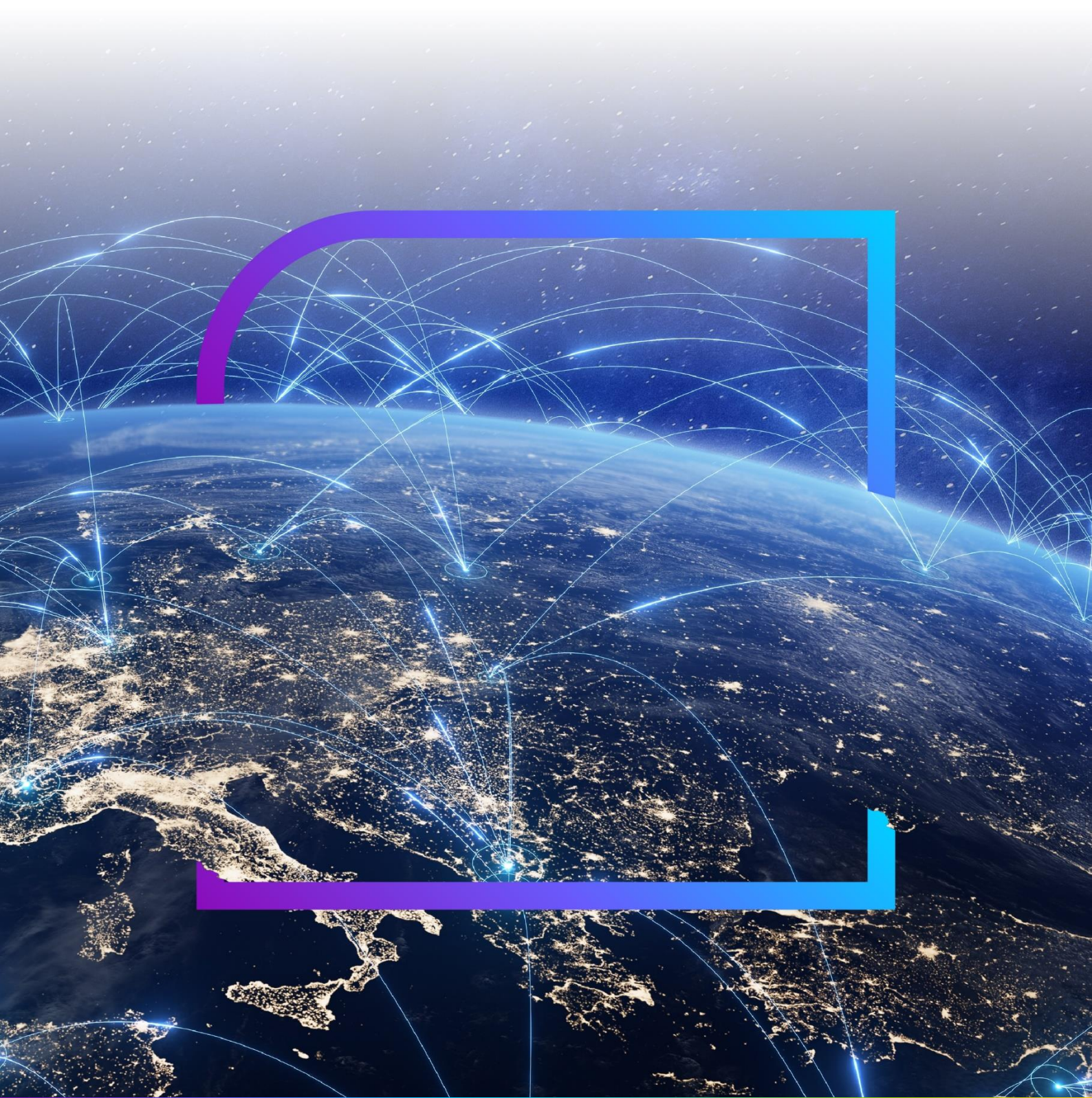


CIBI

SERVING UP SUCCESS

Growing our services trade



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Foreword

The UK's services industry is a global success story, accounting for 90 per cent of our GDP last year and over four-fifths of employment this year. And their value to our economy is only growing, with the UK doubling its services exports since 2016.

Connecting with, and enabling our goods trade, service industries are the quiet power behind our economy, securing its success across regions and nations. So, to unlock the long-term, sustainable growth we need in the coming years, it is essential we understand and leverage that power.

There is no denying the complexity of this crucial sector with its diverse and vital branches, from business and professional services, to creative, financial and more – each a UK powerhouse in their own right with their own nuances and needs.

As the UK government sets to work on its industrial and trade strategies, it is vital that it works with and listens to business, both directly and through bodies like the Professional & Business Services Council, to understand these complexities and harness the power of our services exports.

