Consultation Response

BritishAmerican Business Response to Consultation on Invest 2035, the UK's Modern Industrial Strategy

November 2024

BritishAmericanBusiness

New York • London • Washington DC

Introduction

In October 2024, the UK government published a Green Paper outlining its approach to developing a modern and impactful Industrial Strategy.

BritishAmerican Business (BAB), as the leading transatlantic trade association, incorporating the BritishAmerican Chamber of Commerce in the US and the American Chamber of Commerce in the UK, welcomes the Green Paper and its objectives.

The creation of a comprehensive industrial strategy has been a policy priority of BritishAmerican Business for many years. In the context of the specific characteristics of the UK economy as an open, mid-size economy, and increasing competition for foreign direct investment (FDI) globally, we believe that a carefully designed industrial strategy will help emphasize and manifest the strengths of the UK market with a positive impact on jobs, growth, and innovation.

Addressing issues critical to US businesses, which account for the largest source of FDI in the UK by a wide margin, is essential for the success of the UK's economy. Encouraging ongoing investment from the US is likely to be a necessary condition for the government's growth agenda.

As such, we welcome the ambitious, yet targeted approach chosen for the industrial strategy, aimed at supporting coordinated sector-specific and cross-cutting policies designed to support businesses to overcome barriers and invest. We welcome that the industrial strategy will be developed in cooperation with business from the outset. We support the government's aim to enshrine an enduring strategy to provide long-term certainty, and our industry partners acknowledge that it will take time to prepare the right framework.

This is BritishAmerican Business' response to the consultation. Our response focuses on areas and questions where BAB can make a useful contribution. Our comments expand on our work done around the Lord Harrington Review into the UK's Approach to FDI, which highlighted the most important barriers for investment. Our submission complements individual submissions made by our members.

Business Environment

Question 7: What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

We welcome that government sees the broad business environment as an essential part of the UK's approach to an industrial strategy. The UK has a strong track record in attracting investors, but it is the strength and openness of the broader business environment that defines when and how foreign (and homegrown) companies look at the UK as a place to invest. We highlighted this point in our response to the Lord Harrington Review.[1]

The UK is an attractive investment destination, reflected in the global success of UK and US companies, and the long history of US investment in the UK. However, the global business environment is dynamic and fiercely competitive. The UK needs to consistently benchmark against rivals to identify areas where it is losing competitiveness. BAB's annual Transatlantic Confidence Index[2] regularly offers an indication of which potential investment barriers are top of mind in boardrooms.

On the positive side, the 2024 Index showed an uptick in confidence in the UK as a place to do business, after three years of decreasing confidence. Yet, concerns over the tax burden on businesses, as well as barriers resulting from regulation continued to rank as the top unattractive features of the UK economy.

In fact, the increase of the UK's corporate taxation rate to 25% in April 2023 has hurt the UK's pro-business

[1] BritishAmerican Business, BritishAmerican Business Response to Lord Harrington's Review into the Government's Approach to Attracting Foreign Direct Investment

[2] BritishAmerican Business, 2024 Transatlantic Confidence Index shows vote of confidence in US-UK economic ties amid anxieties over future policy stability and corporate tax levels

reputation. This perception was further cemented after the increase of the employer national insurance rate as part of the 2024 Autumn budget. It is difficult to square the measures taken with the pro-growth, pro-business agenda that the new government has promised.[3]

While the UK's corporate tax rate remains competitive as a standalone measure within the G7, the accumulated cost of doing business, including various levies and fees, is high. Part of the thinking behind the industrial strategy must therefore be to set out a clear, long-term, pro-growth tax policy that provides consistency and security for businesses and the economy. The government should regularly assess the overall cost of doing business in the UK, looking at beyond individual tax rates, to the cumulative burden of regulatory compliance, taxation, surcharges, and levies.

