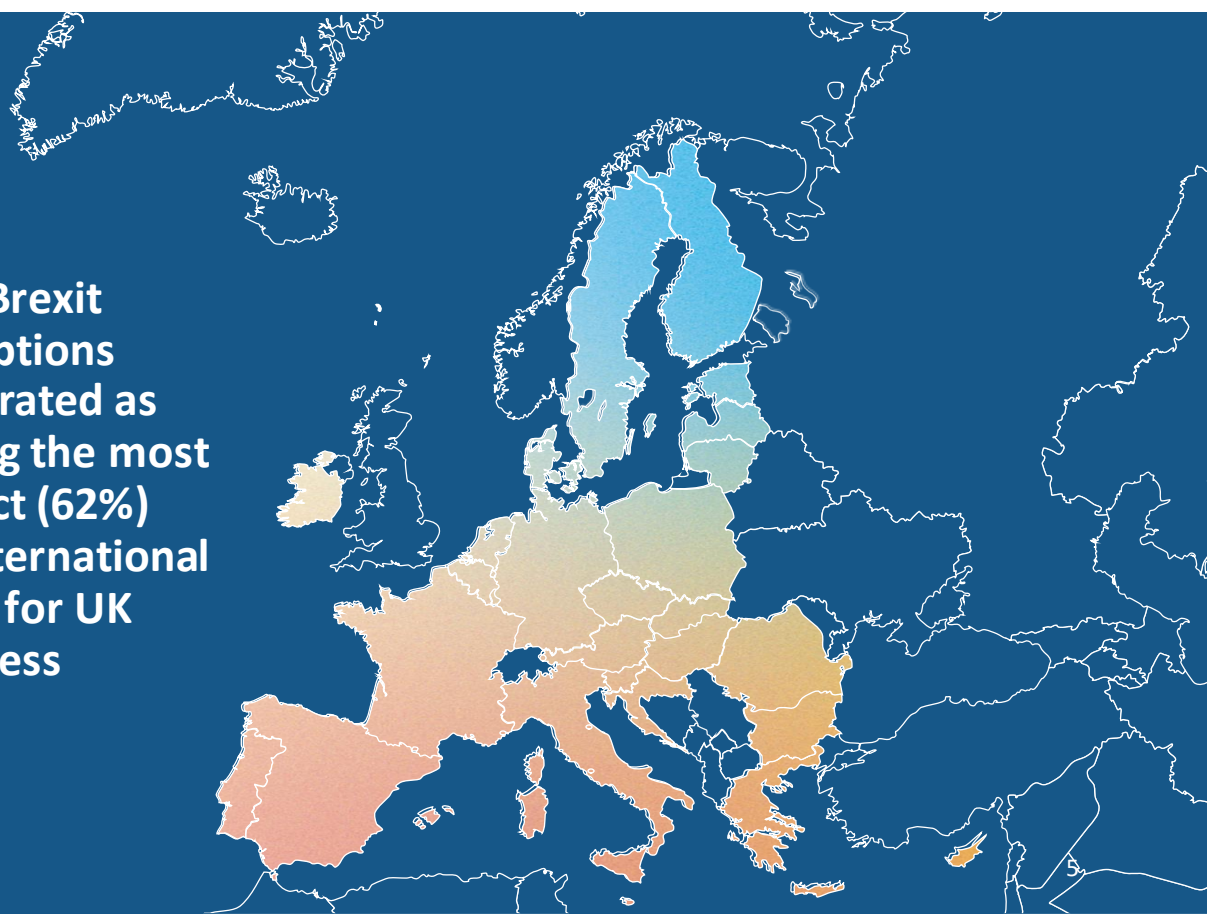
Despite other contributing factors, not least the COVID-19 pandemic and Russian war in Ukraine, UK business continues to point to post-Brexit disruption as the greatest impact on their ability to trade (62% of respondents).

Our research shows that a majority of UK businesses believe trade with the EU is harder than one year ago, with 72% pointing to supply chain issues and 68% customs and border delays. Business also reported that uncertainty in their trading relationships with EU customers is significantly impacting their trade operations.

