Department for Business Innovation & Skills

SUMMARY OF RESPONSES

To the Trade and Investment White Paper:
A CALL FOR EVIDENCE

February 2011

TABLE OF CONTENTS

Overview & Background

1. The Secretary of State for Business, Innovation, and Skills, the Rt Hon Vince Cable MP, published a White Paper on Trade and Investment on 9 February 2011. The White Paper examines Britain's trade and investment policy in the light of changing domestic, EU and global developments, and set out the Government's strategy.

2. In preparing the White Paper, the Department for Business, Innovation and Skills (BIS) consulted interested stakeholders gathered from business, non-governmental organisations (NGOs), trade unions, academics and think tanks, in the form of several seminars to seek their views on the White Paper. The Department also conducted a formal Call for Evidence. Details of those involved are set out in the Annexes.

3. The purpose of the seminars and Call for Evidence was to engage those interested early on in the policy development process, and to gather perspectives on UK trade and investment performance and potential, the role of government on trade issues, and the impact of global developments on UK trade policy. The Call for Evidence closed on 14 January 2011. The views gathered have informed the development of the White Paper.

4. This report summarises the contributions gathered from the stakeholder consultation seminars and the submissions received in response to the Call for Evidence. The views reflected in this report are those of the stakeholders that responded to the consultation.

Seminars for consultation with stakeholders

5. Three stakeholder consultations were held in October and November 2010. The main points that emerged from them are as follows. The summary of views below does not of course commit any individual participant.

6. **NGOs and trade unions** felt that the UK approach to a trade strategy should be more development focussed. Many of the organisations were members of the Trade Justice Movement and agreed with their principles. They saw the benefits of trade but were wary of ‘free’ trade. NGOs and trade unions were worried that commercial interests would dominate thinking about trade. Some respondents felt that the Government prioritised exports over imports, when the latter provide important markets for poorer countries. .

7. Some NGOs considered that the UK had good ideas about how to conduct effective Aid for Trade’, and hoped the UK would lead and encourage other donors in this area. Many wanted Free Trade Agreements (FTAs) to protect the human rights and labour standards of the poorest workers abroad, and were very concerned about Economic Partnership Agreements (EPAs), which they thought were unlikely to ever come to a pro-development conclusion.

8. The NGOs and trade unions proposed: that the Government should

- look at business supply chains as these are a key way in which multinational corporations (MNCs) affect the lives of workers in poorer countries; that it was important to increase the transparency of EU trade policy, and that tax regimes affect trade and investment and the ability of countries to benefit from trade.

9. **Academics and think tanks** offered views in a seminar on the theme of UK Competitiveness. Overall the views coming from this seminar were as follows:

- Our institutions were better at product than process innovation, that universities played an important role in innovation. However, we could not, and so should not try to, predict the next wave of product/process innovation.
- We needed to encourage entrepreneurship in the UK. The broader regulatory and competition regime and education and R&D environment were key factors determining our comparative advantage.
- Importing ideas was important, via imports and people (immigration). The evidence on whether FDI boosts productivity was not conclusive and needs to be explored further.
- Technology transfer could be positive (e.g. it was in our interest for China to get richer) and destructive (where businesses lose the return on ideas too quickly for there to be an incentive to produce in the first place).
- Our understanding could be helped with greater access to a more detailed breakdown of data from the ONS and HMRC on UK exports/imports.

10. The academics and think tanks also gave views on the emerging economies. There was general agreement that China was, and should be, the focus, due to the magnitude of China among emerging economies. They also felt that the EU should focus its efforts on its main trading partners – US, Japan, China, and that the EU’s FTAs should focus on issues such as rules and regulation.

11. Another theme considered by academics and think tanks was whether multilateral trade negotiations had become too complex to make progress. The views were:

- The proliferation of FTAs had been an issue for multilateral negotiations and changes to the process – such as forming coalitions of the willing - could help make progress and introduce flexibilities.

- In terms of the DDA, the EU position on CAP reform was no longer the primary stumbling bloc. The US needed to make a move. New issues had also emerged since Doha began but the remit of the negotiations could not be updated to take on board what were now the main interests of countries involved.

12. Finally, representatives from business considered several themes in the seminar they attended. In the area of how the Government can best support UK business to pursue trade and investment abroad, businesses felt it was really useful for Ministers and Government to act as ambassadors for UK business abroad, but equally Government needed to meet with senior foreign Ministers and businessmen visiting the UK.

13. On how the Government could improve its engagement with business on trade policy, businesses welcomed improved communication explaining what the latest UK trade policy actually was, and which officials businesses should engage with on specific policies. Policy stability was also considered key for businesses making long term decisions.

14. In regard to UK trade policy with the developed economies outside the EU, business felt that the main priorities were regulation and regulatory compatibility. Business also wanted to understand the long term competitive advantage of the UK better so that they directed their investment. Trade and industrial strategies needed to bring along the whole of industry, not just the new innovative sections.

15. In consideration of the attractiveness of the UK as a place to invest, businesses felt that some aspects of the UK's regulatory environment were cumbersome. Other important factors were the R&D environment, energy and utilities policy, availability of digital networks, finance loan guarantees and access to Government. Predictability of policies was also felt to be important.

16. On intellectual property (IP), there was general agreement that the UK should ensure IP regimes in all its key export markets are able to protect our own goods. It was felt that the UK needed to increase the impact of its representation in multilateral institutions such as the WTO. IP issues should be brought into specific bilateral agreements.

20. Overall, business felt that the White Paper should not be full of big grand-standing ideas, but deliver the detail of the practical steps that the UK needs to take. They felt that the definition of trade needed to be wider than balance of payments, and should involve licensing, tourism, research and education. More could be done to help online retailing (which the UK is good at), particularly across the Single Market. At the EU level, some felt that trade policy encompassed so much (e.g. labour standards, CSR) that there was unlikely to be progress made on the issues at the heart of trade.

