

BIS | Department for Business
Innovation & Skills

**THE TRADE AND INVESTMENT
FOR GROWTH WHITE PAPER**

Progress and Achievements
in Year One

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Introduction

1. One year ago, in February 2011, the Government published a White Paper on its trade strategy, "Trade and Investment for Growth" (Cm 8015). This paper sets out the progress made against the commitments in the Trade and Investment Framework for Action laid out in that White Paper.

1. UK Trade & Investment Strategy

2. Under the leadership of its new CEO, Nick Baird, UK Trade & Investment (UKTI) is refocusing the organisation's top management team and introducing strong private sector expertise and talent. UKTI's work to help the UK economy grow by boosting exports and encouraging overseas investors to come to the UK is being done in close co-operation with the rest of Government and particularly the Department for Business, Innovation and Skills (BIS) and the Foreign and Commonwealth Office (FCO).
3. As well as the activities set out below, UKTI is seizing the once-in-a-lifetime potential of the London 2012 Olympics and Paralympics through a major international business programme aimed at boosting British exports and attracting inward investment.
4. The new UKTI five-year strategy was launched in May 2011. It sets out four pathways to growth:

1.1 Focus on high growth and innovative Small and Medium-sized Enterprises (SMEs):

5. UKTI will step up its work to encourage significantly more SMEs to export and to seize opportunities in high growth and emerging markets. It is taking steps to link high-potential firms to trade finance, credit insurance and venture capital. To this end, over the last year, UKTI has helped over 20,000 SMEs to export and break into new high growth markets, and is continuing to do so. UKTI is now taking its campaign across the country in order to achieve its target to double its client base to 50,000 companies per year by 2015. This will see conferences in every region of the UK; active engagement with support networks; and targeted support of SMEs at trade fairs and on trade missions.
6. In November 2011 the Prime Minister backed this up by launching a National Export Challenge to get 100,000 more companies exporting by 2020, with business intermediaries such as banks, lawyers and accountants playing a major role. Other announcements at the launch included an Export for Growth prize and a white label export guide for intermediary organisations to brand and give to customers or members. In addition, the Prime Minister announced that Yell will deliver a peer-to-peer project "Open to Export". This will provide an e-networking facility for SMEs, including mentoring and experience-sharing.

7. Catalyst UK is a global network of business leaders, influencers and academics with a strong affinity to the UK. There are currently 130 members and we aim for 200 by the end of March 2012. Members work with UKTI and other parts of Government to promote UK excellence; help UK-based SMEs develop their global footprint; and champion the UK as the international business partner of choice.

1.2 Focus on high-value opportunities (HVOs):

8. UKTI will help bring home HVOs – multi-million pound global infrastructure projects - through a programme of intensive support for larger companies seeking to win overseas contracts valued at £250 million or more. It will also focus on identifying supply chain opportunities for SMEs across a wide range of sectors. Through the identification of such HVOs, UKTI has supported UK businesses in securing more than £800 million of successes overseas. An early success of the HVO programme was the winning of contracts associated with the Singapore Mass Rapid Transport project. UKTI also helped Invensys Rail, which won business worth £420 million around the Saudi Land Bridge rail project, and Carillion, which won business worth £296 million relating to the Musheireb Redevelopment project in Qatar.
9. UKTI is currently pursuing 60 priority HVO projects around the world, including reconstruction projects in Libya. Over the coming months there will be an ambitious programme of conferences and other country-specific activities, along with trade missions for key sector providers, including SMEs.

1.3 Focus on targeted inward investment:

10. UKTI is working to maintain Britain's position as one of the top three destinations for inward investment. This involves introducing an enhanced bespoke service for foreign direct investors, including in-depth market analysis, predictive targeting and tailored business propositions.
11. There have been many early successes. Amazon have created over a thousand jobs in the UK over the last six months, with the opening of two new fulfilment centres and a multilingual contact centre. A third new centre in Hemel Hempstead is due to open in June 2012. Nestlé are also investing heavily in their UK operations, with a £110m investment in its Tutbury plant announced in November 2011 and a further £200m announced in January 2012 for expansion at Tutbury. This will make Tutbury Nestlé's centre for coffee production, with the creation of 425 new jobs. Arla will build the largest dairy in Europe in Aylesbury, Buckinghamshire, creating 700 jobs. UKTI helped to link Samsung Heavy Industries with David Brown Gearboxes. These two companies now have a strategic tie-up which was central to Samsung's decision to invest in the UK.
12. TechCity – London's dynamic technology hub - continues to grow steadily. 18 investments have so far been secured, alongside a pipeline of 300 potential investors. Current investments include the Google innovation hub in Shoreditch; Twilio's European HQ; an Amazon cloud development team

providing advice and technical support to TechCity companies; and the US social media company Yelp expanding in Clerkenwell.

