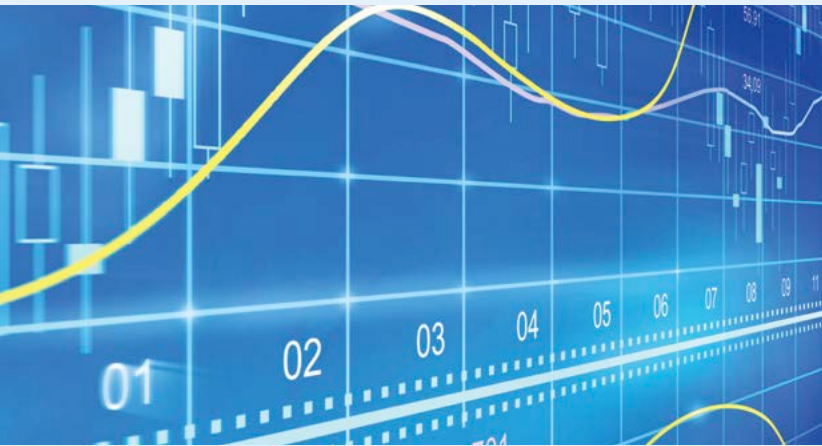




BritishAmericanBusiness

Providing a Transatlantic Voice for Britain

Policy Manifesto 2015/16



Thank you to EY and Magrath for making this publication possible



Transatlantic Trade and Investment

Maximise the strength of the transatlantic economy and deliver on its potential as a driver for global business success

Financial Services

Be at the forefront of promoting simplified, aligned and coordinated regulatory systems in financial services

European Single Market

Help to further drive the completion of the European single market

Tax

Secure the UK's reputation for providing a stable and competitive tax environment through the creation of a new Business Tax Roadmap

Infrastructure

Act decisively to implement the recommendations of the Airports Commission's Final Report to deliver additional airport capacity in the UK

Global Talent

Promote immigration reforms that will encourage investment and allow the UK to take advantage of a globalised world economy

Data

Support measures that help build trust in society about data use while emphasising the data opportunity for our economies

Intellectual Property

Reiterate the importance of high IP standards and encourage the proper legal protection and enforcement of valid IPR in third countries and in multilateral forums



Jeffries Briginshaw

CEO | BritishAmerican Business

Foreword

The UK benefits hugely from its integration into the transatlantic economy. Companies from both sides of the Atlantic value the UK as an attractive global destination for business. BritishAmerican Business (BAB) is the leading transatlantic business organization. We include many of the world's leading multinational and middle market companies as members, and we proudly represent this important community in the UK.

This is BritishAmerican Business's first Policy Manifesto. The manifesto provides a transatlantic voice for Britain on the policy issues that shape the UK's attractiveness for business. The manifesto is the result of a consultation process held with our member companies and the chapters of the British-American Business Council (BABC). It has been shared with Members of UK Parliament and we plan to engage with legislators at every level across the US and the UK.

We hope the Policy Manifesto will come over time to serve as an indispensable reference point for transatlantic business and legislators, across the US, UK and Europe.

We are starting from a good place. The UK is one of the strongest economies in Europe, experiencing economic growth and low unemployment. The country remains the number one destination for foreign direct investment in Europe, with the US being the largest contributor. Our members value a corporate taxation system which supports growth and innovation and provides the UK with a competitive advantage. We applaud the UK for its engagement in facilitating trade and investment with other countries and for finding effective ways to balance innovation and protection for its citizens.

Some of our top concerns for the coming year include the review of the sponsorship routes for foreign workers under Tier 2 visas, the continuing lack of hub airport capacity in the UK and the country's unclear future in regards to its access to the European single market, all of which may affect the future investment decisions that will sustain the UK's position as a No 1 destination for transatlantic business in Europe.

A business-friendly environment that provides stability, predictability and future prospects benefits UK-based businesses, workers and consumers alike through generating growth and stimulating investment. The UK's attractiveness to transatlantic business should be a starting place when thinking how to shape future policies in the UK and beyond.