BAB members also pointed out that tax incentives and guarantee/support schemes that don't significantly impact public spending can be essential in creating further growth in specific sectors. We have already mentioned the positive impact of tax incentives for film and television production, which will encourage further investment and manifest the UK's role as a hub for this sector. Another example is current government efforts to create a revenue certainty mechanism (RCM) for SAF at pace in the UK to increase investor confidence for low carbon fuel sources. This will provide the necessary stability and financial incentives for airlines, investors, and producers by de-risking investments to scale up production and consumption to help reduce the price of these higher-cost alternative fuels and remove purchasing barriers in the long-term. Similar support schemes have been utilized to provide sovereign guarantees to private lenders for upscaling specific projects and nascent sectors that align with growth ambitions to successfully support the transition of sectors from early stages development to commercial adoption, particularly across the infrastructure and low carbon energy space. Likewise, the government's focus on driving economic growth and public sector transformation through the widespread diffusion of AI – and support for associated AI infrastructure (data centers) - has been welcomed by BAB members. Recent investment announcements by BAB members included building more data centers in the UK.

BAB greatly supported the findings in the Lord Harrington Review that regulators should embed a stronger focus and weight on encouraging investment. Too often we hear examples where regulatory actions do not align with the objectives of specific government departments. For example, though we support the development of proportionate, transparent, and evidence-based regulation which ensures that firms operate in an environment that promotes competition, our members raised strong concerns that the initial draft guidance concerning operation of the new UK digital markets competition regime contained too few details about the CMA's proposed approach to gathering evidence and engaging stakeholders. Given the extensive new powers afforded to the CMA through the DMCCA, our members expect to see clear process guidelines to ensure these powers will be used proportionately. Similarly, in the past, we found that policy decisions made in the aviation sector did not consider the impact of policy actions for investment opportunities or the wider competitiveness of the UK. Our members agree that a joined-up approach by government and regulators can help avoid those unintended consequences.

BAB's comprehensive work[4] on how to improve the commercial environment for life sciences (investment) provides a clear roadmap of the actions that are needed to fulfill the UK's potential as a sciences superpower. For example, there is need for a comprehensive approach across all departments and regulators involved in all aspects of the full development and distribution cycle of drugs. The life sciences sector considers a range of factors when choosing the UK as an FDI destination, as outlined in our response to question 21. Three principal areas of focus for barriers are: pricing; uptake and adoption; and Health Technology Assessment (HTA) and access. First, on pricing, the voluntary scheme for branded medicines pricing, access, and growth (VPAG) ensures companies pay a significant proportion of revenue through rebates. Simultaneously, businesses in the sector are seeing additional cost containment measures imposed outside of VPAG, such as NHS England's Budget Impact Test, and National Institute for Health and Care Excellence (NICE) policies, including cost-effectiveness thresholds. Government should work with the sector to realize the social benefits of treatments that see multiple layers of costs. Second, removing geographical and socio-economic barriers within the NHS in terms of supporting equal medicine and healthcare uptake. Third, NICE's cost effectiveness threshold should be updated to reflect NHS-specific inflation. Additionally, measuring the impact of the 3.5% discount rate should be addressed. Considering all these issues through a comprehensive approach will enable the UK to increase its competitiveness in the sector.

[3] BritishAmerican Business, BritishAmerican Business Statement on the 2024 Autumn Budget

[4] BritishAmerican Business, Back on Track? A Progress Report on the Commercial Environment for Life Sciences in the UK

Linked to the former, BAB members also raised the difficulty industry has with departmental engagement and fragmentation between departments. Openness to having transparent, direct, and non-discriminatory engagement with businesses on issues and opportunities needs to be further developed to ensure that they can be raised quickly and effectively, in an environment of mutual trust and cooperation.

Regulatory decisions can also create barriers when there is unintended discrimination against specific investor groups. For example, the Digital Services Tax (DST) and other policy measures taken in the digital space have been seen as direct and structured discrimination against some US companies where they are market leaders. Though the UK has the right to regulate in its own interest, we want to emphasize that, given their employment and investment history, US companies are often as much as UK companies as they are US and global companies.

