

# IND0015 - Professional and Business Services Council Trade Technical Group

1. The Professional and Business Services Council (PBSC) is a partnership between the professional & business services (PBS) sector and Government. It is industry-led and co-chaired by the private sector and the Department of Business, Energy and Industrial Strategy, and it brings together a range of sectors including law, accountancy, consultancy, actuarial, architecture, surveying and advertising services.
2. The views contained herein are those of the private sector side of the PBSC only.
3. The PBSC has identified several priority areas and works in partnership with the Government to inform thinking on the future direction of the sector and its contribution to the UK economy. One of the priorities identified is pursuing greater market access for international trade in professional services.
4. The PBSC welcomes the opportunity to contribute to this inquiry to the UKIndia trade negotiations. We have outlined our initial views below and will be happy to contribute further once there is an agreement in principle for consideration.
5. While COVID-19 continues to disrupt global trade, prior to the pandemic the amount of services trade between the UK and India (the 6th and 5th largest economies respectively) had grown considerably. Total services trade in 2019 between the UK and India amounted to £10.5bn. The UK exported £3.9bn of services to India, an increase of 109% since 2011, and imported £6.6bn, an increase of 96% over the same period.
6. In 2019, the top categories of UK services trade with India (excluding travel) included:

Other business services including legal, accounting and management consultancy	£765m
Financial	£220m
Transportation	£542m

Intellectual property	£883m
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7. For services providers in India exporting to the UK in 2019 (excluding travel), other business services (£4,328m) was the largest category of Indian exports.

**SPECIFIC QUESTIONS**

***What are the potential benefits for the UK of an FTA with India, and what are the potential downsides?***

8. The conclusion of a free trade agreement between the UK and India will be an important and significant strengthening of the existing relationships between the 5th and 6th largest global economies. Lowering or eliminating tariffs, and removing non-trade barriers, will open up markets in both India and the UK to the benefit of businesses and wider economies.
9. India’s low level of professional services commitments make securing/formalising greater market access a key consideration for any future free trade agreement with India, which will benefit the PBS sector as a whole.
10. India has not scheduled any commitments with regards to services such as legal, accounting, and audit. Even in the case of engineering services, which do appear in India’s schedule, modes 1 and 2 are unbound and mode 3 has a limitation of incorporation with an equity ceiling of 51%. Although in practice, market access can go beyond these formal commitments, there is value for the UK services sector to have legal certainty by binding and formalising the current situation “on the ground” and reducing the flexibility in India’s services schedules.
11. Provisions that will facilitate business travel, the recognition of professional and/or academic qualifications or the ability or practice under home title, and data flows will benefit the PBS sector. In addition to enabling services to be provided to clients, commitments in these areas, if secured, will help to support jobs and drive economic growth.
12. We also stress the importance of UK-India data flows. The strong trade figures between the UK and India do not necessarily capture the full importance of UK-India trade for UK-based financial and related professional services businesses. Many financial institutions and professional services firms locate critical back-office functions (for example, lower-cost IT functions) in India due to the country’s high-skilled workforce and supportive technology infrastructure. Consequently, India plays an important role in UK companies’ digital supply chains, adding value to UK businesses and providing many technology jobs

in India. India has a key role in digital networks, and were India to ban data importing, this would pose a threat to global data flows. It is important that trade agreements safeguard existing supply chains and geographies through clear provisions enabling digital trade.

***In what ways may the UK or specific sectors (e.g. education and research) benefit from relaxed visa rules for Indian citizens? Might India's demands for relaxed visa rules go beyond what would benefit the UK economy? If so, how could such risks be mitigated?***

13. For the PBS sector a hybrid, streamlined short-term category to allow productive work would be beneficial for business travellers from India to the UK, and vice versa. Where a visitor from India to the UK needs to perform productive work, they cannot enter under the visitor rules (with a very few exceptions), and must apply for a work visa, even where the work activities are incidental or to be undertaken for a very short period. There is a significant increase in administration and cost, as well as delay, associated with applying for a work visa, and there is no middle ground between visitor status and a work visa.
14. The UK should implement, potentially on a mutually agreed basis, a new immigration route that combines the controls associated with sponsorship with the flexibility of visitor routes. Applicants would be issued with a Certificate of Sponsorship by the UK sponsor, enabling them to perform productive work for up to six months. Non-visa nationals (and the list of non-visa nationals should be updated to include trade partner nationals offering a mutually agreed route) would be able to travel to the UK for this purpose without first applying for a visa. This approach would deliver increased flexibility and speed, as well as lower cost/administrative burdens.
15. Simplified immigration rules supporting service delivery commitments would be helpful. The UK's implementation of its commitments to facilitate contractual service suppliers to enter the UK via the Tier 5 (International) Agreement is overly complex, infrequently used, and places an excessively high administrative burden on the UK company receiving the services. The FTA should focus on simplified and more consistent immigration routes for service suppliers.
16. There should also be clearly articulated and accessible principles. Employers tell us that the processes and procedures associated with visa applications both into, but particularly out of, the UK, are often overly complex, with poor published guidance and high levels of uncertainty over when, if at all, visas will be granted. The UK should seek to agree the adoption of a standard set of principles governing how visa applications are submitted and processed, and actively promote awareness of opportunities. This would include substantive commitments on speed of processing, decision making

processes, requirements for supporting documentation and cost. Consistent application processes in different countries will greatly reduce friction associated with international mobility.