Transatlantic Trade and Investment

Maximise the strength of the transatlantic economy and deliver on its potential as a driver for global business success

Trade and investment are key drivers for successful economies. Trade enables businesses to grow, to innovate and to boost their productivity. Consumers benefit from lower prices and more variety of goods. Investment brings new jobs or protects existing ones. It improves our economy's position in a highly competitive global marketplace, and contributes to economic growth. For every economy, building new relationships, expanding into new export markets and attracting foreign investment is crucial. Governments need to ensure that businesses can thrive in an environment that helps them maintain and improve their competitive advantage and that allows them to tap into the global opportunities available to them.


Despite continuing economic turbulence in Europe and perceived rebalancing of US attention to Asia, the transatlantic economy continues to be the most successful economic relationship in the world. The US and the EU remain each other's most important trade and investment destinations, accounting for over 35% of world GDP in terms of purchasing power. 15 million workers in mutually "onshored" jobs are employed through the transatlantic economy¹. In 2013, the EU and the US accounted for 25% of global exports and 30% of global imports, as well as for 70% of the outward stock and 57% of the inward stock of global foreign direct investment (FDI)².

The UK lies at the heart of this relationship. No other EU country is as integrated with US. The strength and nature of the UK-US economic relationship brings huge benefits to both economies. In 2014, bilateral

¹ Center for Transatlantic Relations/American Chamber of Commerce to the European Union/Trans-Atlantic Business Council 2015: The Transatlantic Economy 2015

² Ibid footnote 1

³ US Bureau of Economic Analysis 2015: US International Trade



trade in goods and services was worth £135 billion or \$223 billion³. UK-US investment supports about one million jobs in each of the two economies. We are proud that our membership contains many leading UK and US companies who live and grow this relationship every day.

More importantly, the UK-US relationship offers great potential for further growth to both economies. The UK and the US are much more similar and much more accessible to exporters and investors to each other than they are to the emerging markets. Because of the existing scale, any increase in trade and investment between the two countries is therefore likely to have a disproportionately large positive impact on both economies.

This is why the UK needs to maximise strength of the transatlantic economy and deliver on its potential as a driver for global business success. Even as our trade and investment ties with the emerging economies increase, it will be a very long time before they are comparable. Direct actions should include direct support to companies keen to expand their business, a commitment to maintaining and promoting an open and business-friendly international trade and investment climate and continued strong support for an ambitious and comprehensive Transatlantic trade and Investment Partnership (TTIP) agreement.

Be at the forefront of promoting simplified, aligned and coordinated regulatory systems in financial services


The financial services industry plays a crucial role in global economies. And capital goes where it is welcome. In order to compete, modern economies need to provide fair, efficient, and innovative capital markets with a modern and coherent financial services regulatory system.

Financial services are key to supporting UK and US businesses. In 2014, financial and insurance services contributed £126.9 billion in gross value added (GVA) to the UK economy, 8.0% of the UK's total GVA¹. The UK's strength in financial services is pivotal to the overall effectiveness of European financial markets. The EU and the US both see financial stability, based on a strong financial sector, as the best way of underpinning long-term sustainable growth. The financial sector contributes to growth by building a sound and stable yet flexible financial system; one that is able to lend, secure savings, process payments and generally deliver the services that consumers and businesses need every day.

Choices about financial regulation made on either side of the Atlantic have profound consequences for the other. Since the financial crisis governments on both sides of the Atlantic have implemented a strong regulatory response that was both inevitable and justified. Now, it is time to look at how regulatory systems can be simplified, aligned and coordinated, all under the prism of how to create more jobs and growth in our economies without taking unwarranted risks.

An important first step towards achieving this goal will be an assessment of EU financial services regulations' cumulative effect in order to find the right balance between reducing risk and fostering

¹ Office for National Statistics: GDP(O) Low Level Aggregates Q4 2014

The background of the page is a light blue gradient with a faint, semi-transparent financial chart. The chart features a candlestick pattern at the top, with several vertical bars in shades of blue and white. Below the candlesticks, there are several lines: a solid yellow line that curves upwards and then downwards, a solid light blue line, and a dashed white line. Numerical values are scattered across the chart, including '88.76', '56.91', '34.09', '03', '04', '05', '06', '07', '08', '09', '10', '11', '33,', '-2.761', and '1,701'.

growth. Further regulation must be backed up by clear EU assessments for specific and cumulative impact.

