

# EU TRADE REPORT

## Q1 2021

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**Nick Garthwaite**  
Chair  
West & North Yorkshire Chamber

This report summarises findings collected as part of the West & North Yorkshire Chamber of Commerce, Quarterly Economic Survey for Q1 2021. Fieldwork was conducted between 15th February and 8th March.

The full economic report painted an overall picture of increasing confidence albeit based against short term challenges as the economy begins to reopen and firms can at last see an end to the current Covid crisis. As part of this research firms were asked to share their experience to date in trading with the European Union under the new Trade & Cooperation Agreement.

In summary the concerns raised by businesses fall into two very broad categories, which we have called adjustments and structural. Adjustments cover challenges in getting used to new trade procedures, including rules of origin declarations and other new paperwork requirements. We suggest that in time these should begin to ease as companies acclimatise.

The second category, structural, is more concerning and covers those challenges for which there appears not to be a solution under the current TCA and which for many firms will mean scaling back or withdrawing entirely from trading with the EU.

Regional support exists to help firms deal with some of the challenges which exist and I am grateful to Squire Patton Boggs, the West Yorkshire Combined Authority and the Leeds City Region Enterprise partnership for supporting this research.

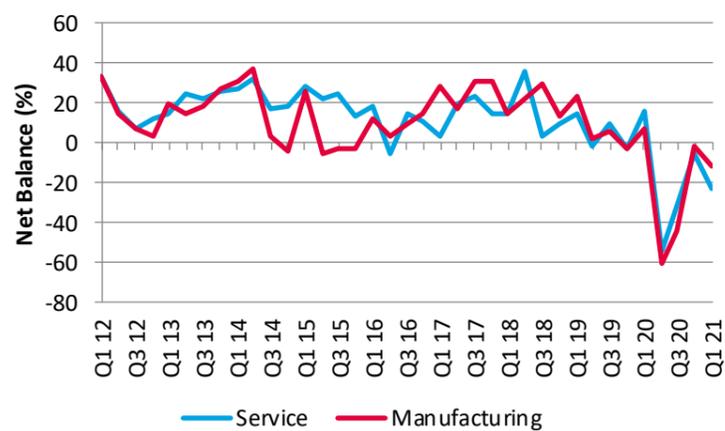


**TRADE WITH THE EU SINCE 1ST JANUARY 2021**

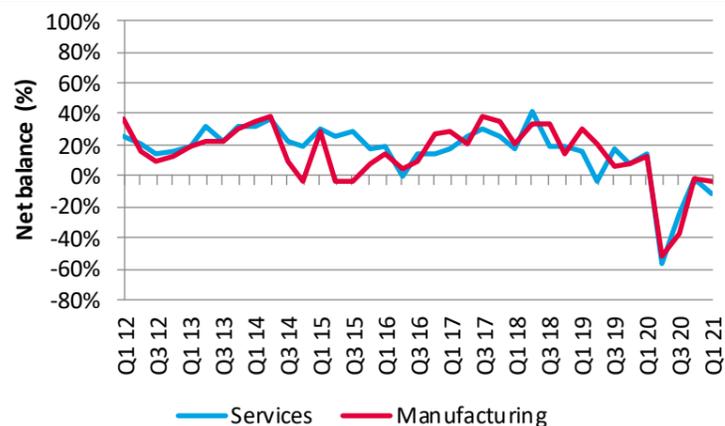
Following the end of the transition period on December 31<sup>st</sup> 2020, and the eleventh hour signing of the UK-EU Trade & Co-operation Agreement (TCA), firms were given only the shortest amount of time to prepare for new trade procedures. The TCA made no provision for trade in services and for manufacturers, new border checks were put in place as we left the single market and customs union.