It is no surprise, then, that two in five businesses reported that export volumes had declined in the past year.

Meanwhile the Free Trade Agreements the UK government has focused on for several years as a Brexit benefit are seemingly not gaining cut-through; protectionism ranked low in terms of business impact, with only 27% respondents saying it is limiting market access and 20% causing issues for retaining market share.

**Post Brexit
disruptions
were rated as
having the most
impact (62%)
on international
trade for UK
business**



A photograph of an offshore wind farm. In the foreground, a large white wind turbine with red stripes on its tower and blades is partially visible. In the middle ground, a yellow maintenance vessel is positioned near the base of the turbine. The background shows a vast expanse of blue sea with many other wind turbines stretching towards the horizon under a blue sky with scattered white clouds. A large, semi-transparent circular graphic with a yellow-to-blue gradient is overlaid on the right side of the image.

2. The UK Investment Landscape

The UK remains an attractive investment destination

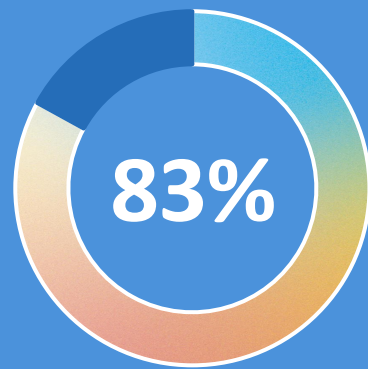
Despite the inherent challenges for UK trade, conversely the UK environment for investment seems to be robust.

More than 80% of business reported considering the UK to be an attractive investment destination for their business.

When considering the most important market features when considering a new investment for their business, a majority of business leaders reported regulatory and legal clarity as the most pressing need.

This was significantly higher than those who reported that incentives such as subsidies and tax credits or tax and regulation-free zones such as freeports were most important.

This suggests government focus should shift from efforts to provide financial incentives to the business community and focus on what historically has been a world-leading approach to regulation and legal developments.



Businesses consider the UK to be an attractive investment destination.



56% businesses reported regulatory and legal clarity as the most important market feature for new investments.



42% rated tax and regulation-free zones such as freeports were most important.



3.

Trade Market Focus



Europe is undisputedly the most important market for UK business

When Brexit was enacted the UK government heralded a new era of Global Britain.

