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# TRADING BLOWS

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## UPDATE ON GLOBAL TRADE OUTLOOK



# FOREWORD

As trade is one of the economic topics of the times, we at EEF, have produced an update to our 2017 report *Global Trade: run aground or structurally sound?* A year ago we concluded it was more of the former as world trade volumes languished below their pre-crisis trend and a survey of manufacturers confirmed the academic thinking that a large part of this was a result of structural rather than cyclical impediments to trade.

Since then, the news on the global economy had perked up and we've had a good run of UK statistics – official and from a variety of private sector sources – pointing to a recovery in export sales. This has not, however, put our fears to rest, that trade policy and protectionist actions were very much still at play over this period.

If we put aside the concerning rhetoric about trade wars for a second, UK manufacturers were continuing to come up against the challenges of on-going protectionist actions across a range of overseas markets in the early part of 2018. Preferential treatment of local firms and tariff increases were more prevalent in our survey this year than in 2017. On top of this we have the ramping up of trade tensions between the US and, well, almost everywhere. This could prompt a decline in business confidence and bring the recent pick up in global trade growth to a premature halt.

In our latest report, we have tried to find some positives and to pinpoint what policy makers need to do differently – not just in the current climate of more volatile trade environment, but also in light of the fast-approaching Brexit date.



## The good news

Manufacturers haven't been solely reliant on the world economy moving up a gear over the past year. They've also been proactive in promoting their capabilities, launching new products or entering a new market for the first time and have seen the benefits.

For these companies, strategies and the gathering momentum in export sales over the past year should sustain growth in exports across the sector this year.



## The next priority for government

Even experienced exporters need a helping hand and this is where a new export strategy – promised in the government's industrial strategy white paper can play an important role.

Government can better harness its role as a trusted source of information and support for overseas business activity by providing clarity about its support offer, making it market specific and tailoring it towards exporters with a track record seeking new opportunities.



## Longer trading relationships

As we look to broaden the UK's export horizons further beyond the European Union, government can help open up these markets for UK businesses.

What manufacturers want from new trade partners is predictable product market regulations, low tariffs and minimal bureaucracy for export procedures. While trade policy in much of the world seems to be moving in the other direction, the UK can have a strong, liberalising voice for the benefit of exporters.

# GLOBAL TRADE – BACK ON TRACK?

There are many well-rehearsed reasons to be ambitious about exporting. For firms, it leads to a diversification of the customer base, offers greater growth opportunities and business resilience. We know that there is a strong connection between being global and being more productive. And boosting exports also has a direct, positive contribution to economic growth.

The process of negotiations to exit the European Union has brought the UK’s export performance and future trading relationships into sharper focus. But this isn’t the only factor that could be an important determinant of the UK’s future success in global markets. Indeed, the shift in global trade dynamics since the financial crisis, political developments outside the EU and the focus of domestic policy in supporting exporters have created a backdrop for manufacturers which has become less supportive for their internationalisation efforts.

In 2017, we investigated the extent to which structural barriers to world trade were impacting on UK exporters. And our research with manufacturers revealed they were indeed at the sharp end of a

combination of increased tariff and non-tariff barriers, a reduction in the availability of trade finance and the perception of a loss of support to enter new markets.

A year on, and with the global economy posting solid rates of expansion over the past year, have manufacturers’ prospects in overseas markets improved and will growth keep industry’s export potential on track as we get closer to the Brexit end game?

### Global trade growth stages a recovery

Following a period of subdued activity stretching across 2011-2016, global trade has picked up, with initial estimates indicating that the volume of total trade expanded by 4.8% in 2017, its fastest pace in six years.

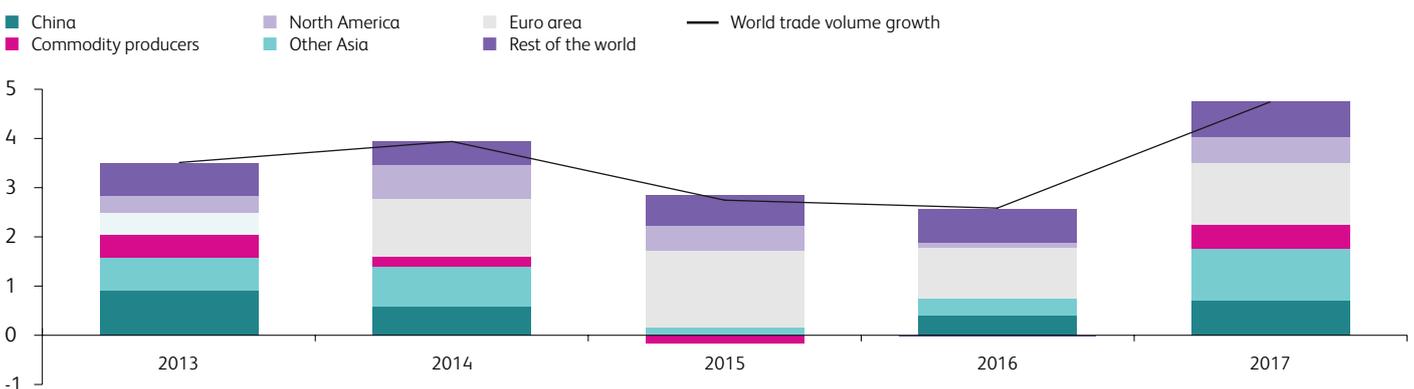
This recovery appears to be predominately cyclical based, with a number of key factors - which are fairly evenly split between advanced and emerging economies - underpinning the upturn.

### These factors include:

- the strong pick-up in electronics trade in Asia,
- the rebound in commodity markets following the 2015 slump,
- the recovery in Europe which is a relatively trade intensive part of the world economy, and
- the broader upturn in global investment, the most trade intensive component of demand.

**Chart 1: Large cyclical element to the global trade recovery**

World trade growth (year-on-year % change) and contributions to world trade growth



Source: OECD (2017)

**UK industry reaping the benefits**

Happily these trends have been reflected in the UK manufacturing sector, which had a strong year in 2017. Exports were up over 10% for the industry as a whole, with the pick-up broad based across manufacturing sub-sectors. The industry continues to see some benefit from the weaker Sterling exchange rate since mid-2016, as well as more pertinently the synchronized upturn in the global economy, with strong demand emanating from the Eurozone and Asia in particular. These have been consistent trends throughout the past year, as we