The Call for Evidence

The Call for Evidence asked a range of questions, thirty-four in total. It elicited 109 responses, including responses from all of the key stakeholder groups. A breakdown of respondents is at Table 1 below and a full list of the respondents is attached at Annex B. The Government is very grateful to everyone who took the time to comment.

The main themes in the responses were the government's approach to trade, barriers, growth and development. The format of responses varied considerably. Some respondents provided detailed answers to each question; others provided summary comment instead, focusing on specific concerns. The numerical breakdowns provided in this report should therefore be considered indicative. In addition, some respondents (for example trade associations) submitted responses on behalf of a number of organisations, so it also should be borne in mind that each response was only counted once, regardless of the number of organisations it represented. In all, the responses provide BIS with a substantial and useful body of thought and evidence.

This document summarises the key issues on which respondents commented.

Table 1: Breakdown of responses by category		
Category	**Total**	
Academics / Think Tanks	9	8%
Businesses/Employers (including micro, small and medium enterprises and large employers)	26	24%
Business representative organisations, professional bodies, Trade Associations	36	33%
Individuals	5	5%
Local authorities, Business support organisations, Central Government	17	16%
Non-governmental organisations (NGOs)	14	13%
Trade Unions	2	2%
Grand total	**109**	**100%**

RESPONSES TO EACH QUESTION ACROSS ALL RESPONDENTS

Section 1: UK Comparative Advantage

To ensure that the UK benefits from international trade opportunities, the White Paper will look to our current and potential areas of comparative advantage and how trade policy can open opportunities for these industries. The UK has particular strengths which we can build upon to make the most of these opportunities including in; pharmaceuticals; communication equipment; education; aerospace; non-electrical machinery; instruments; financial, legal and business services including insurance; personal, cultural and recreational services; creative, sports and media; engineering; design; knowledge and technology transfer and defence products.

Q1 In which goods and services is the UK best able to compete internationally?

52 respondents submitted views on this question.

The responses received to this question showed that the UK has a broad base of strengths, across a range of industrial, agricultural and service sectors, from which we had been able to compete internationally. The responses suggested that the UK's strengths lay in the following areas:

- Aerospace / Transport equipment (including Defence equipment and Space Industry)
- Agri-business
- Automotive and related
- Chemicals
- Construction
- Creative Industries, Publishing and Music , Film/Television Production
- Electrical and optical
- Engineering, advanced engineering and Manufacturing, machinery
- Financial Services
- Food & drink
- HE, Education
- ICT, Telecommunications
- Life Sciences
- Renewables and Low Carbon Economy
- Retail/Supermarkets
- Services
- Steel

Some respondents pointed out that the Government should not focus support on sectors and suggested either a minimum level of support for all or focussing on support for high growth companies, regardless of their sector.

Q2 Does future export advantage lie in current or emerging industries?

32 organisations submitted views on this question.

It was noted that old and new industries are not mutually exclusive and both are important to maintaining export advantage and several respondents indicated that only with the right skills base and IP framework could the UK compete in emerging industries (this issue was also raised under Questions 3 and 4). Respondents indicated that industries in which the UK could establish a new strength included renewable energy and e-health (e.g. telemedicine).

Q3 What is preventing us from competing internationally:

49 organisations submitted views on this question.

Respondents generally focused on one or more of the following barriers to competing internationally:

- The difficulty in obtaining finance for exporting;
- Poor infrastructure in the UK (particularly transport and aviation);
- skills deficits in both industry and academia (particularly languages, engineering and biomedical skills);
- Burdensome regulations

- A lack of mercantile spirit;
- An unwillingness to engage in international culture;
- limits on migration of skilled workers and the difficulty and expense of obtaining visas; and,
- A lack of investment in R&D.

Other issues raised included: poor government advocacy for business; the absence of strategies for the aviation and security sectors.

One business body also proposes that a manufacturing and exporting mentoring network should be created and facilitated through UKTI and the Chamber of Commerce Network. Other suggestions from a number of respondents to help business compete internationally included; modernise export controls and develop a one-stop shop for export controls; customs agencies need to be more effective – proving online trade facilitation services; negotiate earlier with the EU to reduce legislative burden on business; and for government to show leadership in debates about the use of technologies such as GM and nanotechnologies.

Q 4 Impact of ageing engineering workforce and skills supply?

26 respondents submitted views on this question.

Many respondents felt that improving the supply of skills was central to strengthening UK companies' ability to compete in work markets. Many focussed on the need for more apprenticeships, particularly in the engineering sector, and some suggested more Higher Level Apprenticeships to meet business needs. Other countries, it was noted, had run initiatives to raise the profile of engineering. Several respondents felt that educational standards had slipped, and that there was a lack of parity of esteem between vocational and academic routes, and that this should be addressed on a national basis. In keeping with answers to Question 3, many respondents focused on the need for science, technology, engineering and maths skills. Many respondents also raised concerns about limits of skilled migrants.

It was felt that financial resources should follow economic need, rather than the individual and that LEPs should be used to meet employer needs. Some felt that it was important to focus investment on basic 'employability' skills: apprenticeships and leadership skills that help SME owners and managers to develop 'growth' rather than 'lifestyle' businesses. Another suggestion was to improve language and culture skills to tackle the cultural barriers to exporting.

Q 5 What can we do to help first time exporters

25 respondents submitted views on this question.

Almost all of the responses to this question came from business, chambers of commerce, and local authorities business support networks. These focussed mainly on help and support afforded to SMEs by UK Trade & Investment (UKTI). While there is general support for UKTI programmes such as the 'Passport to Export' international trade development programme, numerous respondents raised concerns over the cost of UKTI chargeable services, the need for a more consistent quality of service and a face-to-face support network for businesses aiming to export for the first time, as well as for experienced exporters.
Typical of the responses under these areas is that breaking into a new market is time consuming and expensive. SMEs need both practical support and some funding.

