



Tackling International Trade:

Addressing
Uncertainty &
Overcoming
Barriers

FleishmanHillard 2022



FLEISHMANHILLARD

Foreword

A disrupted past and an uncertain future

Over recent years, international trade issues have become increasingly recognised as a – if not *the* – key driver of economic growth, attracting greater consideration from business leaders and driving political agendas.

The prosperity boost that trade provides is evident in job creation, greater productivity and better choice and pricing for consumers. These factors can also create reputational risks for business.

Supply shortages throughout the COVID-19 pandemic exposed consumers to the fragility of just-in-time supply chains, threatening corporate reputation and sending the cost of shipping soaring by more than ten times in the space of a year.

The UK's exit from the EU has led to new free trade agreements being struck, creating an opportunity for business to have their voice heard on international trading relationships.

Globally, governments have jostled to position themselves as the global thought leader for the digital trade agenda.

And all this activity is happening in the shadow of climate change, which has the potential to disrupt almost every facet of international trade through entire supply chains.

Business leaders increasingly recognise the importance of trade, with 81% of businesses reporting that trade issues relate closely to their performance. However almost half noted uncertainty over trade relationships (47%) and a third unfavourable trade agreements (32%) influencing their decisions. And international trade issues appear to be influencing business decisions most acutely for the largest private enterprises (£1 billion + in turnover).

In short, navigating the new uncertainty of trade, overcoming barriers, and shaping trade policy is now critical to business success.

Big Business (£1bn+ Turnover) has most exposure to trade issues:



Uncertainty over trade relationships (56% compared to 43% for other businesses)



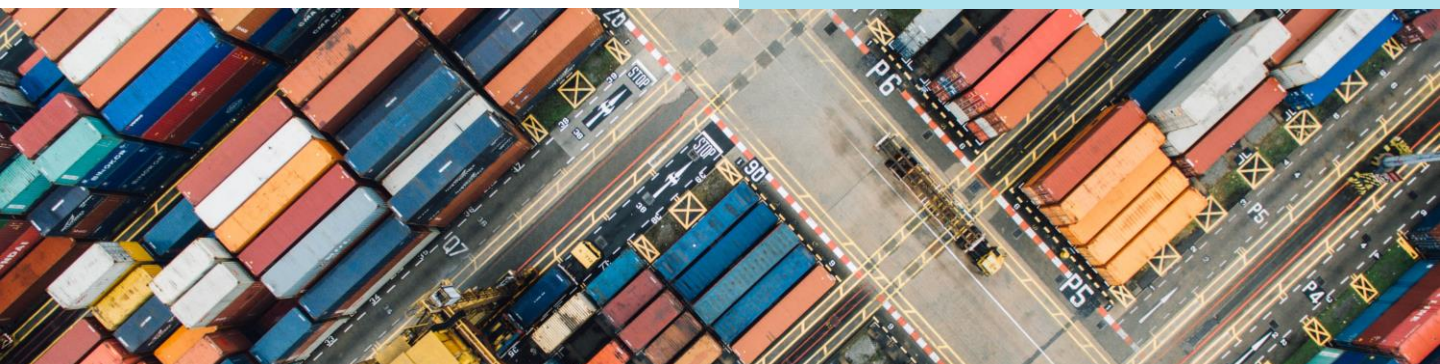
Trade wars with key countries (50% compared to 20% of other businesses)



Inadequate free trade agreements (37% compared to 27% of other businesses)



Protectionism that limits market access (35% compared to 24% of other businesses)





International trade was ranked in the top 3 most impactful business issues by 50% of businesses, second only to COVID-19.

However, 43% of businesses stated international trade issues have a negative impact on their reputation with customers.

Businesses were less positive about the rules-based international trade system, with only 63% rating it extremely effective (27%) or very effective (36%) in protecting the health of their business.

METHODOLOGY:

Results for FleishmanHillard UK's 'Tackling International Trade' report are based on a survey of 202 business leaders in the UK aged 18+. Research was conducted online during November 2021.



SUPPLY CHAINS

Continued disruption in 2022

For the first time in many adults' lives in the developed world, the onset of COVID-19 led to significant supply shortages. Empty supermarket shelves, huge shortages of electronic equipment and dynamic shifts in consumer spending were disruptive for the public and businesses in large and small, and high- and lower-income economies.

Current forecasts suggest that the instability of the past two years will continue well into 2022 as business and government continue to adapt to changes in the trading environment.

