



£1 trillion exports by 2030: reaching for the stars or a pipe dream?

Summary and Conclusions

Inaugural Summit  
Motorcycle Museum  
Solihull

June 2022

## Table of Contents

<i>£1 trillion exports by 2030: reaching for the stars or a pipe dream?</i> .....	1
<b>BACKGROUND:</b> .....	<b>3</b>
THE CHALLENGE AS OF JUNE 2022:.....	4
THE CONTEXT: .....	5
<b>OPINION:</b> .....	<b>6</b>
FREE TRADE AGREEMENTS:.....	6
SUPPORT FOR EXPORTERS: .....	6
INCENTIVES AND SUPPORT .....	6
CUSTOMS.....	7
<b>SME VIEWPOINT:</b> .....	<b>8</b>
<b>FUTURE:</b> .....	<b>9</b>
<b>CONCLUSION:</b> .....	<b>10</b>
<b>RECOMMENDATIONS:</b> .....	<b>11</b>
FINANCIAL HELP TO EXPLORE NEW MARKETS .....	11
REGULATION AND COMPLIANCE ISSUES .....	11
CHANGING THE SHAPE OF GOVERNMENT SUPPORT .....	12
<b>ABOUT SIITACE</b> .....	<b>13</b>

## Background:

When the ambition to create £1 trillion of export sales was announced under the banner of ‘Made in the UK, ‘Sold to the World’<sup>1</sup> the Department for International trade defined two sets of priority outcomes. These are replicated here as the basis of the Summit entitled: £1 trillion exports by 2030: reaching for the stars or a pipe dream?

1. Secure world-class free trade agreements and reduce market access barriers, ensuring that consumers and businesses can benefit from both

The performance metrics are:

- UK trade with countries with which the UK has concluded a free trade agreement (FTA), as a percentage of total UK trade
- predicted GDP impact of each concluded FTA as per published impact assessment, including by UK nation and region
- reduction in tariff barriers for each concluded FTA, as per published impact assessment (per cent)
- cost reductions related to non-tariff measures (NTMs) for goods and services for each concluded FTA, as per published impact assessment (per cent)
- number of market access barriers reported and resolved on the Digital Market Access Service

2. Support UK business to take full advantage of trade opportunities, including those arising from delivering FTAs, facilitating UK exports

The performance metrics are:

- value of exports supported (£)
- export client survey satisfaction rates and number of service deliveries
- total value of UK exports, including by UK nation and region (£)
- UK outward foreign direct investment stock (£)
- utilisation rate of trade preferences for tariff reductions (per cent)
- survey estimates of the barriers faced by UK businesses to exporting, and the extent to which government services alleviated these barriers

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<sup>1</sup> Source: Made in the UK, Sold to the World (web version) - GOV.UK ([www.gov.uk](http://www.gov.uk))

## The Challenge as of June 2022:

- In January 2022, the UK exported £11.6 billion to the EU.
- <sup>2</sup>Total exports of goods rose by £0.6 billion (2.1%) in March 2022, because of a £0.4 billion (2.6%) increase in exports to non-EU countries and a £0.3 billion (1.7%) increase in exports to the EU.

### In terms of value of Goods Trade latest figures show (approx.)

- £ 30 billion a month x12
- £ 360 billion a year
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### Services Trade

- UK services trade accounts for nearly half of UK exports
- (£292 billion in 2020), second only to the USA in the world
- Goods + Services = £ 652 billion

This leaves the UK businesses to find and, HM Government to encourage, a £348 billion increase by 2030.

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<sup>2</sup> ONS – UK Trade Statistics, Current Prices seasonally adjusted Apr 2022

## The Context:

The Summit was open to multi agency delegates who are involved in international trade within and without the UK.

They represented both independent experts and professional organisations. Debate, discussion, opinions, and suggestions were made from personal knowledge and experience directly with clients that are thinking about and those actively exporting.

Their clients are based in the UK and cover MSME's, SME's and LE's across sectors.

Comment and opinion were gained throughout the day when 4 key questions were asked:

1. If we are to achieve the aim of £1 trillion export sales by 2030, how can we support British companies to be ambitious in overseas markets?
2. From CDS to CHIEF and an ambition to create a Single Window, profound changes are being made to digitalise customs entries and documentation. Is this a good idea and will it help or hinder trade in the next 8 years?
3. In the uncertain and volatile environment in which international trade operates, how can British companies build sustainability in their supply chains at a time when costs are increasing and there is a call for Net Zero.
4. What will the UK trade figure for 2030 look like? Will we achieve the target? What role do trade agreements play in this? What are/were the pitfalls and the opportunities?