A number of respondents commented that UKTI services including export market information should be free of charge, as they had been in the past and focussed particularly on the fees charged by UKTI for the Overseas Market Introduction Service (OMIS). Some of the respondents suggested that OMIS fees had risen to a level equivalent to those charged commercially, which many SMEs investigating the potential for export could not afford, particularly if looking at several export markets. One SME suggested that there should be a two tier approach for UKTI – differentiating between the needs of smaller and bigger companies with a sliding scale for chargeable services based on the relevant turnover of particular SMEs. Another response suggested that UKTI's targets should be around growth delivered rather than number of companies helped. Several local authority business support networks suggested Business Link services should provide more tailored advice locally for SMEs.

Several suggestions from SMEs and chambers of commerce called for export credit to be made more widely available, for help to SMEs in assessing credit risk, and for a state backed export trade credit insurance scheme.

Respondents in this area also highlighted currency fluctuations as being a significant risk to SME exporters. Other respondents suggested offering tax incentives to new exporters.

One stakeholder felt that government should not be helping SMEs at the expense of proven exporters, while another suggested that the UKTI admin budget should be redirected to the front line and made more transparent.

Q 6 What can we do to help existing exporters export more

32 organisations submitted views on this question.

Responses received to this question to a large extent followed up on or repeated points made in response to Question 5. Further suggestions included increasing UKTI support to the 'Trade Show Access Programme'; working more closely with trade associations; utilising the European Commission's planned support for SMEs; bringing together export services in addition to UKTI (language, finance, export documents) into Export Hubs alongside Growth Hubs to further enhance the business opportunities service.

Other priorities identified were:
- Ensuring that trade enforcement measures are accessible, transparent, timely and fit for purpose. There were seen as too slow moving;
- Doing more to promote the reduction of bribery and corruption in other countries;
- Resisting calls for revision to TRIP disciplines that weaken IP at the UNFCCC, WTO etc; and Streamlining support from ECGD;
- Facilitate access to business visas and more talent orientated immigration policy

Government Response to Section 1 points

The wide range of detailed comment made in this section were taken into account in development and in many areas the White Paper proposes measures to address problems identified by respondents.

Several responses related to skills. The UK Government is committed to ensuring that UK achieves a world-class skills base and increase the levels of skills to meet the demands of the economy. In November 2010 the Government published a new skills strategy, which set out a vision for radical reform of the further education and skills system, to deliver the skills needed for sustainable growth.

Section 2: Role of Government

This Government wants to work efficiently and effectively to support international trade and investment. The White Paper will consider the rationale for Government's role in shaping the international framework and set the vision for a 'whole of government' approach to trade policy. The UK Government is able to set domestic policies which support trade such as access to trade finance, protecting intellectual property and which facilitate investment opportunities at home and abroad through the work of UKTI. Trade and investment policy are areas of EU competence and so an important role for the UK Government is to influence and shape trade agreements and actions on which the European Commission leads.

Q7. How can the UK make better collective use of resources across Government to pursue trade and investment objectives?

44 respondents submitted views on this question.

Many of the responses received to this question related also to Questions 5 and 6. The main issues raised related to perceived shortcomings in the Government support system available to SMEs. Most of those responding agreed that business needs consistency in Government policy to allow long-term planning. Some also registered the problems faced by SMEs in getting accurate trade information. Better promotion and tailoring of available support were also important.

Respondents generally agreed that information needed to be exchanged more effectively between and within government departments and agencies involved in providing support to businesses wanting to export/invest overseas. There was interest in UKTI providing a 'one stop shop'. There was also a need for more joined-up Government and better coordination between Government and the private sector. Finally, there was concern that many Whitehall Departments pay little attention to the impact their actions could have on industry, and a call for BIS to champion the growth agenda across Government.

Q 8. To what extent does the existence of differing regulatory systems lead to significant barriers to trade and investment? Are there steps that the UK should take domestically, within the EU or internationally to reduce such barriers?

34 respondents submitted views on this question.

Respondents felt that different regulatory systems could impact on trade although the scale of the effect overall was unclear. As a general policy, greater freedom, i.e. greater recognition of the equivalence of UK qualifications/professional registration to customer country requirements, was to the advantage of the UK. The conclusion of the DDA and EU FTAs, and driving out trade restricting measures, could help to standardise many of the regulatory differences faced by UK businesses e.g. regulations on access to raw materials.

Focusing on harmonising standards (and industry agreeing among themselves the details of these standards) to reduce technical barriers could be more successful than targeting regulation itself. Some felt that UK manufacturers bore a greater regulatory burden than those in other countries.

<u>Q 9. Where certain industries in the UK are no longer able to compete internationally, how can the UK government best support the transition of these resources and people employed into new opportunities? How could EU measures improve support for the adjustment process?</u>

11 organisations submitted views on this question.

Several respondents were concerned that where an industry really was no longer internationally competitive, that could lead to company closures and job losses. In those circumstances, re-skilling the workforce could be vital to their chances of finding new work. European structural funds, especially the European Social Fund and the European Globalisation Adjustment Fund (EGDF), had an important part to play addressing the impact of company closures and job losses. Some respondents said that their funding should be increased and they should include the full participation of social partners in the design and implementation of the funds to ensure better targeting of the industries, and workplaces, that most needed assistance.

<u>Q10. How should the relationship between trade policy, foreign policy and trade promotion operate? To what extent could and should trade agreements be used as tools to encourage other policy goals?</u>

27 organisations submitted views on this question.

Some respondents felt that trade policy should and could be designed to complement and reinforce foreign policy goals, particularly around international development and respect for human rights- too often trade policy was conducted in a vacuum, and given that it is far more developed as a system of international governance than either human rights or development, it could easily undermine these other policy areas. Other respondents disagreed and felt that trade and foreign policy should be only loosely associated.