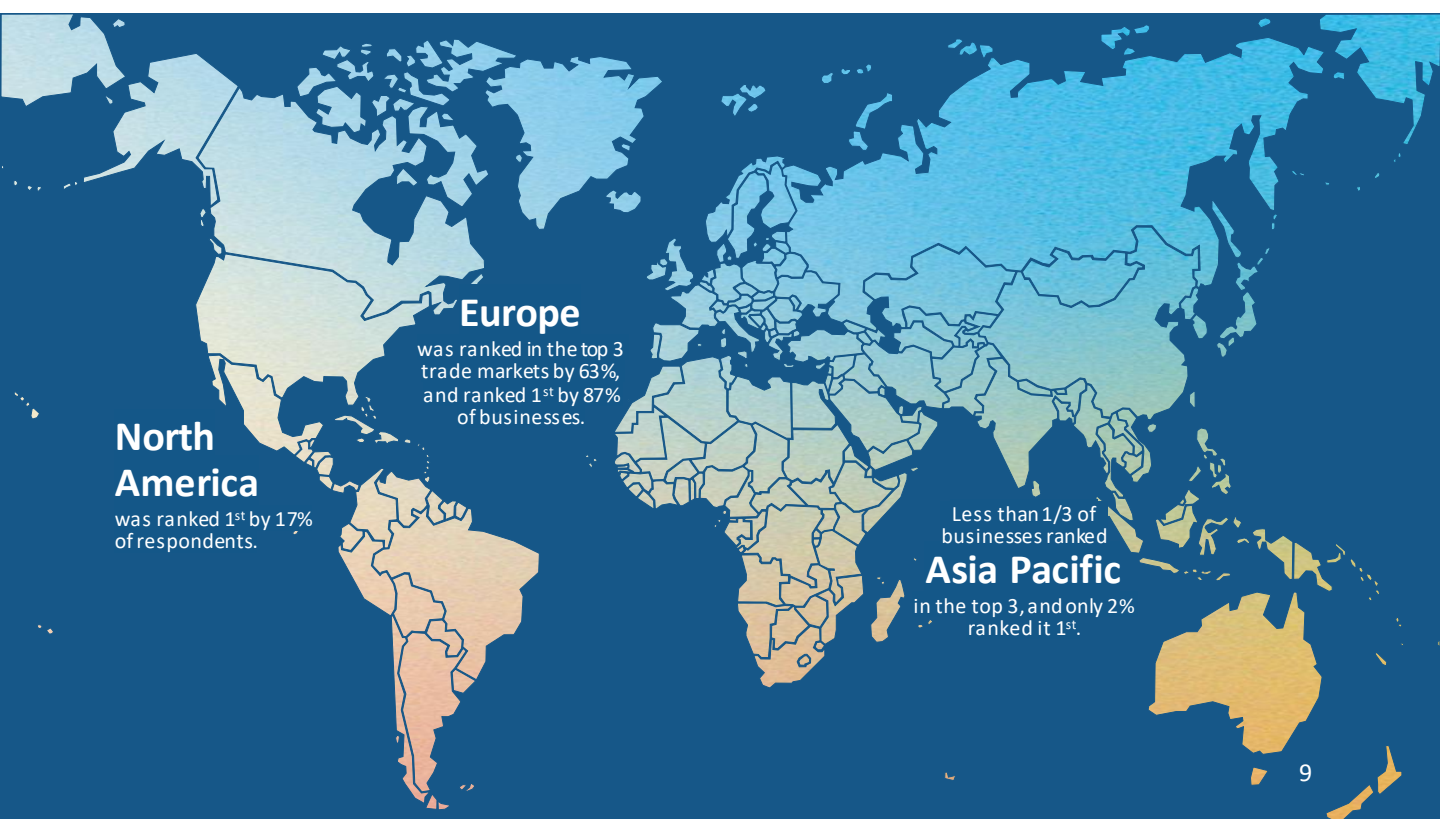
Backed by promises of free trade agreements opening markets across far-flung corners of the globe, any reduction of trade with Europe was to be compensated for through liberalised global trade.

Two years on from this, our research tells a different story. Respondents to our research overwhelmingly noted Europe as the most important market for their business.

