

Making A Difference

How a UK-U.S. Free Trade Agreement will deliver for SMEs across the UK



Working in Proud Partnership to Support SMEs Across the UK



Foreword

The Rt Hon. Greg Hands
Minister of State for
Trade Policy



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Last year, I had the pleasure of taking to the “virtual road”, meeting with small and medium-sized businesses up and down the United Kingdom to talk about the opportunities of UK-U.S. trade. I was delighted to be joined by senior DIT colleagues working on both trade policy and trade promotion, allowing us to discuss not only the opportunities we can unlock through a Free Trade Agreement (FTA), but also to discuss the practical support that exists right now to help SMEs trade with the U.S. I whole-heartedly endorse the report’s recommendations about the value of combining trade policy with trade promotion support.

2020 was a difficult year for SMEs in particular, who faced the impact of the COVID-19 crisis with far fewer resources than their larger counterparts. That’s why it’s so important to get 2021 right, and to provide the opportunities for small businesses to deploy their agility and expertise in driving economic recovery. Trade policy will be key to building back better, and the businesses I spoke with are an example of the tens of thousands of companies across the country that will be key to delivering the benefits of trade policy.

We want to build on the great progress we’ve already made in Free Trade Agreement negotiations with the U.S., As I write this foreword, we have concluded five rounds of negotiations and agreed a significant proportion of the legal text across multiple chapters. One particular area of progress I want to highlight is that we have already reached broad agreement on a dedicated SME chapter - one of the key demands of the SME community on both sides of the Atlantic, and something reflected in the negotiating objectives of both the U.S. and the UK.

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.

It was great to hear practical, tangible examples of how a UK-U.S. trade deal can help SMEs and deliver wider benefits to both our countries. As the report highlights, Bostonair, based in Yorkshire, provides services to the Wind Energy industry – playing an important role in helping us tackle the global climate crisis. However, they are struggling to share their clean energy services and expertise with the U.S. due to business mobility barriers. A deal that addresses these barriers would not only benefit Bostonair, but also play a small yet

practical role in helping both our countries meet our climate ambitions.

Spinlock, a company based on the Isle of Wight, told me about how they faced challenges exporting their lifejackets and other products to the U.S. As outlined in the report, even though their products are ISO-approved and in demand by American consumers, they still need to meet different U.S. Coast Guard Standards in order to sell their products in the U.S. I think we can all get behind a trade deal that can lower or eliminate barriers like these, and help to provide more high-quality life jackets from the Isle of Wight to the lifeguards of Wilmington.

When the “virtual road” took us to Scotland, the iconic Nairn’s Oatcakes discussed the value of a favourable tariff regime, as they have developed a major presence in the U.S., enjoying a 0% tariff. We hope to extend the benefits of low tariffs to more great British brands, like Brompton Bicycle, who face an additional 11% tariff on their bicycles as their wheels fall under the category of children’s bikes in the U.S.; or Steelite ceramics who face tariffs of up to 25.5%, despite little to no competition from U.S. manufacturers.

One aspect that held true across the country, and has been highlighted fully in the report below, is the wish from SMEs for a return to a more conducive environment for trade more generally. Global trade disputes can, at a stroke, increase costs in key areas, having a huge impact on SME traders.

The government is therefore rightly serious about de-escalation, and we remain firm that tit-for-tat tariffs are in no-one’s best interests. We want to resolve and de-escalate the Airbus-Boeing dispute so that we can deepen trading ties with the U.S. and move onto the next phase of our trading relationship, to the benefit of businesses on both sides of the Atlantic.

This issue encapsulates why it is so important for Britain to have its own independent trade policy, which has given us the freedom to suspend Boeing tariffs as a gesture of our determination to reach a fair settlement and unlock a deal.

These are just some of the tangible examples of how a UK-U.S. FTA could help your local SMEs up and down the country. I want to thank BritishAmerican Business for organising these invaluable roundtables, and to thank all the SMEs who took part in these events and contributed to this report.

To all those SMEs who are reading this report and want to get involved or learn more – whether you trade with the U.S. already, or are thinking about trading with the U.S. – please don’t hesitate to get in touch with my Department. We are here to help you, and we hope you join us on this exciting journey.



9 out of 10 businesses that export to the U.S. from the UK are Small, or Medium-Sized Enterprises



Summary

Our Findings

With trade negotiations and trade overall with the United States a priority for the UK Government, the Department for International Trade in partnership with BritishAmerican Business (BAB) went ‘on the virtual road’ across the country. The objective: to understand ‘what can make a difference’ for smaller businesses in a future comprehensive Free Trade Agreement with the U.S.

This report summarises the discussions and findings, focusing on how a future Free Trade Agreement with the U.S. can help fulfill the ambitions of proud and growing British businesses.

A glimpse of what we learned: first, there is unprecedented excitement for a UK-U.S. FTA among the SME community in the UK. Second, a successful FTA needs to sit at the heart of a triangle of action and support:

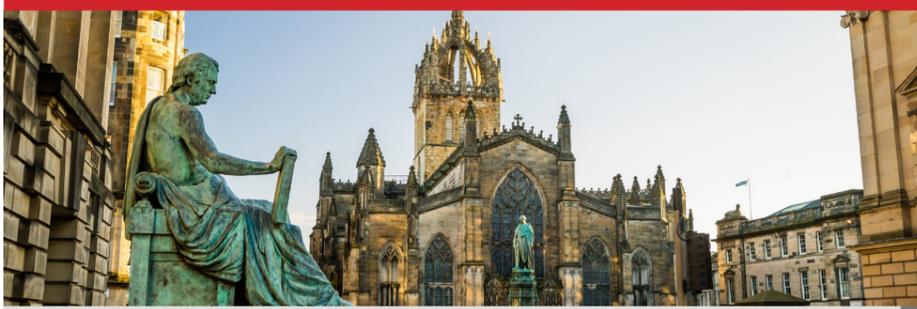
- Building a UK-U.S. trade agreement that lowers barriers to trade and investment, from a more simplified tariff and customs regime to a more aligned system of standards and regulations.
- Creating a transatlantic business environment that is conducive to trade and investment, with resolved trade disputes and enhanced business mobility.
- Providing on-the-ground, practical support such as with opening an office, finding trusted suppliers, or navigating tax requirements.