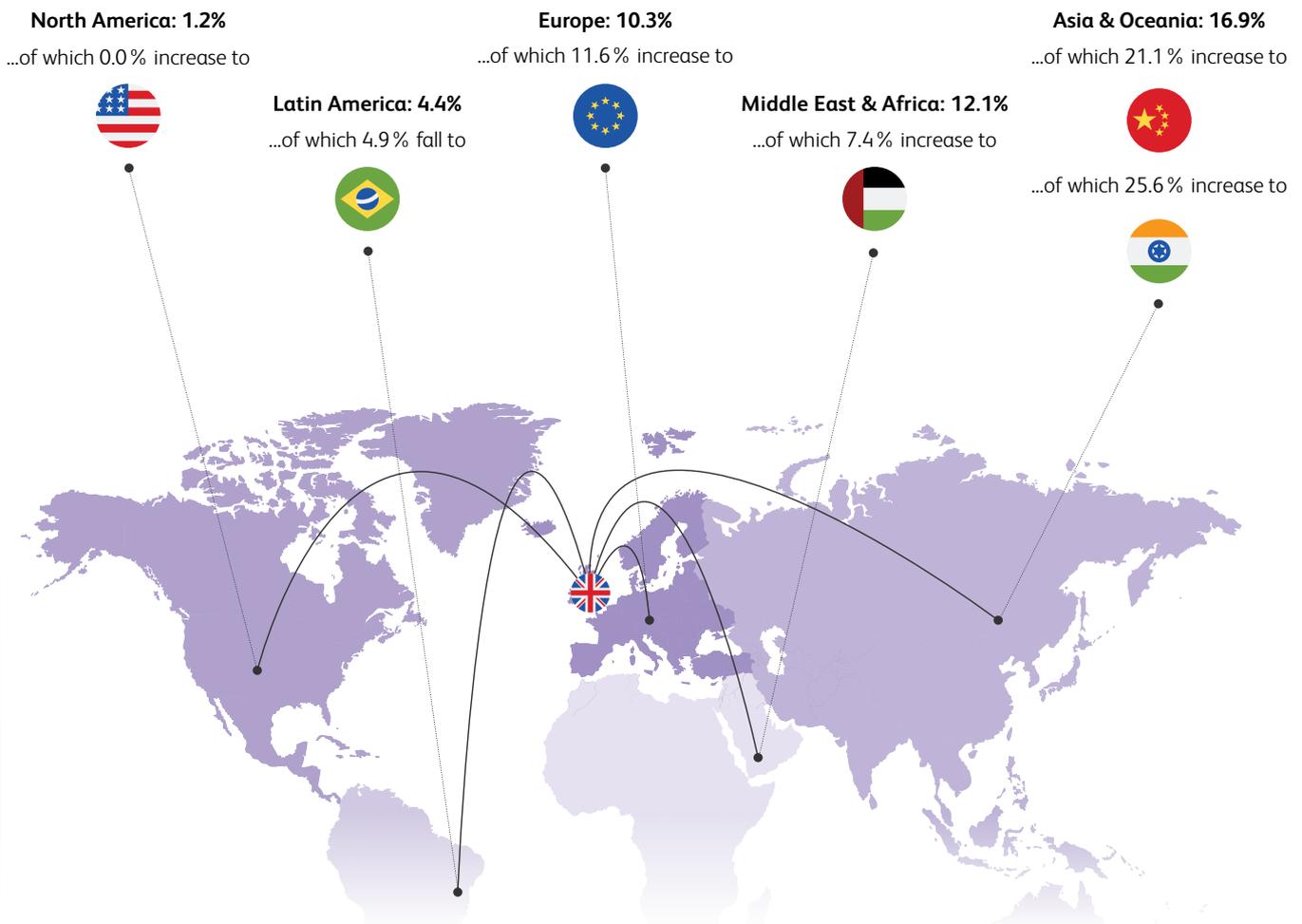
have regularly cited in our Manufacturing Outlook.

Our latest survey with manufacturers confirms these trends, with 63% of companies reporting growth in export sales last year and one in six of these firms recording year-on-year growth of 20% or more. While the confluence of a number of positive factors produced a surge in global trade growth we don't necessarily expect growth of this magnitude to be repeated in 2018. There is, nevertheless, some momentum that should deliver on-going export growth for manufacturers.

Respondents to our survey reveal that a positive export picture is set to be maintained, with over 60% of companies expecting exports to increase in 2018, broadly in line with their 2017 performance, and a significant 28% expecting exports to increase by 10% or more. And if the pattern of growth by markets together with positive sentiment towards European markets, in particular, is any indication of future performance, then further growth in exports to the rest of the EU and emerging markets looks likely to dominate, in contrast to past weakness in sales to the US.

**Chart 2: The positive trends in global trade are reflected in UK manufacturing**

Manufacturing export growth across regions



<sup>1</sup>EEF (2018) Manufacturing Outlook 2018q1

Source: Uktradeinfo (2017)

# WHAT'S DRIVING MANUFACTURERS' EXPORT SUCCESS?

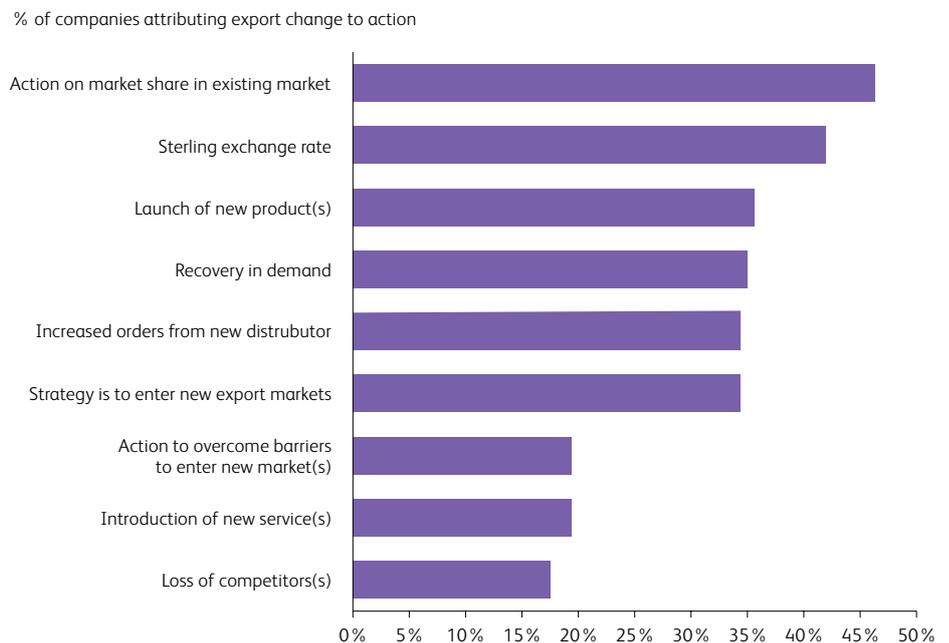
The cyclical upturn in the world economy has evidently played a big role in the recent growth of UK manufactured exports. But it's not the whole story and only around a third of the companies we surveyed attributed their expectations of export growth to just a recovery in demand. Our survey explored the other factors that companies believe will underpin their success in exports markets in 2018. There are a number of factors which are present both in the external business environment and related to firm-level strategic priorities. These are outlined in chart 3.

Topping the list of actions that are expected to deliver export sales growth are actions by individual companies to increase market share in countries they currently sell to and to win business through the introduction of new products.

We've seen an increased focus from manufacturers on improving their marketing efforts, for example, including improving the way in which they sell themselves and their capabilities online. Inevitably the advent of Brexit has prompted some firms to double down on their efforts to build long-term relationships, and contracts, with customers in existing export markets.

Part and parcel of these efforts is the launch of new products, and to a lesser degree, services for existing customers. EEF's series of Innovation Monitors highlights the important role of developing existing export markets as a driver of innovation activity for over half of manufacturers. Customers at home and abroad are increasingly expecting their suppliers to be at the forefront of new technological developments in their product offering and UK manufacturers

**Chart 3: Actions undertaken to increase overseas sales**



Source: EEF Global Trade Survey (2018)

can best embed themselves in global value chains with continuing product and service innovation.