So how should they respond?

Businesses need to carefully manage their communications to ensure that the impacts of global events on their supply chain don't damage their brand and customer reputation.

They also need platforms to educate government on what the business community needs to get supply chains moving again, through consultations, stakeholder engagement and media campaigns.

Unsurprisingly, businesses reported COVID disruption (84%) and Brexit disruption (72%) as major issues influencing their current business decisions.



FREE TRADE AGREEMENTS

Big Business needs better results on trade deals

International trade issues have a particularly significant impact upon the largest businesses – despite the perception that Brexit is most affecting small businesses and narratives around small businesses greatly benefitting from new trade agreements.

In the midst of uncertainty, trade deals that don't do the job are creating problems for the large companies that drive the UK economy.

According to the UK Department for International Trade, only 28% of businesses exporting to non-EU countries understood whether the goods they export were eligible for reduced customs duties.

A recent report by the National Audit Office found that nearly one-third of all eligible businesses had been unable to exploit the reduced tariffs offered by the UK deal with Japan because they were not aware of the changes.

Understanding and shaping trade deals has never been so important for business strategy.

The largest private enterprises (£1 billion + in turnover) are most engaged with current Free Trade Agreements:



65% utilise the UK-Japan Free Trade Agreement compared to 32% of smaller businesses.



58% already use CPTPP compared to 34% of smaller businesses

And are most eagerly awaiting new trade deals:



69% are awaiting a UK-US Free Trade Agreement compared to 48% of smaller businesses

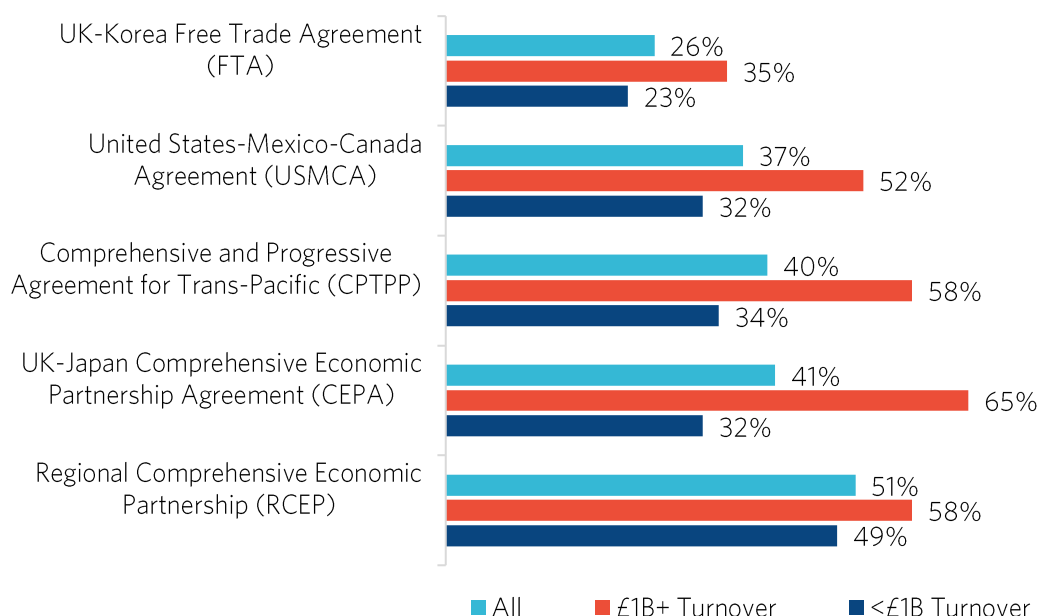


40% are awaiting a UK-India Free Trade Agreement compared to 29% of smaller businesses