This report is a collection of insights and ideas from businesses across the UK's services industries and details clear recommendations for how government and industry together can double down on our services economy and its trade potential to drive growth.

Services firms of all industries are keen to play their part in building a stronger economy. And this report sets out a clear vision to boost business confidence, show leadership on the world stage and unlock growth.

The UK is proudly the second-largest services exporter in the G20, and working together, business and government can take this success story to even greater heights, for the benefit of communities and people across the country.



Rain Newton-Smith

CEO, CBI



Executive Summary

With new industrial and trade strategies on the horizon, government and business can partner on our services economy and deliver sustainable growth by:



Signalling intent to boost confidence

- Communicate a clear pipeline on all agreements, from Free Trade Agreements to sector-specific agreements.
- Publish a new digital trade position with refreshed areas of focus reflective of our evolving digital world.
- Develop a strong trade promotion programme, increasing funding and working across departments.



Unlocking growth through proactive measures

- Negotiate reciprocal mobility agreements to aid intra-company transfers and short-term business travel.
- Implement a modern, flexible and digitalised immigration system which can respond quickly to the needs of business.
- Deliver clear paths for Mutual Recognition of Professional Qualifications with relevant jurisdictions.
- Commit to better utilising the EU-UK Trade and Cooperation Agreement's specialised committees to foster greater regulatory cooperation.
- Create mechanisms through which regulators can work with their counterparts to address barriers to trade, including in emerging sectors.
- Set up a one-stop shop for services companies to interpret bilateral and multilateral agreements.



Delivering change on the global stage

- Outline basic principles for regulation of emerging technologies.
- Pursue the removal of barriers to international data transfers with like-minded countries and trading blocs that share similarly high levels of data protection.
- Work with business and international allies to find a permanent, evidence-based solution to the World Trade Organisation's e-commerce moratorium.

Signalling intent to boost confidence

Business has been clear: a government relentlessly focused on long-term objectives is important to ensure firms have the stability, direction and support needed to develop their own growth plans.

Communicate a clear pipeline on all agreements, from Free Trade Agreements to sector-specific agreements

There are several trade policy tools at the government's disposal: from Free Trade Agreements to sector-specific Mutual Recognition Agreements to Digital Economy Agreements (DEAs). With Free Trade Agreements often requiring substantial political capital to finalise, it is important that government has a clear pipeline of alternative options for priority markets. With firms often emphasising the need for stability and long-term direction to make investment decisions, establishing a negotiations pipeline will help to refine the UK's trade priorities as well as offer much needed planning security. With more long-term certainty, businesses will be able to adjust their operations over time to take advantage of new market access and reduced barriers to trade. Given the range of existing agreements in place, a clear understanding of those which are working well and are considered innovative – such as the Berne Financial Services Agreements and the UK-Singapore Digital Economy Agreement – would help government to understand where they could potentially be successfully replicated.



A perspective from UK Finance and the City of London Corporation on the Berne Financial Services Agreement

As a leading international finance centre, the UK is often used by firms as a base to provide financial services both across the country and throughout the world. New sector specific Mutual Recognition Agreements are an important route to further developing this trade. The Berne Financial Services Agreement is the UK's first Mutual Recognition Agreement in financial services: its depth and breadth are the first of its kind, making it a truly groundbreaking agreement which sets an ambitious precedent for future deals.

The agreement is predicated on an outcomes-based approach to recognition, with significant market access provisions and measures aimed at reducing and removing regulatory barriers to trade. The Agreement also creates the possibility for its initial sectoral coverage to be expanded, which will ensure that the sector and Agreement can grow together simultaneously. We thus strongly encourage the Berne Financial Services Agreement to be used as a template for future Agreements between the UK and other financial centres globally.

Publish a new digital trade position with refreshed areas of focus reflective of our evolving digital world

Much has changed in the digital trade space since the [UK's last position paper](#) was published in September 2021. As digital trade and technology continues to evolve, it is important that the government's existing position is updated with refreshed areas of focus. Government activities must be driven by a consistent and cross-governmental strategic vision, given the cross-cutting nature of digital issues. Beyond the previous five focus areas, the digital position paper should also consider where bilateral and multilateral agreements should be pursued to meet our national growth objectives and digital trade priorities. As part of this consideration, government should undertake a review of where the UK's international competitors are most active in the multilateral arena, including in fora of which the UK is not a member but could collaborate with allies, and where tangible change could be made in line with our strategic vision.

Bilateral agreements like DEAs play an important role in positioning the UK as a good partner with whom to drive forward shared digital priorities. Future opportunities to agree further, mutually compatible DEAs should be included in any new position paper as they provide a robust framework through which to explore emerging priorities – including Artificial Intelligence, cybersecurity and cross-border data flows – and to find solutions for future issues with third countries.