Transatlantic regulatory cooperation in financial services is essential for stimulating greater coherence and alignment. A common framework for coordination of financial services regulation would help improve efficiency and clarity across borders and benefit both regulators and businesses.

The Transatlantic Trade and Investment Partnership (TTIP) agreement offers a unique opportunity to lay strong institutional foundations for enhanced regulatory cooperation in financial services between the EU and the US. These foundations could also set a global benchmark which could be used to advance bilateral and international dialogues.

As the world's leading international financial centre, the UK should be at the forefront of promoting simplified, aligned and coordinated regulatory systems in financial services.

European Single Market

Help to further drive the completion of the European single market

The single market is one of the European Union's greatest achievements. Launched in 1993, it transformed the way Europeans live, work, travel and study as well as how they do business. Today, the single market comprises 28 countries with more than 500 million people.

Since its early days, the UK has been a driver in the establishment of the single market. For UK consumers, the single market increases choice and lower the price of many goods and services. For UK businesses, the single market gives access to the largest economy in the world. For US businesses, the single market has been an extension of the transatlantic economy, with the UK as gateway to the EU.

Countries within the single market are some of the most important trading partners for UK-based business, particularly for small and medium-sized enterprises (SMEs). In 2014, almost 50% of the UK's exports in goods went to countries in the single market, more than three times as much as to the UK's second top exporting destination, the US¹. The UK is also particularly strong in services. Access to a truly integrated digital single market and energy market would assist all UK sectors including the ICT and creative industries, leading to further growth and investment.

The UK also acts as a gateway for foreign direct investment (FDI). Much of this FDI stays within the UK. This is especially true for the US, the largest source of FDI in the UK by a wide margin². A quarter of forwign-owned businesses in the UK are owned by US-headquartered

¹ HM Revenue & Customs: Overseas Trade Statistics - Non-EU and EU Trade

² EY 2015: UK Attractiveness Survey 2015

³ Office for National Statistics 2014: 5 Facts About Foreign-Owned Businesses in the UK

companies, many of which actively trade with the single market³. Many of our US member companies view the UK as an attractive destination for business within an integrated European single market.

Moreover, the EU provides a market of common rules in many areas. It is a global standard setter, both through its European standardization process and its active role in the world trading system. UK-based businesses benefit from international trade agreements that the EU negotiates on behalf of all Member States.

The UK is a double-beneficiary of the single market. This is an advantage that the UK should use to further drive the completion of the single market, particular around services. By acting as an advocate, the UK will strengthen its competitive advantage, benefiting UK-based businesses, workers and consumers alike and generating more growth and investment in the UK, and beyond.

Secure the UK's reputation for providing a stable and competitive tax environment through the creation of a new Business Tax Roadmap

TAX

A country's tax environment, to a large extent, helps define that country's appeal to business. Taxation provides governments with income to deliver services; an efficient tax system will also serve to stimulate innovation and facilitate business growth.

The UK is one of the world's most open economies, home to a highly skilled workforce, first class infrastructure and with exceptional access to capital markets. The corporate tax system can and should be a further asset.

The UK Corporate Tax Roadmap introduced at the start of the last Parliament created the right environment to attract investment. Changes included in the Roadmap such as the 20% rate of corporation tax and the new rules for controlled foreign companies have had a positive impact on investment across the UK.

A large part of this investment had come from the US. In fact, the EY UK Attractiveness Survey 2015 shows that the UK secured 29% of US investment projects in Europe in 2014, up from 27% in 2013¹.

While these are welcome developments, the UK should not rest on its laurels. The UK's reputation as a stable and competitive tax environment must be continuously secured to ensure future investment. The UK has already announced further cuts in the headline rate of corporation tax to 18%, but manufacturing, real estate and infrastructure are areas where the taxation system could still do more.

Investment in manufacturing continues to grow in the UK, suggesting that there is real potential for further growth. However, there is a lack of long-term certainty around capital allowances. Clarity over this could provide a stable environment that would enable investment in manufacturing to fulfil its potential.