Some felt that development should be central to trade and foreign policy. The Government should ensure UK companies acted ethically and transparently in their transactions and business practices overseas by a) sharing best practice and developing a legal framework and b) monitoring how UK business had contributed to achieving the national development objectives of the host country.

Some respondents said that it was vital that the development impact of trade policies was properly addressed before negotiations started and that implementation of policies should be halted and redesigned should negative development implications be predicted.
It was proposed that at European level, there should be greater collaboration between the different DGs including development, trade, internal market and competition, as well as with the High Representative for Foreign Affairs and Security Policy. The UK government should also play a leading role within the EU and other multilateral fora to ensure that the UK's commercial interests are taken into account.

<u>Government Response to Section 2 points</u>

The White Paper, the forthcoming UKTI Strategy and Budget 2011 will take into account the points raised in this section.

Section 3: Investment

With regard to investment, the White Paper will consider how the globalisation of investment can be a positive force for the UK and global economy as it helps overcome inefficiencies and maximises productivity. Furthermore, productive investment in other countries generates an important source of income for the UK. In many cases the more significant barriers faced by UK companies are to investment rather than exports. During these difficult economic times, and looking beyond, sustained growth of the UK economy will depend on the UK being an attractive place in which to work and invest.

Q11. Benefits and costs to the UK of inward/outward investment

31 organisations submitted views on this question.

The vast majority of respondents viewed openness to inward and outward investment as positive for the UK economy, in terms of employment, boosting productivity and innovation, and enabling market access. Several respondents acknowledged that not all investment brought the same benefits. Greenfield investment or investment that brings technology, skills and other positive spillovers generally was seen as generating greater net benefits than asset stripping or mergers and acquisitions activity (especially if it leads to rationalisation/closures and the centre of R&D activity or headquarters moving to the new owner's home base etc)

There was interest in BITs being extended to protect UK investors against cybercrimes/attacks.

Some respondents said that UK companies investing in other countries should be held accountable for human rights abuses abroad, and that an Ombudsman's Office should be set up to handle complaints from individuals in developing countries about UK investors.

Q12. How to sustain/improve UK's position as a place to invest in

33 organisations submitted views on this question

Respondents identified the strengths of the UK as a place to invest as including English speaking, flexible labour markets, a stable and transparent legal system and the rule of law, and being part of the Single Market.

Potential Areas that respondents said could be improved included:

- UK connectivity/infrastructure to minimise transportation/energy costs
- Better functioning energy (including low carbon) markets and access to competitively priced, secure energy supplies
- Reducing red tape/regulatory burden, particularly for SMEs
- Competitive tax structure
- Tackling bureaucracy in UK planning system
- Not 'gold-plating' EU Directives ;
- Give greater clarity and consistency on what financial assistance (if any) can be offered to both inward investors and the indigenous business base
- Ensuring a 'level playing field' across the country – particularly in terms of investment promotion
- Improving skills of UK workforce
- Addressing concerns about UK caps on economic migrants

In terms of other factors that provide a supportive environment for inward investment, there was encouragement for the UK government to support negotiation of high quality EU bilateral investment treaties but also, a concern that national security/public interest tests should not be used to protect domestic industries from competition and that they should be conducted in a transparent and timely manner.

Finally, it was suggested that Government should guard against purchases of UK companies for asset-stripping purposes, particularly if the activity relates to technology (i.e. guard against IP, technology etc. theft)

Q13. Key barriers faced by UK investors abroad/what UK government can do

15 organisations submitted views on this question

Many respondents noted that UK businesses face a wide range of barriers including:

- Language, cultural differences barriers are prevalent/dominant
- As classic trade barriers (tariffs etc) have decreased/continue to be removed, removal of barriers to investment and investment protection will become increasingly important, e.g. foreign restrictions on stakes in foreign owned assets/regulatory burdens
- Currency fluctuations are a common concern for many businesses
- Problems accessing finance –
- Lack of awareness of potential opportunities in investing abroad/insufficient information about different regulatory laws - importance of UKTI and missions in addressing information asymmetries etc.
- Need to ensure that national security/public interest tests are not a means of protecting domestic industries from competition and are conducted in a transparent and timely manner

Government Response to Section 3 points

These comments have been taken into account in the Trade and Investment White Paper.

Section 4: Global Priorities

The White Paper will outline the Government's global priorities in the short, medium and long-term. Effective global institutions, the infrastructure underpinning trade and good trading relationships are key to securing growth. It will discuss the benefits of concluding the Doha Development Round: achieving a common set of non-discriminatory multilateral rules and liberalisation which encompass many more industries and issues than previous rounds, but recognise the challenges in achieving this. The Paper will also discuss the increasing numbers of Free Trade Agreements and the opportunities and threats that this presents in terms of trade creation and diversion, leveraging and complicating regulatory reform, and the complex relationship between FTAs and the multilateral system.

The White Paper will consider how the World Trade Organisation (WTO) role can evolve and strengthen.

60 organisations submitted views on questions 14-17

<u>Q14. In general, does the world trading system work well? If not, why not?</u>

33 organisations submitted views on this question

Respondents said that the UK should work toward a multilateral investment treaty, and should place greater emphasis on ICSID as the primary tribunal for the resolution for international investment disputes, and on improving its decision-making process

<u>Q15. What is the impact for businesses of the 'spaghetti bowl' of free trade agreements that now exist?</u>

24 organisations submitted views on this question

Some respondents said that bilateral deals should be used to pursue broader and deeper liberalisation but that, ultimately, bilateral agreements should be multilateralised. To support this, they should conform as closely as possible with international rules and standards, particularly simplified rules of origin.

