

**Department for Business, Energy and Industrial Strategy (BEIS) –  
Written evidence (PBS0024)**

***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 Professional and Business Services (PBS) sector comprises a diverse range of knowledge-intensive activities including but not limited to advertising, legal services, market research, accountancy, architecture, engineering, management consulting, call centres, event/exhibition organisers, credit services, operational leasing and HR/recruitment.
2. The PBS sector accounts for almost **12%** (£224.8 billion) of the UK economy’s gross value added (GVA),<sup>1</sup> **13%** of the UK workforce (**4.6 million jobs**),<sup>2</sup> and **23%** of all registered businesses in the UK.<sup>3</sup> Total business investment in PBS represents approximately **33%** of private sector services investment.<sup>4</sup> The sector underpins wider economic growth and productivity in the UK with £304bn demand for PBS coming from UK businesses.<sup>5</sup>
3. PBS are the UK’s most traded services globally,<sup>6</sup> providing **32% (£96 billion) of the UK’s service exports** and **15% of total UK exports**.<sup>7</sup> More PBS services are exported from the UK than imported to the country resulting in a **trade surplus of £33 billion**.<sup>8</sup> The UK is strongly competitive internationally, being the second greatest exporter of PBS following the US.<sup>9</sup> The UK’s most significant trading partners in PBS are the EU and the US, the destination for 37% (£35 billion) and 28% of PBS exports respectively.<sup>10</sup>

**PBS and International Trade**

	<b>UK Exports</b>	<b>Share of PBS exports</b>	<b>UK Imports</b>	<b>Share of PBS imports</b>
<b>Other business services, not included elsewhere<sup>11</sup></b>	£34bn	36%	£35bn	55%

<sup>1</sup> ONS GDP(O) Low Level Aggregates (current prices), 2019.

<sup>2</sup> ONS Workforce Jobs, 2019.

<sup>3</sup> ONS Business Population Estimate, October 2019.

<sup>4</sup> ONS Business Investment in the UK by industry and asset, December 2019.

<sup>5</sup> ONS Input output supply and use tables, October 2019.

<sup>6</sup> Trade figures for PBS are proxied by trade in Other Business Services (OBS) which includes other services not included under PBS such as trade related services and services incidental to agriculture, forestry, fishing and mining.

<sup>7</sup> ONS The Pink Book, Chapter 3: Trade in Services, October 2019.

<sup>8</sup> Ibid.

<sup>9</sup> UNCTAD ITC Trade Map, December 2019.

<sup>10</sup> ONS The Pink Book, Chapter 3: Trade in Services, October 2019.

<sup>11</sup> This is made up predominantly of services between affiliated enterprises (£17bn) and intragroup fee and cost recharge receipts (£10bn), as well as commercial real estate; travel agencies; operating call centres; specialist design services and others.

<b>Business management and management consulting</b>	£21bn	22%	£1bn	2%
<b>Research and development</b>	£10bn	10%	£4bn	7%
<b>Advertising and market research</b>	£8bn	9%	£8bn	13%
<b>Legal services</b>	£8bn	8%	£1bn	2%
<b>Engineering</b>	£8bn	8%	£3bn	5%
<b>Accountancy</b>	£2bn	2%	£1bn	2%
<b>Recruitment</b>	£2bn	2%	£1bn	1%
<b>Scientific and other technical services</b>	£2bn	2%	£7bn	11%
<b>Architectural</b>	£1bn	1%	£0bn	0%
<b>Operational leasing services</b>	£0bn	0%	£1bn	1%
<b>Total PBS</b>	£96bn		£63bn	

Source: ONS The Pink Book, 2019.

***What are the UK's different professional and business services sectors' key priorities for the future UK-EU relationship? What are the key priorities of smaller professional and business services providers and providers from the UK's regions and devolved nations in particular?***