13. During the coming year the Government will showcase inward investment opportunities, especially in key economic infrastructure developments, building on our world-class science base with more proactive identification of major overseas investors; special programmes for strategically important countries, including science and innovation partnerships; and a major and sustained client marketing programme focused on financial investors, sovereign wealth funds and contracting/operating investors.

1.4 Focus on building strategic relationships:

14. UKTI has introduced “key account management”, which provides for a systematic approach to the strategic relationship management of the UK’s top exporters and the most significant inward investors. This will give key inward investors and exporters a seamless, “one stop” service and speedy resolution of bureaucratic obstacles to doing business. There has been a strong positive response to this initiative from business and the programme will be rolled out to more clients in the coming year.
15. UKTI is also targeting institutional investors, such as Sovereign Wealth Funds and overseas pensions funds, to win investment for large scale infrastructure and regeneration projects in the UK. As a result of this effort, there has been significant interest from mainland China and the Gulf in investing in UK infrastructure. This interest has turned into real results, such as China Investment Corporation’s purchase of a 9% stake in Thames Water.

2. Trade Finance

16. UK Export Finance (the Export Credits Guarantee Department – ECGD) and BIS successfully launched in February last year a menu of new short-term export finance products aimed particularly at supporting smaller firms. The range of products and services available to UK exporters through UK Export Finance is now broadly comparable with that available to exporters in other G7 countries. These new products have so far supported new exports worth more than £140 million. Some examples include support to Blackburn-based wallpaper manufacturer, Graham & Brown, to increase its exports to Russia, or to Glasgow-based Clydeunion Pumps to raise contract bonds for exports to China.
17. To explain how its support can help companies trade overseas, UK Export Finance representatives have been working closely with UKTI, regional and sectoral representative bodies, professional services firms and banks, and have attended over 160 roadshow events, making direct contact with around 10,000 companies.
18. In 2012 more effort will be made to ensure there is a supportive financing environment for exporting and investment. This will require close working with the banks on trade finance; an expanded marketing effort by UK Export

Finance; and active marketing of international venture capital providers and angel investors.

3. Commercial and Economic Diplomacy

19. The FCO has made promoting Britain's prosperity a central part of its wider foreign policy agenda.
20. In May 2011 the FCO launched a new Charter for Business which sets out seven commitments to support UK businesses overseas and attract investors to the UK, including: incorporating the views of UK business and drawing on the best available economic analysis in pursuing our foreign policy and the UK's bilateral relationships; using the FCO's knowledge of other countries to help UK businesses identify and pursue new opportunities, manage risk and build relationships; and lobbying on behalf of UK business interests overseas.
21. The FCO has redeployed more than 100 diplomats to work more directly in this area, focusing particularly on our commercial and diplomatic effort in the emerging powers beyond Europe. It has also developed an extensive commercial and economic training programme to expand the skills of its staff, as well providing targeted project funding. This means more support to UK businesses operating overseas and more help to improve the global economic conditions that affect the UK's prosperity.
22. The Overseas Business Risk website – available at <http://www.ukti.gov.uk/overseasbusinessrisk> was launched in July 2011 and provides UK businesses with information to help them understand and manage the risks they may face when operating overseas.
23. FCO teams have helped to secure major business wins in many countries, including for Premier Oil in Indonesia; Shell in Korea; and HSBC and Diageo in China. A particularly good example came in February 2011, during the Prime Minister's visit to Qatar, when Centrica agreed a three-year, £2 billion gas supply deal with Qatar Petroleum (QP). This was followed up in December 2011 when Centrica signed a Memorandum of Understanding with QP International to explore opportunities to partner on energy-related investments worldwide.

4. Wider Business Issues

24. To help UK businesses realise the value of the intellectual property and ensure that it is protected appropriately overseas, Intellectual Property Office (IPO), UKTI, FCO, and others have developed an improved range of products and services available to UK businesses. This includes specific business guides and improved business support literature

25. IPO has recruited its first Intellectual Property Rights attaché, to work as part of the British Embassy in China. This and other attachés, covering India, Brazil, and South-East Asia, will work with the existing network of UKTI representatives across China, to provide on-the-ground help for UK businesses with IP-related issues. As part of this work, the first UK-China IP Symposium took place in December 2011 in London. In October 2011, IPO also signed a key agreement with the Mexican Institute of Industrial Property. This agreement will help UK businesses operating in Mexico by improving co-operation between the two nations on issues such as copyright, patents, trade marks and designs.
26. The Bribery Act came into force on 1 July 2011. The Ministry of Justice published guidance on the Act and has run a programme of awareness-raising, prioritising UK industrial sectors most exposed to corruption risks. The Business Anti-Corruption Portal provides SMEs with a comprehensive and practical online business tool to help them avoid and fight corruption. Commercial Awareness training for FCO staff aims to equip them with the knowledge and skills to be able to provide suitable support to businesses, including advice on this issue.