Fieldwork for the Q1 economic survey began 46 days into the new regime, with companies being asked to share details of how they were finding things. The following two graphs are extracted from the Q1 quarterly economic survey and provide summary of international sales activities since January

**EXPORT ORDERS**



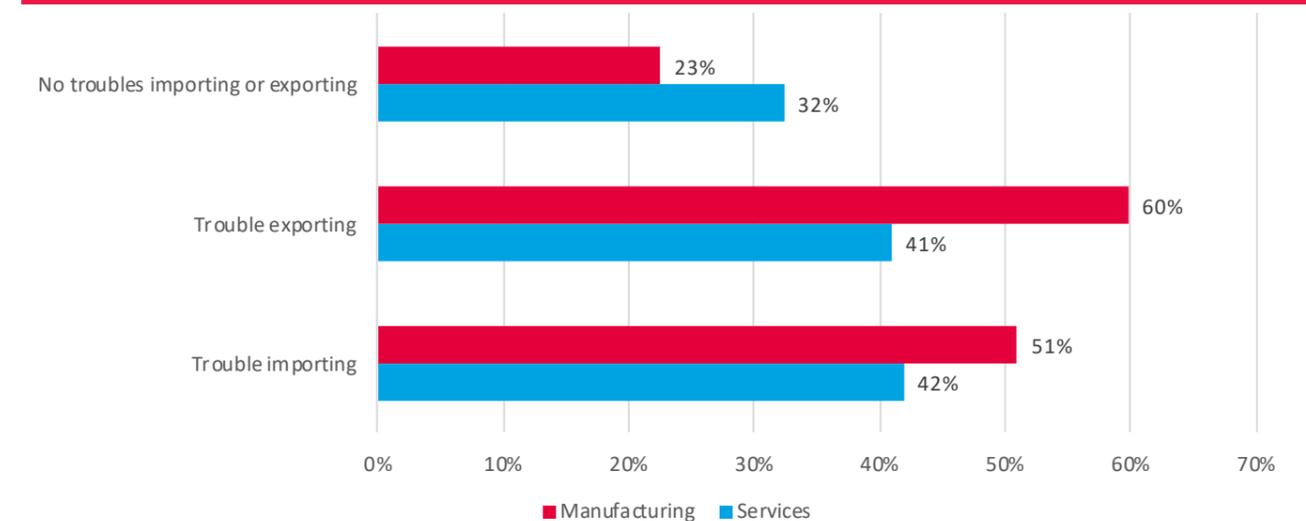
**EXPORT SALES**



**QUESTION : HAVE YOU EXPERIENCED ANY DIFFICULTIES IMPORTING / EXPORTING SINCE THE END OF TRANSITION ARRANGEMENTS WITH THE EU?**

Just under a quarter of manufacturers said they hadn't faced any difficulties moving goods, whilst around a third of service sector firms also said they had experienced no disruption. However, 60% of manufacturing firms said they had experienced difficulties exporting and 1 in 2 faced challenges bringing goods into the UK. Roughly 4 in 10 service sector businesses said they had experienced difficulties either importing or exporting.

