

Response of the Engineering and Machinery Alliance to the DIT's consultation on UK Global Tariffs

Headline points:

- **There should be no change to the existing regime for manufactured goods without specific reasons, which should be consulted on**
- **There should be no unilateral abolition of tariffs, as that weakens the UK negotiating position**
- **We oppose the abolition of tariffs below 2.5%. Although the tariff is low, the equipment is often high value, and the tariff commercially significant**

1. We welcome the consultation on tariffs, a subject that has been little discussed by businesses in the UK for many years.
2. EAMA is an alliance of trade associations* representing manufacturers and/or distributors in the machinery and component supply chain; companies that make the machines and tools that firms use to make things; and many of their customers. Companies represented by EAMA often work across sectors – from aerospace to oil and gas, from automotive to laboratories. They often do not fit easily into the 'vertical' categorisations of sectors of the economy. The companies vary in size and ultimate ownership, from small to very large, UK-owned to ownership abroad. Our response to the consultation addresses the UK Global Tariff regime only insofar as it is relevant to EAMA members.
3. We urgently need to boost UK manufacturing. The importance of the sector is ably set out in recent reports** by Oxford Economics for the Manufacturing Technologies Association (an EAMA member) and by the Institute for Manufacturing at the University of Cambridge for BEIS. The sector pays above average wages, is of much greater significance to the economy than its direct contribution to GDP would suggest and is essential to long-term strength in high-value sectors such as research and marketing.

*EAMA members: Agricultural Engineers Association; British Automation & Robot Association; British Compressed Air Society; British Fluid Power Association; British Plastics Federation; British Turned Parts Manufacturers Association; Gambica; Gauge and Tool Makers Association; Manufacturing Technologies Association; Picon; Processing and Packaging Machinery Association; Solids Handling & Processing Association; and UK Industrial Vision Association.

**<https://www.oxfordeconomics.com/recent-releases/bd178a1a-dbb9-4651-9b0c-4aac020e109f>

[https://www.ifm.eng.cam.ac.uk/uploads/Research/CSTI/Inside the Black Box of Manufacturing report FINAL 120619.pdf](https://www.ifm.eng.cam.ac.uk/uploads/Research/CSTI/Inside_the_Black_Box_of_Manufacturing_report_FINAL_120619.pdf)

4. The UK's global tariffs are a legacy of our membership of the EU. As we pursue an independent trade policy, it is right to review whether they are right for the UK. That review should be thorough and engage fully with business. EAMA believes that the government should be cautious about changes to the existing regime, and that the existing regime should be carried forward for manufactured goods unless there are very specific reasons for change, which should be set out and consulted upon.
5. There is every potential to expand UK manufacturing. That is true of sectors where it thrives at present, in parts of the supply chain where it may be weaker and in the new technologies, many of which will be critical to the economy as it moves towards 2050 carbon targets. We should be wary of undermining the UK's potential, especially for superficial, short-term gain.
6. The proposed tariff changes would weaken the UK's bargaining position in future trade talks and should not be made unilaterally. The point has been made by others and we are unaware of any reasonable counter-argument having been made. Tariffs for many machinery goods and components are relatively low, but they remain significant.
7. We disagree that import tariffs at or below 2.5% – referred to in the consultation as 'nuisance' tariffs - should be abolished. It is important to note that even a tariff at this level on a valuable item, such as a CNC machine tool, could amount to a substantial sum and have an effect on the market.
8. On a point of detail, the consultation is a little unclear. It proposes abolishing tariffs at or below 2.5%; but also rounding down tariffs below 5% to 2.5% - the level at which tariffs are to be abolished. We are assuming that the intention is to abolish tariffs below 2.5%, but not at 2.5%.
9. We see no great reason for rounding tariffs, either up or down. (The case for rounding up is no less strong than for rounding down.) Nor do we see a persuasive reason for the banding proposed. However, were the government to go ahead with banding, the proposed bands seem as reasonable as any.
10. It is proposed that tariffs on 'inputs to production' be abolished - that is, on goods which UK businesses import for use in production and manufacturing of other goods. The aim would be to reduce input costs for UK producers and potentially to encourage inward investment in manufacturing. We do not believe the reality is that straightforward. It is true that reducing or eliminating tariffs for input goods could reduce overall costs for certain manufacturers in the UK. However, we wish to see the UK supply chain strengthened – and the tariff proposals risk having the opposite effect, discouraging investment in the supply chain.
11. It is proposed to abolish tariffs where the UK has zero or limited domestic production. This may be appropriate in specific circumstances, but it should not be the default position, particularly in areas of critical and evolving technologies.
12. Several EAMA members are actively involved in helping to lead the development of the UK supply chain, mostly strikingly but not only through Reshoring UK, the online resource that was started by an EAMA member and now has the support of 20 trade associations. The

proposed tariff changes risks undermining these efforts at what is a critical time for reshoring, in the light of leaving the EU.

13. UK component and product suppliers are renowned for the quality of what they produce, a reputation the government strongly endorses and promotes. We believe the tariff proposals would work against efforts to build upon that reputation.
14. We are concerned to ensure the right balance is struck between consumers and business, in the public interest. UK manufacturers produce to high standards, to the benefit of consumers. They maintain high standards of employment, and they generate significant tax revenue, both directly and indirectly (as shown in the reports mentioned above). The proposed tariffs reductions may give small and short-term benefits to consumers but involve a much higher cost to the economy if UK companies are undermined. One example would be a loss of tax revenue, which consumers (or businesses) might be asked to make up through higher taxes.
15. Stability is important to business – at least, the avoidance of unnecessary instability. It is right that the UK should move away from existing tariffs where there is a clear gain to be had, but not otherwise. The case for these unilateral changes in tariffs is not strongly made in the consultation and we believe they would be at best unhelpful, and at worst damaging in terms of the machinery and component supply chain.
16. EAMA supports the government’s ambition for the UK to be a leader in international trade and in combating climate change. There is much to be done to boost the UK manufacturing supply chain and increase exports - and EAMA is enthusiastic about the discussions we are having on a number of these points with DIT and other departments.

Jack Semple
EAMA Secretary
March 5th, 2020