

PBSC Response to House of Commons International Trade Committee Inquiry on UK Trade Negotiations

PROFESSIONAL AND BUSINESS SERVICES COUNCIL

1. The Professional 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 Department of Business, Energy and Industrial Strategy; it brings together sectors including law, accountancy, management 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. Services should be at the heart of the UK's independent trade policy. Services account for nearly half of all UK exports and provide 29 million jobs – 4 out of 5 jobs in the UK. PBS is one of the largest sectors in the UK and second only to the US, globally, for exports. In 2019 the UK exported £326bn worth of services, over a third of which was UK PBS exports. The PBS sector also facilitates inward investment into the UK each year, helping to generate £150bn foreign direct investment (FDI) in 2018.
4. The PBSC has identified several priority areas and works in partnership with government to inform thinking on the future direction of the sector and its contribution to the UK economy. One priority is pursuing market access for trade of professional services.

Q1. Does the Department for International Trade (DIT) have the right objectives in respect of each Free Trade Agreement (FTA) negotiation?

5. The PBSC believes that the UK should be seeking to agree high-quality and ambitious trade agreements which promote the interest of a wide group of stakeholders. The stakeholders should include UK exporters and importers of goods and services, and consumers, while upholding domestic labour and environmental standards.
6. Trade agreements are also an opportunity to promote bilateral cooperation in areas which promote trade but are not necessarily part of a formal trade agreement, such as regulatory dialogues or to agree on common approaches in multilateral fora.
7. The UK government as part of its preparation of an independent trade policy published a white paper: [Trade White Paper: our future trade policy](#). The white paper outlines many of the objectives above but with little detail specifically concerning trade in services. From a PBSC perspective, it would be welcome to have a more in depth and overarching UK position on services trade for use across the different FTAs that the UK government has indicated that it will pursue.
8. Unnecessary barriers distort trade and reduces competitiveness. These also add to costs for businesses, meaning that, in particular, the ability of the strong UK SME sector to engage in cross-border trade is limited. While market access for goods mainly involves measures at the border, such as customs duties or quantitative restrictions, market access for services relates more to the application of domestic regulation behind the border. These types of restrictions can include establishment requirements linked to quotas, joint-venture requirements, residency requirements, restrictions relating to the corporate form of a service-supplier, equity caps and nationality obligations.

9. Typically, PBS firms are subject to numerous reservations in trade agreements which limit the liberalising impact of trade agreements for the PBS sector. As a minimum, the UK should list these reservations via a so-called negative list mechanism, under which all modes and sectors of services benefit from access unless explicitly listed.
10. The cross-border movement of people on both a short-term basis (i.e. on a fly-in fly-out) and a longer-term basis is essential for both: (a) international business operations to provide services; and (b) as a channel for knowledge transfer.
11. Barriers to trade in services related specifically to the digital economy can have a disproportionate impact on the ability of services providers to deliver their services. These include restricted access to telecommunication services, data localisation requirements and data flow restrictions.
12. With regards to the specifics of objectives for trade in services as part of the UK's FTA negotiations, the government has published a the Negotiating Objectives and Consultation Responses for the [UK-US](#) and [UK-Japan](#) negotiations. We would welcome the UK Government publishing a revised Trade Policy White Paper which would set out the UK's overall objectives for trade agreements including for trade in services. This would allow for the parameters for each of the new FTAs to be set within an overall framework rather than the other way round. A more detailed comparison can be found in figure 1.

Figure 1: Comparison of UK-US and UK-Japan objectives for Trade in Services

TOPIC	UK-US Negotiations	UK-Japan Negotiations
Trade in Services		
Market Access and National Treatment	<ul style="list-style-type: none"> Secure ambitious commitments from the US on market access and fair competition for UK services exporters. 	<ul style="list-style-type: none"> Secure ambitious commitments on market access and national treatment to ensure certainty for UK services suppliers in their access to the Japanese market.
Sector-specific services chapters.	<ul style="list-style-type: none"> Agree best-in-class rules for all services sectors, as well as sector-specific rules, to support our world-leading services industry, including key UK export sectors such as financial services, professional and business services and transport services. 	<ul style="list-style-type: none"> Secure best-in-class rules for all services sectors, as well as sector specific rules to ensure transparency and support our world-leading services industries, including key UK export sectors such as financial services, professional and business services, telecommunications and transports services.
Domestic Regulation	<ul style="list-style-type: none"> Ensure certainty for UK services exporters in their continuing access to the US market and transparency on US services regulation. 	<ul style="list-style-type: none"> Ensure certainty for UK services exporters in their continuing access to the Japanese market and transparency on Japanese services regulation.
Business Mobility		
Mode 4 provisions and Mutual Recognition of Professional Qualifications	<ul style="list-style-type: none"> Increase opportunities for UK service suppliers and investors to operate in the US by enhancing opportunities for business travel and supporting the recognition of professional qualifications. 	<ul style="list-style-type: none"> Secure opportunities for UK services suppliers and investors to operate in Japan through provisions for temporary business travel and supporting the recognition of professional qualifications.
Digital Trade		
Advanced provisions	<ul style="list-style-type: none"> Secure cutting-edge provisions which maximise opportunities 	<ul style="list-style-type: none"> Secure cutting-edge provisions which maximise opportunities for