¹ EY 2015: UK Attractiveness Survey 2015

In terms of real estate, high costs remain a concern for investors. The UK should consider the reintroduction of a form of industrial premises allowance to encourage investment to overcome this. Along with the cost of real estate, the rise in business rates as a proportion of business taxes demonstrates that at least part of the high property costs relate to government choices. The ongoing discussions on the reform of business rates will play a part in investor's decisions.

It seems likely that we will see the UK respond to the OECD proposals on limiting interest relief contained in Action 4 of its base erosion and profit shifting (BEPS) project. It will be important that any changes are introduced in a way that has regard to the UK's competitiveness and that such changes provide an appropriate regime for public infrastructure projects.

A Business Tax Roadmap could serve to provide businesses with the security and certainty they need to continue investing in the UK and it is welcome to see that such a Roadmap is promised for Budget 2016. Along with supporting the areas above, clarification over what constitutes legitimate business expenses and ensuring that businesses do not pay more in reality than the headline 18% rate must be key to this.

Finally, in line with the recommendation of the Office of Tax Simplification, the UK should press ahead with its consultations on streamlining the UK's employment taxes regime to make it more competitive, in particular around the reporting of expenses and benefits.

Next year's Business Tax Roadmap will hopefully provide a clear statement of direction that can be used to help guide decision makers. Individual tax roadmaps, however, are not a solution in themselves. It is important that the UK considers the system as a whole so as to continue to build on the strong foundations it has and ensure it continues to send the right message to businesses in the future.

Infrastructure

Act decisively to implement the recommendations of the Airports Commission's Final Report to deliver additional airport capacity in the UK

High-quality and reliable infrastructure is crucial for a nation's economy and quality of life. Creating the right conditions for businesses and people must be at the heart of any strategy for growth.

At its broadest, our infrastructure is social as well as physical, digital as much as tangible. An efficient transportation network helps to move people and goods domestically and internationally. Energy networks keep homes, offices and factories working. Communication networks connect businesses and people to services, economic activities and markets.

Businesses competing in global markets and focused on transatlantic channels of trade and investment are aware of the role that these dimensions to infrastructure play in providing a competitive and viable environment.

Time does not stand still and infrastructure requires investment as it ages. Countries need to continually build, maintain and modernize their infrastructures to make them an inviting destination for business and an attractive place to live for people. A lack of forward-thinking planning of city infrastructure results in a failure to grow and develop our social and economic fabric.

Both in the UK and the US, we recognize the importance of efficient infrastructure for our economies and as an ongoing driver of our unique economic relationship. Our integrated economies and overall connectivity ultimately influence our ability to trade and to attract foreign investment.

One of the biggest infrastructure challenges for the UK is airport expansion. The UK is among the best connected countries in the

world. However, in recent years, it has fallen behind other major destinations in terms of its ability to provide the global connections needed, through a lack of hub airport capacity. The UK is an important destination for business and a well-placed connector between traditional markets and emerging markets. The UK faces the imminent need to deliver this capacity if it wishes to retain this valued position.

BritishAmerican Business has long advocated a solution that can deliver direct connectivity - both domestically and internationally - in one place. With its recommendation to build a new northwest runway at Heathrow Airport, the Airports Commission has confirmed our position that only Heathrow as a true hub airport can provide a network of connections, both long-haul and short-haul, offering a 'double connectivity' important to British-American businesses trade and investment.

It is now important to act decisively with clear commitments to implement the recommendations of the Airports Commission's Final Report and to resolve the lack of the required additional airport capacity in the UK. This will help to provide a key basis for future growth and prosperity.

