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Cole Commission on Exports
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Cole Commission on Exports

Submission from BritishAmerican Business and the British-American Business Council

Introduction

We are pleased to submit our comments to the Cole Commission on Exports. We are happy to provide additional input on the points below and to discuss these issues further with the Commission.

We are making this submission on behalf of BritishAmerican Business (BAB) and the British-American Business Council (BABC).

BAB is the leading transatlantic business organization, comprising and representing more than 500 of the world's leading multinational and middle-market companies across sectors and geographies. More than 100 of the world's most successful CEOs support our work through their participation in our Advisory Board. BAB incorporates the American Chamber of Commerce (UK) and the British-American Chamber of Commerce (USA), which merged in 2000 to create a single, pre-eminent transatlantic organization. The BABC is the largest transatlantic business network, comprising and representing more than 20 chapters, with a collective membership of more than 2,000 companies, based in major business centres throughout the US and the UK.

BAB and the BABC are dedicated to helping companies connect and build their businesses on both sides of the Atlantic and providing them with access to practical, measurable business expansion opportunities by delivering high-calibre networking and targeted marketing platforms, as well as top-quality business intelligence and regulatory advice and influence.

We represent a pragmatic, creative and conscientious British-American business community; are a driving force for a pro-growth transatlantic economic zone; seek a timely

conclusion of an ambitious trade and investment partnership (TTIP) agreement between the EU and the US; support a strong role for the UK in enabling a cohesive, business friendly EU; and are an active policy voice, around issues that most influence the UK/EU and US credentials as attractive destinations for business such as tax, migration, data, infrastructure, and intellectual property (IP).

1. The UK's current performance in exports, highlighting areas of success and challenges

Since 1998, the UK has been running consistent trade deficits¹. The US, however, is one of the UK's export destinations where the overall trade balance has been predominantly positive since 1999². Many British exporters consider the US as their most important trading partner.

In 2012, British-American trade was worth \$214 billion or around £133 billion³. The US is the major destination for British exports, accounting for £3.3billion, or 20% of UK export in November 2014⁴. Overall, the UK's biggest export goods to the US are machinery and transport equipment, chemicals and manufactured goods and articles⁵.

The US is also the major investor in the UK. In 2012, the US represented 39% of all investment projects in the UK, making it the UK's biggest source of FDI projects by a wide margin⁶. Most investment from the US goes to financial services, information & communication and manufacturing⁷. More recently, there has been new additional focus on technology, with companies like Google and Facebook and many smaller firms setting up representations in the UK.

The strength and nature of the UK-US economic relationship brings huge benefits to the UK economy. It offers great potential for further growth, as the US market (by comparison with most emerging markets) is relatively accessible to UK exporters. Even a modest percentage increase in UK exports to the US market would have a disproportionately large impact on total UK exports and the underlying UK economy. We are proud that our membership contains many leading US companies who in particular value the UK as gateway to the rest of the EU, contributing again to the success of UK exports.

The US economy is large and diversified with technological and physical infrastructure comparable to the UK and the EU and with similarly educated and skilled workforces. We also have similar value systems and political processes underpinning our economies and leading to similar expressions of expectations by our citizens. So the UK and the US are much more similar to each other than they are to the emerging markets. We trade and invest with each other far more than we do with any emerging market: even as our trade and investment ties with the emerging economies increase, it will be a very, very long time before they are comparable.

That said, the US market has characteristics which make it a complex and demanding place to do business. They present challenges to UK exporters who therefore require support and

¹ Tradingeconomics.com (<http://www.tradingeconomics.com/united-kingdom/balance-of-trade>)

² With exception of 2011 and 2014. US Census (<https://www.census.gov/foreign-trade/balance/c4120.html#2012>)

³ Ukustrade.com

⁴ HM Revenue & Customs (<https://www.uktradeinfo.com/Statistics/NonEUOverseasTrade/Pages/NonEuOTS.aspx>)

⁵ HM Revenue & Customs (statistics, uktradeinfo.com)

⁶ Ernst & Young's European Investment Monitor 2013

⁷ Office for National Statistics (ONS): Foreign Direct Investment involving UK companies 2013

guidance from government agencies to navigate them effectively. Many of the checklist issues for business planning for all markets, emerging markets or others, are as present for the US as anywhere, such as a different business culture, customs and tariffs and different regulatory norms, as well as issues of scale such as logistics, cost of entry, state by state differences, and an interplay between state and federal government as market makers. So while the US is much more accessible to (and has much more potential for) most UK exporters than emerging markets, it also presents different and often great challenges (as well as opportunities than most EU markets where the prevailing norms of the EU Single Market apply).