	for digital trade across all sectors of the economy.	digital trade across all sectors of the economy. <ul style="list-style-type: none"> Promote a world leading eco-system for digital trade that supports businesses of all sizes across the UK.
Data flows	<ul style="list-style-type: none"> Include provisions that facilitate the free flow of data, whilst ensuring that the UK's high standards of personal data protection are maintained, and include provisions to prevent unjustified data localisation requirements. 	<i>No specific mention in the Negotiating Objectives section but is mentioned several times in other sections of the document.</i>

13. Each of these topics could constitute an inquiry in itself, and there are detailed policy questions on which the UK will need to take positions in order to achieve these policy objectives. Doing so in close cooperation with the stakeholders who will use these provisions and impacted by them is necessary.
14. For example, the recognition of professional qualifications (MRPQ), which is a priority area for the Professional and Business Services sector, requires the close cooperation of a number of professional bodies and regulatory agencies by each negotiating party (in the case of the United States it is a state-level issue) in order to agree any Mutual Recognition Agreements which could be incorporated as part of any MRPQ framework in an FTA.
15. The UK Government should also be looking to align ambitions for trade in services as part of specific trade agreements with its wider trade in services policy objectives. A core part of this should also be spearheading a resurgence of multilateral and plurilateral negotiations at the World Trade Organisation on trade in services. In addition to joining and restarting the Trade in Services Agreement (TiSA) negotiations, there are a number of initiatives that the UK should consider. These include: (a) concluding talks on Domestic Regulation and E-Commerce; (b) championing the launch of negotiations on Trade Facilitation 2.0; (c) including services in the Environmental Goods talks; (d) improving the scope of the services in the Government Procurement Agreement; and (e) explore services linked to the Information Technology Agreement and its expansion.

Q2. What are the potential opportunities and risks of each proposed FTA?

16. FTAs are only as useful as they are usable by those seeking to trade between the UK and its treaty partners. For businesses which will eventually make use of these FTAs, and hence the level of market access agreed under the different agreements, this usability is crucial. If the eventual rules are contradictory or difficult to apply in practice then there is a risk that businesses will not use the FTAs, lessening the potential economic gains.
17. Traditionally, services provisions in FTAs have not enjoyed the degree to liberalisation compared with goods trade. This is reflective of the fact that barriers to services trade are often more complicated and exist behind the border as part of the domestic regulatory environment. One of the biggest risks the UK faces is not being ambitious enough with regards to Services Trade and missing an opportunity to do more in this area.

Q4. What consideration should DIT give to the sequencing of its proposed FTAs, particularly with respect to the simultaneous negotiations being undertaken with the EU by the Cabinet Office?

18. A strong coordination function is necessary to keep track of the different provisions being negotiated as part of the different FTAs being negotiated by DIT as well as the UK-EU trade negotiations which is drawing expertise from across government. This is because the provisions negotiated into one FTA impact on what can be agreed in subsequent FTAs.
19. An agreement with the EU should be the UK's overwhelming priority. Ensuring business continuity and certainty with the UK's largest trading partner is crucial for the PBS sector. The PBSC has communicated its priorities in the EU negotiations to both the government and the recent House of Lords EU Services sub-Committee inquiry on UK-EU PBS Trade.
20. The PBSC has welcomed the efforts of the Government thus far to secure the Trade Continuity Agreements with a number of our key trading partners. These should continue to be a priority as losing access to the Japanese, Canadian, Turkish and Mexican (among others) markets would put UK services suppliers at a competitive disadvantage when compared with their European counterparts. The PBSC has also welcomed the launch of negotiations for new FTAs with the US, Australia and New Zealand.

Q5. In respect of each negotiation, how effectively is the Government representing the interests of, and communicating with, devolved nations, local government, businesses, consumers and civil society groups?

21. With respect to engagement by the Government with the PBSC on UK FTA negotiations it has been positive and constructive, both at Ministerial level and across Whitehall departments. The establishment of a DIT-led PBS Expert Trade Advisory Group was also welcome.