

## **Export-led growth call for evidence**

*The IoD is an independent, non-party political organisation representing 20,000 company directors, senior business leaders, and entrepreneurs. It is the UK's longest-running organisation for professional leaders, having been founded in 1903 and incorporated by Royal Charter in 1906. Its aim is to promote good governance and ensure high levels of skills and integrity among directors of organisations. It campaigns on issues of importance to its members and to the wider business community with the aim of fostering a climate favourable to entrepreneurial activity in the UK.*

We therefore welcome the opportunity to respond to the government consultation on [export-led growth](#).

### **1. What are the new or growing opportunities for exports which can drive UK economic growth? How can these be exploited?**

Our most recent member survey data shows more businesses are optimistic about export growth than are pessimistic. In May 2023, 31% of those who do export told us they expect higher levels of exports in the next 12 months compared to 11% who are expecting levels to be lower. The same data, which had a sample size of 1,026 respondents, indicates that around 64% of IoD members export. Of these, sectors which are expecting the most growth are manufacturing, professional and technological services sectors, and the category of 'other services'. More generally, any export is a driver of economic growth, and therefore the more that barriers are removed to international business, the more that businesses will be able to drive growth internationally. Our response to the following question expands on this and offers some recommendations about how the government can help businesses to drive this export growth.

### **2. What do UK businesses need to increase exports? How does the UK compare to other countries in their support for exports?**

Since coming out of the pandemic, UK export recovery has been sluggish. Brexit has affected the ability to export both through creating barriers to trade and also increased competition from EU based firms. Some firms are trying to reorientate to new markets, but it is not straightforward and feels like second best. On top of this, the wider macroeconomic environment has presented challenges in that it is leaving firms under-resourced and unable to expend as much time and effort into international business. Different firms have reacted in different ways. Larger firms in general have been able to adapt better than smaller ones, which have often seen exports decline and sometimes stop altogether. Companies in service sectors are concerned that they are less of a government priority than goods traders. Businesses in general are looking for more support from government, feeling that existing guidance is not always helpful.

#### ***Our key policy asks:***

Make the consultation process for FTAs easier for all sizes and types of business to contribute to. Currently the consultation documents take the respondent through a lengthy questionnaire that follows the FTA on a chapter-by-chapter basis. If businesses have the option to input a free-form contribution of their experience trading with the country in question, the market access barriers and where they see opportunities, they may be able to better engage with the agreements once they are signed.

Produce more export guidance from a sectoral and cultural perspective, such as providing cultural and language information on different markets within the government's Free Trade Agreement Utilisation guidance tools and online portal.

Create a central, easily searchable database of international trade advisors by region and sector, with their expertise listed.

Offer clear and concise advice to smaller businesses on how to engage with the SME chapters in FTAs once they are ratified to realise the benefits they offer and build connections with local contacts.

Establish an SME special committee to monitor the implementation of SME chapters following ratification of FTAs consisting of civil servants responsible for FTA negotiations, export support teams and some independent, objective participants who would hold the government to account on what is working, what is best practice, and FTA utilisation rates.

Monitor and publish the impact of government assistance for exporters, to include teams both at overseas missions and UK-based trade advisors, to assess their effectiveness and ensure all businesses have the right support for their exporting needs.

Extend the eligibility of funding for trade shows to firms with up to 400 employees to account for the middle market, which currently misses out on a lot of opportunities because they are just above the SME threshold.

### **3. Are Free Trade Agreements with countries fit for the future? How will technology, such as 3D printing or lab grown foods, change trade flows in the near-to-medium term future?**

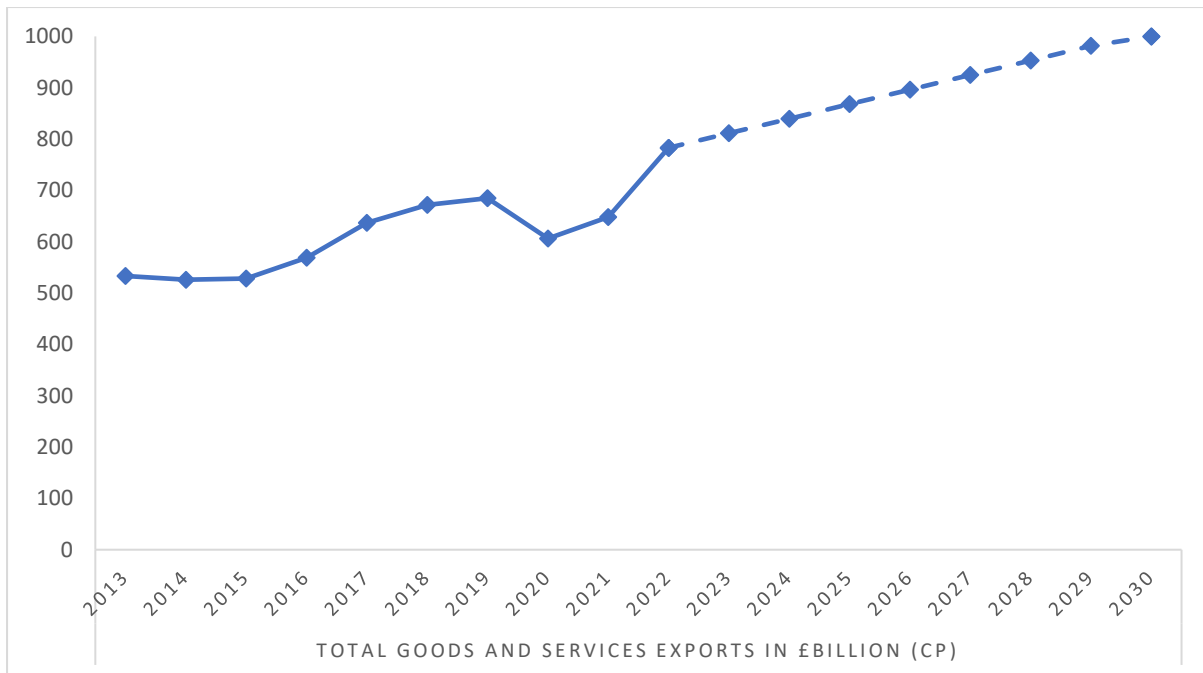
The more technology advances, the more there will be different opportunities within the trading environment that businesses will adapt to. Therefore, terms within Free Trade Agreements (FTAs) will have to adapt in line with this.