Recommendation: While paying the necessary due attention to the long-term potential of emerging markets, maximize the leveraging of the strength and potential of our major traditional markets, particularly the US given both the scale of the opportunity and of its greater 'difference' than most EU markets.

2. The effectiveness of government export schemes and how they can be improved to provide more support for exporters.

We welcome the focus in recent years on a more mercantile-based diplomacy abroad, and on increasing efforts to provide practical advice to British businesses trading and investing abroad, including the US. We value both the strong relationship between the Foreign Commonwealth Office (FCO), the Department for Business, Innovation & Skills (BIS) and UK Trade & Investment (UKTI) and the relationships we have with each of these three departments of government.

Our experience of working with UKTI is threefold: in the US we work closely with the Director General of UKTI USA and his colleagues throughout the country. In the UK we work with UKTI in London and with UKTI regional offices, notably as we have pursued our road show programme on TTIP (see Question 4) in which we valued in particular their ability to size the actual and potential UK-US channel opportunity as a key frame-working tool for preparing for TTIP. UKTI in the regions are key to providing the 'base case' information for businesses and other key local partners, so as to focus opportunity assessments into the 'sizeable' ground useful for business radars and planning.

We also welcome UKTI's strategy 'Britain Open for Business'⁸ and believe that its value should be recognized particularly as a local partner for businesses, business organisations (e.g. trade associations) and local public enterprise focused authorities and agencies in the UK, and as a catalyst for British business activity abroad.

Recommendation: Nourish and sustain the role of UKTI in UK regions and abroad as the key delivery device for trade and investment promotion capacity building.

We have also welcomed the commendable injection of private sector expertise and experience into senior management at UKTI and the introduction of private sector style key account treatment providing effective problem solving access at the highest levels.

Recommendation: Maintain the current UKTI key account approach to supporting key investors

⁸ UKTI 2014 Britain Open for Business: The Next Phase (<https://www.gov.uk/government/publications/britain-open-for-business-the-next-phase/britain-open-for-business-the-next-phase>)

We are supporters of the Local Economic Partnership (LEP) configuration and believe that their footprint could usefully be strengthened, particularly by engaging them more actively into the mix of actors involved with trade and investment promotion, without diluting the leadership role of UKTI.

Recommendation: Strengthen role of LEPs as regional delivery devices for trade and investment promotion work

In assessing how much the private sector should pay for this public capacity provided by government, the approach has often been to price UKTI on the private sector model as a quality consultancy service, on the basis that this sharpens the overall effectiveness of UK Plc because it introduces market style discipline into government private sector relations which would otherwise be a burden on tax payers. We do not have a position on this argument, but we are aware that other EU Member States apply a different model. So we would encourage the Commission to evaluate the respective merits of these different models and assess whether the current model represents the most efficient use of the public purse to support small and medium-sized enterprises (SMEs) trading abroad or whether, on a net basis, it impedes potential growth and job creation.

Recommendation: Review the merits of different pricing models for UKTI consultancy type services and models applied by other EU Member States for best practice

In the UK and the US, BAB and other BABC chapters are well situated but underutilised as partners for UKTI and the LEPs focusing on the US marketplace. As well as access to high-quality business networks, we can deliver applied expertise in convening businesses and partners in a focused, segmented (e.g. C-Suite, women, business/sectoral) manner for content-driven occasions (e.g. seminars, briefings, conferences) as well as business introductions and social networking occasions.

Recommendation: Support greater utilisation of business networks like BAB and other BABC chapters to leverage the US marketplace as a winning destination for UK exporters

3. How government can support small and medium-sized high growth businesses to take advantage of growing global export markets

We cover this question under question 2. and 4.