**HAVE YOU EXPERIENCED ANY DIFFICULTIES IMPORTING / EXPORTING SINCE THE END OF TRANSITION ARRANGEMENTS WITH THE EU?**

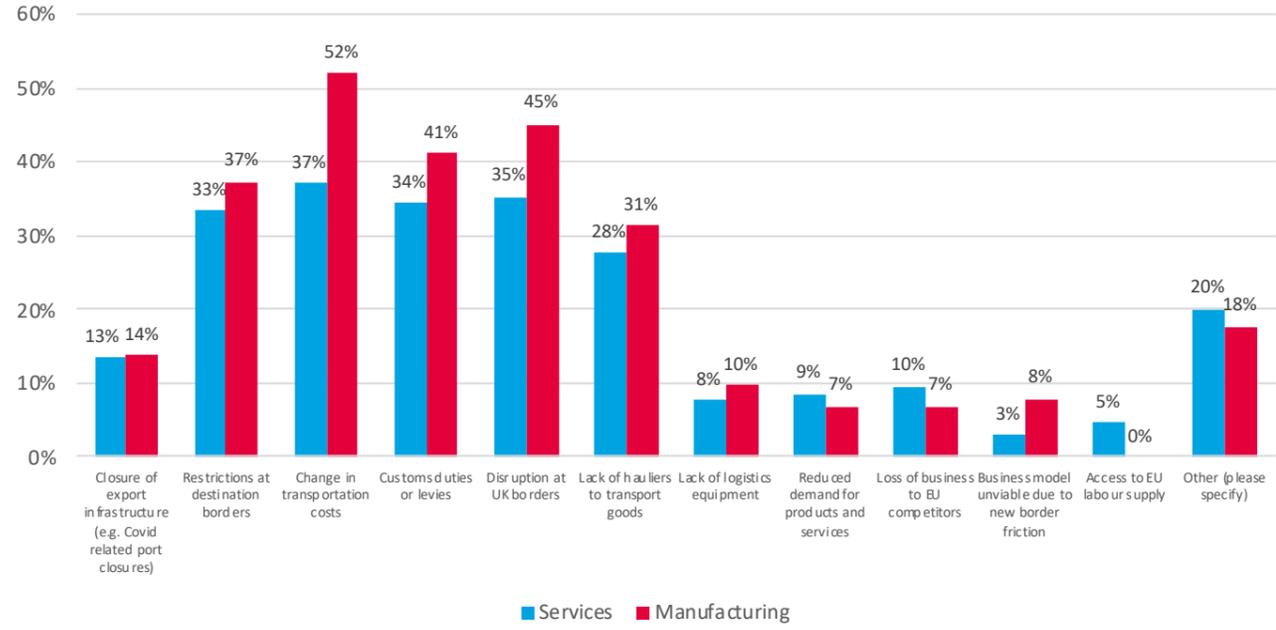




**QUESTION : WHAT ISSUES HAVE YOU EXPERIENCED?**

The three standout issues for manufacturers were increasing costs with freight hauliers, disruption at UK borders and the introduction of customs duties or levies. Previous Chamber reports have highlighted the impact of Coronavirus on the movement of goods around the globe with significant rises in shipping costs and the availability of containers both major issues.