<u>Q16. Should the WTO take on a larger role in dealing with global issues, such as climate change? What other changes can strengthen the WTO?</u>

23 organisations submitted views on this question

Some respondents suggested that trade-related aspects of climate change negotiations could be conducted jointly by the WTO and UNFCCC but others disagreed and said that climate change and trade should be kept separate.

It was also suggested that WTO Members should have access to a dispute settlement 'ombudsman' to mediate between parties out-of-court before full dispute settlement proceedings commence.

Q17. How should export restrictions be disciplined?

14 organisations submitted views on this question

While some respondents said that export restrictions should not be allowed as they are trade-distorting and hamper food security, others felt the opposite and said that they could promote food security.

<u>Government Response to Section 4 points</u>

These issues have been addressed in the Trade and Investment White Paper.

Section 5: The EU

The White Paper considers the UK's interaction with the rest of the EU, both as an internal market for UK goods and services, and also as the organisation through which the UK needs to work to achieve its objectives on trade and investment policy.

There have been around 30 responses answering one or more of the EU related questions.

Q 18. What are the key benefits the European Single Market has brought to UK business and citizens?

20 organisations submitted views on this question

Respondents saw benefits both to businesses (a larger 'home market') and to consumers (though increased competition), as well as to the economy as a whole. Mutual recognition of professional qualifications was cited as a major benefit, albeit one that needs further work on full implementation and redress mechanisms. One specific concern raised was around rules relating to EU and global restrictions on data transfer and storage.

Q 19. What are the main barriers for businesses trading in the Single Market?

21 organisations submitted views on this question

Most were concerned about the lack of harmonisation, for example due to national technical standards, product testing requirements, or packaging. SOLVIT was cited as a positive service in helping overcome barriers. UK-specific issues mentioned were low levels of language skills, and low levels of confidence about trading within the EU. More than one respondent felt that the UK government could do more to encourage trade though better information or specific campaigns. One organisation specifically mentioned copyright issues and their concern that multi-territory licensing would undermine television and film financing. Burdensome regulation originating from the EU was also raised. Some respondents also commented that currency fluctuations in the Single Market are also a hindrance to business.

Q 20. What should be the UK's priorities to strengthen the single market?

13 organisations submitted views on this question

Views largely saw growth through harmonisation, enforcement, the digital single market, and smart regulation as among the key priorities. However, one organisation, although supportive of the principle of the completion of the single market, wished to see a Social Progress Clause inserted.

Q 21. What are your views on the Commission's Single Market Act?

14 organisations submitted views on this question

The Single Market Act was generally welcomed, as long as priority areas were implemented at speed, and implementation of existing measures was taken seriously. Areas of concern were the risk of increased bureaucracy, protectionism under the guise of a social dimension, and national supply chains' potential bias towards incumbent national operators.

Q 22. How can we ensure that the UK and the rest of the EU work to best effect on addressing barriers to trade and investment beyond the EU's borders.

26 organisations submitted views on this question

The main view expressed was that the UK should work collaboratively with like-minded countries, whether in the EU or outside. Most wanted a continued push for free trade and for reform of the Common Agricultural Policy. Concerns were expressed that protectionist approaches were growing in many parts of the world. There was however a significant dissenting view, who argued that many of the approaches were likely to be disadvantageous to the developing world.

Government Response to Section 5 points

A range of relevant and useful points arose in Section 5. These have been taken into consideration in the White Paper.

Section 6: Developing Economies

The White Paper reviews trends in trade flows from and to Low Income Countries (LICs) and Middle Income Countries (MICs) and their engagement in the global trading system, the links between trade, growth and poverty reduction, and the UK's activities in this area.

Q 23. What are the key challenges preventing LICs and MICs from benefiting from trade? What are the key constraints preventing trade and investment with LICs and MICs?

27 organisations submitted views on this question

Most respondents emphasised a lack of administrative capacity, poor infrastructure, weak financial sector, poor trade facilitation, low productivity, and a tendency to use tariff and non-tariff barriers. They noted that LICs and MICs can be prone to weak governance, a lack of political will and social instability. They underlined that LICs and MICs were over-reliant on primary and extractive industries and low-value manufactures, but also that many export sectors continued to face substantial market access barriers, mainly in the developed country markets. The impact of foreign exchange rates in the developed world and China on developing country exporters was also raised as a major constraint upon LICs and MICs.

As well as responses from civil society organisations and business, some members of the public responded, and raised other concerns, notably that the UK Government should not cut aid, that the UK should give a voice to women in developing countries in negotiations, and that life forms should not be patented.

Several concerns over FTAs were raised. Some commented that FTAs were too focused on benefits to the UK, that FTAs should be optional and benefit both countries, and one individual commented that the UK should oppose greater openness in the world.

Q 24. What can donors and LICs and MICs do to improve the effectiveness of Aid for Trade?

17 organisations submitted views on this question

Respondents argued for a range of possible actions, including: better integration by government of trade and growth in aid programming; better needs assessments; effective external monitoring and focus on results; a sector-budget approach where relevant; build infrastructure and remove supply-side constraints; co-financing with multilateral development banks; better donor co-ordination; more predictability in aid.

Government Response to Section 6 points

A range of relevant and useful points arose in Section 6. These have been taken into consideration in the White Paper.

Section 7: Emerging Economies

The White Paper discusses in several places the rise of the emerging economies. These are increasingly influential players in global economic and trade affairs.

Q25. Should the UK's approach be to prioritise Free Trade Agreements (FTAs) with the greatest economic benefits to the UK?

20 organisations submitted views on this question

Respondents argued that HMG should prioritise FTAs by economic potential (size and growth), the level of protection against EU exports (tariff and non-tariff barriers) and the risk for the EU is excluded by FTA's between major trading partners. From a sectoral policy perspective this means that the US, Japan, China, South Korea, India, ASEAN and Mercosur, are the most interesting potential FTA-partners. Some respondents urged EU FTAs with China, Indonesia, Russia & the USA. One respondent criticised the EU/Korea FTA as being “unbalanced” in the autos sector.