## Opinion:

### Free Trade Agreements:

Consideration was given to whether it is time to question the apparent rush to sign trade deals against the overall strategy that they reflect. For example, one of the key elements of an agreement will normally include standards and harmonisation of the same. The UK has opted to reject the EU standards in favour of creating UKCA standards however, many of the <sup>3</sup>trade agreements that have been signed will also carry an agreement to harmonise or to adhere to different standards as illustrated with the CPTPP and RCEP negotiations that clearly define the desire to harmonise standards within signatory countries.

The UK has already signed trade agreements with many countries either as a roll over or as a new initiative. Which standards will the UK adopt, will these be measured and, how will the adherence to these impact on UK businesses be implemented? Will there be obfuscation until the final deals are signed?

### Support for exporters:

Currently DIT support is seen as the default by many central and regional bodies. There is a significant lack of cohesion with local authorities. The accredited British Chambers play its part with its offer of Chamber Customs, the Institute of Export & International Trade continues to offer qualifications and training in the processes.

It is evident that independent international trade advisors, many of whom have considerable experience and qualifications, also have an important role in supporting British industry and services. It was considered that all parties have a vital and collaborative role to play in increasing market share.

### Incentives and support

European Structural and Investment Funds (ESIF) funding is diminishing as the emphasis on FTA's is being used as a strategy to open doors for trade. Although the current round of funding, while it lasts, can cover different types of activity, a question was raised as to whether activities in specific markets or sectors could be supported in the future.

Financial support through UKEF has sustainability at its core which results in specific sector support for green and low carbon services and products. There could be an extension to

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<sup>3</sup> MSME provisions in regional trade agreements:

[https://www.wto.org/english/tratop\\_e/msmesandtra\\_e/rtaprovisions\\_e.htm](https://www.wto.org/english/tratop_e/msmesandtra_e/rtaprovisions_e.htm)

further bespoke sector support packages to energise and promote the advantages of trading internationally.

If SMEs are to be at the heart of the growth of the UK economy, the Government needs to help by assisting businesses to make it attractive to explore new markets.

Companies with a robust plan should be encouraged and able to source specific R& D incentives or tax holidays on expenditure linked to the new market until the first sale is made. The successful <sup>4</sup>R & D scheme could be extended to include international trade activities.

In times of recession, it is harder for companies to take risks. The government and UKEF need to provide financial support as it can take 18-36 months to achieve sales in a new market. Tax holidays on any expenditure during the time whilst researching, planning, scoping and developing marketing plans would make a real difference. This is an expensive period and needs full support until the first sales are made.

## Customs

CDS will be underway from October with importers being required to use this customs declaration platform. Exporters have a period of grace until Spring 2023.

It was felt that this change adds another layer of red tape to LEs (larger enterprises) whereas SMEs (Small and Medium Enterprises), will find the change costly. MSME's (Micro, Small and Medium Enterprises) will generally struggle in both understanding the adjustments and, ensuring that this change does not lead to accidental non-compliance will be particularly difficult, even (or especially) if they use customs agents to manage their obligations. CDS is seen as more complex than CHIEF which risks causing disruption and problems if not managed with care, a robust support system, independent advice, and a great deal of training.

The creation, design and future of the Single Trade Window has been problematic which could bode ill for implementation. While HMRC have been diligent in their consultations; conditions still need to be defined. Impact will be significant with reduction of duplications and errors but again, it will probably benefit the LEs more than those companies fielding less than 250 employees. Additionally, there is the issue of future interoperability and traceability to be addressed together with security of data.

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<sup>4</sup> <https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief>

## SME Viewpoint:

While the move to digitalisation of international trade documents is progress, there is a high-level reticence to overcome. SMEs are still recovering from the post Brexit shock of customs requirements when trading with the EU. Even amongst established trading companies there is little knowledge of customs special procedures, simplifications, AEO, AE etc. It is a period of intense learning in an uncertain and volatile world that dissuades many companies from attempting to trade with overseas countries.

