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The response focuses on Questions 1, 6 and 12 of this Inquiry.

1. How important are the different UK professional and business services sectors to the UK's economy and trade in services? Please include data where possible.

1. The UK's volume of trade for 2019 reached £1.424 trillion. Of those £699 billion were exports and £725 billion imports (House of Commons Library, 2020).
2. The volume of exports, £699 billion was equal to 31.6 percent of the UK's GDP that reached £2.21 trillion in 2019.
3. Of those £699 billion, £357.1 billion were good exports and the rest £341.9 were services exports.
4. Of the £341.9 billion services exports, 32 percent or £109.4 billion were generated by the Professional and Business Services (PBS) sector (ONS, 2020).
5. As a result, the PBS sector is vital for the UK economy. It includes a wide range of high-skilled, diverse, knowledge intensive, transferable services and associated support functions.
6. The PBS sector comprises primarily of SMEs, with more than 600,000 businesses employing fewer than four people (House of Lords, 2020).
7. The PBS sector is one of the most competitive sectors of the UK economy based on trade surpluses, second only to financial services.
8. In 2019, the sector registered a trade surplus of £12.4 billion with the EU, £10.6 billion with the USA and £31.8 billion with the rest of world. In the same year, the EU provided the largest export market of PBS with £39.8 billion worth of exports to be followed by the USA with £27.7 billion (House of Lords, 2020). In Q3 2019, PBS exports accounted for 32.2 percent of total services exports with financial services accounting 20 percent (ONS, 2020).
9. My view is that the wide range of professions included in PBS sector has led to its under representation in the UK-EU negotiations. To some extent this is justified, as the initial focus in all trade agreements is on physical units of tradeable goods (e.g. number of automobiles), which are categorised under manufacturing. Notwithstanding the importance of manufacturing, it has to be borne in mind that roughly twice as many people are employed in the PBS sector than manufacturing.
10. Reaching a free trade agreement with the EU however would be inadequate to protect many PBS sector jobs due to the lack of free movement of people and the outright prohibition of trading in the Single Market due to lack of mutual recognition of professional qualifications. The impact would vary from sector to sector. Whilst creative industries and advertising for example, would not be impacted as much, due to the international nature

of the industry, auditing accountancy, legal and management consulting would be significantly affected, as they are heavily dependent on exports to EU Single Market. Diversifying may be an option for these industries, in particular in the case a comprehensive free trade area with the USA that includes services is realised, but there would certainly be a loss of trade in the short to the medium run (House of Lords, 2020). Forecasting the loss of trade in these industries is on its own a challenging task, especially when considering the current lockdowns in the UK and most EU member countries.

6. How important are arrangements on the mutual recognition of professional qualifications to professional and business services providers in the UK and EU? How could a future UK-EU agreement best allow for this?

1. Mutual recognition is a vital tool for the completion of the EU's Single Market. It derives from Articles 34-36 of the Treaty of the Functioning of the EU. It is further enshrined in Regulation (EU) 2019/515, applicable from April 2020, on firms' right to lawfully market and sell their goods in other EU countries. It applies particularly to goods and it defines the rights and obligations for firms and authorities but it also extends to services (EU Commission, 2020a).
2. The governance of services in the EU is regulated since 2006, ensuring professionals can work in all EU countries and provide services across borders (Theodore and Syrrakos, 2017). The EU's professional qualifications recognition system, in place since 2013, facilitates automatic recognition of professional status by all EU member countries (European Commission, 2020a). In effect, the professional qualifications recognition system facilitates the free movement of professionals e.g. doctors, architects etc. in the EU. Not all professions however come under the same category and as a result are not subjected to the same legislation (European Commission, 2020b). For example, doctors (GPs and specialists), nurses, midwives, dentists, pharmacists, architects and veterinary surgeons enjoy automatic recognition based on the harmonised minimum training requirements.
3. Other professions fall under different legislation, which could be national laws and regulations. For example, lawyers and insurance intermediaries. Broadly, there are three different systems of registering qualifications.
First, automatic recognition based on harmonised minimum training qualifications.
Second, a general system for other regulated professions such as teachers, translators and real estate agents.
Third, automatic recognition based on professional experience for specified professionals such as carpenters, beauticians etc.
4. In relation to the recognition of professional qualification in the Post-Brexit era, the EU Commission states the qualifications of UK nationals will be regulated by the national policies and rules of the EU member states that they reside, regardless of whether the qualifications were obtained in the

UK in an EU member country or in a third country. This would also be the case for services provided on a temporary or occasional basis (EU Commission, 2018).