5. The EU and Single Market

27. The UK has been central to the efforts to promote growth and a deepening of the EU's single market. We have actively engaged across Europe to promote our priorities. The Government's broad approach was set out in the pamphlet "Let's Choose Growth", which was published in March 2011, and which sets out the need for more ambitious action to reduce regulation; create a fully functioning digital single market; and improve the functioning of the single market in services. The UK has established a group of "likeminded" European Ministers to support the liberalising agenda and to maximise influence. The views of that group have been reflected in successive European Council conclusions and in the ongoing legislative work across the Union.

6. Free Trade Agreements

28. The EU is continuing to negotiate a wide range of FTAs with countries around the world.
29. The EU-South Korea Free Trade Agreement (FTA) came into force on 1 July 2011, unlocking a huge range of opportunities for UK companies. South Korea is the EU's fourth largest export market outside Europe. Based on current trading patterns, this agreement is expected to increase the UK's Gross Domestic Product by £500m and result in £1.4 billion savings in duties annually for EU exporters.
30. Negotiations on the EU-Ukraine Deep and Comprehensive Free Trade Agreement ended in December 2011 with an agreed text.

31. The Government hopes that the EU will be able to conclude FTA negotiations in 2012 with India, Singapore and Canada, and open negotiations with Japan too. The Government also strongly supports the reinvigorated work between the EU and the US, which is looking at ways to deepen the economic relationship between the two. Finally, we also support the work to start FTA negotiations with Egypt, Jordan, Morocco and Tunisia.

7. Low Income Countries and Least Developed Countries

32. The July 2011 visit by the Prime Minister and others to South Africa and Nigeria reinforced the UK's support for the development of free trade areas in Africa, including the African Free Trade initiative (AFTi). African leaders agreed at the African Union Summit in Addis Ababa in January 2012 to establish a Continental Free Trade Agreement (CFTA) by 2017 and gave the African Union Commission the mandate to drive the CFTA process. This will build on the agreement by 26 Heads of State to negotiate a Tripartite Free Trade Area in East and Southern Africa by 2014.

33. In September 2011, the Department for International Development launched its Advocacy Fund. This project will provide £12 million of technical assistance and legal advice to least developed countries to help them prepare for and engage in key trade negotiations. This is only part of a large Aid For Trade budget amounting to around £1bn per year.

34. The Government has been a strong advocate of duty-free-quota-free access to the EU for Palestinian agricultural products. These arrangements finally began on 1 January 2012.

8. The Multilateral Trading System

35. The biggest disappointment of 2011 was the failure to conclude the negotiations on the Doha Round, as the Government had hoped. WTO Ministers, in December 2011, did however agree to continued work in certain areas where progress seemed possible in 2012, notably trade facilitation and issues of interest to Least Developed Countries. We will also explore new and innovative ways to progress the liberalisation agenda through the multilateral trading system.

36. However, the WTO remains central to world trade. In December, Russia, Samoa and Montenegro completed negotiations to join, a testimony to the organisation's continuing relevance. A revision to the Government Procurement Agreement was also successfully concluded in December 2011. Work can now start on an agreed work programme, including sustainable procurement, assistance for SMEs, statistics, technical specifications and thresholds, as well on enlarging the number of participants in the Agreement.

37. The Prime Minister presented a report on Global Governance to the G20 Summit in Cannes. This highlighted the need to strengthen the WTO's role as guardian of the world trade system, including enhancing its surveillance role to guard against protectionism; refining its dispute settlement

mechanism; updating outdated trade rules; and pushing for innovative approaches to trade liberalisation, including coalitions of the willing.

9. Global Green Growth

38. The Green Export Campaign aims to build the UK's green low carbon reputation and promote this capability overseas. UKTI has supported events over the last year to promote the UK's renewables capability. Over the last year, UKTI has led more than 80 events related to low carbon opportunities for UK companies. Three of these events alone resulted in business orders and pipeline sales in environmental goods and services totalling £1.7 million, involving 15 UK companies in eleven markets.
39. At the World Economic Forum in Davos in January 2012 the UK announced that Britain would spearhead a new drive to bring major private investment to help tackle the global threat of climate change and help boost economic growth. The Government is investing £130 million of the UK's £2.9 billion International Climate Fund into CP3 - the Climate Public Private Partnership. Through two new commercial private equity funds this is expected to mobilise at least £30 of private capital for every £1 provided by the British taxpayer (taking into account the fund of funds level, sub funds and projects). This will help support projects to deliver clean, renewable and efficient energy, new technology and protect natural resources in emerging and developing countries. The fund will also be supported by a technical assistance arrangement run through the Private Infrastructure Development Group, which is a concessional facility providing loans/grants to first time fund managers and for first time technologies. This will focus on lower-income countries.

Conclusion

40. There is much more to do. Improving the UK's trade performance, promoting the multilateral trading system, and helping support the interests of developing countries will all take sustained time and effort. But we have made a strong start; a difference is already visible; and the Government is determined to drive forward to durable success.

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