



**UK TRADE & BUSINESS
COMMISSION**

UKTBC POST-SESSION REPORT: DEVOLUTION AND LEVELLING-UP

APRIL 2023



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1. INTRODUCTION

The UK Trade and Business Commission brings together ten MPs from all nine Westminster parties and all four nations of the UK, along with business leaders and expert economists to provide independent scrutiny of the UK's trade deals and provide recommendations to the UK Government.

The Commission met on 6th April 2023 to hear from six industry experts about how devolution and levelling-up should play a role in future UK trade deals. International trade is a reserved matter but has a range of implications for businesses in devolved nations and has a complex relationship with devolved regulation. Our witnesses highlighted that devolved nations are important stakeholders to international trade agreements made by the Westminster Government.

The levelling-up objectives seek to reduce economic inequality across the UK. The Commission heard from witnesses how trade deals can best be leveraged to boost regional growth and share prosperity around the regions.

Our witnesses highlighted that the UK Government has an opportunity to increase the involvement of devolved governments in trade and adopt trade policy that supports all areas of the UK.

2. SESSION WITNESSES

PANEL 1: DEVOLUTION

- 🗨️ **STACEY DINGWALL**, Head of Policy (Scotland), Federation of Small Businesses
- 🗨️ **BILLY MELO-ARAUJO**, Senior Lecturer, Queen's University Belfast, School of Law
- 🗨️ **DR LUDIVINE PETETIN**, Reader of Law, Cardiff University School of Law and Politics

PANEL 2: LEVELLING UP

- 🗨️ **PAUL SWINNEY**, Director of Policy and Research, Centre for Cities
- 🗨️ **EMMA DEGG**, Chief Executive, North West Business Leadership Team
- 🗨️ **PROFESSOR GRAEME ATHERTON**, Head, Centre for Inequality and Levelling Up

3. KEY FINDINGS

1. It is necessary for a trading strategy to consider regional and local contexts for it to work for businesses across the UK.
2. Devolved governments are important stakeholders in trade policy, but the institutional structures that have been put in place to support their involvement are not effective in practice.
3. Brexit has impacted both devolution and regional growth across the UK.

3.1 DEVELOPING TRADE POLICY FROM LOCAL CONTEXTS

From across both of our panels, it was clear that for trade agreements to benefit businesses across the UK, the knowledge and experience of local businesses, regional authorities, and devolved administrations is paramount to setting trade policy frameworks. The UK is not a homogenous economy and local communities throughout the UK have unique needs when it comes to international trade and economic growth.

Since the UK regained its ability to negotiate free trade agreements, a comprehensive strategy that links the aims and objectives of devolved nations and regional areas with a centralised trade policy has not been produced. Witnesses made it clear that increased involvement from devolved authorities and stakeholders from across the UK will grow the economic outcomes of trade deals and help promote economic equality.

“Giving devolved [governments] authority in trade policy should mean the trade policy outcomes of the UK as a whole better and better reflect the interests of the UK and all of its constituent parts.”
- BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN'S UNIVERSITY BELFAST, SCHOOL OF LAW

“We need negotiators to hear from businesses of all sizes and all parts of the UK and for central government to communicate clearly with the devolved administrations about the process of negotiations”
- STACEY DINGWALL, HEAD OF POLICY (SCOTLAND), FEDERATION OF SMALL BUSINESSES

“Increased involvement from devolved authorities will lead to increased buy-in from those authorities, but also benefits in terms of policy outcomes because devolveds are, through experience, better placed to understand the potential impact and interaction between trade policy and devolved markets.”
- BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN'S UNIVERSITY BELFAST, SCHOOL OF LAW

“Trade policy is not being influenced properly by what’s actually happening on the ground and where the opportunities are.” - **EMMA DEGG, CHIEF EXECUTIVE, NORTH WEST BUSINESS LEADERSHIP TEAM**