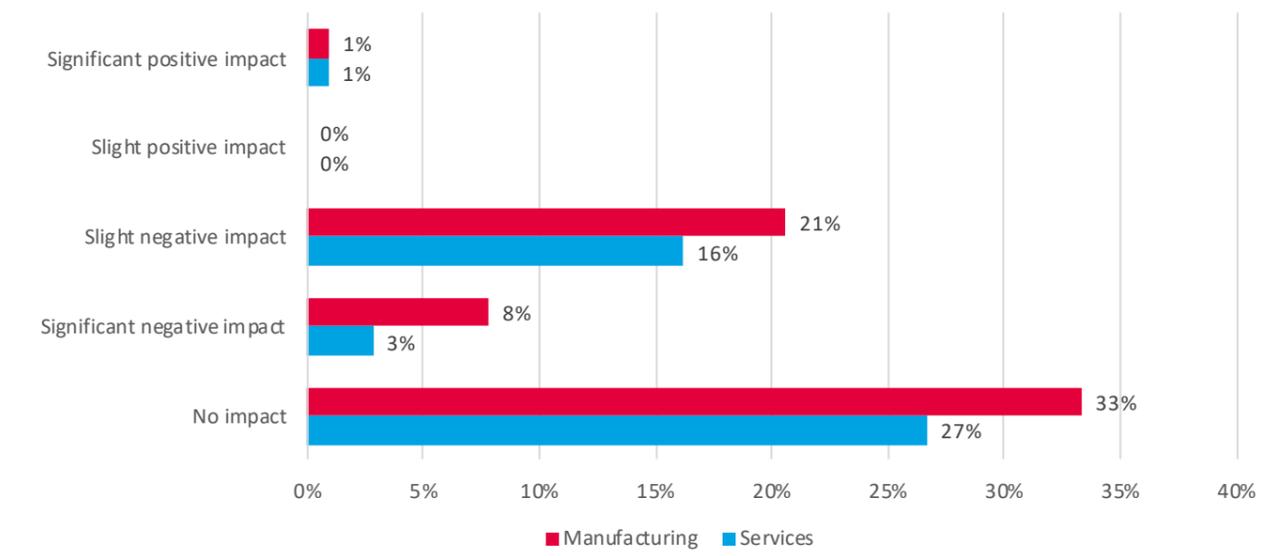
**WHAT ISSUES HAVE YOU EXPERIENCED?**



**QUESTION : HAVE THE NEW TRADING ARRANGEMENTS FOR NORTHERN IRELAND HAD ANY IMPACT ON YOUR BUSINESS?**

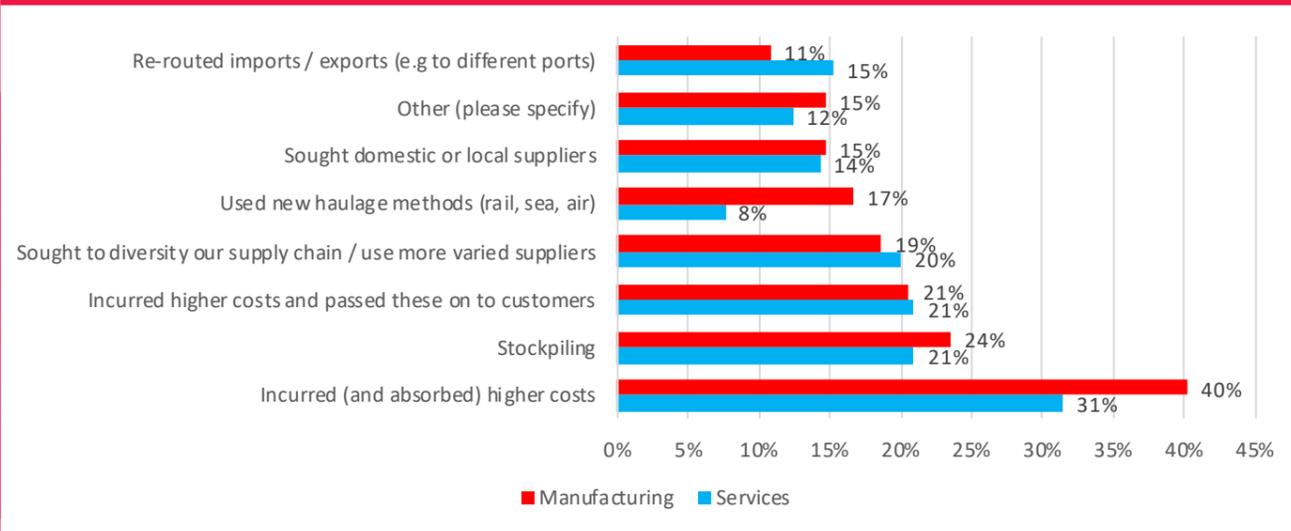
As part of the TCA, Northern Ireland remains within the single market and customs union in order to uphold the commitments made in the Good Friday Agreement that there would be no hard border on the island of Ireland. Of those trading with NI, 29% of manufacturers and 19% of service sector firms said they had experienced slight or significant impact to trade. However a third of manufacturers and 27% of services firms experienced no impacts when asked.