4. The Government engages with the sector through the Professional and Business Services Council – made up of UK PBS sector representatives and co-chaired by a BEIS minister – and has strong links with organisations in all the UK's regions and devolved nations. These include the Law Society of England and Wales, The Bar Council, and the Institute of Chartered Accountants in England and Wales.<sup>12</sup>
5. Through these engagement channels, PBS businesses – including SMEs – have raised several cross-cutting priorities:
  - a. UK and EU-27 businesses want to continue to be able to **provide/receive PBS services** in the UK and EU.
  - b. Businesses value the ability to **freely establish, invest and manage** businesses in the EU without being subject to onerous local regulations.
  - c. **Business mobility** is a critical aspect of the client-focused nature of PBS professions (e.g. consultants, lawyers, tax advisors, architects).
  - d. **Data adequacy** is of key importance in day-to-day business operations of data heavy sectors such as marketing and advertising.
6. Regulated subsectors, like legal services, architecture, accountancy and audit firms, prioritise a **system for the recognition of their qualifications** which allows them to practice and deliver services in the EU. Additionally, the accounting and audit sector prioritises reciprocal equivalence (and an adequacy decision for audit) as this will reduce regulatory barriers to trade.

<sup>12</sup> Membership found here: <https://www.gov.uk/government/groups/bis-professional-and-business-services-sector-team#pbsc-working-groups>

7. The PBS sector would also want to ensure the recognition and enforcement of judgments for civil and commercial matters to avoid duplicative court processes for citizens, SMEs and corporations.

***What preparations (if any) have UK professional and business services providers made, or planned to make, ahead of the end of the transition period?***

8. Each PBS subsector will have different requirements as the end of the transition period approaches. The Government recognises the importance of working with the sector to help them prepare, especially SMEs, which have the lowest capacity to adjust. Our engagement with businesses will increase as we move towards the end of the transition period, including via a public information campaign starting from July.
9. For some subsectors, like accounting and audit, we have issued [guidance](#) to businesses, as they will need to note small changes to the UK's legal framework that reflect the UK's status as a third country to the EU at the end of the transition period. We continue to work with all subsectors to help them implement changes of this nature, and to help them identify where they may be able to take more bespoke actions to ensure business readiness.

***What provisions should the Government seek to negotiate to minimise potential barriers to trade, particularly for smaller professional and business services providers?***

10. The UK-EU FTA should promote trade in services by providing service suppliers with certainty and transparency about their future operating environment. Our ambitions, as laid out in *UK Approach to Negotiations*, reflect the commitments in the Political Declaration to agree:
  - Market Access, Local Presence and National Treatment commitments, to ensure UK service suppliers and investors do not face quantitative restrictions or discrimination from the EU27 and vice versa.
  - Mechanisms to promote voluntary regulatory cooperation in areas such as recognition of professional qualifications, to guard against unnecessary barriers to services trade and investment.
  - Commitments which seek to minimise behind the border barriers such as excessively lengthy and complex licensing procedures or a lack of objective and transparent criteria for granting a license or qualification recognition.
  - Separate from the UK-EU FTA, HMG intends to secure adequacy decisions from the EU before the end of the transition period. This will enable personal data to continue to flow freely from the EU/EEA to the UK.

***What steps should the Government take to preserve the competitiveness and innovation capacity of the UK's different professional and business services sectors?***

11. Earlier this year the Government launched the [levelling up](#) agenda to ensure research and innovation continues to be promoted across Britain in all sectors. This agenda will build on the support that [the growth hub network](#) provides to businesses – giving them the resources they need to start up, scale up and create more jobs – and will be particularly effective when combined with the targeted work of the PBS Sector Council.
12. The PBS Council recognises the unique role the sector can play in supporting millions of companies across the UK and has committed to develop an action plan to increase SMEs' use of PBS services. We continue to work closely with the Council to build growth and opportunity across the UK and the industry. This means attracting and maintaining talent, helping SMEs to increase their productivity and export capabilities and innovating next generation services through AI so that the sector can play a leading role in enabling and driving the UK's global competitiveness.

***What type of arrangements should the Government seek to negotiate with the EU for the mobility of professionals?***

13. Short-term business travel is a vital ingredient to the export of services, with UK and EU citizens such as lawyers or engineers regularly crossing the border for the purpose of meetings or training, among other activities. We therefore seek to negotiate reciprocal measures on the entry and temporary stay of natural persons for business purposes (Mode IV), including measures for short term business visitors, that will provide professionals the legal certainty and administrative clarity needed to continue delivering their services. These Mode IV commitments will be consistent with the UK's future points-based immigration system and could build on those previously agreed by the EU with Canada and Japan.
14. We also seek reciprocal commitments for intra-corporate transferees (ICTs), contractual service suppliers (CSS) and independent professionals (IPs). Provisions in these areas are important to the PBS sector as they can ensure that UK and EU businesses can continue to move staff temporarily between offices and to deploy expertise and transfer knowledge where it is needed.