The UK has embraced this triangle in its approach, paving the way for thousands of British companies to fulfill their transatlantic trading ambitions. This report serves as an encouragement to continue this path.

Small and medium-sized enterprises (SMEs) are the backbone of the British economy. Millions of smaller businesses are key to the British economy’s growth and innovation. SMEs give people jobs, and communities a future.

For tens of thousands of these firms, international trade has become an essential recipe and sometimes necessity to their success story. British goods and services are high in demand all over the world. Moreover, businesses who trade internationally show stronger resilience in the current COVID-19 crisis than those who do not.

Yet, building an international business is not easy. It requires resources and support, most importantly, trading corridors that enable trade ambitions. The UK Government has put SMEs at the heart of its global trade agenda, reflecting the gains that can be achieved if trade barriers are to be removed.



Scottish SMEs raised issues on standards and regulations in the United States, and also on tariff disputes.

- Scotland exports the equivalent of £7,600 of goods to the U.S. every minute.
- 1,981 businesses in Scotland export goods to the U.S.
- Almost two thirds of the UK's total exports of beverages to the U.S. are exported from Scotland, worth £1.1bn alone in 2019.



SMEs in the North of England highlighted standards and regulations as important factors in their transatlantic expansion, and would like to see more practical support from the UK Government.

- The North East exports £198m of medicinal and pharmaceutical products to the U.S. and a deal could mean greater growth. This is the region's top export to the U.S.
- Over a quarter of the road vehicles exported by the North West go to the U.S.
- More than a third of the total UK exports to the U.S. of iron and steel, are from Yorkshire and the Humber.



SMEs in the Midlands focussed on tariffs, regulation and business mobility as key barriers to entry and expansion in the U.S. market.

- The West Midlands exports the equivalent of £13,400 worth of goods to the U.S. every minute.
- 3,103 businesses in the West Midlands export goods to the U.S., whilst 3,306 import from the U.S.
- The East Midlands exported £1.3bn of power generating machinery and equipment to the U.S. in 2019. A trade deal could further support exports by reducing barriers to trade such as differing standards and regulations.



SMEs in London and the South of England would like to see more practical support to expand to the U.S. market, and business mobility.

- London exports the equivalent of £15,500 worth of goods to the U.S. every minute.
- Indicative estimates show that an ambitious UK-U.S. FTA could boost the economy in the South East by £622m in the long run.
- Two-thirds of all dairy products and birds' eggs exported from the UK to the U.S. are exported by the South West. However, exporters currently face tariffs as high as 25%.

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A Triangle of Action and Support



Brompton Bicycle participated in the London & South of England session. They produce over 60,000 bicycles a year at their UK factory, and while more bicycles are being exported to the U.S. than ever, the company has had to embrace a complex tariff classification.

The (Small) Business Case

Why SMEs in a Free Trade Agreement?



SMEs are the backbone of the British economy. Millions of smaller businesses help the British economy grow and innovate. They give people jobs and communities a future. There are almost six million SMEs in the UK, representing 99% of all British companies. They account for three fifths of the employment (16.8 million) and half of turnover in the UK private sector (£2.3 trillion).

For tens of thousands of these firms, international trade has become a recipe and sometimes necessity to their individual success story. **For good reason:** British goods and services are highly in demand all over the world. Moreover, businesses that trade internationally show stronger resilience in the current COVID-19 crisis than those which do not. Thousands of British firms have operations abroad, with one third of UK exports generated by SMEs.

The single most important trading partner for British firms is the United States. British firms have operations in every single U.S. State. Tens of thousands of British companies export great British products to customers across the Atlantic.

