10 policy levers to grow UK trade in services

Pursuing higher levels of economic growth to drive prosperity across the country is essential. Trade in services is a key strategic opportunity for the UK. The Trade in Services Council (TISC) has identified ten practical policy ideas, split between domestic measures and working with international partners, to boost services trade in the short-term and build UK competitiveness in the long-term.

Summary of recommendations

Domestic measures

1. Support businesses to maximise benefits of trade deals and navigate global challenges to shift the dial on growth
2. Incorporate international competitiveness as an objective of UK regulators
3. Remove the requirement for companies to acquire an Intra-Company Transfer visa for international employees coming to the UK for short-term work
4. Continue to prioritise the expansion of reciprocal Youth Mobility schemes
5. Maximise the opportunity in the digitisation of trade

Working with international partners

6. Engage closely with the EU and US in tandem with their Trade and Technology Council (TTC) dialogue
7. Support the establishment of UK companies overseas
8. Drive innovation through digital trade, including through a UK-US digital agreement
9. Maximise benefits for services firms in the India and Switzerland negotiations
10. Unlock procurement opportunities for services firms outside of FTAs

Domestic measures

1. Support businesses to maximise benefits of trade deals and navigate global challenges to shift the dial on growth

The purpose of trade deals is to support growth and prosperity. This can only be achieved if businesses maximise the benefits afforded by FTAs, both existing and future agreements. The Government must work closely with industry to ensure the Export Strategy works for services firms once FTAs are implemented, particularly in adopting a strategic approach to supporting specific sectors to take advantage of new opportunities in overseas markets.

It is critical that the Government commits to achieving the DIT's Export Strategy objective of fully covering services providers for the first time and ensure that the Strategy is tailored country-wide to the needs of businesses across the UK's regions and nations. **Strengthening export promotion for services fims can be done in partnership with the Trade in Services Council.**

Equally, adjusting to global challenges is vital for export success. It is therefore important to provide guidance and support for companies navigating sanctions to be able to identify barriers to growth, including sanctions, and provide sufficient guidance and support to help businesses to pivot and adapt.

2. Incorporate international competitiveness as an objective of UK regulators

There are significant international trade implications of UK regulatory rule changes. **The Government must ensure the regulatory regime drives international competitiveness.** It should also be a cornerstone of any changes made through the Retained EU Law Bill.

The inclusion of a competitiveness and growth secondary objective for the Financial Conduct Authority and the Prudential Regulation Authority in the Financial Services and Markets Bill is welcome. Empowering other regulators to advance a similar objective would help drive forward UK competitiveness and support UK businesses to export. The UK Government's Better Regulation Framework is also under review and the inclusion of a similar consideration within this Framework would also be a useful balancing tool for regulation more generally.

3. Remove the requirement for companies to acquire an Intra-Company Transfer visa for international employees coming to the UK for short-term work

Industry welcomed potential changes to short-term business visitor rules and would encourage the Government to pursue implementation. Employees of a UK-based business cannot get a visa unless they have worked at their company for over one year (or earn over £73,900). Many employees do not qualify and this disadvantages the UK operation in terms of accessing specific skills and being part of global talent programmes.

Enhancing short-term global mobility flows through removing this requirement for Intra-Corporate Transferers (ICT) would allow employees to enter the UK for short-term productive activity without a work visa. This reform would ensure that the UK maintains control of who enters the country – using the controls associated with sponsorship – while enabling the flexibility of visa-free entry.

4. Continue to prioritise the expansion of reciprocal Youth Mobility schemes

Through FTA negotiations, the UK has been able to agree a network of reciprocal Youth Mobility Schemes with key countries that include Australia, Canada, New Zealand, Japan and South Korea as well as upcoming ones including the India Young Professionals Scheme. Youth mobility schemes are particularly beneficial for services sectors, where a lot of visa users find employment – from professional services to hospitality – and can build a pipeline of talent and experience from across partner nations. The UK-Australia FTA will increase access to each other's youth mobility schemes and enhance service industries' ability to attract workers using these schemes.

The Youth Mobility Scheme also provides an important form of soft power for the UK. Those who make use of it often maintain links to the UK. **The Youth Mobility Scheme should be seen as an investment in the UK's future as a global services hub.**

5. Maximise the opportunity in the digitisation of trade

Services sectors are key enablers of goods trade and recent years have shown the importance of robust international supply chains. The UK's logistics and supply chain management sector facilitates this internationally – contributing significantly to trade in goods by UK businesses.

The expected passing of the Electronic Trade Documents Bill and the network of FTA and DEAs that the UK is negotiating create the opportunity to provide utility trade platforms and systems that would enable faster, cheaper, smoother, and more sustainable goods trading in the future, capturing data, physical assurance, and financial settlement all in the same environment. **The Government should commit to swift passage of Electronic Trade Documents Bill and to work with international partners on implementation and awareness raising within the business community.**

Working with international partners

6. Engage closely with the EU and US in tandem with their Trade and Technology Council (TTC) dialogue

Building capabilities in industries of the future, aligned with the work of the National Science and Technology Council (NSTC), and influencing the development of regulations and standards in emerging technologies globally is critical to UK competitiveness in the long-term.