Q26. Beyond the major emerging powers (ie the BRICs or CIVETS Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), which other emerging countries should we prioritise and why?

22 organisations submitted views on this question

Respondents generally emphasised the emerging powers mentioned in the questions, but sometimes also added Malaysia/Singapore, Kuwait, Canada, Chile and Argentina. Others emphasised the Middle East and North Africa.

Q27. How can the government support growth in trade and investment with emerging markets?

23 organisations submitted views on this question

Respondents saw the central priorities as improved market access, elimination of non-tariff barriers, harmonisation and/or mutual recognition, simplification and transparency of rules as well legal certainty. Some urged the EU to join with the US and others in challenging countries like China/Russia to tackle trade barriers. Some wanted efficiency savings in UKTI and ECGD and better frontline service in emerging markets.

Respondents wanted HMG to provide:

- Good market intelligence.
- Funding for language & other education, in UK and target markets.
  easy ways for UK companies to employ people in target markets to promote and sell UK products.
- Ease of doing business
- Skills needed
- Cultural/ language training
- The right economic environment e.g. Growth versus inflationary pressures

Government Response to Section 7 points

A range of relevant and useful points arose in Section 7. These have been taken into consideration in the White Paper.

Section 8: Developed Economies

The White Paper highlights our main trading relationships with the economies of the developed world, particularly the USA, Canada, Japan, Australia and New Zealand.

Q 28: The removal of which regulatory or other non tariff barriers should be prioritised to ensure more open trade and investment with developed countries?

19 organisations submitted views on this question

Respondents were in broad agreement that greater regulatory convergence was important, with greater harmonisation and mutual recognition of standards. Some claimed that safety testing and certification requirements were increasing, but noted that British standards regimes (e.g. Middle East and Hong Kong) could help British exporters. The role of the Transatlantic Economic Council (TEC) was mentioned.

A range of new specific ideas were proposed, including:

- Harmonisation of OIML (International Organisation of Legal Metrology) requirements, particularly in US and Canada
- Broadening the CE mark to an international standard
- Stronger copyright and enforcement system, particularly in Canada
- Removal of Sanitary and Phytosanitary measures which go beyond international standards without scientific evidence – e.g. Japan’s proposal to ban a list of ‘additives’ approved in the EU.

- Removal of technical barriers to trade in the food sector in the US, e.g. differing legislation on the control of the sale of alcohol-containing products resulting in chocolates containing alcohol being banned in certain US States.

Q 29: Should we seek to encourage further integration of global supply chains? Is UK infrastructure capable of supporting further integration of the UK into high technology global supply chains?

16 organisations submitted views on this question

There was general agreement that the UK was reasonably well integrated into global supply chains and that the Government should seek to encourage further integration.

Government Response to Section 8 points

A range of relevant and useful points arose in Section 8. These have been taken into consideration in the White Paper.

Section 9: Easing the flow of trade to and from the UK

The White Paper discusses proposals for improvements to trade finance, export promotion inward investment and defence.

Q.30 To what extent do trade finance or trade facilitation problems inhibit UK businesses' ability to trade?

24 organisations submitted views on this question

Responses suggested there had been some recovery in the provision of trade finance compared to 12 months ago, but this has not been the uniform experience. Some respondents are still reporting access to finance as the biggest barrier to exports/growth, particularly for SMEs or companies exporting to certain markets (e.g. the Middle East).

The main policy recommendations centre around increasing and broadening the support provided by ECGD. ECGD was thought to have a narrow range of products and services provided by ECGD compared to other ECAs.

Q 31 How could the EU's trade defence rules be improved?

13 organisations submitted views on this question

Many respondents suggested that trade defence instruments should not just limit their focus to producers' interests, but should always take the consumer interest equally into account, generally best served by allowing for free and open trade. Safeguards should never be used to protect non-competitive industries at the expense of sectors and stakeholders which continue to provide employment and sustainable growth. Some thought the EU's rules could be improved in this respect. There was criticism that they did not reflect modern business realities, and that the calculation methods could be improved.

Others argued that the EU's trade defence rules were an important part of a sustainable industrial development strategy for growth and employment, and should be aimed at trading partners who were competing unfairly.

Q 32 Are there examples of trade promotion support in other countries that you are aware of, that could benefit your company/the UK?

13 organisations submitted views on this question

Few specific examples were cited. However, respondents often thought that other European countries put generally more financial support into helping exporters, notably at trade exhibitions, and that their governments and civil servants gave this work a higher priority. Some argued that Export Credit Agencies in other developed countries had a stronger role and were easier to use.

Government Response to Section 9 points

A range of relevant and useful points arose in Section 9. These have been taken into consideration in the White Paper.

Further questions

Q33. In which countries/regions of the world do you feel a strengthened economic and political relationship could make a significant difference to your company's prospects? Is it the UK's or (where relevant) the EU's relationship that matters most to you?

13 organisations submitted views on this question.

Answers here largely covered ground already addressed in other questions. Respondents sometimes suggested that the UK had particular advantages in building relationships with third countries, as evidenced in part by our success in attracting inward investment. It was argued that the UK should have a position as the gateway to the EU market for external trading partners.

Q34. We are keen to learn from the experiences and thinking of other countries. We are already, through the FCO network, looking at a number of other countries but would welcome suggestions.

Eight organisations submitted views on to this question.

Respondents thought that learning more about the policies and support provided to exporters by other major developed economies, notably Germany, France, USA and Japan, could be particularly valuable.

Conclusion

The Trade and Investment White Paper is based on the results of the consultation exercise conducted with business, academics and NGOs, comprising seminars for these groups, followed by a call-to-evidence.