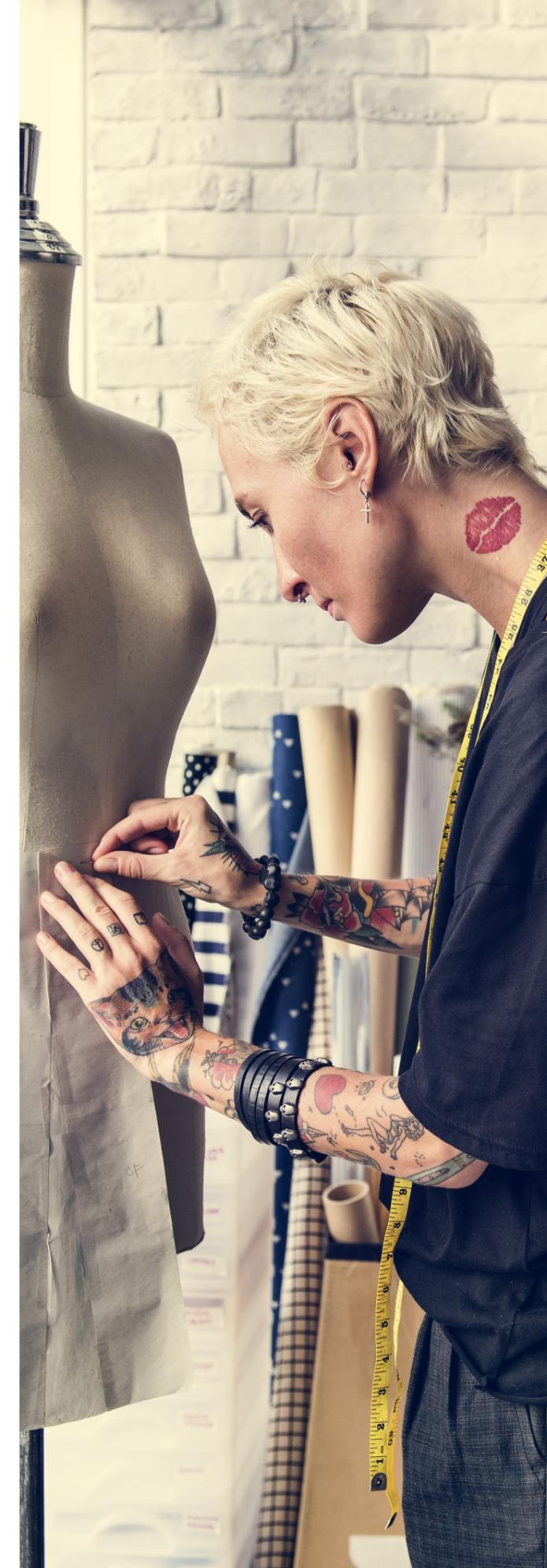
Yet, there is room for much, much more. **Countless reports and individual business case studies reflect:** while the ambitions of smaller British firms to become international are great, often so are the barriers they face. Barriers can be complicated customs processes, or the difficulty in getting

regulatory approval for a product that already meets high British standards.

Free Trade Agreements (FTAs) address these trade barriers. Removing them, however, does not mean lowering a standard or undermining regulation. FTAs find ways to simplify processes and to align regulatory frameworks where possible.

In the past, accessing the benefits that comprehensive FTAs offer was sometimes difficult for growing companies. This will now change: The UK Government has put SMEs at the heart of its global trade agenda, reflecting the gains that can be achieved if trade barriers are to be removed.

As the UK seeks to put in place a network of trade agreements to support and boost its economy, the trade negotiations with the U.S. in particular offer the opportunity to create a template for how a Free Trade Agreement can deliver for SMEs across the UK, now and in the future.





The Project

On the Virtual Road

Best practice experience over the years in the UK has shown: The best way to understand the practical challenges that SMEs face when doing business across the Atlantic is to speak directly to their people.

Throughout September and October 2020, the Department for International Trade (DIT) in partnership with BritishAmerican Business (BAB) went on a virtual tour of the United Kingdom, bringing SMEs from across the country together for a series of conversations with government and between businesses.

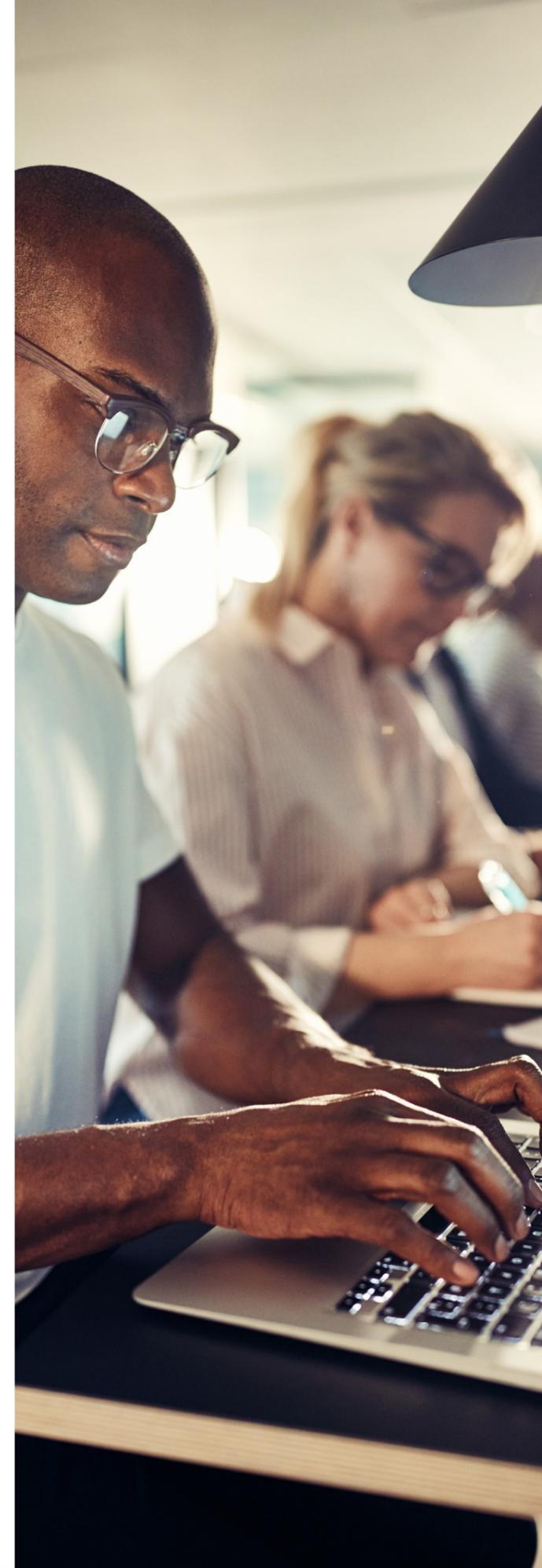
4 Meetings
60 British SMEs
13 Local Partners

Over the course of several weeks and in collaboration with 13 regional partners, relevant SMEs with a UK-U.S. trade and investment profile or tangible interest to trade across the Atlantic, as well as large transatlantic corporations with significant SME supply and distribution chains, were identified and invited to take part in the sessions. Four regional sessions were held in the South

of England, the North of England, the Midlands, and Scotland, with further sessions being planned.