5. In effect, this implies that UK nationals' professional qualifications will no longer be regulated centrally by the EU (under Directive 2005/36/EC) and will be treated as third country nationals. As such, UK nationals' qualifications will not be registered on the European Professional Card (EPC) on-line registration system. This transfer of recognition of professional qualifications for UK citizens from the EU level to member countries does **not** apply for qualifications obtained before the withdrawal date. This is very encouraging, as the overwhelming majority of professional qualifications (obtained before the withdrawal date) will be recognised. This may lead to a difficult situation where PBS professionals could provide their services to companies located in the EU Single Market, without necessarily being able to travel as frequently as in the past. The arrangement however allows for a gradual shift to the new regulatory regime.
6. A future UK-EU agreement *could allow* for the recognition of professional qualifications of UK citizens in EU member countries by putting in place procedures based on the second and third qualification processes, outlined above. *These would ensure* that professional experience acquired in the UK and EU member countries would be fully recognised and transferable for most PBS professions.
7. This would also allow for the creation of a general system of registration for some regulated professions together with an automatic recognition based on professional experience. This would be dependent however, on the overall withdrawal agreement and the extent to which it would facilitate the creation of a free trade area.
8. The case of Northern Ireland (NI) is a case in point. As the NI economy would have to adhere to the EU's Single Market regulations to prevent a hard boarder with the Republic of Ireland and at the same time conform to the regulations governing the UK's own internal market, effectively being party to two Custom Unions, professional and business services could potentially experience an unprecedented growth.
9. This is the case, as many UK firms specialising on professional and business services, *would have* a very strong incentive to 'nominally' relocate in NI in order to take advantage of its unique access to both markets (Theodore and Syrrakos, 2017). Our research points out the inconsistencies arising when countries or regions are party to two different custom territories. We demonstrate that the durability of such arrangements relies entirely on the regulatory alignment between the two custom territories. The last UK government strove to identify regulatory alignment with the EU customs union where possible.
10. Given the priority placed by the current UK government on a trade agreement with the USA and the likely establishment of a UK-USA free trade area, regulatory alignment would be required between the USA, the UK and European custom territories. A highly unlikely development (Theodore and Syrrakos, 2017).

12. What opportunities (if any) could the UK's withdrawal from the EU offer to the UK's professional and business services providers?

1. Whilst preferential access to the EU's Single Market cannot be granted, it has to be borne in mind that the Single Market governs only about 40 percent of EU member countries economic activity. Areas such as financial services and insurance are largely not included in the Single Market and the sectors are regulated by national legislation (Syrrakos, 2017). Given that professional and business services flourish in these areas, there is potential for sector-by-sector and country-by-country agreements with various EU countries such as Germany, the Netherlands and France and non-EU countries such as the Switzerland and the USA. Whether individual EU member countries would engage in such one-to-one negotiations is questionable, but other countries would most likely do, as Switzerland has already done.
2. In such agreements professional and business services could (and should) play a prominent role. In doing so, educational curricula leading to professional qualifications of PBS need to reviewed to offer enhanced skill-training programmes in colleges and technical education (Syrrakos, 2017). My research shows that such a review should not be conducted as an isolated exercise in higher education but as a core element of a strategic framework that would meet the demands and challenges of the UK economy by bringing together UK academia, local businesses, local authorities and the government.
3. The UK's withdrawal from the EU, in all likelihood, would be followed by a free trade agreement with the USA. Contrary to the UK-EU volumes of trade, which are dominated by goods, the UK's trade relations with the USA heavily rely on services (Clarke, 2020). Consequently, such an agreement offers the potential for professional experience acquired in the UK to be automatically, recognised in the USA and vice versa. If the free trade agreement extends to services, it would be rationale to seek for an automatic recognition of training qualifications. This should not be difficult to implement given the lack of linguistic barriers. The main obstacle however, from the USA perspective would be to approve mutual recognition of professional qualifications in instances these are not regulated at a Federal, but at a State level (CBI, 2020).

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