APPENDICES

Annex 1. Summary of Questions

<u>Section 1: UK Comparative Advantage</u>

1. In which goods and services is the UK best able to compete internationally?

2. Does future export advantage lie in current or emerging industries?

3. What is preventing us from competing internationally?

4. Impact of ageing engineering workforce and skills supply?

5. What can we do to help first time exporters?

6. What can we do to help first time existing exporters export more?

<u>Section 2: Role of Government</u>

7. How can the UK make better collective use of resources across Government to pursue trade and investment objectives?

8. To what extent does the existence of differing regulatory systems lead to significant barriers to trade and investment? Are there steps that the UK should take domestically, within the EU or internationally to reduce such barriers?

9. Where certain industries in the UK are no longer able to compete internationally, how can the UK government best support the transition of these resources and people employed into new opportunities? How could EU measures improve support for the adjustment process?

10. How should the relationship between trade policy, foreign policy and trade promotion operate? To what extent could and should trade agreements be used as tools to encourage other policy goals?

<u>Section 3: Investment</u>

11. What are the benefits and costs to the UK from inward and outward investment?

12. How can the UK attract more inward investment and ensure that existing and future investors consider the UK a good place in which to invest?

13. What are the key barriers faced by UK investors wanting to invest abroad, and what can the UK government do to reduce these, and through which channels (domestic, EU, international)?

<u>Section 4: Global Priorities</u>

14. In general, does the world trading system work well? If not, why not?

15. What is the impact for businesses of the ‘spaghetti bowl’ of free trade agreements that now exist?

16. Should the WTO take on a larger role in dealing with global issues, such as climate change? What other changes can strengthen the WTO?

17. How should export restrictions be disciplined?

<u>Section 5: The EU</u>

18. What are the key benefits the European Single Market has brought to UK business and citizens?

19. What are the main barriers for businesses trading in the Single Market?

20. What should be the UK’s priorities to strengthen the single market?

21. What are your views on the Commission’s Single Market Act?

22. How can we ensure that the UK and the rest of the EU work to best effect on addressing barriers to trade and investment beyond the EU's borders?

Section 6: Developing Economies

23. What are the key challenges preventing LICs and MICs from benefiting from trade? What are the key constraints preventing trade and investment with LICs and MICs?

24. What can donors and LICs and MICs do to improve the effectiveness of Aid for Trade?

Section 7: Emerging Economies

25. Should the UK's approach be to prioritise Free Trade Agreements (FTAs) with the greatest economic benefits to the UK?

26. Beyond the major emerging powers (ie the BRICs or CIVETS Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), which other emerging countries should we prioritise and why?

27. How can the government support growth in trade and investment with emerging markets?

Section 8: Developed Economies

28. The removal of which regulatory or other non tariff barriers should be prioritised to ensure more open trade and investment with developed economies?

29. Should we seek to encourage further integration of global supply chains? Is UK infrastructure capable of supporting further integration of the UK into high technology global supply chains?

Section 9: Easing the flow of trade to and from the UK

30. To what extent do trade finance or trade facilitation problems inhibit UK businesses' ability to trade?

31. How could the EU's trade defence rules be improved?

32. Are there examples of trade promotion support in other countries that you are aware of, that could benefit your company/the UK?

Section 10: Further Questions

33. In which countries/regions of the world do you feel a strengthened economic and political relationship could make a significant difference to your company's prospects? Is it the UK's or (where relevant) the EU's relationship that matters most to you?

34. We are keen to learn from the experiences and thinking of other countries. We are already, through the FCO network, looking at a number of other countries but would welcome suggestions.

Additional comments

Annex 2. List of Respondents

	Respondent name	Respondent category
1	ActionAid UK	NGO
2	ADS - Advancing UK AeroSpace, Defence & Security Industries	Business
3	Airport Operators Association	Business
4	Amnesty International UK	NGO
5	Anpa Forward Ltd, trading as Transpact.com	Business
6	APBI - Association of the British Pharmaceutical Industry	Business
7	APCO Worldwide	Business
8	Asda	Business
9	Association of International Courier & Express Services	Business
10	Avanti Communications	Business
11	BioIndustry Association (BIA)	Business
12	Borough Council of King's Lynn & West Norfolk	Business
13	BPI (British Recorded Music Industry)	Business
14	British Air Transport Association	Business
15	British Airways	Business
16	British Bankers' Association (BBA)	Business
17	British Ceramic Confederation	Business
18	British Chambers of Commerce (BCC)	Business
19	British Exporters Association	Business
20	British Retail Consortium	Business
21	BSI	Business
22	BT	Business
23	CAFOD	NGO
24	CBI – Confederation of British Industry	Business
25	CEP - Centre for Economic Performance, London School of Economics	Think Tank
26	CEPR - Centre for Economic Policy Research	Think Tank
27	Christian Aid	NGO
28	CIA - Chemical Industries Association	Business
29	Creativesheffield	Local Government
30	CUTS International	NGO
31	DelAgua Ltd	Business
32	Directorate General for Trade European Commission	NGO
33	EADS UK Limited	Business
34	ECDPM	Think Tank
35	EMB LTD	Business
36	Engineering and Machinery Alliance (EAMA)	Business
37	Engineering Council	Business
38	Enterprise Europe Network South West	Business
39	ERADAR.EU (managing legal risk for business enabled electronically)	Business
40	Essex County Council, Sustainable Environment & Enterprise, Essex County Council	Local Government
41	European Commission, Directorate General for Trade, Policy Coordination Unit	EU Commission
42	Fairtrade Foundation	NGO