A third barrier recently voiced by BAB members that was not yet captured by the BAB Confidence Index is a concern around the impact of energy costs and availability on business. We welcome that the Green Paper acknowledges electricity costs as a barrier to growth; and industry welcomes efforts made by government to work toward managing energy costs. We agree that the pace of planning permission, permitting, and connecting infrastructure to the power grid need to be an essential part of those efforts.

Question 8: Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

Concerns over access to the skills that companies and the UK economy need have been on consecutive BAB policy agendas, most recently highlighted by the increase in demand for basic and advanced digital skills to embrace the opportunities presented by the development, use, and deployment of Artificial Intelligence (AI) as a general purpose technology across all sectors to support the whole industrial strategy.

There is a need for government to clearly define the skills needed for the future of the UK economy, and simultaneously set out a comprehensive skills strategy which incorporates support for long-term strategic partnerships between education and industry, particularly for post-16 vocational pathways.

Our own research and work confirm that there is a need to ensure that domestic skills reflect those needed by businesses if the economy is to commit successfully to a growth strategy. Due to the recent changes in the business tax environment, there is scope to protect industry's financial capacity to support skills development. For example, there are concerns that businesses may offshore, or cut spending on resource development to offset national insurance increases. Utilizing Skills England to ensure there is consistent stakeholder engagement with skills development providers offers a system to navigate this likelihood.

BAB members across all sectors have vocalized issues of retaining skilled labor. Global skilled worker routes continue to attract international talent but are onerous for both businesses and the individual to navigate. Both businesses and government also invest a great deal into skills development in the UK, however, many sectors see upskilled workers choosing to move abroad. Government commitments to policies that reduce inflation and interest rates and increase disposable income to skilled workers would make the UK a more attractive destination to retain domestic and international labor.

Business Environment – People and Skills

Question 9: What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

We have welcomed and endorsed the creation of Skills England. In our response[5] to the ongoing consultation for Skills England, we emphasize that many BAB members have, and continue, to take a lead in addressing the

[5] BritishAmerican Business, Submission to Richard Pennycook, CEO, Skills England with recommendations relating to the formation of new skills body

skills gap in the UK. Consistently working with, and listening to, business leaders in the sector is essential for future-proofing the body.

We also recommended that Skills England should ensure very close collaboration with the Department for Business and Trade (DBT) from the outset, re-creating the link with the business department, where skills were previously housed. Given the level of business engagement necessary to support the development of the skills landscape, close ties with DBT can help ensure more constant feedback for a more dynamic skills policy. Clear, consistent collaboration with HM Treasury on funding measures, particularly around changes to the apprenticeship levy for the growth and skills levy, will help business confidence in Skills England as an entity. Additionally, close cooperation with DWP to support upskilling strategies for post-16 school leavers should be prioritized given its responsibility over the forthcoming 'Get Britain Working' White Paper

We recommend alignment of funding between the four nations on skills training needs to be prioritized. There is a risk that, if Skills England are given access to better funding and communication mechanisms, it will affect the potential growth plan outside of England. With more funding available to those in England, businesses will be less able to support skills development equally across the UK. Additionally, efforts to promote alignment with English regional devolved powers should be made via an overarching (but not strangling) framework under the leadership of Skills England, promoting a structured approach to further devolved policymaking in the long-term.

Finally, we recommend that higher level apprenticeships should keep access to government funding mechanisms in some capacity. Apprenticeship schemes offered at the current L7 level have seen an uptake in demand for sectors struggling to attract talent. Consultation with apprenticeship providers under this list, such as accountancy and technology bodies, must go alongside discussions to create the new growth and skills levy to ensure that higher level apprenticeships do not cease to exist, further entrenching skills gaps in critical sectors to the Industrial Strategy

Beyond that, the UK Government should continue to work with business on creating a pipeline of skills, particularly relating to energy transition and digital skills that align with the long-term policy objectives of the government. For example, business incentives to offer internships, apprenticeships, and development programs should be further discussed under the remit of Skills England. Diverting some tax revenue through deductions for skills initiatives in the short-term to developing high skilled labor, has the opportunity to increase employee tax revenue in the long-term.