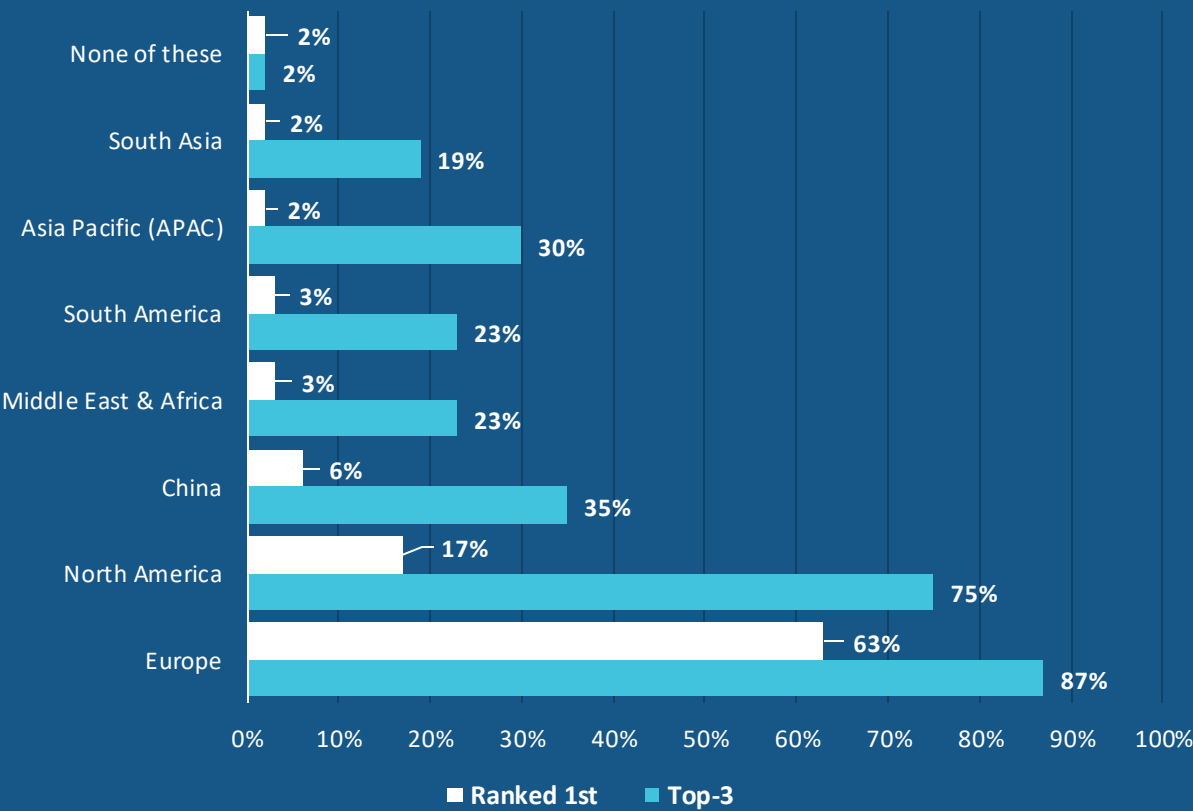
North America, the focus of UK government attention in trying to secure a new trade deal, ranked highly within top-3 choices at 75%, but as first choice destination was only chosen by 17% of respondents.

The high-profile trade deals signed in the Asia-Pacific, starting with rollover deals with South Korea and Japan, and leading to Australia and New Zealand, seem to have had little impact on market priorities for business with the region ranked as most important by just 2% of business leaders.

Perhaps the trumpeted Windsor Framework signals the start of a new era of closer ties with the EU, which certainly seems in line with what UK business leaders want and need