It was noted that many companies are risk averse. Funding opportunities are focused on those with a level of turnover that has yet to be achieved. Opportunities should be focussed on those beyond the start-up/MSME phase. They have little or no knowledge of the obligations for regulatory compliance of international trading. A plethora of government led information has led to confusion and frustration. Many delegates felt that their services were essential to provide hand holding and bespoke support. Areas of confusion lay in compliance, especially around origin: in robust supply chain: in accessing new markets and, accessible training. Lack of market intelligence was also a factor.

There appears to be a focus on reshoring or Local procurement to reduce shipping costs – although it is mooted that ‘new’ supply chains may have already bought raw materials from overseas.

Additionally, there is disparity between small and large companies in the ability to innovate to meet customer demand which results in a challenge for established goods and services.

In discussing the value of the FTAs to SMEs the status of goods or services made in Britain were recognised as a significant benefit.

Financial support for SMEs was a point of discussion. Both UKEF and the banks favour LEs rather than SME companies due to the compliance costs associated with onboarding, leaving SMEs at the mercy of a system that overlooks potential in favour of turnover.



## Future:

Establishing the UK as a credible market for EU customers must be a priority. UK businesses are used to the demand, the culture, and the vagaries of trading with our nearest geographical neighbours. If SME's can see the opportunity despite customs and fiscal requirements, market share can be regained.

Companies are requesting assistance from those with market and compliance expertise and experience to deliver hand holding advice and support. A circular eco system of trust through collaboration between support organisations is key. Both Government and private sector need to work together to create a transparent coordinated service that can be used by all. This will need a change in attitude together with clear communications.

Sustainability for some industries is beginning to look like an unachievable dream. There is a need to consolidate import loads and consider a consortium approach to bring raw materials into the UK for manufacture. Joint warehousing space owned by industry sectors/trade bodies could help shoulder the burden of trade.

Attaining Net Zero relates to a holistic approach to manufacturing and trading. However, it can't be achieved unless the end user supports those trying to achieve this status. Therefore, it may be demand driven by the users. As users become impacted by the recession, they will have to make sacrifices to purchase certain products. Those products have to offer a truly good incentive or rationale for customers. Manufacturers are already working on extremely low margins and 2<sup>nd</sup> and 3<sup>rd</sup> tier suppliers are struggling to make a viable production line, the reason so many people went to China in the first place!

Trade Resilience in both shipping and supply chains will be part of the future integration of world trade.

Looking at markets that are GSP, the WTO are trying to build a level playing field across the world, bringing more nations out of poverty. Africa is a growing continent with many varying levels of growth but growth none the less. India is very divided but is interested in trading with us but also Russia and China too, although it is not a given that this will work. China is dominant and to a large extent our support of smaller markets might reduce our reliance on the manufacturer of the world.

## Conclusion:

Trade agreements can play a role in steering businesses towards new markets by incentives, but they will not be enough on their own, the government needs to brief in more details about what can be achieved from these deals. They are not free and often one or two industries need to make sacrifices for the entire agreement to go through. Normally governments hold on to Textiles, agriculture, chemicals and pharmaceuticals and armaments/defence products and finally, food security and Intellectual Property Rights.

FTAs are only a part of the answer, the UK trades well with the USA without a trade agreement. Negotiations should focus on defining the terms of those to ensure full compliance is possible. Support for trade resilience needs to be built into the trade agreements but also the governments trade strategy.

World trade was, is, and always will be, impacted by both external and internal factors. Some industries or sectors may suffer more than others. The general feeling is that the shape of trade will change. The ultimate result is uncertain as supply chains alter and flex to reshoring models as JIT manufacturing diminishes as an optimisation measure as warehousing costs and availability spiral.

Balancing the environmental impact of goods miles and costs of fuel against accessibility of markets need to be evaluated. Furthermore, societal changes, economic challenges and hostility play a part in the consideration of growth against risk. The WTO regulated process driven systems, or protectionism will become rife as the world recession hits. It has never been more important to trade internationally now with the added caveat of the need for responsible trade.

A chasm is forming between:

- EU & UK
- Sanctions on Russia
- Shipping costs and management of processes
- Politicising of trade
- Weaponizing of trade
- Attitudes to women

Following the sustainability, environment and governance initiatives creates more paperwork, even electronically, taking significant amounts of time although digitalisation will, when implemented, certainly help as compliance and convergence of standards will minimise duplication.