Further, establishing joint education and training programs, shared R&D initiatives, and industry partnerships, – alongside workforce mobility programs – would allow talent to gain relevant experience and work across borders, supporting sustainable sectoral growth in the UK.

A focus on long-term skills pipeline development would benefit all growth sectors. For example, government initiatives to incentivize training investments and aligning post-16 education pathways with sector needs would make it easier for employers to justify training costs. This investment would create a sustainable and agile workforce, capable of supporting the UK's long-term economic growth.

Business Environment - Competition

<u>Question 18: Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?</u>

In response to Question 7, we conveyed that our members had raised concerns regarding the initial draft guidance on the operation of the new UK digital markets competition regime. In short, we highlighted that the initial draft did not provide sufficient clarity or certainty about how the regime will operate, which is problematic for those currently operating in the market (including firms that may be investigated as having Strategic Market Significance (SMS) and third parties that use or interact with designated platforms & services), as well as for potential investors. In our comments we emphasized that the guidance should deliver on the core objectives of transparency, predictability, and consistency in terms of both substance and procedure and should reflect the CMA's stated intent to: "adopt a participative approach" and take "a targeted, evidence-based and proportionate approach to implementing" the new digital markets regime. We welcome UK government announcements that this issue will be prioritized; yet we also note that the final version of the text has not been seen by businesses that the regime will apply to. Greater transparency in the process will increase investor confidence.

Furthermore, we are receiving an increasing number of concerns over the CMA rulings damaging the UK's reputation as a market where businesses can flourish and grow. Over the past three years, several high-profile merger decisions and antitrust outcomes have highlighted the CMA's interventionist stance. The UK's competition regulator is increasingly becoming a global outlier which has created uncertainty and is deterring investment.

For example, many recent investigations into minority shareholdings and partnerships, especially in the area of AI, though we welcome recent decisions in the space, show that there might be a different understanding of partnerships and minority shareholdings than other regulators, e.g. in the EU. Partnerships and minority shareholdings have been a facet of business for many decades and so the trend to treat these as full-blown mergers is an unwelcome development that is inhibiting investment in the UK.

One of the most notable examples in that regard is the CMA's handling of the merger between Microsoft and Activision Blizzard. In April 2023, the CMA blocked the merger, citing concerns that it would reduce competition in the cloud gaming market. This decision was in stark contrast to the European Commission, which approved the deal with remedies, and the US courts, which rejected the Federal Trade Commission's attempt to halt the transaction. We welcome that the deal was later cleared after being resubmitted with different remedies.

Over the past few years, the CMA's actions have increasingly been perceived as creating an environment of regulatory uncertainty, which reaches far beyond the UK market, all of which can deter investment in the tech sector, a critical area for the UK's economic growth. To attract and retain investment, it is crucial for the UK to ensure that its regulatory environment is perceived as fair, predictable, and conducive to business growth. It is important that government continues to put in place checks and guardrails to provide appropriate oversight of the CMA's activity. We welcome the intention to consult on Government's strategic steer to the CMA, but this must be supplemented with continued scrutiny of its approach to ensure the regulator is not undermining the UK's growth ambitions.

BAB welcomes government initiatives to engage with businesses to rectify industry-wide barriers that negatively impact the competitiveness of the UK and attractiveness of it as an FDI destination. We welcome further agility and innovation when speaking with industry and government across a wide range of stakeholder platforms. However, routes to non-discriminatory direct engagement should also be prioritized as businesses looking to invest in the UK often need to disclose commercially sensitive information. Increasing levels of industry engagement across all government departments, particularly with support from the Office for Investment, as mentioned in our response to question 24, can help improve the speed of investment, and therefore competitiveness of the UK's economy.