Definitions of different types of exports will have to be much more explicit. Using the example of 3D printing, companies could either 3D print goods which are then exported and still classed as a good, or they could send a digital file to be 3D printed in the destination country, thereby exporting a service. These types of technologies may also have the potential to affect the balance of international trade if it alters the costs of production; for example imports could be displaced by undertaking specialist 3D printing within the UK, or exports from the UK could be displaced if it becomes easier to manufacture to the same specification closer to target markets.

For this reason, we would argue it should be best practice to have regular in-built review periods within FTAs to ensure chapters or provisions do not become 'out of date', and remain in line with the priorities of each party of the agreement.

### **4. How achievable is the Government's "Race to a trillion" target for reaching £1 trillion worth of exports per year by 2030 – and is the UK on track to achieve it?**

ONS data shows total exports in goods and services was worth £783 billion in 2022, an increase of 21% when compared to 2021, when markets were reopening after the pandemic, and 14% higher than in 2019. In order to reach the £1 trillion figure by 2030, total exports would have to increase by an average of 3.5%, or an average of £28.4 billion, each year:



When plotted on the graph, the forecast trend line seems to follow the trajectory from the pre-pandemic dip. We therefore believe it is not too ambitious. However, it should be noted that inflation increases the total value of trade whether or not volume increases, thereby making the government’s proposed measure meaningless in terms of the real impact on the economy and exporting businesses.

Our proposal is that that total value of exports should therefore be tracked in combination with total volume of exports, which should give a better idea of the whole picture of how many businesses are exporting and to what extent. We would also recommend tracking the data in chained volume measure, which removes the effect of inflation, and would therefore give more significance to the UK’s export performance.

**5. How adequate is the Government’s 12-point Export Strategy, Made in the UK, Sold to the World (2021)?**

The Export Strategy is a strong package of support for businesses. IoD members have told us they feel it demonstrates that the government is putting more into helping traders, particularly small traders, to export.

Businesses have told us they rely heavily on networking and tradeshows for finding new business. They also tell us in-person advice tailored to their business is more useful than factsheet style guidance. Initiatives such as the UK Tradeshow Programme and the Export Support Service are therefore very helpful to businesses.

However, the Export Strategy feels more like a collection of individual support systems than a strategy. The government should start by having a clear idea of what success looks like, i.e., how they know when UK exports are driving growth and feel seamless for businesses. Then the strategy should be based on what they need to do to achieve this, taking into consideration the broader UK economic context, which types of businesses need the most support, and which areas of the export process are proving the most challenging. The guidance, funding and networking support should be an important aspect of this as well.

The export environment is already quite different in 2023 from what it was in 2021, given the war in Ukraine, post-pandemic changes, and geo-political tensions. The export strategy should therefore be reviewed and if necessary updated in line with government objectives on a more regular basis.

**6. What can the Government do to promote and facilitate UK exporters' involvement in critical international supply chains? What opportunities are there for the UK to become a key supply chain partner to the United States, European Union and other democratic allies? What needs to be done to secure those partnerships?**

Ensuring British exporters' involvement in international supply chains of geopolitical or strategic importance requires close partnership between government and UK-based industry to identify opportunities and then ensure that they are maximised.

Examples might include ensuring that UK-based firms of all sizes are well placed to take advantage of eventual reconstruction opportunities in Ukraine, or that UK-based firms understand whether and how they can take up any opportunities to be involved in specific initiatives in other countries such as the tax credits on offer through the US Inflation Reduction Act.

Government needs a strategic approach to working in partnership with business in order to be able together to identify opportunities through both public and private networks and then work together to be able to exploit them, with each party playing their part. This type of working would be helped by taking a strategic long-term partnership approach to the development of an industrial strategy for the UK.

Fundamentally, if the supply chain is "critical", as this question suggests, then there is likely to be a public policy implication, and therefore the action of government may be helpful to realise the opportunities on offer.

Thank you for the opportunity to input into this consultation. We hope these comments are helpful.

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