Europe is undisputedly the most important market for UK business



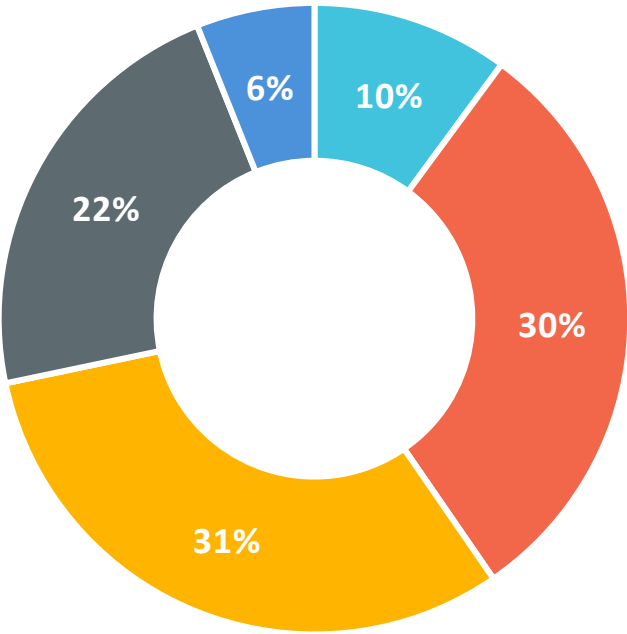


4. Opinion on UK Government

Confidence in the UK Government remains even

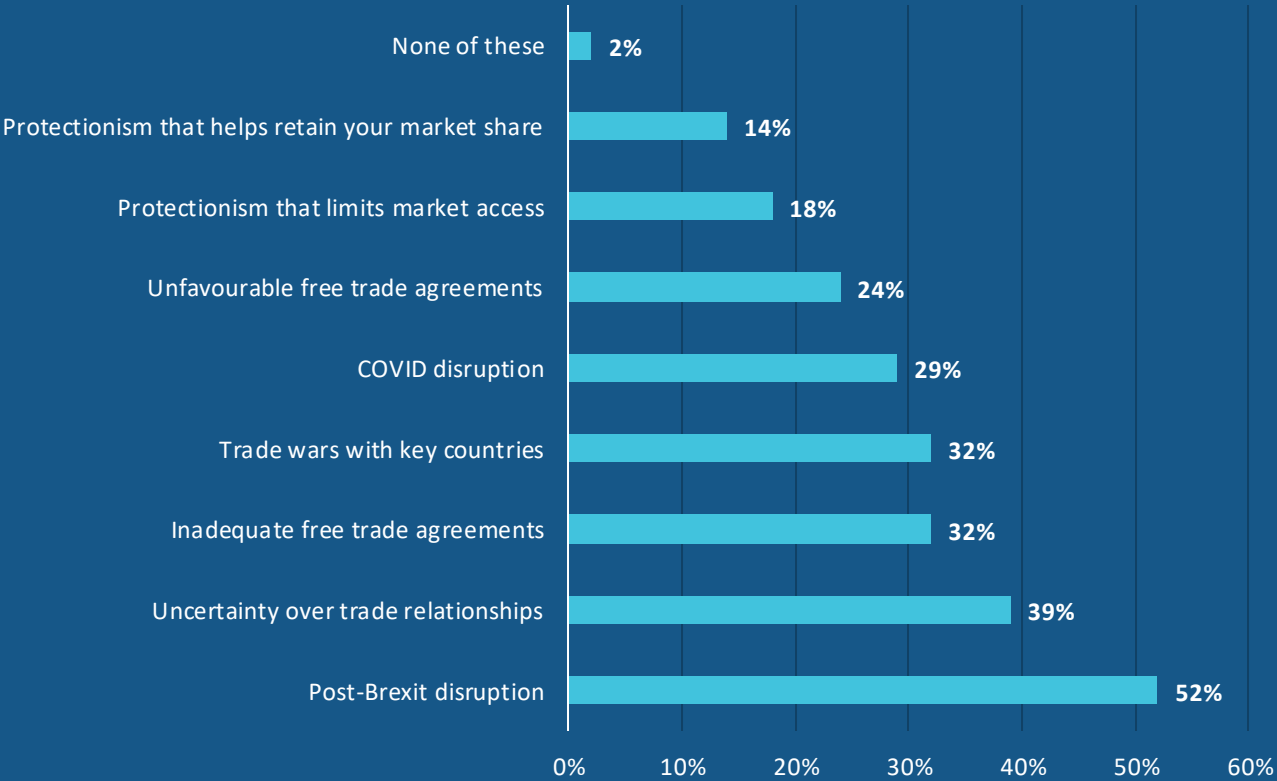
Despite the challenges for business posed by the trade environment, confidence in the UK government's approach to international trade has remained steady and balanced – with opinion roughly split between high, moderate and low degrees of confidence. This shows consistent correlation with results from FleishmanHillard's survey last year.

How confident are you in the UK government's approach to international trade?



- Extremely confident
- Very confident
- Somewhat confident
- Not very confident
- Not at all confident

Businesses want the Government to resolve post-Brexit disruption more than any other issue



5 Key Takeaways

1

Post-Brexit disruptions are seen to be having the biggest impact on UK business

UK business leaders clearly identified post-Brexit disruption causing supply chain issues and border delays, hampering their ability to trade compared to a year ago.

2

UK business believe there is a strong correlation between business performance and international trade issues

Businesses still see trade as a vital aspect of their business performance, and recognise the strong link to reputation

3

Almost half (44%) of UK businesses say trade with the rest of the world has gotten harder

Tailwinds from COVID and the war in Ukraine are clearly taking their toll, but Brexit is evidently affecting trade outside of the EU, with border delays and supply chain issues ranking highly.