17. We note that labour market tests present a barrier to mobility in either direction, and are unhelpful for business. Concerns have also been raised around the lack of flexibility in applying these tests.

***How might an FTA with India impact the UK's devolved nations and English regions, and how could their interests be best protected?***

18. We have no comment to make in relation to this question.

***How do you evaluate the Government's Negotiating Objectives (Outline Approach) and initial economic scoping assessment included in the Government's strategic approach? Are the UK Government's aims sufficiently ambitious? If you represent a sector, we would be interested to hear about any objectives your sector would like to see achieved. What should UK negotiators be aiming for on tariffs, rules of origin, services, digital trade, intellectual property, mutual recognition and mobility?***

19. The PBSC welcomes the Government's commitment to consulting widely to inform its strategic approach to the negotiations with India, as well as the negotiating objectives
20. From a PBS perspective, we welcome the Government's approach and negotiation objectives, and in particular seeking
  - ambitious commitments on market access and fair competition for UK service exporters;
  - enhanced opportunities for business travel;
  - certainty for UK service exporters with respect to continued access to the Indian market;
  - commitments on free and trusted cross-border data flows, prevent unjustified data localisation, and maintain the UK's high standards for personal data protection; and
  - commitments to facilitate more efficient and secure international trade through use of digital technologies, including through paperless trading.
21. Additional time will be required in due course to analyse the actual commitments secured following the conclusion of the negotiations, including a comparative study of the commitments made by each party, particularly when compared to other FTAs.
22. The Indian market poses challenges for the PBS sector, both sector specific as well as those cross cutting challenges that are likely to impact other services and manufacturing sectors.

23. One of the most significant challenges is the Indian protectionist approach to data and digital related regulation. As with other potential FTAs, we emphasise the importance for PBS businesses of ensuring that data can flow across borders to ensure that businesses can provide the necessary services to their clients and ensure they have access to the relevant information to carry out client instructions.

***How should consumer interests be promoted and protected?***

24. We have no comment to make in relation to this question.

***What specific protections should be sought on the environment and climate? What is your assessment of how goods and services traded under an agreement with India could affect both countries' carbon (and other greenhouse gas) emissions?***

25. The Government has taken several significant steps towards aligning its trade and environmental policies, for example including environmental goods as part of the UK Global Tariff, as well as recent announcements reforming aspects of the UK Export Finance offer. The UK has also been leading work at the WTO on trade and environment through the Trade and Environment Sustainability Structured Discussions (TESSD) process.
26. However, there is more that the Government could do to align these two policy areas to ensure greater impact of both. This should not be seen solely in the context of the Environment Chapters in specific FTAs but should include a focus on UK's trade policy more broadly to encompass FTAs, UK engagement at the WTO and OECD, the Multilateral Environment Agreements, trade promotion and more. Specifically, in relation to India, environmental considerations in an FTA could help India achieve some of its green infrastructure plans, including the role that the PBS can play in facilitating these.

***What protections should be sought on human, labour, women's and minority rights?***

27. We have no comment to make in relation to this question.

***What are the UK's key defensive interests, i.e. sensitive areas where the UK should not make concessions during the negotiations?***

28. See our comments in para 12 (above) relating to data.

***What risks could a trade agreement with India pose to the UK's food safety standards, animal and plant health or animal welfare standards? How could any such risks be mitigated?***

29. We have no comment to make in relation to this question.

***How may an FTA with India affect UK trade with other developing countries; if there is a risk of trade diversion, how could this be mitigated?***

30. We have no comment to make in relation to this question.

***The UK-India joint statement on the launch of the negotiations states that "both Governments will consider the option of an Interim Agreement that generates early benefits for both countries". How desirable would it be for the UK to agree to such an interim or 'early harvest' deal?***

31. We support a high ambition deal which provides a framework for increased trade in PBS between the UK and India. However, reaching an Interim Agreement may limit the UK's ambitions for a broad trade agreement with India, with any such agreement reducing the scope of what the negotiations can deliver.

***How would you rate the Government's mechanisms for engaging with stakeholders and seeking input into the negotiations? What is your assessment of how well Government departments are coordinating with each other to help deliver the best outcomes in the negotiations?***

32. The PBSC welcomes the Government's commitment to consulting widely to inform its strategic approach to the negotiations with India, as well as the negotiating objectives.

33. The UK-India negotiations are at an early stage, but to date engagement by the Government with the PBSC on the negotiations has been positive and constructive. The PBSC welcomes further engagement with both the DIT PBS Trade Advisory Group, and the Cross-Cutting Services Thematic Working Group, as the negotiations progress.

34. We consider more focus could be paid to several of the horizontal trade issues which sit outside the services-related chapters in FTAs, such as digital and mobility, but nevertheless have a significant impact on UK services firms.

35. There is always more that can be done as the negotiations progress, especially to ensure that businesses understand the future terms of the trade

agreement, and that as far as possible these reduce market access barriers as far as possible. This continued engagement will also ensure that businesses are better placed to utilise the UK-India trade agreement once it enters into force, as well as agreements which have already entered into force, or which will do so in the future.

36. The PBSC welcomed the inclusion of services trade for the first time in DIT's Export Strategy which was published in 2021. The PBSC has encouraged DIT and other government departments to increase the information available to service exporters on how to take advantage of FTAs as well as other trading arrangements.