In addition to these strategic actions from firms, the effects of recent currency movements and growth in global markets are both frequently cited as expected growth drivers this

year. Over four in ten companies still expect to the 2016 Sterling depreciation to have a net positive impact on their export performance this year. Manufacturers in intermediate goods sectors (e.g. chemicals, metal products) are particularly optimistic about the continuing effects of a more competitive exchange rate.

**Is the Sterling rate all that?**

Many exporters saw an immediate Brexit boost following the sharp depreciation in 2016. In a survey shortly after the referendum over half of manufacturers viewed a weaker Sterling as a business opportunity in the subsequent 12 months. But we've heard more and more about the flip side of rising input costs and successive surveys highlighted a growing concern about exchange rate volatility.

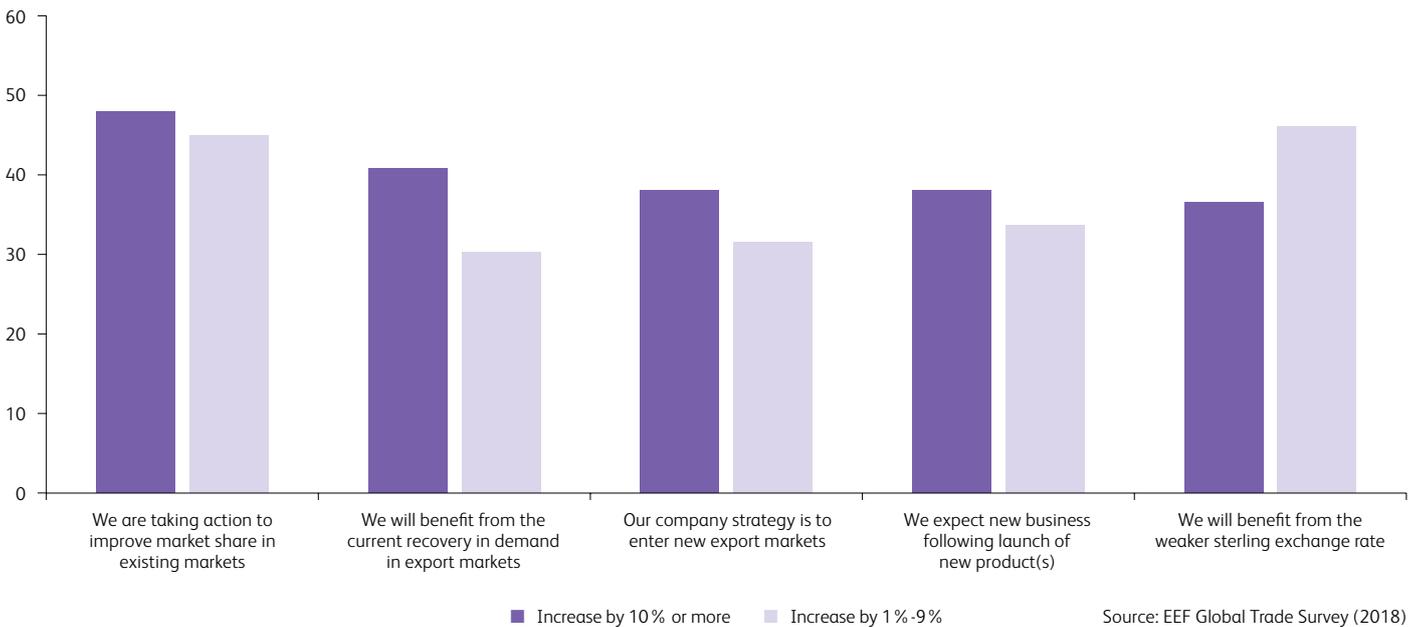
We believe that the benefit from the initial fall is now fading,

but as are the pressure on Sterling-driven cost increases. While manufacturers have seen some relief from a bit of stability against the euro, larger swings have been seen against the US dollar.

Our latest survey shows there remain some positives from the level of Sterling, but the long-term gains should not be overstated and given, justifiable, concerns about volatility few manufacturers are counting on Sterling alone to deliver sustainable gains in export markets.

**Chart 4: Biggest gains are a result of strategic actions**

Expected export sales by strategy



**Strategic approach to exporting pays**

Significantly, analysis of our survey findings reveals that those companies with a more strategic approach to growing their export business are more likely to be predicting higher rates of expansion in their overseas

sales, than those firms relying on external factors alone.

Indeed, the most cited reasons amongst manufacturers expecting to see their exports increase by 10% or more are the result of actions to improve

market share in existing markets, the recovery in demand and company strategy to enter new export markets. While those expecting smaller gains attribute it mostly to the weak exchange rate – an exogenous factor beyond their control.

# FULFILLING OUR EXPORT POTENTIAL?

With the world economy seemingly on the up and many manufacturers putting in place strategies to do more in existing markets and enter new ones, is the UK positioned to secure stronger growth on the back of an improving net trade position? The UK’s economy would certainly benefit from it. Recent domestic GDP growth has been more subdued, with struggling households, sluggish consumer confidence and question marks about the future path of business investment. The trade data and our survey responses suggests more growth from trade isn’t a given, and while export growth had been moving in the right direction, this isn’t yet the case for all trade-related indicators.

Despite the recent pick-up, positive outlook, and actions underway in support of export growth, global trade remains subdued in comparison to its pre-recession trend, both at a global and UK manufacturing level. This is reflected in global trade intensity, which has plateaued since 2011.

Global trade intensity measures the relationship between trade and income. Put simply, prior to the financial crisis

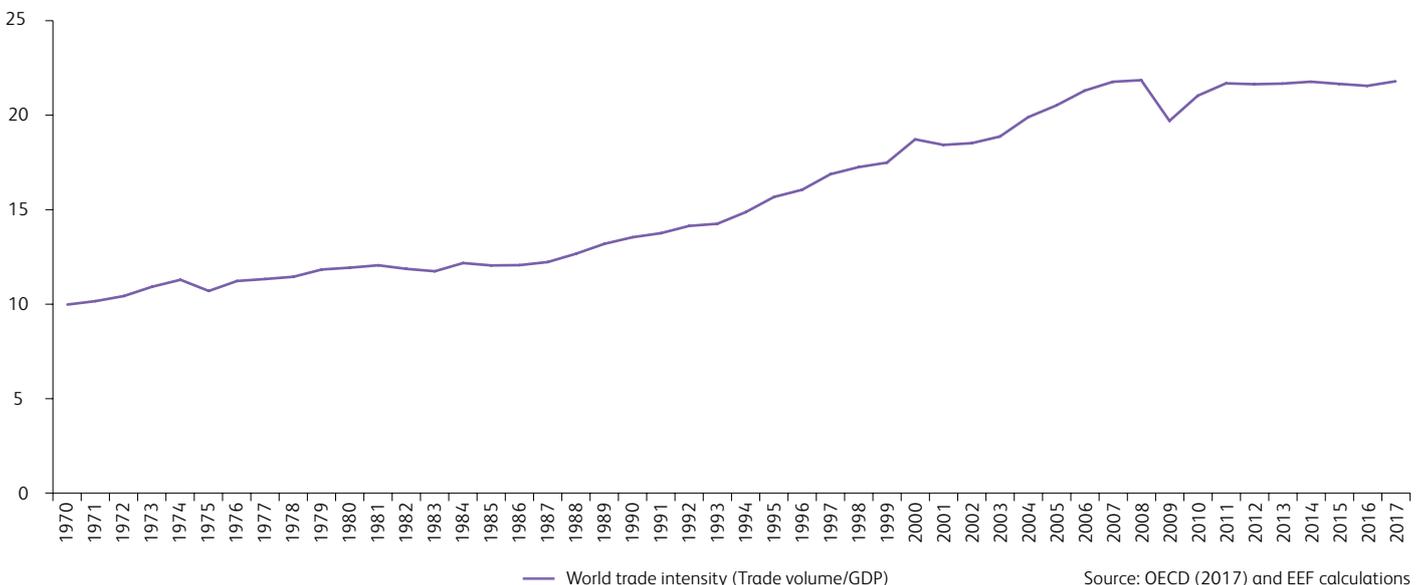
trade increased at twice the rate of GDP, since then, it has barely kept up with economic activity.