<u>Question 19: How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?</u>

The final report of the Lord Harrington Review into the UK's approach to foreign direct investment suggested 'regulators are instructed, via the use of strategic policy statements, to provide more focus and weight on encouraging investment in the coming decade'. BAB's response to the report strongly endorsed this recommendation. In our view, we urge the government to go even further by looking at whether there can be a statutory obligation across all regulatory bodies to consider the UK's industrial strategy and growth agenda in its decision making. Additionally, as mentioned in our response to Question 7, there is an opportunity to develop a new intergovernmental approach that allows for all participating bodies and agencies involved in a specific product cycle to be linked up right from the start.

Business Environment – Regulation

<u>Question 20: Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?</u>

First of all, a growth duty or a duty to take account of a growth objective is necessary to promote the types of infrastructure and very significant capital investments needed in a lot of the markets that will deliver growth. It is fallacious to assume that in all markets large numbers of players will deliver the investment and growth required; this is why a re-examination of the economic base from which we are operating in the new industrial strategy is welcome.

Regulators should not be 'doubling down' and acting in a way that 'more of the same' will deliver growth. There could be an opportunity to reconsider the level and complexity of regulation, as well as to simplify and reduce some of the regulation which may be stifling entry and opportunity.

Within Whitehall, the industrial strategy could be used to strengthen coordination across government departments to eliminate policy and regulatory duplication and better drive industrial strategy policy outcomes/support investment. Central government has a role in assessing the cumulative impact of new and existing regulation, to ensure it is delivering the required outcomes without disproportionate economic impact, and be prepared to sunset or remove regulations where this is not the case.

Finally, there is an opportunity for the UK to learn from best practices and weaknesses of other countries in their growth ambitions. In particular, members have noted the government should avoid over-regulation. An instance of this raised was the restrictiveness found through the Renewable Energy Directive in the EU and the negative impact it had on developers who lost confidence in investing in commercial energy assets/infrastructure in the case that they are not utilized. A similar example of the UK positively learning from best practices was the creation of the EU CBAM[6] and subsequent issues raised by industry concerning scope, thresholds and exemptions, and feasibility of data collection across supply chains. BAB responded to the UK's consultation on the creation of a UK CBAM , and were pleased to see the government's response took note of the EU CBAM and reconfigured the regulation to allow a higher threshold, and accept default values, among others. Continued alignment and learning of best practices from other countries, particularly on regulation that ensues significant administrative burdens, will help the UK remain an attractive destination that limits regulatory compliance costs.

Question 21: What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

There is a whole host of factors that inform a final investment decision, which include: direct market access and whether the target market can serve as a launch pad to trade with third markets; consumer and client demand; existing industry clusters; investment footprints; supply chains; as well as the wider business environment; including availability and flexibility of the required workforce, tax (such as simplification or R&D tax credits); regulation; R&D environment; rule of law; institutional strength and stability; language; or pro-business reputation. Most of these factors apply across most of the growth-driving sectors and investors will make their analysis both on the absolute merits of the UK as a place to invest and its relative attractiveness compared to other candidate markets. The UK has historically performed well against these factors, leading to the UK becoming a hub for business activities that serve the whole of the EU, Turkey, and Central Asian region. However, our members note that the relative flexibility of the labor market might be at risk and the costs of doing business through energy, tax and regulation are rising. Therefore, a holistic approach that addresses all relevant factors informing a stable, predictable, and attractive business environment in the UK is essential to retain and strengthen the UK's current competitive advantage.

Where we see differences are around specific attributes or focus areas within the UK economy. For example, as mentioned in response to Question 7, the UK has a special reputation for its creative industry clusters, and the infrastructure and support the country offers to the sector. BAB's own research shows that in the UK, due to its well-developed research and innovation infrastructure and integrated supply chains, US-headquartered multinational companies invest more on average than they acquire in order contracts, and therefore deliver an oversized economic contribution. Similar patterns can be observed for tech, life sciences, manufacturing, and the defense sector.