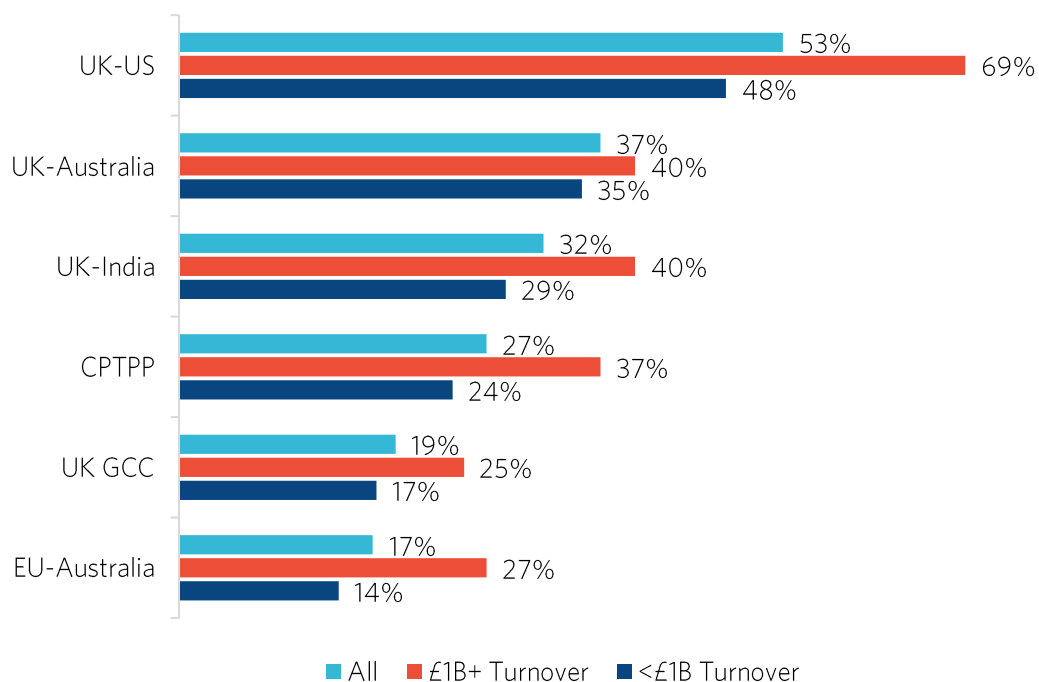


How business uses FTAs

BUSINESSES UTILISING FTAs



BUSINESSES WAITING FOR PROPOSED FTAs



COVID RECOVERY

Government will look to exporters to bolster economic recovery

The government's approach of prioritising exports as the UK emerges from the pandemic has been recognised by business leaders, with 88% viewing trade as extremely or very important to COVID recovery for markets outside the UK.

As supply chains adapt to the turbulence of the past 2 years an opportunity exists for exporters to take advantage of increased attention from government, and there has never been a more important time to engage.

36% of businesses noted buy-national regulations as a non-tariff international trade barrier impacting their business the most. This could be significant coming out of COVID as populist regimes focus on trade as a means of recovery but want to bolster domestic protections.

This issue is felt more significantly by large enterprise (£1 billion+ in turnover) with 46% citing it as a non-tariff international trade barrier, making it imperative that businesses receive accurate intelligence to navigate changing government agenda.



*Governments around
the world have been
clear in their messaging
that they see exporting
as a key pillar of their
strategy for recovery
from COVID.*



TRADE POLICY

Solving trade policy issues will improve business performance and reputation

With trade ranking highly for affecting business operations, companies have identified important policy areas – including digital trade and non-tariff barriers – that need to be addressed.

Doing so is urgent: 43% of businesses stated international trade issues are having a negative impact upon their reputation with customers.

Business leaders see multiple challenges to the current international trade landscape. They are not confident in the UK government's policy approach and are not positive about the rules-based international trade system's effectiveness. To address their needs, they turn directly to the WTO and to business groups like the Confederation of British Industry.

They also need government to understand the emerging areas of trade. For example, 80% of businesses rated digital trade as extremely important or very important (and is most important to the larger businesses enterprises).

Less than half (48% extremely or very) of businesses are confident in UK government's approach to international trade

55% of business reported engaging directly with the WTO on trade issues and 51% with the Confederation of British Industry (CBI).