Meanwhile, UK manufacturing exports, while increasing, remain around 18% below their pre-recession trend, and crucially the UK’s share of world exports continues to diminish. All of this points to a still sub-par performance of global trade and for UK exporters.

In order to shore up our export performance we have identified three hurdles, of varying heights, that industry and policy makers will need to overcome to get more growth from exports and to ensure exporters can succeed through the Brexit transition. These are the continuation of structural barriers to global trade, the need to clarify and invest in the right support for exporters, and opening up new international markets.

**Chart 5: World trade remains subdued compared to pre-recession trend**

Global trade intensity (Trade volume/GDP) has flat lined.



### 1. Structural impediments to trade

– analysts attributed around half of the weakness in world trade growth between 2010 to 2016 to structural factors, such as increased protectionist actions and a dearth of trade finance. In our report last year we showed that these were eating into manufacturers exporting success rates and this latest research confirms that structural challenges remain.

### 2. Export support – the UK government

has consulted on and will shortly publish a new export promotion strategy. This needs to balance investment in support services to smooth the journey for strategic exporters into new markets, to encourage more companies to take up exporting and to help more companies build an internationalisation strategy.

### 3. Working to open up new markets

**for goods exporters** – Brexit and the ups and downs in the economic fortunes of our major export markets means government and industry need to collaborate on how we best open up new markets for UK exporters.

We explore each of these in turn in more detail in the next sections.

### Chart 6: Work to do to increase global market share

UK share of global merchandise exports



Source: WTO (2017)

# STRUCTURAL TRADE BARRIERS STILL IN PLAY?

Through much of the past five years economists have been concerned about the stickiness of more protectionist measures emanating from some of the world’s biggest markets. In our last trade report, we noted that structural factors had accounted for around half of the slowdown in global trade between 2011 and 2016.

## Structural trade barriers – what are they?

<p><b>Tariffs</b></p>	<p>Duties on goods imports intended to provide a cost advantage to domestic producers. According to Global trade alert tariffs accounted for just over a fifth of harmful trade policy interventions over the past decade.</p>
<p><b>Non-tariff barriers</b></p>	<p>Other measures intended to restrict the flow of imports of goods or services are non-tariff measures and can include the imposition of quotas, a preference for local procurement or ‘buy national’ policies and complex regulations or product standards.</p>
<p><b>Global value chains in retreat</b></p>	<p>The expansion of global value chains may have reached its limit following two decades of production fragmentation underpinned by trade liberalisation and the integration of emerging economies in global production. The shift is now towards more production close to end customers.</p>

The Global Trade Alert estimates that in 2017 three-quarters of G20 exports faced some form of trade distortion. Interestingly the most transparent and obvious policy instrument used to discriminate against foreign firms, tariffs, has played an increasingly modest role until recently, as rates have fallen across the world and remain well below the levels seen in the 20th century – a period characterised by multilateral action on liberalisation.

Tariffs though, are just one element of a country’s trade policy. There are a broad range of other policies - which often don’t garner as much media interest – that can distort global trade flows. These include government interventions such as export incentives and financial assistance, localisation procurement schemes, trade finance barriers, as well as other non-tariff trade defence measures. These non-tariff barriers have become more prevalent over the past 10 years. Many of these may have been introduced as a temporary measure in response to challenges thrown up by the financial crisis, but have seem to had a rather longer than expected shelf life.

**A bigger helping hand for local firms**  
Global trade growth may have returned, but this doesn’t conceal the fact, on the structural side, little has changed. From a UK perspective, overall trade flows are still weak in comparison with previous trends, which indicates that there are still

structural factors hindering trade. And if the data weren’t evidence enough, media coverage of a whole host of emerging trade tensions point to renewed liberalisation and greater openness to trade being off the international to do list.

Chart 7 looks at how these different types of protectionist actions have evolved in the past decade.

**Are UK manufacturers still feeling the force of these actions?**

Our survey results back up the global

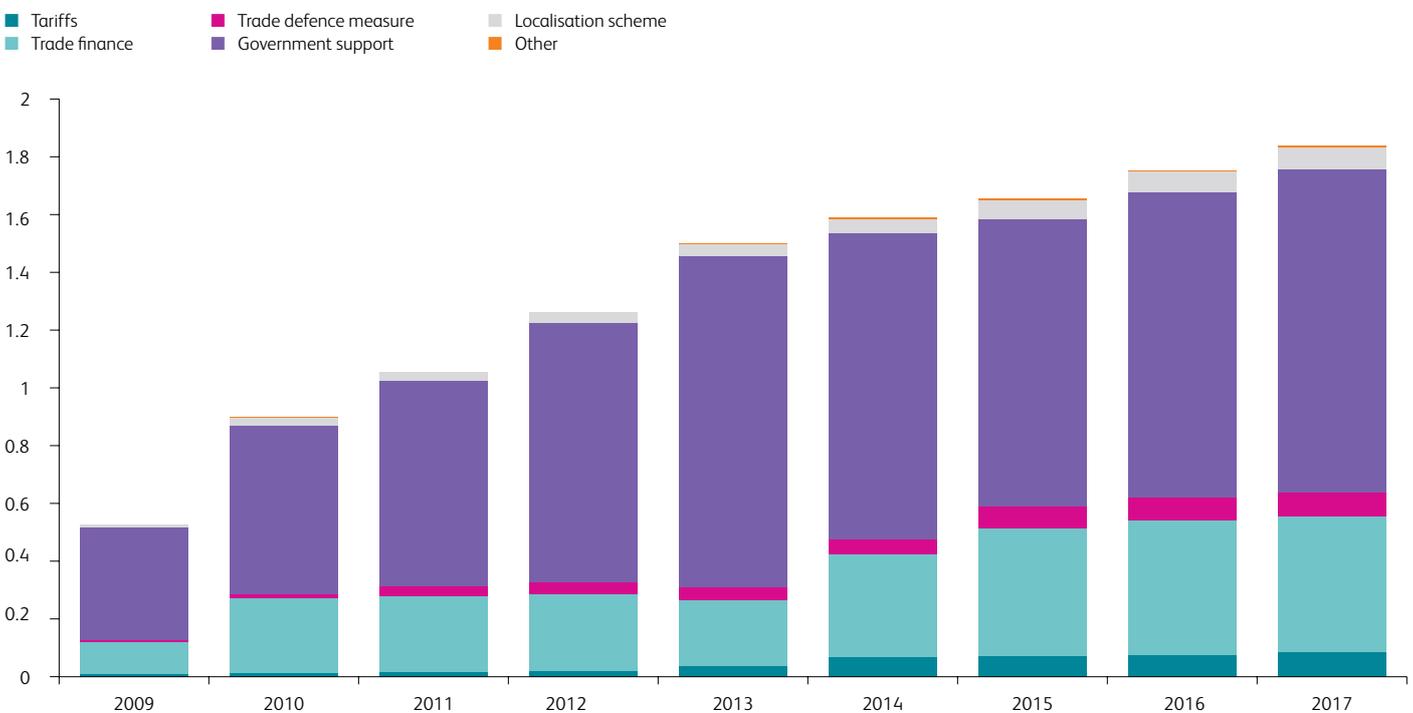
trends – namely that recent trade policy, while turning more protectionist, has been increasingly focused towards preferential treatment for local firms in our export markets, as opposed to a renewed emphasis on tariffs, for example. Although, clearly the more