Sessions were opened by BAB CEO, Duncan Edwards, with keynote remarks offered by the Minister of State for Trade Policy, Greg Hands, and Minister of State for Exports, Graham Stuart, as well as representatives from local partners. The discussions were facilitated by BAB's Director of Policy and Trade, Emanuel Adam, and accompanied by a short presentation from a known local business. DIT's Director for the U.S. Negotiations and DIT's Director for Exports answered questions and offered specific advice.

As part of the initiative, participants were invited to fill in a survey on their company and trading experience. As a follow up to each session, contact details of the DIT External Affairs and Advocacy Team, the DIT U.S. Negotiations Team as well as the DIT U.S. trade support team were shared with participants for individual follow ups.



Our Findings

Things That Make a Difference



Equidiet Founder and Managing Director, Sandra Murphy. Since participating in BAB's roadshow event for the North of England, Sandra is pursuing IP registration in the U.S., a market with over 7.2 million horses in its Equine industry.

Photo credit: Mountain Photography

Case Study

Paxman Coolers Ltd.

 Huddersfield, Yorkshire

 Houston, Texas



Huddersfield based Paxman Coolers Ltd. are global leaders in scalp cooling technology that helps reduce hair loss for those undergoing chemotherapy. Since their first installation in 1997, Paxman has gone on to install thousands of units across the world, however they faced regulatory barriers in the U.S. that took **7 years** to overcome.

In 2010, Paxman expanded their business to the United States, a key growth market for the company, but did not receive regulatory approval from the Food and Drug Association until **April 2017**.

Today, the company has a headquarters in Houston, Texas, and is active in **40 U.S. states**. Trade with the U.S. has been a key factor in their overall growth, and they have doubled their UK workforce as a result of their transatlantic expansion

A Free Trade Agreement that reduces regulatory barriers and cuts red tape can be a substantial benefit to UK companies in the medical devices space.

U.S. HQ in Houston, Texas

And active in 40 U.S. states

7 Years

To receive approval from the FDA

UK workforce doubled

As a result of trading with the U.S.

A Free Trade Agreement that Puts Small Businesses First

Lower Tariffs and Easier Customs Procedures Lifts Potential for Growth

Eliminating or reducing tariffs and simplifying customs processes are often seen as the 'low hanging fruit', areas where there is not too much to gain in trade agreements. Our stories confirm, however, that these issues are crucial to smaller companies. In fact, the majority of businesses we spoke to report that tariffs are a costly factor and customs processes a real barrier when it comes to planning to send a product abroad.

The ceramics manufacturer **Steelite**, based in Stoke-on-Trent, for example, faces the full weight of tariffs. Steelite has been doing business in the U.S. since the 1990's, having set up a large base of operations in New Castle, Pennsylvania. While their products are extremely well regarded – the 'Made in England' stamp carries plenty of weight in the U.S. – they also face a startling 25.5% tariff for the products imported from the UK, despite having little to no competition from U.S. manufacturers. It's easy to imagine what a difference it would make to Steelite's competitiveness if these tariffs were removed.

How zero or reduced tariffs can make a difference is a story told by **Nairn's Oatcakes**, founded in 1896 in Strathaven, Scotland. Nairn's are the largest producer of oatcakes in the UK, exporting to over 30 countries including the U.S. Their success across the Atlantic has been enabled by a friendly customs regime, with 0% tariffs on oatcakes as well as no requirements for additional certification.

The well-known London-based manufacturer **Brompton Bicycle**, on the other hand, is a prime example of the apparent randomness of some tariffs. Brompton produces 60,000 bicycles each year, all of them in the UK. Three quarters of these bicycles are exported abroad. While the U.S. is their most important growth market over the next five years, the tariffs applied to their bicycles are a good example of how they add costs to a business, but also how a company can get caught in confusing tariff regimes.

The U.S. currently applies a tariff of 5.7% for bicycles. Brompton's bikes, however, are taxed with an additional 11% as their wheels fall under the category of children's bikes. This has been a big disadvantage compared to other international markets which have a lower, or even no tariff on their products.

With e-commerce opening further opportunities for UK-based businesses, the need to ensure smooth shipping becomes even greater.

James & James Fulfillment uses data and cloud services to help clients grow their sales, increase customer satisfaction, and optimize operations. They explain that the U.S. has become a priority export destination for many UK e-commerce brands, while many U.S. retailers see the UK as the key European market. For them, with both UK and U.S. operations, that provides opportunities to help brands expand in both directions and ultimately grow their business.

However, dealing with customs can place a large burden on these customers, slowing down the speed at which they navigate administrative requirements and ship products.

One of the British firms that takes advantage of e-commerce is **Seraphine**, a London-based maternity fashion brand founded in 2002. Seraphine have built a global footprint and reputation by creating fashionable clothes that women would want to wear even if they were not pregnant.