4. How we can utilise strengths including the UK's major exporters and growing sectors, within an international trade context.

In July 2013, the EU and the US launched negotiations for TTIP. The European Commission received the mandate from all 28 EU Member States to negotiate the agreement. The UK government is working closely with the European Commission (EC) and other Member States on the negotiations. As the third-largest European economy, and the one with the strongest economic relationship with the US – and so the most to gain from TTIP – the UK plays a particularly important role in the process.

Since 2012, BAB has taken a leadership role, alongside others in government and the business community, in promoting TTIP, particularly in the UK. BAB's activities include

regular statements and submissions to government, briefings and conferences. To support a greater public debate and legislative dialogue, we provide the secretariat for the All-Party Parliamentary Group (APPG) on EU-US Trade and Investment.

We have a particular emphasis on investigating and amplifying local, specific and tangible potential outcomes, in particular for smaller companies, for TTIP. In order to achieve this objective, we embarked on a national road show to explore how businesspeople and their companies, particularly those that fall with the definition of a SME, can benefit from a comprehensive EU-US trade and investment agreement. This initiative has provided us with a wealth of knowledge about the daily realities of trade and investment between the UK and the US.

We will be launching the report 'Local, Specific, Tangible – How a EU-US trade and investment agreement can help businesspeople and their companies in the UK', summarizing the important lessons we have learned from companies across the UK on trade and TTIP, in the last week of January with the Trade Minister Lord Livingstone in London and the UK's Permanent Representative to the European Union in Brussels. With the Commission's permission we will forward the released version of the report as supplemental evidence upon launch. It is the stories we have heard from companies that illustrate very well the potential and the positive impact that increased market access and regulatory compatibility to and with the US can have for business in our local economies.

Recommendations:

- Continue to offer leadership for EU efforts to secure a comprehensive and ambitious trade and investment agreement between the EU and the US
- Learn from, disseminate and apply the lessons of our roadshow and other programs, including that:
 - The majority of companies faces barriers to trading with the US, including complicated custom procedures and tariffs on exports as well as barriers stemming from the application of different standards and regulations on both sides of the Atlantic.
 - Some of the barriers that companies face are so important that certain business expansions are either heavily delayed or postponed for an indefinite time.
 - Smaller companies are much less aware of TTIP opportunities than larger companies, and much more likely to be put off by the current barriers to trading, investing, exporting etc., that TTIP hopes to reduce or eliminate. Often these companies sit in the supply chains or are neighbours of larger companies who have greater knowledge of TTIP and its potential and much greater capabilities in US marketplace but no commercial imperative or incentive to share their knowledge to build capacity.
 - Larger companies typically have already configured to manage US market barriers or obstacles. For obvious reasons the scale of risk taken and investment needed would most often be such as to scare off smaller companies.
- Consider 'exporting' initiatives like the UK road shows on TTIP to other EU Member States to increase national business engagement/outreach for TTIP

In order to take advantage of the TTIP opportunity in the UK, preparations should be commenced in 2015 to use TTIP to galvanise the UK-US channel for SMEs. BAB would be

pleased to engage with UKTI (in particular at the regional level) and the LEPs and other partners to deliver capacity in the form of toolkits and workshops preparing for TTIP.

Collaboration with private sector networks such as BAB and other BABC chapters who are willing and committed to engage to agreed common purposes can be a very cost-effective way of promoting UK exports and foreign investment into the UK.

Our experience with TTIP to date is that while there is only modest SME interest to engage around the intangibility of policy processes and trade negotiations, there is focus on market conditions, obstacles and best practice. For each TTIP upside there is an existing sub optimum status quo, but by taking a line by line approach to the substance of TTIP the closer we get to the finishing line and the more detailed the text, the easier it will be to translate negotiating texts into a successful trade and investment promotion.

Recommendation: Use TTIP preparation as a galvanising tool for increasing trade and investment capacity building work with SMEs.

5. How to better use underutilised Diaspora links to reach new markets, encourage city-to-city links, and make more effective use of ex-pat communities.

We do not have specific suggestions to offer to this question.