CLIMATE CHANGE

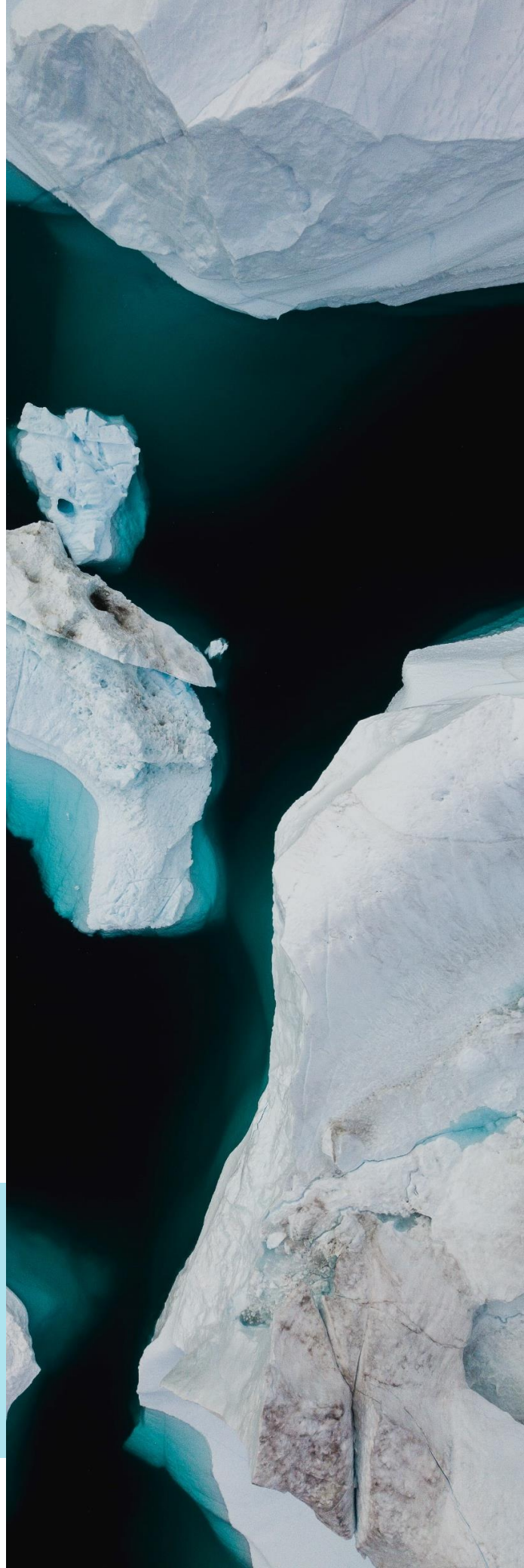
Climate change is a serious threat to trading systems

Climate change has the potential to disrupt almost every stage of the international trade process, from manufacturing supply chains and distribution networks to non-tariff barriers and consumer behaviour. Companies increasingly recognise that combating the climate crisis needs to align with their trade approach – not compete with it by creating a climate-or-economy stand-off that harms business and society.

In particular, companies need to be more aggressive in understanding and communicating to stakeholders about the impact that climate change will have on their business. That requires intelligence on government actions and policy changes related to climate, creating opportunities to engage in political discussions.

Equally, they need to ensure customers understand the potential for trade disruption due to climate change, and the steps for mitigation companies are taking.

33% of businesses ranked climate change in the top 3 global and domestic issues that impact their business



5 Key Takeaways

1.

Driving Supply Chains

Companies need to find platforms to influence government in order to protect their supply chains, mitigate crises and open up the movement of trade again.

2.

Shaping Free Trade Agreements

Businesses can use formal and informal political forums and other channels to have their voice heard in the development of new free trade agreements – which will be vital to post-Brexit economic growth.

3.

Advancing COVID Recovery

Companies need to stay informed of changing government strategies to boost exports and shape new measures to protect domestic economies.

4.

Improving Trade Policy

With their scepticism toward the UK Government's trade approach, businesses need to utilise multiple channels and platforms to make their voice heard and show how better trade policy is vital to the UK's economic future.

5.

Addressing Climate Change

Companies need to engrain political and regulatory intelligence on trade and climate change into their business planning, enabling them to contribute to mitigation strategies that boost trade opportunities.



Conclusion

The prominence of international trade on the global agenda is now a force that businesses cannot ignore. Formerly a niche issue, it is now shaping government agendas, becoming front-page news and affecting consumer sentiment. It is simply an urgent priority.

Corporate reputations rely on a strategic, deliberate approach to issues management. Trade is no different. Whether in the supply, distribution or sales of their product's, addressing trade is key to maintaining customer confidence, delivering products on shelves, and sustaining business.

And engagement with government in particular has never been so impactful, at a time when new free trade agreements are being struck, new trading regulations formed, and ever greater geopolitical challenges are impacting global trading systems.

FleishmanHillard can support your business in addressing these issues. From strategic communications planning to develop the right messages, to formulating and implementing engagement with political and business stakeholders, the media and the public, and conducting crisis preparedness and management, our International Trade experts can maximise the outcomes for your business.



Tackling International Trade:

Report By FleishmanHillard UK

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