With flagship stores on both sides of the Atlantic – in London and New York – Seraphine have found that the raising of the de minimis exemption to \$800 which was introduced in the U.S. Trade Facilitation and Trade Enforcement Act of 2015 has been a huge enabler for cross border e-commerce. They have been able to sell more products to the U.S. at lower cost, while spending less time on customs paperwork. A higher UK de minimis exemption would help with importing materials and other products and in turn help them serve more customers both in the UK and abroad.

Align Standards and Regulations to Open New Markets

The most important way in which modern trade agreements such as the UK-U.S. FTA can open markets is in lowering or eliminating non-tariff barriers (NTBs). NTBs include standards and regulations that differ between markets, forcing companies to adhere to multiple sets of testing, certification, and labelling requirements – which often comes at considerable cost and requires detailed expertise to navigate.

Every country has the right to regulate in its best interest and regulations and standards often represent local values and traditions. However, there are many areas where standards and regulations in different jurisdictions are, in fact, not very different from each other – and indeed both the UK and the U.S. aim to set the highest standard possible in many areas. Without alignment or the ability to fully understand the differences, however, these standards and regulations can become an insurmountable barrier to smaller firms.

Throughout our virtual roadshow, companies told us about such issues. Today, many companies must comply with both UK and U.S. regulations for their products to be able to sell across the Atlantic. The costs, administrative burdens, and time it takes to receive U.S. approval were highlighted as important obstacles.

A good example is **Spinlock**. Based in Cowes, on the Isle of Wight, Spinlock has been designing and manufacturing innovative rope holding equipment for sailing boats for over 30 years. The U.S. is their biggest market by far.

While their products are ISO-approved, they have found that there is little alignment of standards between the UK and the U.S., which require U.S. Coast Guard Standards in order to be sold in the U.S. American customers want their products, but the lack of standards alignment or equivalence continues to limit how much, and how quickly the company can grow in the U.S.

Another example came from the medical devices space. It took **Paxman Coolers Ltd.** several years to enter the U.S., with a substantial amount of investment. The journey began in 2010, when they decided to enter the largest healthcare market in the world with an innovative product, a cold cap that helps reduce hair loss for those undergoing chemotherapy.

However, when they embarked on this journey, they did not have a full picture of just how substantial the regulatory barriers can be – specifically how long it took for their medical device to receive approval from the local regulator, the Food and Drug Administration (FDA).

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.

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.

A UK-U.S. FTA can help thousands of exporting SMEs by reducing tariffs, time spent on customs, paperwork, and costs. This will help companies grow and serve even more customers on both sides of the Atlantic.



Case Study Walkers Shortbread

 Aberlour on Spey, Scotland

 Hauppauge, New York

Walkers Shortbread, a family-owned business based in the small village of Aberlour in the Scottish Highlands, has been baking “the world’s finest shortbread” for **over 120 years** and their range of products is now recognized worldwide.

Walkers has been operating and selling in the U.S. for **over 40 years**. Over **15% of their UK workforce** is dependent on the baking of products destined for the U.S. They employ 30 people in the U.S., and their distribution network involves several hundreds of Americans.

In September 2019, the U.S. Government imposed 25% tariffs on imports of sweet biscuits as a result of the WTO Large Civil Aircraft trade dispute. For a smaller company such as Walkers, a price increase of that scale is hard to absorb. Fortunately, the company managed to remain competitive until tariffs on biscuits were removed in September 2020.

A Free Trade Agreement that guarantees 0% tariffs on exports to the U.S. will reduce uncertainty for British businesses that trade across the Atlantic.

Hundreds of U.S. Jobs

Created through distribution network

15% of UK workforce

Is dependent on trade with the U.S.

25% Tariffs

On biscuit imports imposed by the U.S. in 2019

A Conducive Environment for Trade and Investment

Choosing a destination for a company’s product or service often depends on the envisioned prospect for growth in the market, but equally the market’s overall attractiveness. No question, the U.S. is an attractive marketplace for British firms. However, as we progressed with our virtual tour of the UK, it became clear that there are issues in the transatlantic trade and investment corridor, which do not fall under the remit of a trade agreement, and which can affect SME growth ambitions disproportionately.

Two recurring issues were those of the WTO Airbus/Boeing dispute which has led to tariffs on British SMEs in unrelated sectors, and the vital importance of unhindered travel for business to the U.S. With fewer resources to spare, uncertainty over additional costs being imposed on products, or over the ability to send staff to the U.S. to conclude business deals or meet clients in person, can often be the difference between fulfilling ambitions of transatlantic expansion and failing to grow.

Resolving WTO Disputes

Since the 2019 ruling of the World Trade Organisation (WTO) in the Airbus subsidy case, and the U.S. tariffs imposed on European and British products, the ongoing dispute and its potential for further escalation continues to challenge businesses in a number of leading British sectors, particularly in the food and drink and textile sector – companies such as Nairn’s Oatcakes, **Walkers Shortbread**, or the entire UK Scotch Whisky industry.

The best example of how such actions have a direct impact on a smaller business is Walkers Shortbread, an iconic, family-run British brand with 1500 employees and a manufacturing site in Moray. Walkers is the largest British exporter of shortbread and sweet biscuits to the U.S., with an additional 30 employees there.

In September 2019, the company faced considerable challenges when the U.S. Government imposed 25% tariffs on imports of sweet biscuits. For smaller businesses, price increases of this scale are hard to absorb.

Fortunately, the company managed to remain competitive until sweet biscuits were taken off the list in September 2020. But there are many other firms which are still subject to those additional tariffs, from the Textile industry to Spirits. Moreover, disputes such as this negatively affect new business ambitions to enter the market.

