

**HOUSE OF COMMONS INTERNATIONAL TRADE COMMITTEE INQUIRY - TRADE WITH INDIA
PROFESSIONAL AND BUSINESS SERVICES COUNCIL RESPONSE**

Professional and Business Services Council

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; it brings together sectors including law, accountancy, consultancy, actuarial, architecture, surveying and advertising services, amongst others.
2. The views contained herein are those of the business 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 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 UK-India 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 the COVID-19 pandemic 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) has 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

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

How adequately has the Government undertaken public consultation in formulating its strategic approach / negotiating objectives?

8. 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.

How adequate and appropriate is / are the Government's strategic approach / negotiating objectives?

9. From a PBS perspective, we welcome the Government's approach and negotiation objectives, and in particular seeking

- a. ambitious commitments on market access and fair competition for UK service exporters;
- b. Enhanced opportunities for business travel;
- c. Certainty for UK service exporters with respect to continued access to the Indian market;
- d. 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
- e. commitments to facilitate more efficient and secure international trade through use of digital technologies, including through paperless trading.

10. 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.

11. 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.

12. 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 are the terms of a new trade agreement between the UK and India likely to affect you, your business or organisation, or those that you represent?

13. 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.

14. India has 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.

15. 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.

16. 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. India thus plays a very 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.

What are the potential impacts of an agreement on:

- a. ***the UK's economy as a whole?***
- b. ***particular sectors of the UK economy?***
- c. ***the UK's devolved nations and English regions?***
- d. ***social, labour, environmental and animal welfare issues?***
- e. ***UK consumers?***

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

How should the Government communicate its progress in negotiations; and seek the views of stakeholders during those negotiations?

18. 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 as well as the Cross-Cutting Services Thematic Working Group, as the negotiations progress.

19. 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.

20. 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.

21. 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.