protectionist mood music coming from the US, for example, could yet lead more trade policy in that particular direction.

For now, and compared to our last trade report, the number of respondents citing more government intervention for local

**Chart 7: Evolution in global trade policy**

Breakdown of G20 export exposure to discriminatory trade policies, by policy instrument



Source: Global Trade Alert (2017) and EEF grouping

**Standing up for the US Steel industry?**

A trade report without mention of recent US trade policy, which has moved sharply in favour of domestic firms over the last year, would not be complete.

In March 2018, the US government announced that it would impose tariffs on imports of steel and aluminium of 25% and 10% respectively. Further tariffs have since been proposed by both the US and China. The direct impact of the tariffs announced so far is likely to be small, given the goods affected account for only a small proportion of bilateral trade between the two countries. However, the current climate

and growing tensions between the world’s two biggest economies makes for an unsettling trade back-drop, with risks of further trade protectionism. A tit-for-tat process could easily lead to escalation, with a cycle of retaliation having significant negative effects on the global economy and trade outlook.

From a UK manufacturing perspective this has the potential to compound what has already been weak trade growth to the US in recent years, with UK manufacturing export growth following up a 0.1% contraction in 2016, with flat growth in 2017.

businesses has risen considerably across the US, Brazil, UAE, and to a lesser extent, China (as shown in Chart 8). In other words, UK manufacturers are coming up against overseas governments offering support for local businesses and more protectionist measures in the form of non-tariff barriers. These present new challenges for companies seeking to grow their business through exporting or aiming to diversify their geographical exposure.

**Roadblocks to export growth remain**

Half a dozen years of below par growth in global trade and mounting survey evidence from UK manufacturers all point to some overseas markets getting harder, not easier, to penetrate. The liberalisation drive has stalled and instead we are experiencing a tide of greater protectionism, which shows few signs of turning.

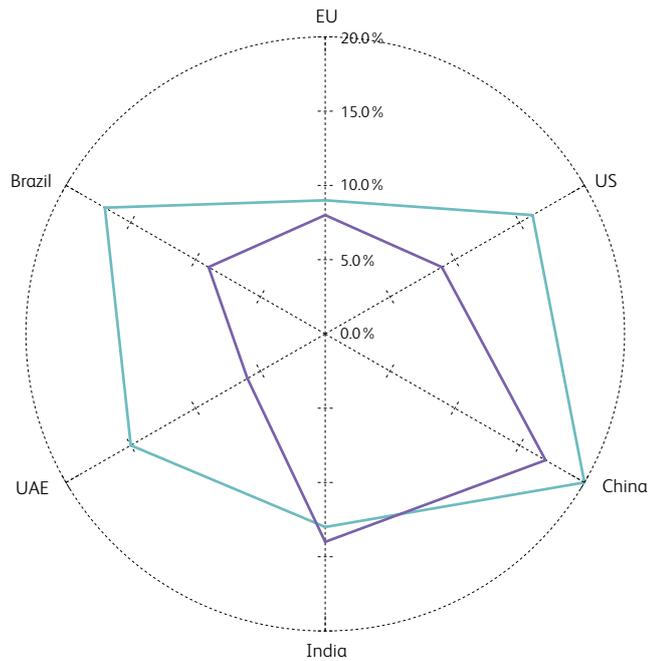
While the UK increasingly wants to position itself as outward looking, companies are coming up against new tariffs – especially those with their roots in the US – and more policies enacted to favour local businesses and lock out competitors. Unless the narrative changes, it seems likely that manufacturers will struggle to report the export growth rates of 2017. This will up the ante on the UK government setting out what its Global Britain ambition means in practice, and as the next section will explore, whether there is more to be done practically to support firm’s exporting ambitions.

**Chart 8: Government intervention prevalent across the world**

% of survey respondents who have experienced government support for domestic firms when trading

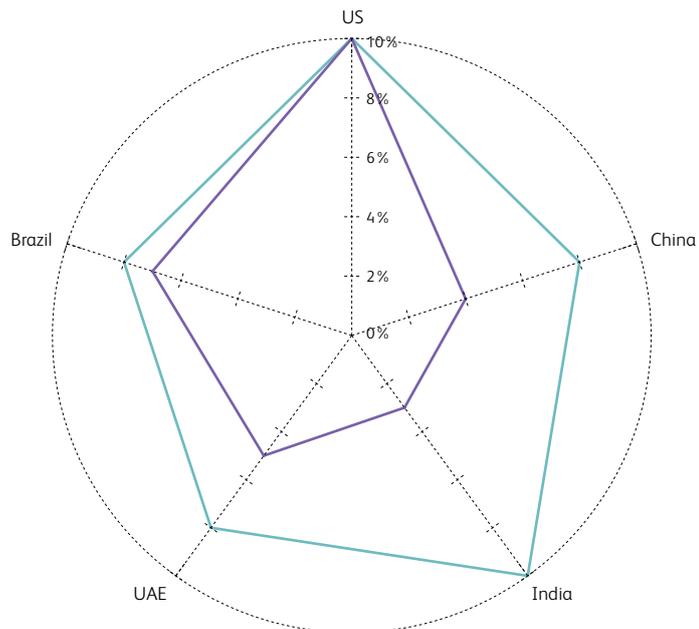
**Government support to local businesses**

— 2017  
— 2018



**Increased tariffs**

— 2017  
— 2018



Source: EEF Global Trade Survey (2018)

# ARE MANUFACTURERS GETTING THE SUPPORT THEY NEED?

While the UK government faces the difficult task of positioning itself as an export partner, a champion of free trade and an ally in the developed world outside of the European Union club, it also recognises it has a direct role in practically supporting UK-based companies win business overseas.

As part of the government’s industrial strategy white paper, there was a commitment to review and refresh the approach to export promotion and helping firms meet their objectives in overseas markets. The reasons why this is important now are threefold. As we have already outlined, global trading relationships have become more volatile and companies need support in navigating this new environment; the unknown of our future trading relationship with the rest of the EU puts greater importance on helping manufacturers

achieve success in new markets; and thirdly the UK’s export support offering has been subject to numerous revisions in the recent past and a new statement of priorities would give more clarity on what is available and to whom.