**HAVE THE NEW TRADING ARRANGEMENTS FOR NORTHERN IRELAND HAD ANY IMPACT ON YOUR BUSINESS\*?**

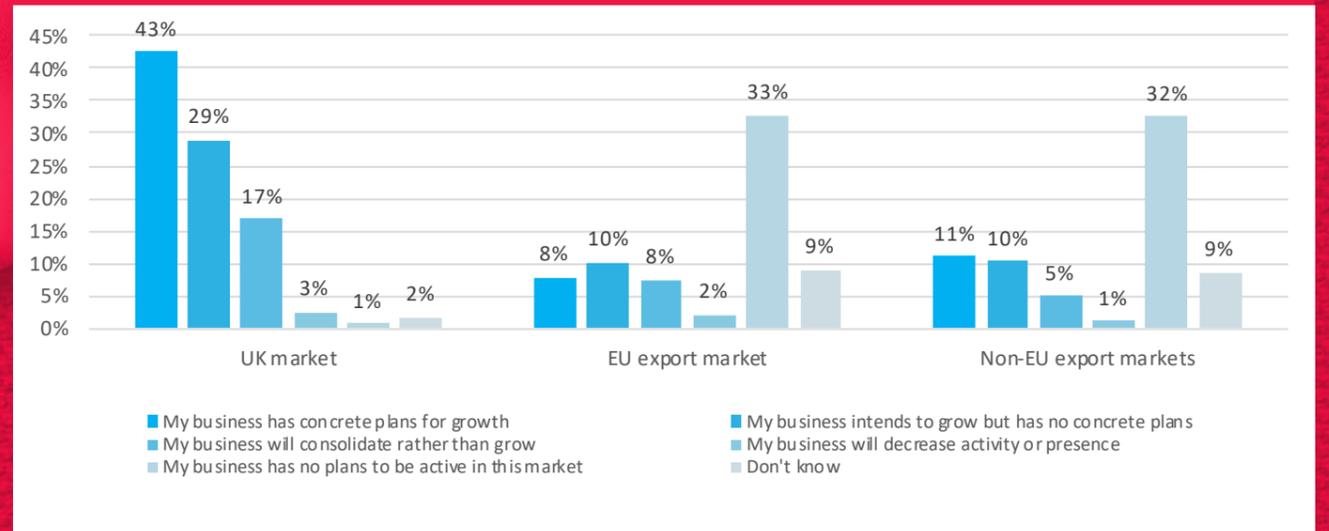


\* Sector totals do not add to 100% as a proportion of those asked this question said they did not trade with NI

RESPONSE TO NEW TRADING CONDITIONS



SERVICE SECTOR GROWTH PLANS 2021



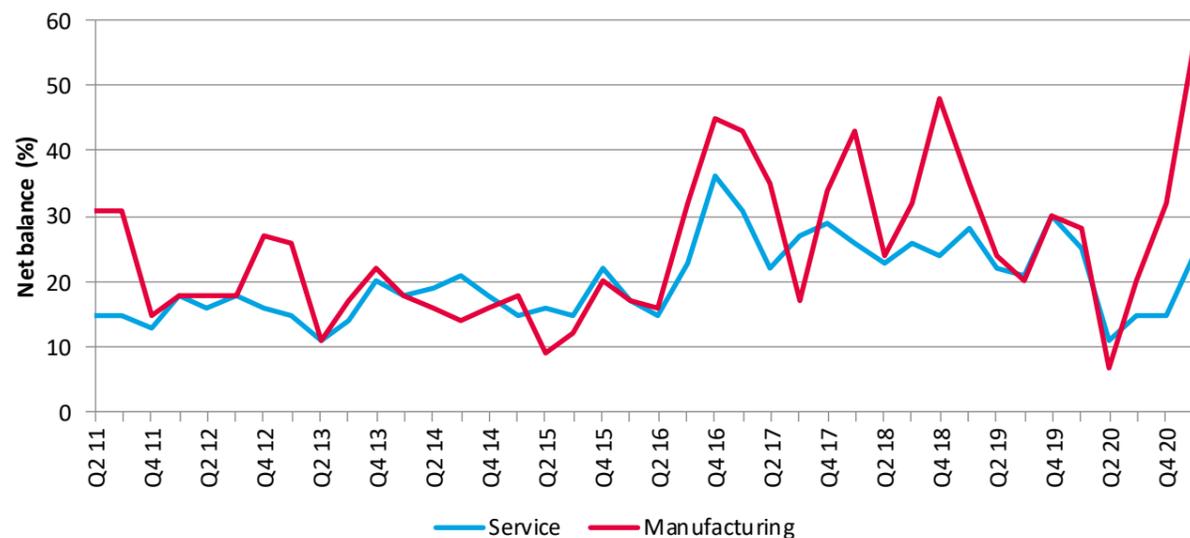
QUESTION : HAVE YOU UNDERTAKEN ANY ACTIONS TO RESPOND TO THE NEW TRADING ENVIRONMENT?

Against a backdrop of tightening cash reserves and slowing sales following the rush to fulfil orders ahead of the December 31<sup>st</sup> deadline 40% of manufacturing firms have elected to absorb the higher costs incurred to date. Clearly this is not sustainable and other data within the Chamber's quarterly report suggests that these will likely be passed as market conditions improve. Expect some inflationary pressures over the course of 2021.