	Respondent name	Respondent category
43	FDF - Food and Drink Federation	Business
44	Federation of Small Businesses	Business
45	Forum of Private Business	Business
46	FSP - Federation of Sports and Play Associations	Business
47	GAMBICA - Association for Instrumentation, Control, Automation & Laboratory Technology	Business
48	GE	Business
49	GMB Trade Union	Trade Union
50	Greater Manchester Chamber of Commerce	Business
51	Greater Manchester's Commission for the New Economy	Business
52	GSK - GlaxoSmithKline	Business
53	HM Revenue & Customs, Excise, Customs, Stamps & Money (ECSM) Directorate	Central Government
54	Hoshin (knowledge management company)	Business
55	IdenTrust	Business
56	Japanese Chamber of Commerce and Industry in the United Kingdom	Business
57	Joseph Rhodes Ltd.	Business
58	Kent County Council	Local Government
59	Locate In Kent	Local Government
60	London Chamber of Commerce and Industry	Business
61	Manchester Airport	Business
62	Marketing Birmingham	Business support
63	MIDAS - Manchester's Investment and Development Agency	Business
64	Muslim Council of Britain, Business & Economics Committee	Business
65	NECC - North East Chamber of Commerce	Business
66	Norfolk County Council, Environment, Transport and Development, Norfolk County Council	Local Government
67	Northern Ireland Office	Devolved Administration
68	Nottingham City Council, Economic Innovation and Employment Department, Nottingham City Council	Business
69	Odegon Technologies Limited	Business
70	ODI - Overseas Development Institute	Think Tank
71	ONE	NGO
72	Oxfam GB	NGO
73	Pact - Producers Alliance for Cinema and Television	Business
74	PRS for Music	Business
75	Scotch Whisky Association (SWA)	Business
76	Solihull Metropolitan Borough Council, Community & Economic Regeneration, Solihull Metropolitan Borough Council	Local Government
77	SORIS - The Chemical Network	Business
78	Sponsors' Alliance	Business
79	Standard Chartered Capital Markets Ltd, Standard Chartered Bank	Business
80	Tax Research LLP	Business
81	Tendring District Council	Local Government
82	The Alliance Against Intellectual Property Theft Limited	Business

	Respondent name	Respondent category
83	The British Plastics Federation	Business
84	The City Law School, City University London	Academic
85	The Publishers Association Limited	Business
86	The Society of Motor Manufacturers and Traders Limited	Business
87	The Trade Justice Movement	NGO
88	TheCityUK, Liberalisation of Trade in Services (LOTIS) Committee	Business
89	TIGA	Business
90	Totalpost Services Plc	Business
91	Traidcraft Exchange	NGO
92	TUC	Trade unions
93	UK Steel	Business
94	UK Trade & Investment East of England IDB (Business Link)	Central Government
95	UNCTAD, Investment and Enterprise Division	NGO
96	Universities Southwest	Academic
97	Universities UK	Academic
98	University of Manchester	Academic
99	University of Warwick, Department of Economics, University of Warwick	Academic
100	Virgin Atlantic Airways	Business
101	WTO, EIF Executive Secretariat	NGO

Eight responses from individuals were also received.

Annex 3. List of delegates to stakeholder consultation seminars

Organisation
ABHI - Association of British Healthcare Industries
Actionaid
ADS – Aerospace Defence and Security
Alliance Boots
Amazon
BBA – British Bankers Association
BCC – British Chambers of Commerce
BExA - British Exporters Association
BIA – BioIndustry Association
Boeing
Bombardier Transportation Group
BRC – British Retail Consortium
British Brands Group
BT Group plc
CAFOD
CBI - International and UK Operations
China-Britain Business Council
EADS UK Ltd
ECDPM - European Centre for Development Policy Management
ECFR – European Council for Foreign Relations
Engineering and Physical Sciences Research Council
Ethical Trading Initiative
Everything Everywhere (Orange – T-Mobile)
Fairtrade Foundation
Ford Motor Company Limited
GlaxoSmithKline Plc
Global Economic Governance Programme University of Oxford
GMB Trade Union
Hutchison Whampoa Limited
ICC – International Chamber of Commerce
ICTSD - International Centre for Trade and Sustainable Development
Independent Consultants Group
INEOS Group Ltd
IPPR – Institute for Public Policy Research
Lockheed Martin UK
LSE European Centre for International Political Economy
LSE - Centre for Economic Performance
M&S
Microsoft
Nabarro
NIESR – National Institute Economic & Social Research
Nottingham University
ODI - Overseas Development Institute
ONE
One World Action
OXFAM
Peninsula Enterprise, part of Serco Regional Services Ltd
PRS4Music
Rolls-Royce

SMMT - Society of Motor Manufacturers and Traders
Standard Chartered Bank
Tata Steel Europe
The Publishers’ Association
Toyota
Trade Justice Movement
Traidcraft
TUC
War on Want
Warwick University
World Bank Development Research Group
World Development Movement
WTO - EIF Executive Secretariat for the Enhanced Integrated Framework

Annex 4. List of Acronyms

ASEAN	Association of South East Nations
BIS	Department for Business Innovation and Skills
BRICS	The BRIC Countries – Brazil, Russia, India, China
CIVETS	The next big emerging countries – Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa
CSR	Corporate Social Responsibility
DDA	Doha Development Agenda
EGDF	European Globalisation Adjustment Fund
EPA	Economic Partnership Agreements
ESF	European Social Fund
EU	European Union
FDI	Foreign Direct Investment
HMRC	HM Revenue and Customs
ICSID	International Centre for settlement of Investment Disputes
IP	Intellectual Property
LEPS	Local Enterprise Partnerships
LICS	Low Income Countries
MICS	Middle Income Countries
MNC	Multinational Corporations
NGOS	Non- Government Organisations
OMIS	Overseas Market Introduction Service
ONS	Office of National Statistics
R&D	Research and Development
SME	Small and Medium Enterprises
UKTI	UK Trade and Investment
UNFCCC	United Nations Framework Convention on Climate Change
WTO	World Trade Organisation

This publication is also available on our website at http://www.bis.gov.uk/Policies/trade-policy-unit
Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.

URN 11/726