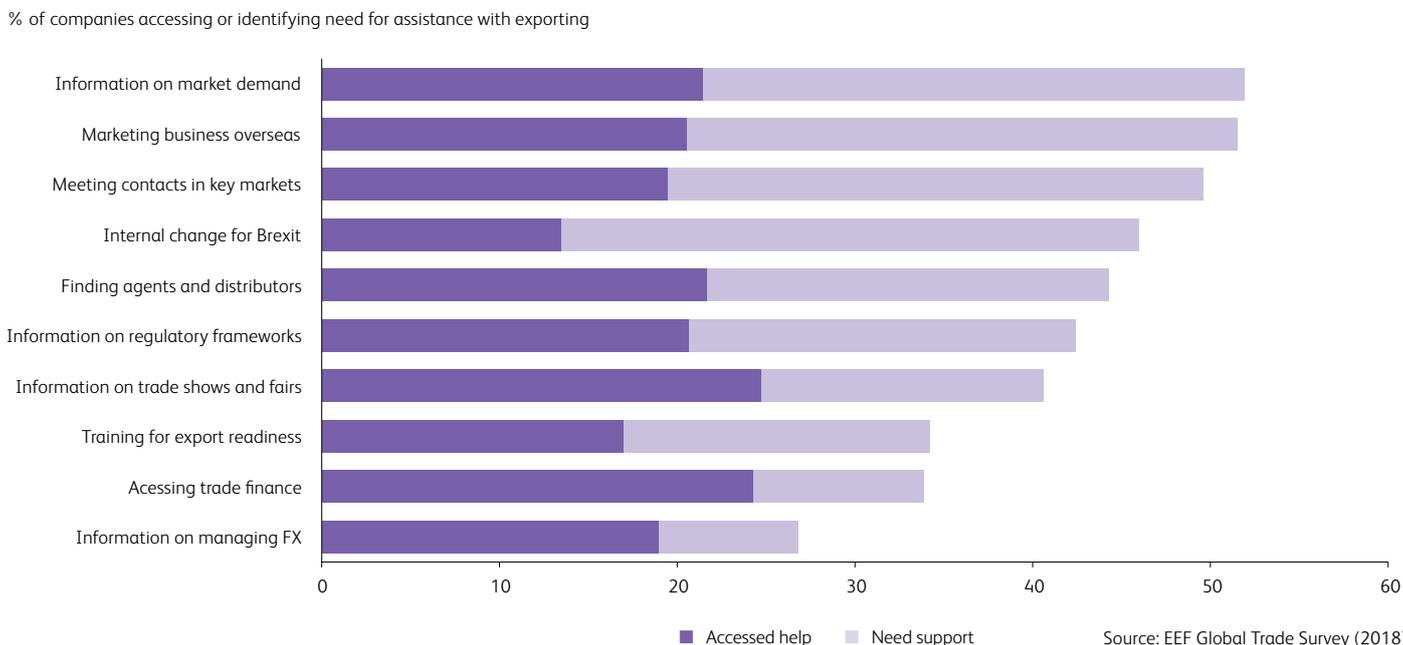
### What’s needed and what works?

Our latest survey explored the types of support that could make a difference when considering new export markets or a change of approach overseas. The results make clear that many companies, including experienced

exporters, benefit from external help in cutting through challenges and in developing and executing their international strategies.

Our recent survey shows that manufacturers have a self-identified need for support across both market-specific information and guidance, and generic assistance on exporting, with a higher proportion citing a need for the former. However, of those that cite a need for support, a majority have not yet accessed it.

**Chart 9: Market specific support and information needed to support export growth**



The support priorities identified by around half of manufacturers are information on opportunities and demand in individual markets, guidance on marketing business capabilities in other countries and assistance with meeting customers and other contacts overseas.

Outside of country specific intelligence on market opportunities, the need for support in making internal changes within the business to manage changes in exporting as a result of Brexit are also mentioned. This is also the area of support where the lowest proportion of respondents have so far secured support.

Analysis of our survey data also indicates that accessing support does make a difference. Companies which have accessed a high number of support services are more likely to predict higher levels of export growth in the coming year – as illustrated in chart 10.

**Acknowledging the need for help and knowing where to find it**

There are differences in perceived support requirements by company size. There is a stark difference between assistance requirements of small companies (in our survey this includes companies with fewer than 100 employees) and larger companies. In every case a smaller proportion of small manufacturers have accessed or established a need for support with their exporting efforts, which cannot be wholly explained by differences in strategy. This could be a reflection of a lack of awareness of what support might be available or problems with diagnosing internal challenges to exporting.

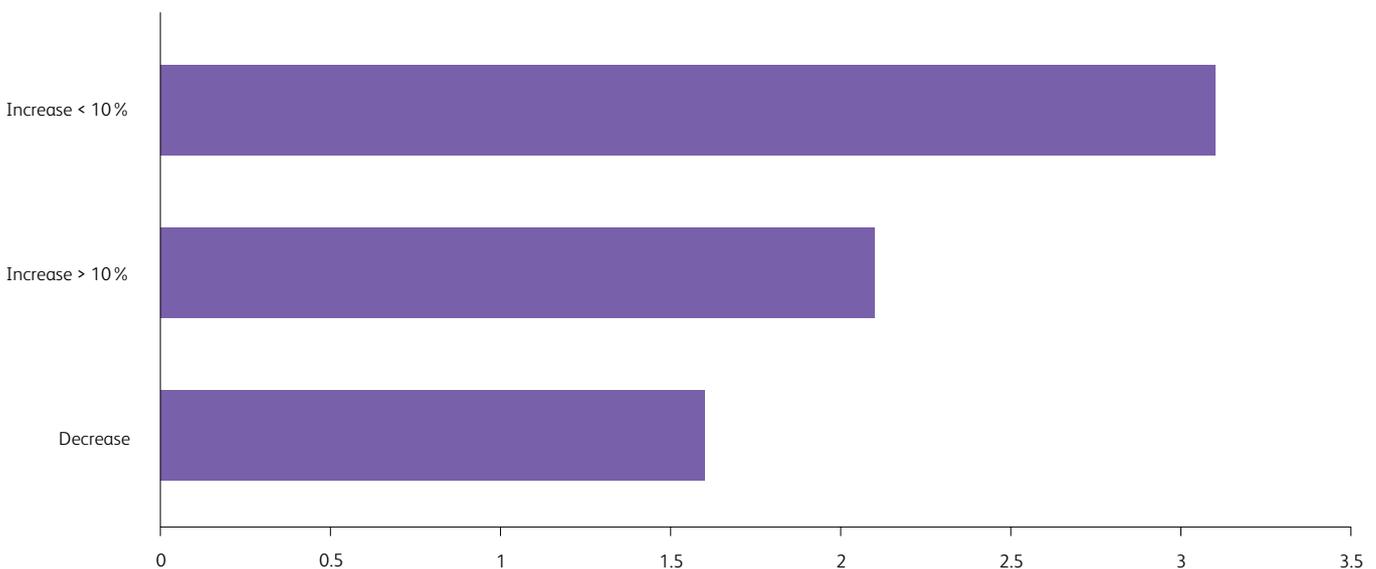
For those that have sought support, our survey shows that most have accessed it from multiple sources, navigating public and private sources. Support sought from the Department for International Trade just pips trade associations as a source of information

and guidance. Notably, in only one of the support areas we questioned manufacturers on does the Department for International Trade take a clear lead over other sources of advice – accessing trade finance. The creation of UK Export Finance (UKEF) has likely provided a clear route for companies looking for assistance on their financing requirements, whereas shifts in support in other areas, targeted at different types of exporter and delivered via different channels, have most likely made government provided support services less transparent.