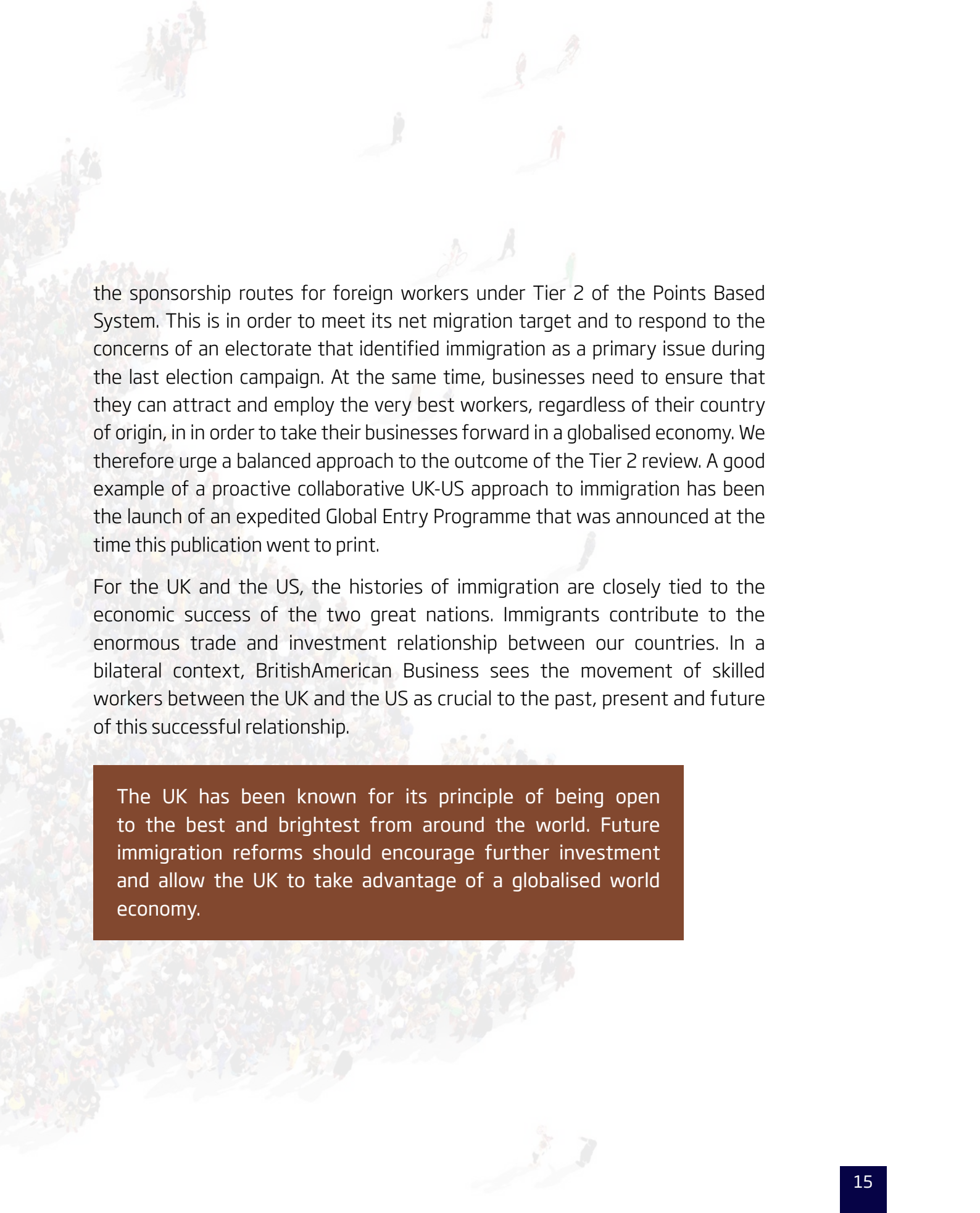
Promote immigration reforms that will encourage investment and allow the UK to take advantage of a globalised world economy

People, their ideas and their productivity are indispensable to the economic health and vitality of a nation. Attracting and employing skilled workers drawing on an international pool of talented professionals is key to driving successful economies. In a globalised world economy, businesses help to drive innovation and growth and address labour shortages and skills gaps.

Companies, small and large, need to be able to hire the people best suited to the job with the minimum of unnecessary formality and obstruction. Complex rules, regulations and bureaucratic procedures in immigration control often have significant and unwelcome consequences that can lead to delay or abandonment of investment plans. Businesses must be able to move qualified workers between their facilities around the world, for short-term assignments as well as over the long-term. The free movement of skilled workers should be seen in the context of potential development of economic growth.

All economies need skilled labour and mobility to help widen the range of services available to its citizens and to boost competitiveness and growth. Research continues to show that skilled migration makes an important contribution to the labour market in host countries. At the same time, governments are required to safeguard access to public services, ensure that their citizens and residents have access to labour market opportunities and protect social cohesion and culture.