“The North-West’s exports are worth more than any devolved nation and that’s the case for a lot of regions, so when you’re looking at place-based trade policy there’s something actually about not looking at England as a homogenous whole.” - **EMMA DEGG, CHIEF EXECUTIVE, NORTH WEST BUSINESS LEADERSHIP TEAM**

Local economies across the UK have their own unique make-up of businesses. Providing structures for meaningful involvement of businesses across the UK allows trade policy to more effectively meet the priorities of each area. Ensuring that businesses across the devolved nations and regions are supported to understand the benefits of the latest trading policy is also important. Witnesses gave examples of the distinctions between businesses and nations in the UK and what they need as well as the issues caused by a trading strategy that does not meet the needs of local stakeholders.

“Wales is largely made of SMOs, so micro, small and medium organisations and this impacts directly on the approach of stakeholders to the policy in the negotiations and it is very challenging for the Welsh stakeholders to engage properly because of resource limitation issues.” - **DR LUDIVINE PETETIN, READER OF LAW, CARDIFF UNIVERSITY SCHOOL OF LAW AND POLITICS**

“Businesses don’t always make full use of the preferential terms that are available to them which is why support and awareness raising initiatives are really important and need to be tailored according to the needs of local audiences. [...] Particularly when it comes to region and nation specific agri-food products for example, it’s really important that these things are tailored to local audiences.” - **STACEY DINGWALL, HEAD OF POLICY (SCOTLAND), FEDERATION OF SMALL BUSINESSES**

“In Wales is the well-being of future generations act, which, you know, aims for us to have policy goals. And again, this isn’t reflected into what is being decided, whether we look at the Australian deal, or the CPTPP that, you know, where we’ve seen this week in the news with the palm oil issues in Malaysia and potential deforestation, it doesn’t fit with the well-being goals that we have here in Wales in terms of the healthier Wales, greener Wales etc, and here there is a gap between what we are aiming to do and the goals we have and how there is a lack of UK overall strategy in terms of, you know what policy does the government have when it comes to trade.” - **DR LUDIVINE PETETIN, READER OF LAW, CARDIFF UNIVERSITY SCHOOL OF LAW AND POLITICS**

“Another thing, which is of considerable importance for Scotland, is geographical indications, as they protect the provenance of, you know, world-renowned products such as Scottish beef, Scottish salmon, and unfortunately, the UK government didn’t secure recognition of agri-food GIs in its agreement with New Zealand. However, we know that the EU has now succeeded in gaining recognition of its agri-food GIs in its FTA so clearly the Scottish government have been clear that there is concerns, that their concerns and those of, you know, small businesses, other businesses in Scotland are not being recognized within these FTAs.” - **STACEY DINGWALL, HEAD OF POLICY (SCOTLAND), FEDERATION OF SMALL BUSINESSES**

“I think if you’re going to have such trading arrangements that can reflect inequality or adjust inequality in this term then I think you need to bring closer how you develop your trading agreements, how you develop your policy related to inequality, like we said at the beginning.” - **PROFESSOR GRAEME ATHERTON, HEAD, CENTRE FOR INEQUALITY AND LEVELLING UP**

There are still questions around how different places in the UK are impacted by trading arrangements.

As the UK forges new trading relationships, there is an increasing need for data on the disproportionate barriers to trade faced by businesses in areas of low economic activity. To understand the interaction between the regions and FTAs, witnesses called for impact assessments that specifically address inequality.

“What are the barriers that are stopping these exporting companies not going to parts of the North-West or parts of the North-East or parts of Scotland in the way that they do clearly go and locate in parts of the Greater South-East?” - **PAUL SWINNEY, DIRECTOR OF POLICY AND RESEARCH, CENTRE FOR CITIES**

“I sit on the UK2070 Commission and one of the things we have looked at is could you actually in the same way as you have environmental impact assessments across policy, or equality impact assessments across policy, can you actually have levelling up or place-based impact assessments across everything and in that way those things have at least to be considered and before deals are signed or done ministers and the civil service need to be aware of what that impact is going to be.” - **EMMA DEGG, CHIEF EXECUTIVE, NORTH WEST BUSINESS LEADERSHIP TEAM**