Transatlantic Business Mobility

Transatlantic business mobility is equally a topic outside of the scope of a traditional FTA. Yet, it ranks among the most common issues that SMEs struggle with when it comes to international expansion. It is no surprise that business mobility between the UK and the U.S. featured as one of the most prominent themes throughout all of the sessions.

Bostonair, based in Beverley, Yorkshire, counts business mobility as the biggest barrier they are dealing with. As a service provider to the Wind Energy industry, Bostonair supply skilled labor directly to some of the largest global wind turbine manufacturers globally, including in the U.S.

Having gone through an extensive application process and received 'visa approval status' for a 5-year E2 working visa for their employees before the COVID-19 pandemic, they have been unable to secure further visas, as visa processing has virtually stalled. This, in turn, has affected their ability to deliver projects to U.S.-based clients.

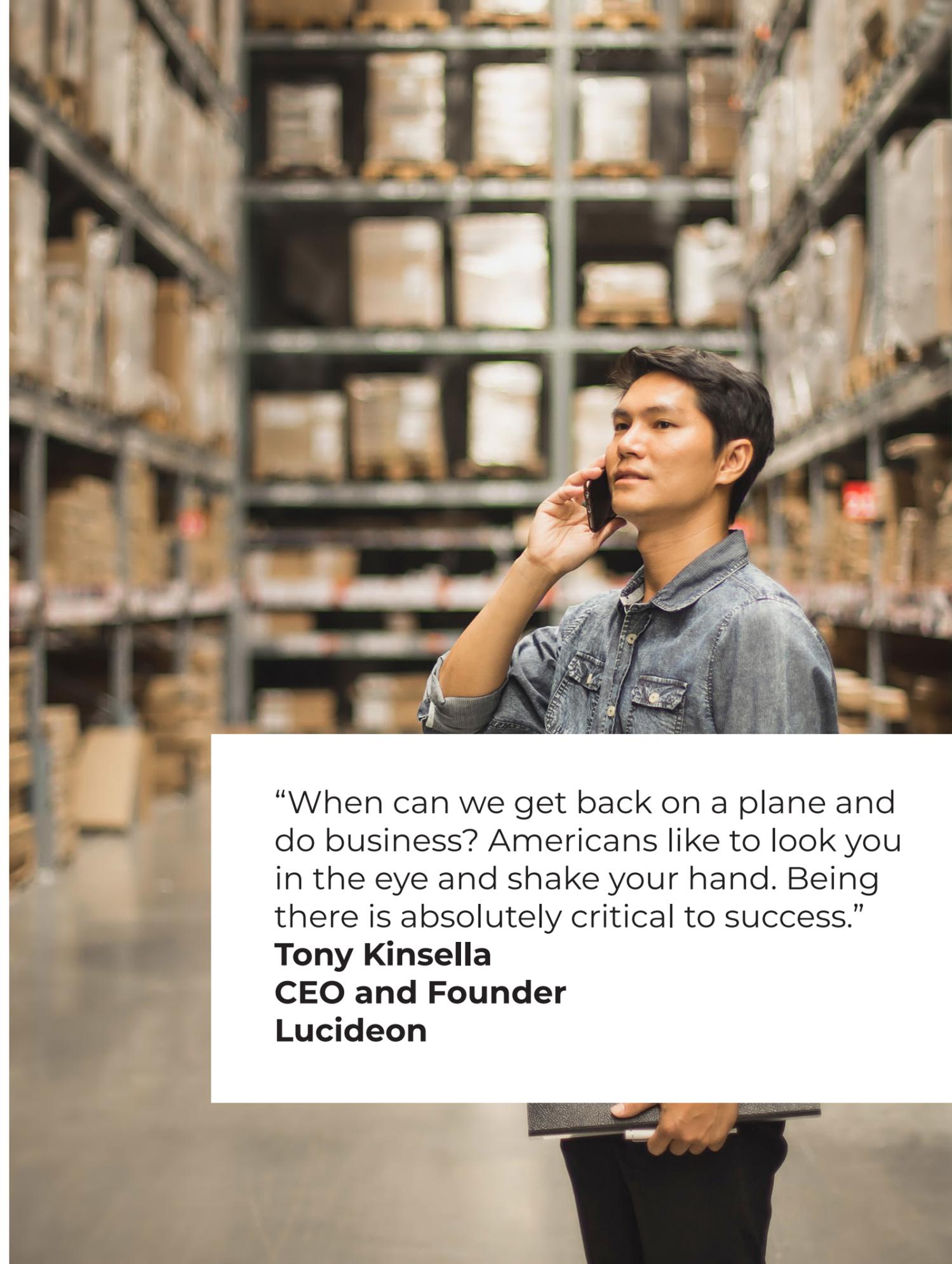
Transatlantic immigration service providers, such as **Olivia McLaren Ltd.** - also a small business - have reinforced the point that many SMEs need help by easing the visa application process, as well as reducing the fees required for it.

With significant travel restrictions in place on both sides of the Atlantic, as part of the measures taken to fight the COVID-19 pandemic, transatlantic travel has been reduced to a fraction of its normal volume. While larger companies may cope in a virtual setting, for smaller firms who rely on in-person contact to find business partners, suppliers and customers, the ability to travel is crucial for the business.

While there is hope for the transatlantic travel corridor to reopen in 2021, the issue shows just how important it is for smaller businesses in particular to be able to move not only goods and services, but also the people that make that trade possible.

As the UK and the U.S. seek to further integrate their economies, there is a unique opportunity to use this momentum to make it easier to work across both markets.