While our survey indicates that there may not be clear pathways to government provided export support services, the Department for International Trade is among the most trusted to provide support for exporting, coming out in front with trade associations (42% of companies surveyed put government sources of support in their top three most trusted).

**Chart 10: A helping hand can make a difference**

% of companies expecting export growth by the number of support services accessed



Need of support services accessed

Source: EEF Global Trade Survey (2018)

While this ranking is positive, there is nevertheless a narrow majority who don't see public sector actors as support providers of choice. This view may have been formed as a consequence of past chop and change to services, varying quality of face to face interventions at the regional level, a lack of consistency on in-country support and opaque reprioritisation of services which has left some companies unclear and less confident about government delivered support.

Additionally, our survey also shows that few manufacturers have faith in some private sector delivery channels. For example, only 17% see banks as a trusted source of support and accountants come further down the rankings, with 14% citing them as a trusted source. In both cases, a lower proportion of small companies trust banks or accountants to support them with export guidance, indicating that

these organisations are not substitutes for government or embassy support.

#### Export strategy hit list

The backdrop and outlook for trade means there is a lot riding on the government's upcoming export strategy in providing a clear support proposition for exporters looking to extend their global reach, and this must be supported by adequate resources in the UK and to resource capacity in embassies and offices overseas. The key priorities for manufacturers are:

1. Offer companies of all sizes **clarity** on the strategic aims of government-backed export support. The benefit of the UK's overseas network can be better aligned to match companies' requirements for market-specific support and intelligence. Importantly, companies are not expecting government to provide the whole

spectrum of export support and guidance.

2. Better use should be made of **local networks**, including growth hubs. Currently sign-posting and advice is inconsistent and often poorly targeted. These channels should be better conduits of information to smaller companies, helping them identify services available through their export journey, which would support SMEs scaling up their activities more effectively.
3. The Department of International Trade should better structure their **communications** with industry during times of change or turbulence in global markets. In addition to Brexit, exporters will benefit from more tailored information when the UK's relationship with overseas markets sees a significant development.

# BRANCHING OUT BEYOND BREXIT

Our research on global trade, this year and last, shows clearly that the potential for disruptions to trade and export growth are increasingly present. And one of the most high profile potential disruptions for many manufacturers are the forthcoming/potential/possible changes to EU-UK trading relations. While we are closer to the exit date than the decision to pre-empt it in the first place, it is still unclear how the movement of goods and services will change or when any changes will come into effect.

## Substitutes for the EU market?

For UK manufacturers the rest of the EU remains, by some margin, the biggest trading partner, accounting for 48% of the value of manufactured exports. The boost to our export performance last year as a consequence of the sharp upturn in activity across the rest of the EU was clear with manufactured goods exports destined for the EU up 12% in 2017 from 2016, versus growth of 8% to the rest of the world. And to put that volume growth into context the scale of the increase in the value of EU exports last year was greater than total exports to China – just to be clear, that’s just the growth in EU exports.

Our 2017 report showed that the EU was a clear outlier in terms of the benefits

for UK exporters, with proximity and tariff-free trade regarded as top market advantages. In addition, our latest survey points to the importance of product regulations that are easy to comply with – something that is currently made more predictable through our Single Market membership (see chart 11). None of these is easy to replicate with other markets.

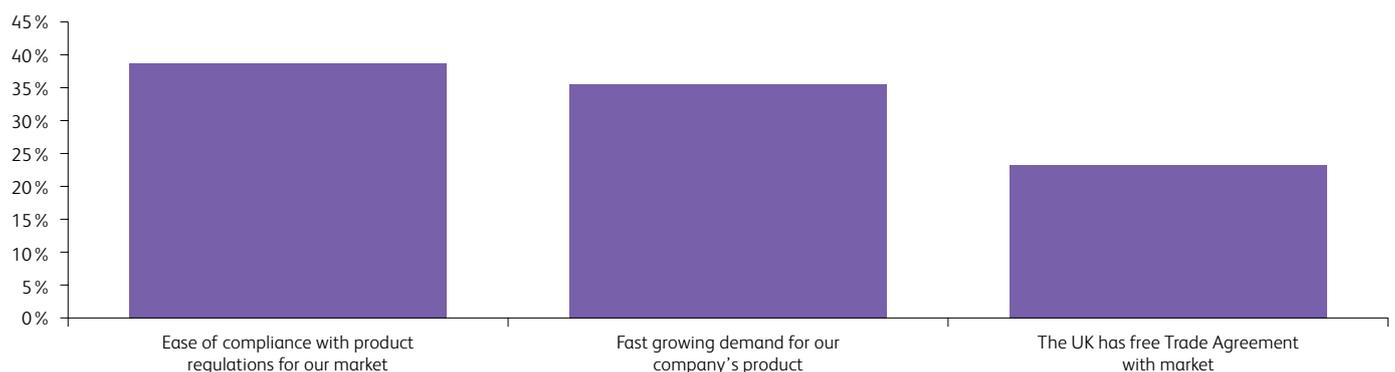
All that said, there are reasons for policy makers to want to broaden their trade horizons. Brexit is the obvious reason; secondly, it is unclear how durable growth in the rest of the EU will be – especially given recent political developments in Italy, for example. Finally, fostering stronger trade links in other parts of the world would also be aligned with the

ambitions of UK manufacturers, who regularly cite the desire to seek out new export markets outside of the EU.

In particular high growth markets in Asia – such as China and India – come out on top as areas where manufacturers would most like to trade with outside of the EU. Entering these new markets is not easy, however, especially given the varying export procedures seen across the developing world. So what are companies’ looking for when considering new market entry as part of their export strategy? Survey respondents cite, as well as strong demand, ease of compliance with regulations and a free trade agreement as the most important factors (chart 11).

**Chart 11: What do manufacturers look for when entering a new market?**

% of respondents citing most important factors when entering a new export market



Source: EEF Global Trade Survey (2018)

### Iran Case Study

Iran, as the 18th largest economy in the world, represents an opportunity and a relatively untapped market for UK manufacturers. Yet geo-political factors have made trading with Iran difficult in recent years, and in some cases untenable.

Indeed, the introduction of international sanctions in light of Iran's nuclear program resulted in a sharp decline in UK exports to Iran. For example, mechanical equipment exports – primarily oil and gas extraction equipment – almost halved between 2000 and 2008. This clearly had a detrimental effect on a number of sectors and was further highlighted, when ahead of sanctions being lifted, EEF's 2016 Executive Survey showed that a net balance of a quarter of firms thought this would be positive for their business prospects, with much of this optimism concentrated in capital goods sectors (due to construction, investment and oil and gas related activity). However the benefits on offer have not been fully captured.

There has been some increase in trade, but companies have expressed a number of concerns, particularly regarding being paid, given ongoing restrictions on banks. Conversely there was a stronger pick up in Iranian trade with Germany and Italy, suggesting a higher level of support on offer from their governments than was the case in the UK.