***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?***

15. Many professional service suppliers in the UK need their qualifications recognised in another country to export and deliver a regulated and remunerated service. Legal, engineering and accounting services are among the top professions conducting trade which potentially relies on recognition. In 2018 the UK exported an estimated £2.6 billion in legal

services, £1.3 billion in engineering services and £1 billion in accountancy, auditing, bookkeeping and tax consulting services to the EU.<sup>13</sup>

16. Given the importance of qualification recognition in enabling services trade, the UK is seeking an arrangement with the EU which ensures that professionals have access to pathways to gain recognition of their qualifications in the other party's jurisdiction from the date the agreement comes into force. The UK is seeking these pathways in all sectors and wants to ensure that they are predictable and not unduly burdensome.
17. Under our proposal, applicants would only be granted access to a profession in the other country where they demonstrate that they meet the required professional standard and any other conditions (such as good conduct) imposed by the relevant authority on its own nationals. There would be no automatic recognition. This ensures that both parties can set their own professional standards and can protect public safety. These matters continue to be discussed in the ongoing negotiations.

***What provisions should the Government seek to agree with the EU on cross-border investment and rights of establishment?***

18. The Government is seeking to provide a clear and predictable basis upon which businesses can realise investment opportunities in the EU and the UK. The UK and the EU have therefore proposed to make commitments in line with existing EU FTAs. These include:
  - a. A Market Access article, to ensure investors do not face limitations such as those on corporate form and foreign equity caps.
  - b. A National Treatment article, to provide for non-discriminatory treatment between UK and EU investors.
  - c. The Prohibition of Performance Requirements, to ensure investments are not subject to conditions such as domestic content requirements.
19. The UK is also seeking to ensure investments are not significantly constrained by either nationality or residency requirements on senior personnel. This reflects the needs of modern businesses, allowing them to operate flexibly across Europe and make use of the best skills and expertise.
20. Where appropriate, there may be scope to go beyond the FTA commitments that the UK and EU have taken to date on PBS. For example, we have proposed a solution to a specific issue regarding the ownership, management and voting rights of UK and EU audit firms; and have also proposed that UK law firms have the right to establish branch offices in the EU to advise on the law of their home jurisdiction and

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<sup>13</sup> This includes all exports to the EU 27 and European Union Institutions. Please note these are indicative estimates based on survey results and are not directly comparable with the Pink Book trade statistics. Source: ONS, 2020, [International trade in services, by service product and country](#).

international law under their home title (and vice versa). Both proposals are currently subject to negotiation.

***Should there be regulatory cooperation between the UK and the EU on professional and business services? If so, what form should such cooperation take?***

21. Services provisions will be most beneficial to British businesses when implemented as part of a comprehensive agreement that addresses behind the border barriers through regulatory cooperation. This means addressing domestic regulation measures, such as licensing and certification requirements, which can result in obstacles to trade even when market access has been granted through an FTA.
22. The domestic regulation chapter will set out high level principles of better regulatory practice – it will not encroach on the Parties’ right to regulate, nor will it seek to align the UK with EU rules. As outlined in *The UK’s Approach to Negotiations* with the EU, the UK is seeking to agree commitments which provide the opportunity for both Parties and their Competent Authorities to discuss their respective approaches to regulating services and investment.<sup>14</sup> This would reduce the unnecessary obstacles to trade that domestic regulations may create in areas of mutual interest and would complement arrangements under the Good Regulatory Practices and Regulatory Cooperation chapters.
23. Examples of this kind of cooperation include the Architects Registration Board’s work with the European Network of Architects Competent Authorities – a network which developed a mutually acceptable standard for the format of their authorities’ certificates – and the Engineering Council’s participation in European bodies such as FEANI, which aim to facilitate the mutual recognition of engineering qualifications in Europe.