Resolving these non-FTA issues would increase certainty for businesses and improve the overall transatlantic trade and investment environment needed for British SMEs to thrive.



“When can we get back on a plane and do business? Americans like to look you in the eye and shake your hand. Being there is absolutely critical to success.”
Tony Kinsella
CEO and Founder
Lucideon



Case Study

Lucideon

 Stoke-on-Trent, Staffordshire

 Raleigh, North Carolina

Lucideon is a development and commercialisation organization (DCO), specialising in materials technologies and processes.

In 2007, the company acquired its U.S. business to support market entry into the U.S. The acquisition provided them with an organisation and expertise to deal with practical matters such as **tax, medical benefits, state employment law, and more**. Without this, their expansion would have been much more difficult. Today, the company operates across the UK and the U.S., with facilities in North Carolina and New York. While this has been a fruitful endeavor, not every UK SME has the capacity to acquire a business in order to establish a strong foothold in the U.S.

Expanding and strengthening the trade promotion and assistance network across the U.S. would provide immediate benefits to countless British companies looking to enter the market. In addition, SMEs will also benefit from making these practical services that the UK Government provides more visible and easier to access.

Acquired U.S. Business in 2007

Supporting entry into the market

2 U.S. Facilities

In North Carolina and New York

Linking Policy with Trade Promotion Support ‘On the Ground’

A future Free Trade Agreement between the UK and the U.S. is meant to offer many new opportunities for companies to do business abroad. Interestingly though, when speaking to smaller businesses, the issues that are raised being of most importance to them are often not among those covered by an FTA. In fact, what we observe is that traditional trade promotion support is a crucial enabler for SMEs to access benefits brought by an FTA, support that will decide whether to take the risk of business expansion abroad.

In addition to questions around business mobility, businesses mentioned the following issues as potential barriers to trade and expansion:

- Difficulty in accessing information as well as legal guidance and support
- Lack of clarity surrounding the different tax requirements across the 50 U.S. states
- Different and diverging state-by-state regulations
- Incorporating in the U.S.
- Difficulty accessing market research services
- Accessing a network of trusted providers and advisers
- Opening bank accounts

One of the clearest case studies came from **TradingHub**, headquartered in the City of London, which specialises in data analytics for the Financial Services industry. They work with global banks, asset managers, hedge funds, and regulatory institutions to identify market abuse and potential rogue traders, as well as improve the performance of traders.

Their challenge was as basic as completing their tax registration. Simply finding out what they needed to do was challenging, time-consuming, and expensive. They quickly realised that even U.S. accounting firms, if they have no international experience, sometimes do not understand how to help British companies. That becomes even more difficult when companies have

“One opportunity is leveraging the existing network of British professionals abroad more efficiently. Being able to advertise to a network, whether in a B2C capacity or to connect with British architects and engineers now working in America would help establish early relationships that could prove pragmatically valuable to a new exporter.”
Andrew Stimpson, CEO, Warmup

to operate in more than one state and follow more than one set of laws.

Another type of challenge which SMEs need help with is finding out how to protect their intangible assets.

The company **Equidiet** invented the world's first liquid feed for horses and has seen strong demand in the UK and in Europe for their products. With over 7.2 million horses in the American Equine industry, there is a huge opportunity to export to the U.S., but their plans have been hampered by several issues and concerns.

Because the product is a world first, founder Sandra Murphy has worked to secure a European patent on the liquid feed, which took five years to secure, at a considerable cost of roughly £35,000. To export to the U.S., the company now needs to secure Intellectual Property (IP) protection there and is understandably concerned about having to duplicate those efforts.

Innovative SMEs like Equidiet require on-the-ground support and guidance to understand the U.S. patent system and make sure that their inventions are protected so that they can continue to innovate and serve customers on both sides of the Atlantic.

“If we understood the market better, we would generate a lot more sales leads which in turn would encourage our distributor to spend more time selling our product and also to commit to holding stock in their warehouses.”

Lucinda O'Reilly, Marketing and Exports Director, Ecotile Flooring

Companies have also raised the issue of accessing market research services to better understand the U.S. market. **Ecotile Flooring**, founded in 1996, produces environmentally friendly and sustainable flooring for industrial use. For them, the U.S. is a hugely attractive market, with hundreds of thousands of potential customers. However,

they have encountered challenges, with some U.S. firms reluctant to buy from a British supplier due to concerns about lead-time and navigating the complexities of customs. They have also noted a need for on-the-ground support so that they better understand how to navigate U.S. standards and regulations.

We also consulted companies that have not yet entered the U.S. market and hope that with a little more help and guidance, they can do it easier and quicker. A good example is **FOMO Protection**, a Glasgow-based innovative start-up which designs and manufactures protective horse-riding equipment. They had recently received pre-orders from the U.S. which unfortunately they could not fulfill due to the size of the U.S. market, and they lacked an understanding of state and federal laws and taxes.

Last but not least, we encountered plenty of success stories which stand as a

testament to the opportunities already present in the transatlantic corridor. One of them is **Lucideon**, a company specialising in materials technologies and processes, headquartered in Stoke-on-Trent and with sites in New York and North Carolina.

Entering the U.S. market, the company felt it needed help and expertise on the ground, which is why it acquired its U.S. operations in 2007. This provided the resources and know-how to deal with tax, state employment law, and other practical matters.

While this has been a very fruitful endeavour, not every UK SME has the capacity to acquire a business in order to establish a strong foothold in the U.S.