Develop a strong trade promotion programme, increasing funding and working across departments

Trade shows and missions are an important tool for the UK to signal to overseas partners that it is open for business and to connect UK-based companies to customers in overseas markets. A strong trade promotion programme better enables the UK to champion business globally and boost our competitiveness. With risks for SMEs engaging in international trade particularly high, government intervention is incredibly important: services firms wish to see government subsidise or fully fund these opportunities as done by international competitors like Australia and France. Firms have also often felt that government can be siloed when it comes to trade promotion activities and events. Ensuring successful delivery of these opportunities must be a cross-departmental effort, drawing on the market knowledge of those in-post and the sectoral knowledge of other officials.

“Businesses currently benefit from the good work undertaken by UKDSE and the FCDO. However, businesses – especially SMEs – are disadvantaged at overseas set piece events. Support provided to industry by other countries includes government funding for national branding and hospitality areas, and in some cases subsidised travel costs. The highly competitive nature of the sector and increased competition around exports has highlighted that UK companies are not as well positioned as other nations.”

Trade Association representing the defence and security industry

Unlocking growth through proactive measures

Whether a new mechanism or existing infrastructure, businesses need government to be agile and responsive to the needs of business. Through dynamic and practical action, government can ensure services firms have the necessary support to grow.

Negotiate reciprocal mobility agreements to aid intra-company transfers and short-term business travel

Despite becoming inherently politicised, mobility has a leading role to play in the story of the UK's economy. To export services and grow, employees and freelancers must be able to move across borders with ease: without the ability to do so, and without access to people with relevant skills, businesses are at a disadvantage to their international competitors. Enhancing short-term mobility flows would be highly beneficial for the UK's services economy. This could be done by negotiating an improved form of commitments around immigration requirements in Free Trade Agreements and expanding the list of permissible activities for business visitors.

Bilateral mobility agreements with like-minded trading partners – in accordance with our commitments at the World Trade Organisation – can be a crucial step to ensuring firms remain competitive in the global economy. Whether these are reciprocal mobility deals or Youth Mobility Schemes, services sectors must be able to build a pipeline of talent and experience from across the world, with the UK-Australia Free Trade Agreement noted as a good example to replicate. Current and future cohorts of UK apprentices should also be covered within these agreements.



Implement a modern, flexible and digitalised immigration system which can respond quickly to the needs of business

The UK needs a compelling offer to attract the people we need to grow our economy at pace. To do so, we need an immigration system which allows both employees and freelancers to cross borders with ease, ensuring global talent is not restricted by the pace and cost of the visa process.

With delays to visa processing times and high charges in the UK costing more than international comparators, Home Office capacity must be expanded to address these issues and ensure the system's competitiveness. Government must monitor processing times to match international standards: firms have found that this often takes longer than the government's service time of three weeks, impacting outputs and making it harder for UK employers – particularly SMEs and scale-ups – to attract overseas workers that have offers in multiple countries. Increasing capacity will help businesses to fill their vacancies more quickly and maximise the potential of the UK's trade in services.

“The current system is hard to understand and navigate. Moving people from the EU to the UK for project and turnaround work is a very lengthy process, meaning we must plan 18 months in advance to secure contracts. Resource constraints and delays have cost us millions of pounds on turnarounds alone.”

A multinational company in the energy sector



Deliver clear paths for Mutual Recognition of Professional Qualifications with relevant jurisdictions

Mutual Recognition of Professional Qualifications (MRPQ) are an important enabling tool for those in regulated service professions, allowing them to boost their exports by ensuring their qualifications are recognised in other jurisdictions. MRPQ also play an important role in ensuring that there is a pipeline of talent to meet domestic needs. Clear paths for MRPQ should be delivered through Free Trade Agreements, bilateral Memoranda of Understanding, and through the continued and increased empowerment of regulators and industry bodies to negotiate agreements directly with their foreign counterparts. Delivery should consider similarities between jurisdictions, with firms seeing the United States and South Africa as priority markets for MRPQ.

Since leaving the European Union (EU), the UK is also no longer part of the EU's MRPQ Directive. As part of the review of the EU-UK Trade and Cooperation Agreement (TCA), the government should work with the EU to secure the addition of clear requirements for, and paths to, MRPQ.

Commit to better utilising the EU-UK Trade and Cooperation Agreement's specialised committees to foster greater regulatory cooperation

Trusting and collaborative EU-UK dialogue is key to ensuring a smooth and frictionless trading relationship with our largest trading partner. By agreeing to maintain a common commitment to base technical regulations on international standards where they exist, the UK and EU can deliver a low friction trade environment. Utilising the EU-UK Trade and Cooperation Agreement's specialised committees is particularly important as both regulatory regimes evolve, allowing both parties to work together on topics of mutual interest and discuss future legislative plans as they develop.