With over 40 intermediaries in the room the overwhelming feeling was that as things stand currently (June 2022) achievement of the £1 trillion is unlikely.

## Recommendations: Financial help to explore new markets

SMEs are known to be risk averse and entering a new export market can involve risk depending on the market.

1. New markets need research and time, which takes money, often this money has already been taxed, and represents an outlay over 12-24 months before a ROI
2. Tax holidays represent constructive help. If these can be linked to tax incentives, it can make it very attractive to explore new markets. These must extend beyond tax years and work against an agreed plan of activity
3. Extend the already successful R&D scheme to include international trade activities – reduce the paperwork for SMEs as the process can be very arduous even for large companies
4. Recognising that in times of recession businesses become more risk averse, the government and UKEF need to provide direct financial support to supplement that existing provision provided through intermediary banks.

## Regulation and Compliance issues

World trade relies on keeping accurate records. This is the inevitable result of needing to know where goods are travelling to, what is travelling and, the security issues that any transport might create. In an increasingly diverse and rich world, fraud and duplicity seem to be rising incrementally alongside trade. As one loophole is closed another opens.

1. SIITACE embraces the new English law reform and digitalisation programme however, a strong link between electronic transfers and the physical goods involved remains vital to avoid fraud
2. SME Fund for digitalisation is urgently needed- large sums are being discussed in terms of savings. However, an SME struggles to maintain a grip on current technological changes
3. Digitalization is only part of the solution for trade and must be integrated into the new Border Operating Model which must link with the Single Window initiative, and these systems must work. Delays and computer system failures such as GVMS (Goods Vehicle Movement System) and NCTS (New Computerised Transit System) are causing major issues for all size businesses, in transport and costs to shippers
4. Sanitary and Phyto-Sanitary procedures have forced SME's expenditure to commit valued resource to regulatory compliance only to find that a last-minute change renders their efforts useless
5. SIITACE asks for consistent messaging. The government needs to understand which sector is impacted and tailor messages to fit. For example, targeting customs brokers and freight forwarders with the pertinent messages about documentation and links to government systems leaving exporters or importers with clear messaging around their legal responsibilities. Messaging on the new CDS changes has caused confusion as exporters using couriers will see little change at all but HMRC have blanket emailed all parties.

## Changing the shape of government support

Traditionally government has targeted markets that they feel are appropriate to fund. SMEs are encouraged by the DIT International Trade Adviser network, who is driven by government targets, to focus only on specific markets.

1. An SMEs target export market should suit their products or offering. This may not fit with the government targets, but SMEs should be allowed to follow market intelligence specific to their business needs
2. We ask that businesses are encouraged to be active in their new market choices despite the government targets
3. Allowing the businesses to take ownership of their decisions is key to committing appropriate resources to a new export market
4. Welsh Export Strategy advocates cluster support. This offers great backing for industries but sometimes causes sensitivities around sharing competitive knowledge
5. SIITACE suggests that SME Cooperatives could offer support and shared resource to be able to support (for example) 6 SME companies with the same goals into a new market no matter what the sector. (SIITACE would be happy to provide more detail)
6. Scottish Enterprise provision of Export Managers committed to set up a new market or, offer technical support has been successful and can be supported by SIITACE
7. Collaboration and shared resources will enable SMEs, and the support agencies, to learn more about how to shape future programmes and initiatives.

## About SIITACE.org

**SIITACE is a membership organisation run BY Independent International Trade Specialists specifically FOR Independent International Trade Specialists.**

Our directors and members have 100s of years of active experience of global trade. Members cover all aspects of overseas trade including business support and promotion, sales and marketing, customs, tax & vat and logistics. As a non-public sector organisation, we are not motivated to achieve targets. Consequently, we have the freedom to offer impartial support and advice to our members and the wider international trade sectors.

The reach of our members, as intermediaries, means that we can boast upwards of 40,000 businesses that we interact with mainly in the MSME trading space.

## Founder Directors:

Lesley Batchelor OBE, Chair – International Trade Experts Ltd	Chris H. Walker – Diamond Hard Surfaces Ltd
Linda Middleton-Jones – International Trade Matters Ltd	Paul Walters – Lime Tree Europe Ltd
Arne Mielken – Customs Manager Ltd	Mike Wilson – Go Exporting Ltd
Keith Stringer – ITSG World Ltd	

Details available at: [Meet the team - SIITACE](#)