On both sides of the Atlantic, immigration remains a major political topic. Whether it is measures to tackle the numbers of undocumented "illegal" workers, or the rise in "net migration" figures, politicians argue extensively about the approach to be taken on managing our borders. In the UK, the Government has commissioned the Migration Advisory Committee (MAC) to undertake a comprehensive review of



the sponsorship routes for foreign workers under Tier 2 of the Points Based System. This is in order to meet its net migration target and to respond to the concerns of an electorate that identified immigration as a primary issue during the last election campaign. At the same time, businesses need to ensure that they can attract and employ the very best workers, regardless of their country of origin, in order to take their businesses forward in a globalised economy. We therefore urge a balanced approach to the outcome of the Tier 2 review. A good example of a proactive collaborative UK-US approach to immigration has been the launch of an expedited Global Entry Programme that was announced at the time this publication went to print.

For the UK and the US, the histories of immigration are closely tied to the economic success of the two great nations. Immigrants contribute to the enormous trade and investment relationship between our countries. In a bilateral context, BritishAmerican Business sees the movement of skilled workers between the UK and the US as crucial to the past, present and future of this successful relationship.

The UK has been known for its principle of being open to the best and brightest from around the world. Future immigration reforms should encourage further investment and allow the UK to take advantage of a globalised world economy.

Support measures that help build trust in society about data use while emphasising the data opportunity for our economies

The efficient use and exchange of data is critical for modern economies to compete effectively in a globalized world. The volume and variety of data being created and analysed is rising every day. The increasing significance of data will transform our economies and social lives and its safe use will be essential for enhancing a county's competitive advantage.

Data underpins our economies, providing valuable insights for businesses, consumers and governments alike and enabling new services and products to be developed. The use of data gives companies, particularly small and medium-sized enterprises (SMEs), a competitive advantage. For American and European firms data is a differentiator in the way it transforms their industrial processes and competitiveness.

Data has become an integral part of international trade. This is particularly true for the EU and the US with the highest cross-border data flows in the world¹. The ability to move data freely across borders helps businesses on both sides of the Atlantic to reduce costs and to facilitate employee mobility, providing them with new opportunities to participate in the transatlantic economy. Cloud computing offers greater efficiencies for all businesses, including SMEs.

Taking advantage of this opportunity includes finding a balance between facilitating data flows across borders and ensuring trust in personal data protection and security. The UK already is a strong proponent of secure data flows. The UK should use its weight further to counter any data localisation measures and advocate

¹ Meltzer, Joshua P. 2014: The Importance of the Internet and Transatlantic Data Flows for the US and EU Trade and Investment

for pro-innovation data privacy measures. Businesses also need to build relationships with their customers to help foster trust that data flows can be to their advantage, commercially, but also in terms of preventing cyber threats.

We call for the UK to continue its support and engagement at national and EU levels for measures that help build trust in society about data use while emphasising the data opportunity for our economies. This includes continued exploration of an inclusion of a data chapter in the Transatlantic Trade and Investment Partnership (TTIP), support for a re-negotiated Safe Harbor agreement and appropriate transition arrangement until Safe Harbor is agreed. Efforts must also be made with third nations to counter measures on data localisation.

Intellectual Property

Reiterate the importance of high IP standards and encourage the proper legal protection and enforcement of valid IPR in third countries and in multilateral forums

Intellectual property (IP) in the form of patents, copyrights, trademarks, trade secrets and related rights is essential to economic growth, innovation and competitiveness. Leading industries such as life sciences, telecommunication, aerospace and green technology depend heavily on a well-functioning IP system. A strong IP system helps businesses to remain competitive, drive productivity and growth and create jobs.

IP is crucial in particular for small businesses, allowing them to maintain consistent quality of products and deliver good services to consumers. Businesses need IP systems to protect manufacturing secrets, brands and trademarks or other value-adding information to remain ahead of competition.