Create mechanisms through which regulators can work with their counterparts to address barriers to trade, including in emerging sectors

As the UK's regulatory regime evolves, cooperation with national regulators outside of the UK is important to prevent unnecessary divergence and reduce unintended consequences for business. Several structures are already in place which enable regulators to have meaningful dialogue with their international counterparts. Government should commit to undertaking – and subsequently publishing – a full mapping exercise which details where these dialogues exist and how effective they have been for business and consumers. Where it makes sense to do so, government should leverage these existing mechanisms to increase regulatory cooperation. This mapping exercise will be an important way to identify any gaps in regulatory engagement and to also understand where new dialogues should be established with key partners.

Though Free Trade Agreements can mandate regulatory dialogues and establish their guiding principles, pursuing a formal dialogue may not be a relevant approach in every new trade deal. Where a formal mechanism is not already in place or agreed to within negotiations, government should pursue alternative mechanisms for regulators to hold formal and regular discussions internationally to address barriers to trade as they arise.

“One of the most significant barriers to financial services trade is regulatory fragmentation. Services regulation evolves faster than trade agreements can be struck, and so structured dialogue between international regulators – held consistently – is essential to help break down those barriers.”

A global financial institution

Set up a one-stop shop for services companies to interpret bilateral and multilateral agreements

Services firms often experience difficulty when trying to interpret bilateral and multilateral agreements, with some not fully understanding what these mean practically for their businesses and how they can take advantage of opportunities in new markets. Those exporting goods have found the [International Trade Centre's Rules of Origin Facilitator](#) a useful and accessible tool which outlines what they can and cannot do when looking to enter or export to specific markets. Building on the suggestion of the [Trade in Services Council](#), government should look to implement a similar one-stop shop for services firms which outlines opportunities in new markets – particularly those with whom the UK has favourable bilateral and multilateral agreements – and signpost businesses to relevant support, [as done by the EU](#) for firms looking to take advantage of the EU-Canada Comprehensive Economic and Trade Agreement. This one-stop shop would benefit from a concerted promotion campaign to raise awareness among small, start-up and scale-up firms trading in services.



Delivering change on the global stage

The UK's global reputation as a services superpower means it is well placed to raise the profile of services trade both with bilateral trading partners and in multilateral fora. Now is an opportune time to use this position to lead global debates on emerging issues.

Outline basic principles for regulation of emerging technologies

New and emerging technologies are becoming increasingly regulated across the globe. For example, with regard to Artificial Intelligence, the EU has prioritised a risk-based approach and the US has focused on moving at pace. The UK has the opportunity to chart a course somewhere in between these big players – provided interoperability plays a key defining factor. Engaging business to form basic principles for the regulation of emerging technologies is essential, including on issues like safety, copyright protection and source codes.

Interoperability can be further championed on the multilateral stage as the UK seeks to engage with live debates on Artificial Intelligence. A principles-based approach focusing on interoperability with international partners will ensure firms can continue exporting their services whilst avoiding regulatory fragmentation in our digital economy.

Pursue the removal of barriers to international data transfers with like-minded countries and trading blocs that share similarly high levels of data protection

As noted by the UK Government's [International Data Transfer Expert Council](#), the UK is 'in a strong position to facilitate bridge-building towards interoperable international data transfer arrangements'. As countries moved towards more restrictive data policies in the name of national security, the UK must endeavour to outline the potential adverse impacts of increased restrictions and to work with international partners to promote the free flow of data.

Continued and effective engagement with partners like the EU is essential. With the UK's existing EU data adequacy status ending in June 2025, the continuation of this agreement is vital to both economies. The UK and EU must work together to ensure data can still flow freely and that our adequacy status is maintained as new legislation on data protection progresses.

Work with business and international allies to find a permanent, evidence-based solution to the World Trade Organisation’s ‘e-commerce moratorium’

For two decades, the World Trade Organisation’s (WTO) commitment to not apply customs duties to electronic transmissions has enabled digital commerce to prosper worldwide, with the value of global trade in digitally delivered products **rising to \$3.82 trillion in 2022 alone**. This commitment has benefitted businesses of all sizes from all corners of the UK. Failure to renew the moratorium on customs duties on electronic transmissions – the ‘e-commerce moratorium’ – is not an option. The UK must seek to drive progress forward, working closely with industry and international allies to find a permanent solution.

In parallel, the recent finalisation of the E-Commerce Joint Initiative by the UK and 90 other countries at the WTO – **accounting for 90 percent of global trade** – was warmly welcomed by business. Strong headway has been made on electronic authentication, e-signatures, spam, open government data, and online consumer protection. As the UK begins the process to ratify and implement the Joint Initiative, government should leverage the UK’s reputation to encourage more countries to sign the agreement and to accelerate progress on the most complex issues.



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