QUESTION : OVER THE NEXT TWELVE MONTHS, WHICH OF THESE STATEMENTS BEST DESCRIBES YOUR PLANS FOR THE FOLLOWING MARKETS? (ASKED TO ALL SURVEY RECIPIENTS WHETHER THEY CURRENTLY TRADE OVERSEAS OR NOT)

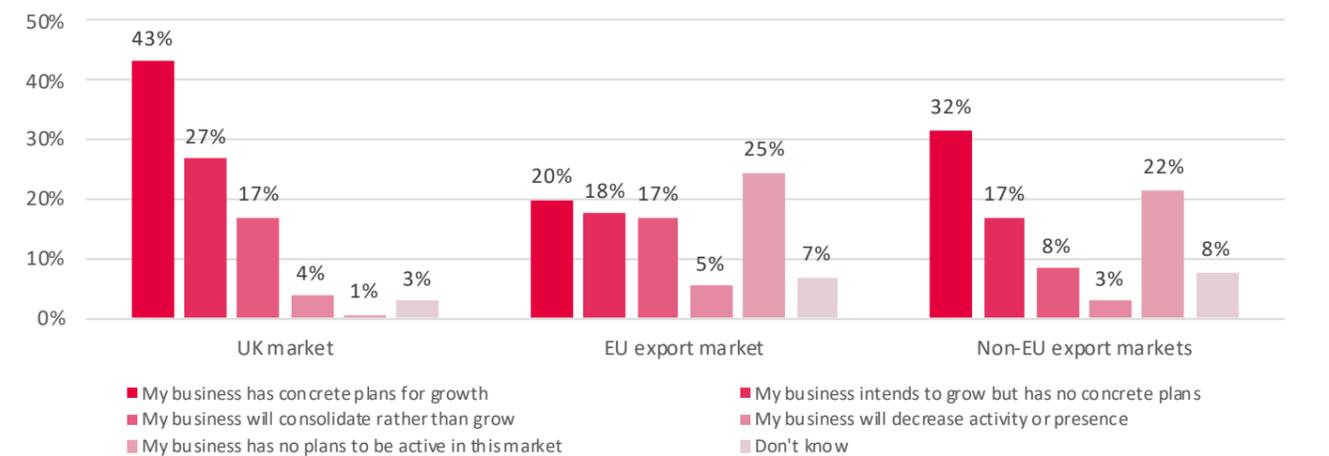
We have known for some time that service sector firms are less likely than their manufacturing counterparts to be trading internationally from within our region, a trend which seems likely to continue. However nearly 1 in 5 have plans to grow their EU trade activities with a similar share looking to expand into markets around the rest of the world.

EXPECTATION OF PRICE RISES



Trade with the rest of the world beyond the EU features strongly in the plans for many manufacturers with 1 in 2 either having concrete plans to expand or an intention and appetite do so. 17% of firms said they would be scaling back activity within the EU, although worryingly a similar percentage said they would be doing likewise in the UK market also.

MANUFACTURING SECTOR GROWTH PLANS 2021





**QUESTION : WHAT ARE THE KEY ISSUES FOR YOUR BUSINESS IN ADAPTING TO THE NEW TRADING ENVIRONMENT WITH THE EU?**

Answers to this question were free text and provided a qualitative richness to support previous answers.

The addition of new trading documentation to the process along with the additional costs incurred were the standout responses. However, issues around border delays and increasing transport costs along with tariffs and VAT payments also came though strongly. Many companies raised concerns about the uniformity of border controls across Europe and that different interpretations of the new rules for UK exports may be being applied.

Responses from regional companies:

“Need the government to get the ports moving. Goods that used to take 3 days now taking 3 months.”

**Bradford based service sector business**

“Obtaining supplies from EU countries. Goods are always stuck in UK customs waiting for clearance even when paperwork is in order. Ultimately our customers will only put up with this for so long before they go elsewhere.”

**Leeds based manufacturer**

“The EU customers are asking for information and it seems we have extra restrictions from country to country.”

**Wakefield based transport & logistics**

“Interpreting and adapting to the new procedures. Everything was very last minute with information, we came back after Christmas to a whole set of new procedures which hadn’t been communicated before that. The government website is very complicated and not user friendly.”

**Huddersfield based manufacturer**

“Transport delays due to hold ups with customs clearance. EU customers understanding the new process of transactions with the UK.”