4

The importance of Europe as a trade destination hasn't changed

The UK Government's trumpeting of far-flung trade deals hasn't proven the Brexit benefit they would hope. The gravity model of trade appears to hold true, and closer economic ties with the EU would be the best option for business.

5

Businesses want the Government to resolve post-Brexit disruption

Disruption to supply chains and border delays are hampering business and limiting exports. Mitigating this must be prioritised over addressing free trade agreements or protectionism.

Conclusion

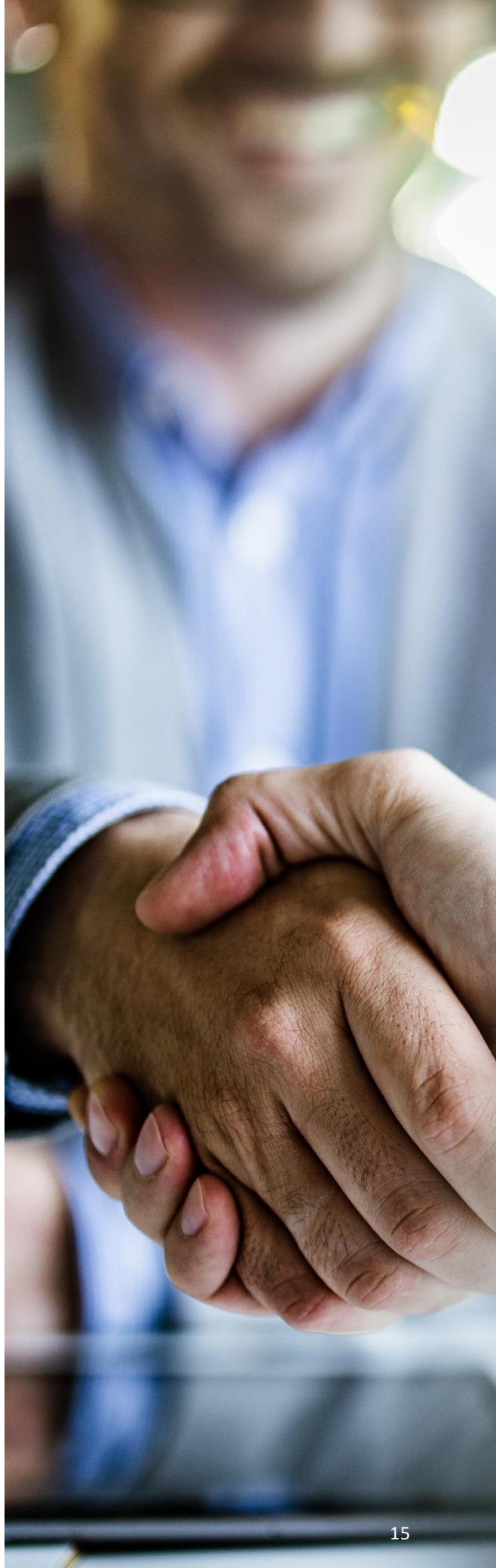
FleishmanHillard's research paints a challenging picture of the post-Brexit trading landscape. Border delays and supply chain issues stifling exports to both European and global markets should be of great concern to the UK Government and proponents of Brexit alike.

With Europe clearly identified as the primary market for UK trade, exponents of new free trade deals as a panacea for the extreme disruption caused to the UK's trading system should have good reason to reconsider.

Whilst North America was also identified as a key market, the limited prospect of a trade deal and its low ranking as a first choice destination make it unlikely to compensate for faltering trade with Europe.

The Government can take solace in the resilience of the UK as a market for investment, but must take care to preserve and bolster the regulatory and legal prowess that still appeal to business, not letting the prospect of repealing EU law undermine these key market attributes.

International trade issues remain vital to the success and reputation of business, so the immediate barriers on our doorstep must be addressed.





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