The ownership and enforcement of intellectual property rights (IPR) are of fundamental importance to the transatlantic economy. The United Kingdom and the United States share a long history of discovery and innovation underwritten by mutual recognition of the crucial nature of a strong IP system. Through the European Union, the UK and the US have already built and enjoy a high degree of cooperation in the field of IPR.

A strong IPR chapter in the Transatlantic Trade and Investment Partnership (TTIP) agreement will be an essential element in our efforts to create more alignment and build global leadership on IPR. TTIP should underscore support for world-class IPR protection and enforcement standards, assess and address areas for increased protection and establish mechanisms for transatlantic cooperation to promote the adoption of similarly strong IPR protection and enforcement elsewhere. It should seek to leverage the economic importance of the EU and the US to set new IP standards in the global economy.



The UK must reiterate the importance of high IP standards and build on existing EU - US cooperation by encouraging the proper legal protection and enforcement of valid IPR in third countries and in multilateral forums.

BritishAmerican Business (BAB) is the leading transatlantic business organization, comprising and representing 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 its work through their participation in its International Advisory Board. It 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.

BritishAmerican Business speaks on behalf of the British-American Business Council (BABC), representing 2000 companies throughout the UK and the US.

In addition to high-calibre events, marketing and business intelligence, we offer creative and influential advocacy platforms. We originate imaginative policy content and outreach activities around BAB's core policy priorities and amplify and promote the views of our membership on policy issues with UK, EU and US governments. We see the transatlantic economic relationship as a source of strength for our Members' global business ambitions and a unique starting place for us to contribute to the policy making that underpins the UK's and US's attractiveness for business.

We deliver bespoke and timely advocacy on policy issues of relevance to our membership, a high-level policymaker roundtable series engaging senior leaders from business and government, comprehensive policy campaigns, as well as ad-hoc platforms for visiting senior business and government officials, most particularly from the UK and US.

www.babinc.org

Competitiveness

We focus on policy issues such as Tax, Migration, Data, Infrastructure, and Intellectual Property (IP), all of which influence the UK, EU and the US credentials as attractive destinations for business.

Capital Markets and Financial Services

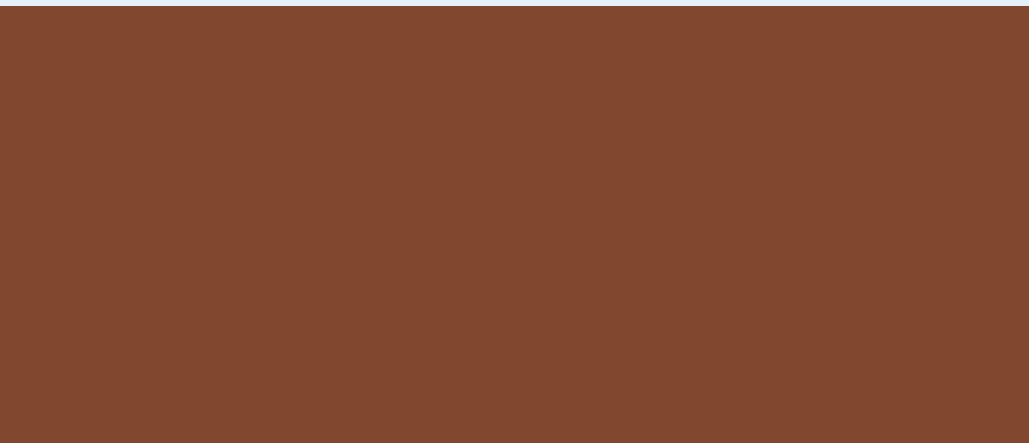
We promote financial services regulatory cooperation between the UK, the US and within the EU as a building block for good order in global financial market regulatory reform.

European Single Market

Playing on the UK's strength as a gateway to the European single market, we develop initiatives that promote transatlantic business views on how to create and sustain a cohesive, integrated and business-friendly EU.

Transatlantic Trade and Investment Partnership

We actively support the negotiations for a comprehensive transatlantic trade and investment partnership (TTIP) agreement, focussing on the specific and tangible benefits that the agreement can bring for business.



BritishAmerican Business 2015

Emanuel Adam

Head of Policy & Trade
Office: +44 (0)20 7290 9885
Email: eadam@babinc.org



www.babinc.org



@BABPolicy