**North Yorkshire based manufacturer**

**QUESTION : WHAT SUPPORT DO YOU THINK IS NEEDED TO HELP YOU TRADE EFFECTIVELY WITH THE EU OR OTHER OVERSEAS MARKETS?**

Responses to this question fell into two broad categories based on internal and external issues. Internal issues mostly related to generating understanding within the organisation about dealing with new trade procedures, documentation and customs declarations, etc.

For many firms this is an entirely new experience as they have not traded internationally outside of the single market and so have never had to deal with Rules of Origin declarations and related bureaucracy.

Many companies raised the need for support relating to issues beyond their control such as more resource at borders, faster and more efficient transit through ports, many went further and suggested rethinking the TCA altogether.

“We need simplification of paperwork, rules of origin are a nightmare when you’re a reseller, the time it takes to get on top of this mean we can’t quote quickly enough and we lose sales. Government information is impenetrable to the layman. We don’t have a dedicated import/export function. I have to do this on top of everything else I have to do to run the commercial side of the business. It is costing us £10k per month in lost revenue and as a result we can’t afford to hire the extra person we need so it is a vicious circle.”

**Leeds based SME within Wholesale & Distribution**



## HOW CHAMBER INTERNATIONAL IS HELPING BUSINESS TRADE WITH THE EU AFTER BREXIT

Since the new UK-EU Trade Co-operation Agreement (TCA) took effect on January 1st, Chamber International has focused on helping ease the flow of trade between Britain and the continent and supporting businesses in overcoming difficulties created by the new regime.

New rules of origin are causing traders very real problems. Although the Government published 40 pages of guidance on December 29, covering only the TCA's origin of goods chapter, there was clearly going to be significant business disruption without a phased introduction.

Add to this the 65, 300-page rollover trade agreements detailing different origin tests around specific production processes, minimal processing, transport rules and 'cumulation' – the ability to count imported parts, components or ingredients for manufacturing as originating in the UK – and it illustrates the huge challenge businesses have had in adapting to the TCA requirements at short notice.

Chamber International's new customs brokerage service, ChamberCustoms, part of a national British Chamber of Commerce (BCC) initiative, is central to a wide range of support that the organisation is providing and constantly updating based on the experience of individual businesses.

British Chambers of Commerce developed the new HMRC-compliant service because the UK had an estimated 45,000 shortfall in trained specialists to cope with the expected huge surge in demand. ChamberCustoms success is based on it being the only cargo clearing service with direct links to all sea, air and road ports and terminals in the UK.

From the start of the TCA on January 1st, a total of 202,081 UK businesses had to complete customs declarations for the first time, as about 50 per cent of all UK importers and exporters previously traded only as part of the EU, when they were not required. As a result, the number of UK customs declarations is expected to increase by more than 500 per cent to 300m a year, according to the Office for National Statistics.

ChamberCustoms, headed at Chamber International by qualified customs broker, Ioanna Orfanidi, a bachelor of English-Russian and International Trade, who speaks English, French, Spanish, Greek and Russian, provides support falling into three main categories: customs, borders and origin of goods. These can be summarised as how to manage a supply chain to get goods to market, mitigate border tariffs and operate rules of origin.

The customs element covers everything from raising the level of customs knowledge within companies assisting traders with import and export declarations and identifying ways businesses can mitigate duty and achieve cash flow advantages from applying some of the Government's easements and customs simplifications.

EU trade is not now as beneficial as being in a customs union, or single market, but it is better than no deal. Even so, while supporting exporters and importers under the new TCA in the last 3 months, we have concluded that it is the worst possible agreement for distribution companies.

The TCA means that businesses with a EU warehouse and UK distribution, that buy goods and re-sell them within the EU, without any processing before re-exporting, face paying potentially crippling, double duties at a time when the UK needs to remain competitive.

In any trade agreement, products must undergo a 'substantial change' in order to qualify for free-trade. One way to avoid 'double duties' is to establish an EU distribution centre to by-pass the UK. We know of several companies that are doing this. A less expensive way is to import goods under customs control and we are helping several businesses apply to become HMRC-approved customs warehouses.

If before Brexit, a UK business was trading only within the EU, they will be used to 'delivering' goods to Europe and 'acquiring' goods from Europe. For many firms, that is the extent of their international trade. For some of these, becoming a fully-fledged importer and/or exporter is going to be challenging, especially if they are running on a narrow margin.