“When it comes to inequality I think one key thing to do is start thinking about how we build in concerns of inequality, impact assessments and equality into our trade, our thinking on trade, our concepts on trade and the relationships and agreements that we build.” - **PROFESSOR GRAEME ATHERTON, HEAD, CENTRE FOR INEQUALITY AND LEVELLING UP**

“I would suggest that what we need is a national industrial strategy that is built from the bottom up, that is informed by regional data, by regional economic growth and trade policy and where the government [...] doesn’t choose to pick winners for places but builds it the other way round.” - **EMMA DEGG, CHIEF EXECUTIVE, NORTH WEST BUSINESS LEADERSHIP TEAM**

3.2 TRADE AND DEVOLUTION

International trade is a reserved matter. Despite this, trade deals that bind the whole of the UK often interact with devolved regulation. Devolved governments play an important role in the implementation and utilisation of trade deals and should be seen as important stakeholders in trade policy.

“Regulation of international trade is reserved to the UK Parliament and government but kind of the modern trade agreements being what they are, international trade obviously profoundly affects devolved policy areas and there’s a wide range of non-devolved issues that affect people in business in Scotland. And therefore, the Scottish government is responsible for observing and implementing international obligations in devolved areas, including some of the most contentious areas of trade such as our agriculture and food standards.” - **STACEY DINGWALL, HEAD OF POLICY (SCOTLAND), FEDERATION OF SMALL BUSINESSES**

“Trade policy does overlap with devolved matters in a number of areas, whether it’s agricultural support, procurement, agri-food standards but even other areas, you know new trade areas like culture, investment protection and environmental standards.” - **BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN’S UNIVERSITY BELFAST, SCHOOL OF LAW**

Institutional structures have been set up to allow cooperation and coordination between UK Government and devolved authorities. This has attempted to give devolved authorities a more active role in the creation of trade policy, but witnesses agreed that these structures have not been effective in practice.

While there has been positive feedback on the dialogue around trade deals, the finalised outcomes have ignored criticism from devolved governments.

“When it comes to setting of the mandate of negotiations, the UK’s practice has been to publish strategic policy papers but the involvement of the devolved authorities in shaping those negotiating objectives has been extremely limited [...] there’s no explicit role for devolved authorities beyond being invited to submit inputs alongside other stakeholders. In the conduct of trade negotiations there were initially complaints that the devolved authorities were not given access to negotiating documents that have affected devolved matters or given significant updates on the progress of negotiations. That seems to have changed now though the criticism remains with respect to those areas which are reserved matters where there’s very little information being exchanged.” - **BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN’S UNIVERSITY BELFAST, SCHOOL OF LAW**

“The government’s approach doesn’t guarantee enough procedures that you would expect for the devolveds to input meaningfully into the decision-making process for trade policy and trade agreements more generally. So often it feels like the devolveds are being contacted, including stakeholders, after a specific trade agreement has been finalised and we have the feeling that this is making such the engagement rather meaningless as a result.” - **DR LUDIVINE PETETIN, READER OF LAW, CARDIFF UNIVERSITY SCHOOL OF LAW AND POLITICS**

“The Cabinet Secretary for Rural Affairs, Mairi Gougeon, had written in November 22 to DEFRA highlighting comments from one of the previous DEFRA Secretaries issues with the Australian FTA and this letter outlines her frustration that points raised by Scottish government during negotiations have not being taken on board and that failure to do so has resulted in a lack of protection for domestic producers within these agreements.” - **STACEY DINGWALL, HEAD OF POLICY (SCOTLAND), FEDERATION OF SMALL BUSINESSES**

“Trade agreements these days are living agreements, increasingly these trade agreements are establishing joint bodies and committees to which implementation issues are addressed, in which parties explore regulatory cooperation opportunities, devolved authorities and stakeholders should be part of that conversation.” - **BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN’S UNIVERSITY BELFAST, SCHOOL OF LAW**

3.3 BREXIT IMPACTS

Witnesses highlighted that Brexit has impacted both devolution and the levelling-up project in the UK.