From help with registering their intellectual property, to accessing market research services, understanding local employment laws or regulations when setting up an office, being part of a visible network of trusted partners that companies can refer to for help, or even simpler things like opening up a USD bank account – practical help for SMEs is extremely important and can be offered outside of the scope of a trade agreement.

“We have found the U.S. sales tax application to be onerous and time consuming, as each state applies it differently. A one-stop information and support portal to help us navigate such issues would be hugely beneficial.”

Cécile Reinaud, Founder and President, Seraphine

“What would be extremely useful would be for DIT to ‘bring the UK to the U.S.’ by providing sponsorships, grants, connecting us with local payroll companies, explaining the system, which forms need to be filled in, and so on. This type of support, together with a potential UK-to-U.S. passporting system for tax registration, would increase the flow of trade immensely.”

David Hesketh, Founder and COO, TradingHub

A Triangle of Action and Support



In 2020, we went on the virtual road to understand 'what makes a difference' for smaller companies when it comes to the prospects of a future Free Trade Agreement between the UK and the U.S.

What we learned was that there is an enormous excitement to make the U.S. part of business ambitions that growing companies in the UK have.

We learned that a Free Trade Agreement between the UK and the U.S. will create further integration and momentum for an economic relationship which is already integral to the British economy and its businesses.

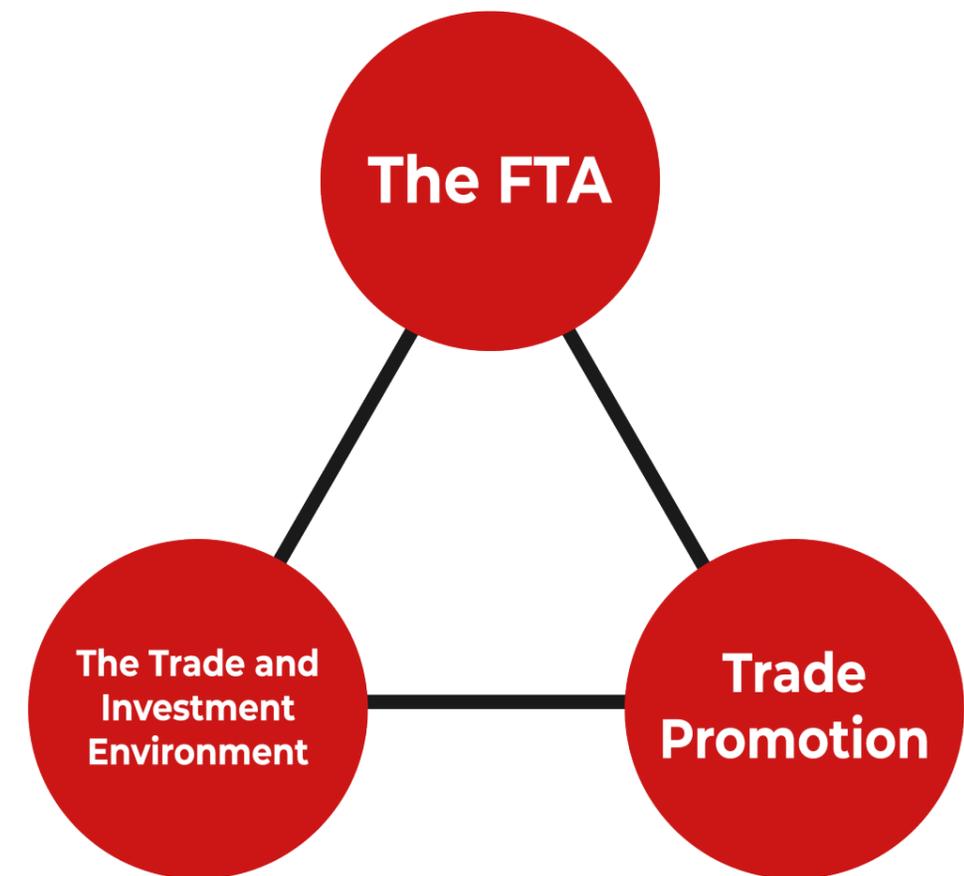
But most importantly, we also learned that for SMEs to fully enjoy the benefits of an FTA, the FTA needs to sit at the heart of a triangle of action and support. Through its work on all fronts, the UK has embraced this triangle in its approach.

The FTA: A Free Trade Agreement between the UK and the U.S. can have a significant effect on an SME's ability to trade with the U.S. or set up shop across the Atlantic by making it easier and cheaper to trade, whether it be through simplified customs processes, lower tariffs or smart alignment of regulatory frameworks and the standards that they inform.

The trade and investment environment: The overall trade and investment environment and policy actions within it affect SMEs more than large corporations. The threat of potential tariffs being applied in response to the

ongoing WTO dispute between the U.S. and the EU is worrisome for smaller firms, so is the concern of being caught in immigration processes when it comes to transatlantic business travel. Addressing these will create a conducive environment for trade and investment that encourages SMEs to begin their expansion journey.

Trade promotion: An FTA discussion is as much about policy as it is about trade promotion. SMEs in particular face practical challenges such as navigating individual state laws, understanding how to protect their innovative products, or accessing legal advice and counsel in setting up operations in any of the 50 states. Strong trade promotion support on the ground will enable SMEs to access the benefits that a future FTA can deliver.



Note from the authors

Something not reflected in the official part of this paper is how much small business representatives appreciated and welcomed the opportunity of direct exchange with leading representatives of the UK Government. This approach and availability reflect the approach the UK Government has taken in making trade and trade policy accessible to everyone. We congratulate and fully support the Government in its approach.

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