Finally, In BAB's response to the Lord Harrington Review, as well as the 2024/25 Policy Agenda,[7] we emphasized that a successful UK industrial strategy can help strengthen areas where the UK is uniquely placed to take a leadership position globally. One of those areas is AI, where the UK, with the AI Safety Summit in 2023, established itself as a leading economy in the field. In our view,[8] countries that focus on broad AI adoption will be a key driver to improving productivity and growth. Therefore, the industrial strategy can help build the right foundations for its widespread adoption (skills, infrastructure, access) to diffuse the technology in every market e.g. in life sciences and drug discovery, in manufacturing, in starting new businesses, and in everyday life and work. Alongside industry focus, adoption of AI in public sector work has the potential

[6] BritishAmerican Business, BritishAmerican Business UK CBAM Consultation Response

[7] BritishAmerican Business, BritishAmerican Business Policy Agenda 2024/25

[8] BritishAmerican Business, Advancing the Global AI Discourse - BritishAmerican Business Recommendations for the AI Safety

to increase productivity, and aligns well with the Chancellor's view to hasten digitalization in government. Research from a BAB member found that harnessing AI has the potential to save the public sector over £17 billion by 2035.[9] As mentioned in our response to question 20, cooperation between government departments (and regulators) is key to unlocking the opportunity of AI.

Ensuring that the outlined growth sectors, such as the defense, energy, tech, and industrial sectors, are supported through predictable, stable policy is key to removing roadblocks against a competitive investment climate. For example, consistency around exploration licenses for energy and export licenses in defense.

Question 24: How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?

A significant contributing factor to the strength of the UK economy is that it is one of the most open economies in the world. For all the reasons that the Green Paper notes, international partnerships between the UK government and other countries and businesses are essential in fostering growth at home and incentivizing investments from abroad.

Historically, the UK has enjoyed a unique position globally on international trade, particularly through its advantageous position between the US and the EU. In that context, BAB members would welcome the UK to further build a diverse network of trading partners. This should include renewed efforts to negotiate a US-UK trade agreement as well as deepening the economic relationship with the EU. The UK should be pragmatic and creative in working with the incoming US Administration. Equally, the UK should speak positively about the importance of the UK-EU TCA and use the review of this agreement in 2026 to look for improvements, especially in customs processes for smaller businesses. The UK, as a permanent member of the UN Security Council and a major world power, should work also with other allied nations to find ways to resolve the current conflicts and other geo-political crises.

In terms of government-to-business partnerships and the UK government's overseas network, a barrier regularly cited to us is inconsistent account management and guidance for international investors through the UK government teams. Therefore, as part of the work behind the 'Easing the investor journey' principle, we feel that actions should also include improving investor account management within the respective teams, a review of skills levels and resource attribution, as well as efficient governance of the investment and growth teams. A beefed-up Office for Investment (OfI) as a concierge service for potential high value inward investments, is a sensible approach.

On trade, we fully agree with the Green Paper, which states that trade is an important driver for growth. Many of the sectors cited as part of BAB's responses to the consultation rely on the ability to source components and sell products in and out of the UK. Much of the investment coming from BAB members in the UK is directly linked to services and products that are being exported to third countries, for example in defense, life sciences, and manufacturing.

BAB therefore welcomes a close link between trade-specific questions and the UK industrial strategy. The relationship between the UK and the US offers a good benchmark for what kind of partnerships are possible and useful.

There are many dialogues and coordination platforms that seek to align interest and policy actions that are often linked to opportunities for business, whether it be in AI, defense, or low carbon energy. For example, initiatives like the Atlantic Declaration between the US and the UK emphasize cooperation in critical areas such as AI, quantum computing, and semiconductors, among other things. This partnership can accelerate technological advancements and ensure both nations remain at the forefront of global innovation.

Also implicit in the Atlantic Declaration is the natural interest in both the US and UK to improve economic security in the wake of Covid and the Ukraine war and the way that these crises exposed supply chain vulnerability in certain key sectors. Using the Declaration as the basis for further discussions with the US on trying to pin down what exactly might be the substance of the concept of 'friend' or 'ally' shoring, would be a sensible approach. Beyond that, we welcome the assistance that the UK offers to companies keen to export and expand abroad. There are, however, limits to what government can and should do – a good guide to navigate existing resources is the BAB Trade and Investment Guide to the US.[10] In addition to

[9] Microsoft, Harnessing the Power of AI for the Public Sector

[10] BritishAmerican Business, Finding Your Way - The Trade and Investment Guide to the US

the assistance provided by trade offices across the UK, support for trade delegations and presence at trade shows has real value, particularly for smaller and medium-sized businesses.

