Twitter Thread by David Henig



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Small business in particular struggling with new Brexit red tape. Entirely predictable, and a function of a world trade system distorted against smaller traders. Stay with me a short while as Brexit threadmeister and story author @pmdfoster may say... 1/

The nub of the issue is the extra costs for most exports, whether this is paperwork or meeting different regulatory requirements. A fixed cost per exported load inevitably adds a higher percentage cost to small than larger business... and they may lack expertise. 2/

> More than a quarter of the UK's 6m small businesses trade with the EU, according to the membership organisation the Federation of Small Businesses (FSB), exporting products and bringing in supplies.
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> But, unlike the UK's largest companies, many lack the resources to easily deal with the sudden administrative burden of the extensive paperwork or to shoulder customs costs and taxes.
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> "Increasing numbers of small firms are telling us that the uphill climb of managing new EU trade obligations could put them off exporting altogether," said FSB national chair Mike Cherry.

You'll note that in the EU, with virtually no paperwork or differing regulations, the costs of exports are similar for smaller and large companies - though even there there is a big company bias, because who can afford to lobby for friendly regulations? 3/

The same unfortunately typically applies to trade deals. If you are Nissan and threaten to leave the country without the right deal you have more clout than a small cheesemaker. As we see. But is it just the EU that is over-bureaucratic? Sadly not...

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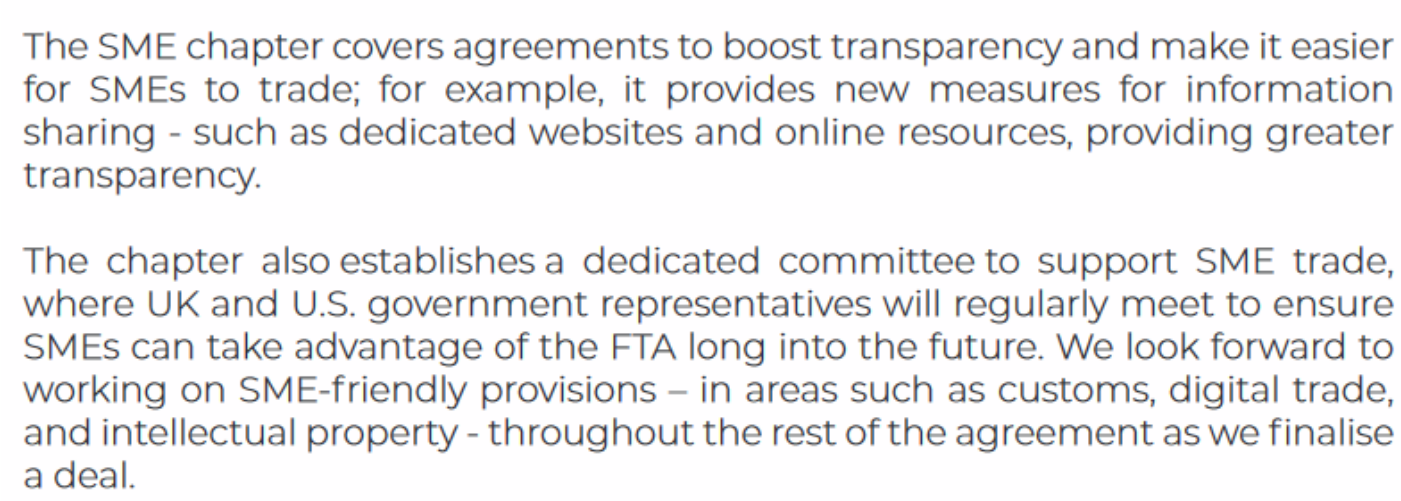
> Simon Spurrell, director of the Cheshire Cheese Company and Hartington Creamery Stilton makers, said "food producers in the UK cannot commercially afford to sell direct to EU consumers".
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> He has stopped online sales to the EU given the need for a £180 health certificate on retail orders — even as low as £25 or £30 — and will review a planned £1m investment in a new UK warehouse "because the only possible way to sell into EU consumer market is with an investment in an EU fulfilment centre".
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> "The US market we already ship to is being investigated as an alternative investment and totally abandoning the EU consumer online sales market," he added.

One of the best UK business groups on trade policy @BritAmBusiness (and yes you can quote me @EmanueAdam) has a new report out on a UK-US trade deal and SMEs. It shows opportunities. But unfortunately problems unlikely to be solved. 5/ https://t.co/PhOzGv6IZV

The US regulatory system is just as prescriptive and difficult as the EU one, as suggested in this clip from the BAB report. And no trade deal the US has ever done has helped this, because USTR guard the independence of regulators fiercely. Hopes to change this in TTIP failed. 6/

> Other stories, such as from **AES Digital Solutions**, confirm this experience. AES Digital Solutions, based in Stockton-on-Tees, builds software for companies in a wide range of sectors, from medical devices to food and ingredients, and fine chemicals.
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> They have been operating in the U.S. since 2001. One of the things they have observed repeatedly, especially for clients in the Food and Ingredients industry, is that the difference in regulations means that companies have two sets of requirements to comply with – in formulation management systems and in producing documentation to provide for their products – which can quickly become a burden and in some cases prevents UK companies from doing business with the U.S. altogether.

So what of dedicated SME chapters in trade agreements, pioneered by the EU and enthusiastically adopted by the UK (here clipped from foreword to the BAB report by @GregHands)? Well, you'd rather have them than not. But their focus looks rather limited. 7/


The SME chapter covers agreements to boost transparency and make it easier for SMEs to trade; for example, it provides new measures for information sharing - such as dedicated websites and online resources, providing greater transparency.

The chapter also establishes a dedicated committee to support SME trade, where UK and U.S. government representatives will regularly meet to ensure SMEs can take advantage of the FTA long into the future. We look forward to working on SME-friendly provisions – in areas such as customs, digital trade, and intellectual property - throughout the rest of the agreement as we finalise a deal.

I recall discussing limitations of a proposed trade agreement SME chapter with the EU Commission in 2015. That information is nice, but to make a difference you need to tilt the balance towards SMEs, for example implementing a dedicated small business issue resolution service. 8/

Suffice to say we still haven't really seen a good trade agreement SME chapter from EU or UK. Some SMEs trade well, in services with fewer clear barriers, niche high value goods, or as part of multinational supply chains. But too many struggle. 9/

But finishing with Brexit, once again we have to face new long term trading realities, that small business will be particularly disadvantaged by the end of seamless trade. Government could choose to do more to help, but so far SMEs are not their priority. 10 / end