The issue of getting tailored information and support in light of global developments and changing relationships has once again come into focus following the US withdrawal from the Iran deal. Information and advice on what this means for UK manufacturers needs to be better communicated by the Department for International Trade, as well as support for putting procedures in place to mitigate against any adverse effects.

### Positioned to adapt and respond to fast growth opportunities

While the recent EU recovery has offered up growth potential for UK companies (many aided by the competitive exchange rate), this hasn't been a given in the past decade and nor is it guaranteed in future – potential friction aside. As the IMF has highlighted, in the next 10 to 15 years, 90% of global economic growth will originate from outside the European Union. This is not to diminish the importance of Europe as an economic market, but merely to stress the importance of taking advantage of the scale of the shift in global economic activity, so that manufacturers are orientated towards the most income generating parts of the global economy.

Manufacturers must take proactive and strategic actions to diversify their trade profile and boost international business, thereby protecting themselves from economic downturns. Equally, the focus of export support programmes,

trade finance initiatives and future trade missions must also look at where the greatest potential for export volume growth lies. This also means being ready and nimble when new opportunities arise or indeed when politics or economic shifts throw sand in the wheels of those opportunities. The recent opening up and then closing shop in Iran is a case in point.

### Who's ready to sign a trade deal?

Beyond 2019, the UK government has expressed its enthusiasm for utilising its new freedoms to sign trade deals with other countries. This is one mechanism by which new export opportunities can be opened up for UK industry.

*"We are Britain, and what's more we want to be a truly global Britain. A global Britain with ambitions to maximise our trade opportunities both inside and outside the EU. A global Britain that wants the freedom to work with global partners. And a global*

*Britain which seeks to minimise any barriers to trade because it all comes down to flexibility and agility in what will be an increasingly competitive global economic environment. The UK must regain the ability to negotiate our own trade arrangements with our own partners. We have been given an historic opportunity to re-orientate our economy."*

Rt Hon Liam Fox, Secretary of State for International Trade 2018

This is likely to be an important post-Brexit policy – helping to build greater diversity into the UK's export portfolio and helping companies to capture opportunities in higher-growth markets. We wouldn't however, see this as a means of substituting existing customers and contracts in the rest of the EU with deals in markets farther afield. Indeed, the importance of the UK having an agreement with trade partners is less important than the existence of

predictable regulatory regimes, low tariffs and minimal bureaucracy for export procedures. Some of the countries that may fit the bill and have seen reasonably solid rates of economic expansion are illustrated in chart 12.

However, as government looks to ready a

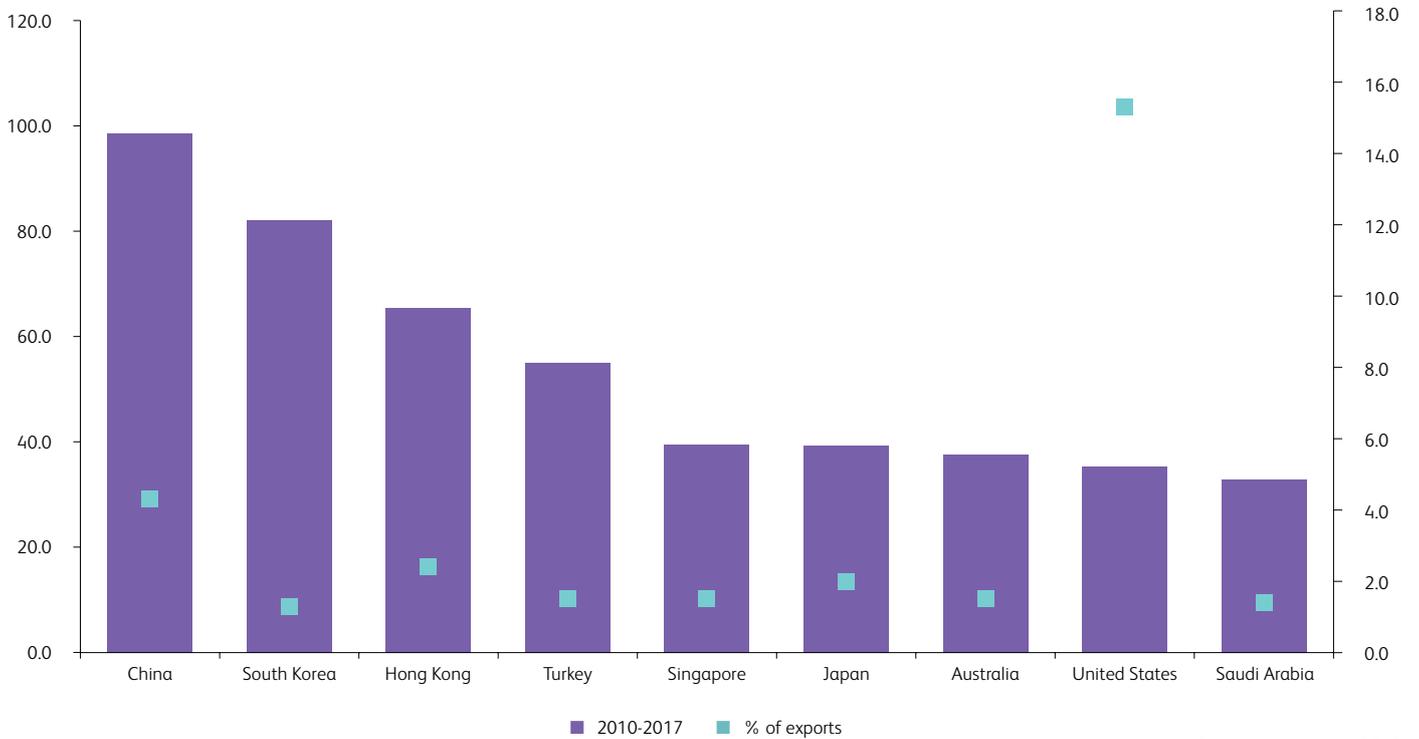
number of agreements for signing when we have left the EU, it needs to ensure that businesses are a baked in part of the process. Lessons from the current negotiations on exiting the EU highlight the critical nature of early and regular engagement with businesses.

Other countries, such as Canada and

Australia, have formalised structures to keep the business voice front and centre of managing the inevitable trade-offs and EEF has recommended that the UK do likewise. Only then can we be confident that the deals we sign offer real value and opportunity for exporters.

**Chart 12: Which countries fit the bill?**

Fastest growing export markets\* (2010-2017) and % of exports



\* >1% of total exports

Source: Uktradeinfo (2018)



EEF is dedicated to the future of manufacturing. Everything we do, from business support to championing manufacturing and engineering, is designed to help our industry thrive, innovate and compete locally and globally.

In an increasingly uncertain business environment, where the UK is now on a path to leave the European Union, we recognise that manufacturers face significant challenges and opportunities. We will work with you throughout this period of uncertainty to ensure that you are on top of any legislative changes and their implications for your business. Furthermore, as the collective voice of UK manufacturing, we will work tirelessly to ensure that our members' voices are heard during the forthcoming negotiations and will give unique insight into the way changing legislation will affect their business.

Our policy, employment law, health, safety and sustainability and productivity experts are on-hand to steer you through Brexit with rational, practical advice for your business.

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