The EU and US are key partners in this context. The UK should position itself as a leader in international standardisation such as developing common principles in AI, as well as being a core research partner in areas like 6G. **The TTC is a prime vehicle to drive this work and the UK should accelerate its engagement with each partner in these crucial technologies and seek to develop collaborative alliances with across the value chain.**

7. Support the establishment of UK companies overseas

The ONS estimated that 66% of services trade by British suppliers pre-pandemic (2019 figures) was through the establishment of a presence in a foreign country[1]. This is a primary route to export UK services around the world, allowing businesses to generate more revenue and increase investment overseas and back in the UK. Some markets are very difficult to break into without a physical commercial presence due to regulatory barriers, so this is a key growth lever. The wider implications for the exchange of knowledge and ideas and UK soft power are also evident.

Removing trade barriers relating to the establishment of service providers such as equity caps and joint venture requirements will enable UK businesses to exploit new growth opportunities. **This can be achieved through ambitious services market access commitments as part of FTA negotiations, but importantly be a pillar of DIT's market access work where FTAs aren't being negotiated**. The Australia and New Zealand trade deals set the right precedent, and this should be built on as the UK negotiates with countries where barriers to entry are higher. DIT also need to support businesses to navigate local regulation where FTA provisions are not in place.

8. Drive innovation through digital trade, including through a UK-US digital agreement

The COVID-19 pandemic starkly demonstrated the centrality of digital technologies to our social lives and our businesses. It is more essential than ever to have a services trade policy agenda that is fit for a digital world. Even before the pandemic, the ONS estimates that two-thirds of UK services exports in 2019 (excluding Mode 3) were delivered digitally.

Through its FTAs and stand-alone Digital Economy Agreements, the UK can drive positive obligations in favour of cross-border data flows, as well as a ban on data localisation. A first priority would be to create a golden corridor for trade and investment with the US by securing a UK-US digital trade agreement that builds upon the UK-US Joint Statement on Data of 6 October 2022.

Ongoing cooperation between the UK and its trading partners on emerging technologies and standards will be important to help ensure alignment and access to international markets. At the World Trade Organization (WTO), ongoing e-commerce negotiations offer the only opportunity to bring in the US, China and the EU under the same set of rules for the digital economy. The UK should be a leader in these WTO talks to ensure it is as inclusive and ambitious a deal as is possible. It is also vital to find a permanent resolution to the moratorium on electronic transmission customs duties.

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[1] https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/modesofsupplyukexperimentalestimates/2019

9. Maximise benefits for services firms in the India and Switzerland negotiations

India

An India FTA is a huge opportunity to drive UK economic growth. Services must be a key priority and to maximise benefits for the UK the FTA must be ambitious and secure:

- Provisions which protect intellectual property and promote innovation.
- Significant market access beyond India's WTO GATS commitments including reductions/elimination of equity caps and nationality requirements for directors.
- Improvement on and implementation of India's mode 4 commitments on mobility.
- Digital trade provisions that guarantee the free flow of data.
- A meaningful pathway for the mutual recognition of professional qualifications in specific sectors.
- Domestic Regulation for services trade chapter that at least meets the requirements of the WTO Joint Initiative on Domestic Regulation.
- Introduce measures that protect UK investments, provide dispute resolution mechanisms, and guarantee adequate, effective, and prompt compensation to investors whose assets have been expropriated.

Switzerland

Switzerland is a key trading partner for the UK, currently the UK's 8th largest, with services trade worth £17bn. The relationship is especially strong in financial and professional services. There are various areas where this can be built upon further through an accelerated FTA, beyond the post-Brexit continuity deal. These include:

- Extending the Services Mobility Agreement while negotiations are ongoing and incorporating its provisions into the FTA to simplify the mobility framework so that services professionals can easily operate across borders.
- Embedding digital trade within the FTA and allowing the transfer of data more freely across borders, as well as reducing local data storage requirements.
- Finalising the financial services MRA which would further embed the two countries' financial markets. Once agreed, the MRA could "set the bar" for other financial services agreements between the UK and other countries.
- Ensuring harmonisation in the level of protection afforded to IP and including provisions setting up standing IP cooperation platforms to address disagreements over implementation of provisions, policy coordination and cooperation, and the enforcement of IP rights.

10. Unlock procurement opportunities for services firms outside of FTAs

Procurement contracts in overseas markets offer significant routes to growth. FTAs can help level the playing field for UK companies with overseas competitors, but much can be achieved outside of trade deals too. **As part of DIT's market access work, government should strategically target markets with large procurement prizes for UK businesses, particularly where state/provincial engagement is needed**.

The Australia FTA opened up UK procurement to Australian firms but only achieved access to Australian procurement markets for UK firms at a national, not provincial, level. The US provides a similar opportunity at state level. Most of the spending in US government procurement happens at the state level. State acquisitions outnumbers federal acquisitions by 3 to 1. The total US procurement market is worth an estimated $1.2 trillion, but only about 9% is imported from outside the US each year.

To share your views or ask us a question, contact:

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