After initial hitches, cargo clearance at UK ports is improving but we continue to get reports of EU border delays where the TCA requirements have been slow to filter down to some customs

administrations particularly in Eastern Europe.

Some EU customers are also refusing to pay tax on UK goods and we've heard of consignments being returned for this reason.

Every week brings a new issue. It has also become clear that it is hard to give general advice on product origin matters. Reviewing an exporter's trading profile against both the TCA and the new continuity trade agreements is focussed, time-consuming work.

In almost all cases, verifying whether products meet rules of origin starts with the right tariff number, a system of coding and classifying products invented by the EU and now used by most countries.

In other hitches, Spanish customs has refused to clear business-to-customer shipments and many companies cannot get European suppliers to comply with the TCA. When asked to establish the preferential status of goods they are typically saying: "Brexit is your fault and it's your problem if you have to pay duty." In these situations, we work with EU suppliers direct and carry out the origin audit on their behalf.

The Government has said that the TCA is a basis for further negotiations. If so, we hope it will take into account grassroots experiences of British businesses and those who support them so the necessary refinements can be put in place.

[www.chamber-international.com](http://www.chamber-international.com)

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We were appointed by the West Yorkshire Combined Authority to provide the services in conjunction with the West Yorkshire and York & North Yorkshire Local Enterprise Partnerships (LEPs) as the government had provided funding to try to help to ensure that SMEs had access to commercial and legal support to manage the transition as we left the EU.

The clinic will run until the end of April 2021 and enquiries come in through the West Yorkshire and the North Yorkshire LEPs Business Networks.

Specialists from Squire Patton Boggs will be available to offer one-to-one expert guidance on legal matters, covering a range of areas, such as contracts and other legal agreements, data protection, regulatory compliance, intellectual property, employment law, tax, state aid and competition, as well as other legal issues requiring specific, bespoke advice.

Any enquiries that are of a specific legal nature come to us and we then have an initial call with the business to identify the legal issue they are facing. We then go back to the business with legal guidance to help them to manage the issue. Where relevant, we will also put the business in touch with subject experts from across our UK and EU platform to assist with more complex issues.

By the nature of the clinic, it is not legal advice as such and, where relevant, we will either formally engage the business as a client to provide more specific advice, or, if appropriate, refer them to another local firm to provide that advice.

### What Are the Common Legal Issues?

Many of the issues that businesses have raised have been largely commercial and so able to be dealt with by a network of other advisers who have been engaged to provide EU exit support for local SMEs. Therefore, the issues that have come across our desk have been very specific legal issues. These have included questions in relation to immigration regarding EU workers being employed by a business in the UK but also UK workers working in the EU for businesses' overseas offices; setting up satellite operations in the EU; rules of origin for goods that are moved between the UK and EU; business travel; and movement and management of data, in particular the way in which the GDPR applies.

### Support for Yorkshire SMEs That Require Legal Support

The EU Exit Legal Clinic continues to provide local SMEs with free and impartial guidance so I would really recommend any SMEs who are facing challenges following the EU exit to make use of the clinic while it is available, which is until the end of April 2021. The support provided through the LEPs program means that businesses will be able to get wider commercial advice, as well, which is often as important as the specific legal support.

From Squire Patton Boggs' point of view, as the managers of the clinic, we are engaged to ensure that businesses get the right level of support and the right firm providing them with the advice going forward. Therefore, we have established a network of firms across the region to provide specific legal advice, if it is required, at the appropriate level and cost for the business seeking support.

To check if you are eligible, email [businesssupport@the-lep.com](mailto:businesssupport@the-lep.com). Enquiries for the Legal Clinic can be made up until 30 April 2021.

### Contact



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To discuss your legal requirements or to find out more about how we can help your global ambitions, please contact **John Alderton** or **Daniela Douse**.

For access to a free-of-charge EU Exit legal service, please email [\*\*businesssupport@the-lep.com\*\*](mailto:businesssupport@the-lep.com).

Enquiries for the Legal Clinic can be made up until 30 April 2021.

## CONTACT US

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