***What lessons, if any, can be learnt from the EU’s existing trade agreements with other third countries including services, or negotiations on trade in services?***

24. In the Political Declaration the UK and EU jointly agreed that our future trading relationship should liberalise well beyond the Parties’ WTO commitments and build on recent Union Free Trade Agreements. This means that we are seeking to negotiate an agreement along the lines of the FTAs already agreed by the EU in recent years with Canada and other like-minded countries.
25. All the proposals in our legal text and explained in the *UK Approach to Negotiations* are drawn from or based on precedent. Each FTA is nevertheless unique, which is why we believe there may be scope to build

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<sup>14</sup> ‘Competent authority’ is any central, regional or local government and authority or non-governmental body in the exercise of powers delegated by central or regional or local governments or authorities, which takes a decision concerning the authorisation to supply a service, including through establishment or concerning the authorisation to establish in an economic activity other than services

on precedent in a few key areas. For example, we are proposing Mode IV provisions for length of stay for intra-corporate transferees that build on commitments in the EU-Japan EPA. Where we are seeking to go beyond the EU's commitments to date, our proposals reflect our overarching negotiating principles of friendly cooperation of sovereign equals and economic and political independence.

***To what extent could UK-EU trade in professional and business services continue in the absence of a UK-EU agreement covering services? How effective would the WTO General Agreement on Trade in Services be in supporting such trade, and what arrangements (if any) could be put in place to go beyond the WTO framework?***

26. The Government has been clear that we will work hard to conclude an FTA with the EU before the end of the Transition Period. A deal based on our proposals would deliver benefits to the PBS sector in terms of greater market access and more stability in the trading environment than under WTO rules.
27. If a satisfactory outcome cannot be negotiated, the UK's relationship with the EU will rest on the 2019 Withdrawal Agreement and will look similar to Australia's. Trade in professional and business services with the EU could continue – the UK has one of the most open economies to foreign service providers and investors, scoring less restrictive than the average level of restrictiveness across all OECD countries.<sup>15</sup> The UK also exports 28% of its PBS to the US without a free trade deal in place, as compared to 37% (£35 billion) with the EU.<sup>16</sup>
28. If an FTA cannot be negotiated with the EU, UK PBS businesses would need to navigate individual member states' applied services regimes and potentially face new restrictions, including member states' MFN restrictions. However, the WTO framework would provide a level of market access on which UK PBS business could rely and applied services regimes could be more liberal than this.
29. Professional regulators can go beyond the WTO framework by entering into **mutual recognition agreements** for professional qualifications. Such mechanisms could be used proactively to support PBS professionals to deliver their regulated services abroad. However, MRAs often require significant time and resource whilst relying on the political will of both sides.

***If there were no reciprocal data adequacy arrangements in place between the EU and UK by the end of the transition period, what would the implications be for professional and business services providers?***

30. Formal talks between the UK and the EU on their assessment of the UK's data adequacy began on 11 March and continue to progress. The UK remains confident that an adequacy agreement can be reached with the

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<sup>15</sup> OECD, Services Trade Restrictiveness Index (2019).

<sup>16</sup> ONS The Pink Book, Chapter 3: Trade in Services, October 2019.

EU by the end of the transition period but will take sensible steps to prepare for a situation where that has not been achieved.

31. Where an adequacy agreement is not achieved, businesses and other organisations would be able to use alternative legal mechanisms, the most common of which are Standard Contractual Clauses (SCCs), to continue receiving personal data from the EU. The implementation cost for SCCs vary but for most organisations - including SMEs - taking the required action should not be excessively costly.

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

32. The UK has the opportunity to secure an agreement with the EU that represents a new benchmark for professional and business services (PBS) within Free Trade Agreements (FTAs), whilst also providing our businesses the ability to grow their export of world leading services to new international partners beyond the EU.
33. There are significant opportunities to boost our world-leading services sectors, including professional and business services, through negotiating Free Trade Agreements with:
- a. **US** – The UK's second biggest trade partner, after the EU. The UK exported approximately £36bn worth of PBS to the US in 2019.<sup>17</sup>
  - b. **Australia** and **New Zealand** – both are committed to early FTAs and have regulatory systems that are closely aligned with our own. In 2019, the UK exported £1.3bn worth of PBS to Australia and £80m to New Zealand.<sup>18</sup>
  - c. **Japan** – In 2019, the UK exported £1.6bn worth of PBS to Japan.<sup>19</sup>
34. These bilateral negotiations will also be a potential stepping-stone to joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
35. As an independent voice, the UK can push for free and fair trade globally. At the WTO, the UK will be a strong voice for services liberalisation, supporting and enhancing international rules for trade in services and breaking down market access barriers that affect UK firms.

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<sup>17</sup> [ONS trade in services by partner country: July to September 2019](#)

<sup>18</sup> Ibid 17.

<sup>19</sup> Ibid 17.