Finally, utilizing the UK's strong education sector as a strategic soft power tool in government-to-government partnerships has the potential to significantly boost the UK's capacity for international collaboration and trade. By building on educational initiatives set up in the UK, the government can highlight its role as a reliable partner committed to shared growth and development. In government-to-business partnerships, BAB recommends fostering collaborations between large enterprises and SMEs to leverage the networks and experience across the private sector, which further support international investment and growth via access to new markets. UK government policy initiatives should promote these alliances to support domestic competitiveness, and long-term, inclusive economic growth.

As the UK sets out its strategy to help businesses overcome barriers and maximize trade for the growth-driving sectors, we support the ambition to negotiate free trade agreements (FTAs) with partner countries. FTAs should focus on tariff reduction, market access, regulatory cooperation, as well as cooperation in supply chains and should cover services as well as physical goods.

<u>Question 25: Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?</u>

The US is by default a country with great opportunities for UK-based businesses. Today, UK-based businesses are already active and present in every congressional district in the US. The US is the most important country for UK exports.[11]

In our view, there are opportunities across all growth-driving sectors in the US, covering goods and services. For goods, the Office for National Statistics (ONS) export numbers in November 2024[12] show that medicinal & pharmaceutical products, cars, mechanical power generators, scientific instruments, and aircraft ranked among the top UK exports to the US. The services export sector is even more significant and has the potential to be grown meaningfully with close alignment to the government's goal to enhance skills development and retention, for example, in IP licensing and technical services, emerging digital technologies such as AI, and professional services such as accounting.

Beyond that, domestic policy decisions in the US will inform differences in the opportunities among the sectors at a given time. For example, the Inflation Reduction Act (IRA) passed by the Biden Administration massively encouraged leading British low carbon energy companies to increase their investment and presence in the US. Future policies implemented by the incoming US Administration may likely encourage further relocation of production facilities and supply chains in the US, all of which will inform trade and investment developments for UK-based companies across the growth-driving sectors.

Conclusion

A robust Industrial Strategy for the UK has been a BAB ask for many years. In our response to the public consultation, we welcome the approach chosen by the UK government, and we offer recommendations on how to make the industrial strategy a success. An industrial strategy has the potential to foster a pro-business, pro-growth environment in the UK, addressing many cross-cutting issues that are important to make the UK a better place for business. We highlight the role of US investment, and how embedding investment across policy making can unlock new opportunities for FDI and economic growth. Ensuring that the UK's competitiveness remains central to its industrial strategy is critical, with a focus on areas that consistently drive investor confidence from the US to the UK. BAB, alongside its members and partners, is committed to collaborating with government to realize the full potential of a comprehensive Industrial Strategy.

[11] UK Governmet, Trade and investment core statistics book

[12] Department for Business & Trade, Trade and Investment Factsheets

For queries, contact Competition & Innovation Sub-Committee Lead:

Shahad Almobarak
Manager, Policy
BritishAmerican Business
salmobarak@babinc.org

BritishAmerican Business

Proudly part of

BABN BRITISHAMERICAN BUSINESS NETWORK

BritishAmerican Business is the leading transatlantic trade association incorporating the British-American Chamber of Commerce in the US and the American Chamber of Commerce in the UK.

We are committed to strengthening the economic corridor between the United States and the United Kingdom by supporting policies and actions that protect and enhance the environment for transatlantic trade and investment on behalf of our members.

We convene and serve a growing network of companies and business leaders through networking opportunities, bespoke programming and marketing platforms.

We actively promote trade and investment and support those who make the transatlantic corridor part of their business growth ambition.

For more information, please visit www.babinc.org

November 2024
BritishAmerican Business
www.babinc.org