The Memorandum of Understanding (MoU) between the UK Government and the Devolved Administrations sets out a broad framework for devolved participation in international trade matters but is not binding. Our witnesses made it clear that legislation should be used to ensure the devolved administrations have a meaningful role in trade processes.

“In relation to the memorandum of understanding on devolution, the concordat on international relations, these need to be looked at because they were agreed when the UK obviously was a member of the EU, the UK didn’t have powers to have its own trade policies and of course now we have, it’s a completely different context that we have and what the organisations want is substantive policy input being placed into future memoranda or concordats.” - **DR LUDIVINE PETETIN, READER OF LAW, CARDIFF UNIVERSITY SCHOOL OF LAW AND POLITICS**

“Now in terms of specific policy recommendation firstly any system into government cooperation needs to be put on a statutory footing, with clear legally binding procedural obligations and rights to access information. And the system of cooperation and information sharing should be extended to devolved parliaments, I think we haven’t mentioned devolved parliaments yet, but I think they are a missing piece of this discussion, devolved parliaments, devolved assemblies have essentially no say in scrutinising trade agreements.” - **BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN’S UNIVERSITY BELFAST, SCHOOL OF LAW**

Other countries provide more powerful mechanisms for devolved governments to hold in trade agreements, resulting in increased cooperation and collaboration.

“One of the reasons why Canadian provinces have so much leverage in the area of trade policy is because they have the exclusive power to implement international trade obligations. And if they don’t like the outcome of the trade negotiation, they simply won’t implement it in their jurisdiction, so that meant that the Canadian government had huge incentives to give provinces a real say in shaping trade negotiations. So that they could have a buy in, that doesn’t exist here in the UK. So, we need to find ways of making those systems work in our system. So, for example, one of the things I’ve asked for consistently, I’ve called for consistently, is to put intergovernmental frameworks of cooperation on a statutory footing so that the UK government is subject to legal obligation to consult with the devolved authorities.” - **BILLY MELO-ARAUJO, SENIOR LECTURER, QUEEN’S UNIVERSITY BELFAST, SCHOOL OF LAW**

Furthermore, our levelling-up panel experts highlighted that Brexit had caused significant barriers to the UK’s regional economic growth. Evidence suggests that leaving the EU has led to greater regional inequality and restricted growth by impacting the UK’s ability to attract and retain talent as well as export efficiently.

“The evidence suggests what we have on the data so far that actually departure of the EU has led to greater regional inequality which I think is crucial inclusion and if we look at the data again across the country then exports to EU represent a significant percentage of exports across all regions and actually at sub-regional level as well, and even at local authority level. So, I think the fracture in the relationship there has had a crucial role to play.” - **PROFESSOR GRAEME ATHERTON, HEAD, CENTRE FOR INEQUALITY AND LEVELLING UP**

“We have had particularly higher skilled future workers and postgraduates turning down roles post-Brexit, that’s for a whole host of different reasons. Some of that is about bringing families with them actually, some of that is around the cost of visas, but quite a lot of it is actually not being perceived as a very welcoming place. And again, some of that we talk about the mayors, is about place-based missions to actually promote the UK as somewhere that actually we do want to attract international skills to, but also that we value lower-level skills as well.” - **EMMA DEGG, CHIEF EXECUTIVE, NORTH WEST BUSINESS LEADERSHIP TEAM**

"We are seeing local chambers who can no longer advise their local businesses because the questions coming in are so much more complicated than they were before, so are having to refer to specialist centres with all of that cost. So, we're losing ground actually and there are a number of businesses [...] who are just saying actually this is too hard and we don't want to do it." - **EMMA DEGG, CHIEF EXECUTIVE, NORTH WEST BUSINESS LEADERSHIP TEAM**



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