GLOBAL BRITAIN

TRADE AND INVESTMENT
GETTING DELIVERY RIGHT FOR THE UK ECONOMY

FUTURE OF THE ECONOMY
WHERE BUSINESS BELONGS

British Chambers of Commerce
GLOBAL BRITAIN

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FOREWORD

Lord O'Neill of Gatley
Crossbench Member of the House of Lords former Commercial Secretary to the Treasury (2015-2016)

I welcome these recommendations from the British Chambers of Commerce to outline how the UK can rise to the challenges of this ever increasingly complex world.

Two common themes run throughout much of the paper, both of which I warmly endorse.

Firstly, on global trade and the UK's opportunities, the report highlights our real net current marginal global edge in trade, and that is the services sector. Many of our leading sectors are well positioned to benefit from whatever rising demand may be out there in coming years.

Within the manufacturing sector, which is more challenged, as objective evidence makes clear, especially post-Brexit, there are also areas where the UK can thrive. Most notably, this is in the advanced manufacturing sector, and industries that relate to our research expertise, in health and life sciences and alternative energies.

This, still relatively new, government is set to give more details in the coming months about how its industrial strategy is going to focus on many of these themes. It is important to connect whatever increased investments they make with clear efforts to crowd in the private sector, where a more buoyant role for investing is much needed.

I tried to take a pragmatic approach to the monumental decision about leaving the EU. I believed that there was a clear net economic cost from exiting the single market and customs union. But if it resulted in our policymakers devoting more serious time and initiative to dealing with our underlying woeful performance it could ultimately lead to something helpful. This included issues on productivity, investment and regional economic and wealth divergence.

Now, we have a better chance in my view, because we do have greater domestic political stability than previously existed. If this government is going to truly do what is right for the UK, not be overly influenced by the desires of others, and look to benefit from our global advantages, then we can do better in world trade. Some of the specific recommendations suggested in this paper, the fundamental, detailed ones showing a serious trade commitment, can only help.

Secondly, the shift in the fiscal rules announced by the Chancellor in October could be the most consequential, for quite a long time, in the government's own role in boosting investment. How they set out their 10-year infrastructure strategy in the Spring and how powerful and successful the emerging projects are, with a tough set of guardrails, may act as a huge catalyst to crowding in private investment.

If the Office for Budget Responsibility (OBR) is then presented with evidence of positive multiplier investments, it is likely to feed into stronger forecasts of trend growth, much beyond the extremely modest ones following the recent Budget.

This is the kind of exciting path that is necessary to lift the sometimes seemingly perpetual gloom surrounding our current position. This report offers its own enthusiastic ideas about how to fair better in this most interesting of environments.

INTRODUCTION

Shevaun Haviland
Director General,
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of Commerce

As we approach the end of the first quarter of the 21st century, the UK remains a beacon for open trade with the world. The numbers speak for themselves; in 2023, we exported £393bn in goods[i]. In services, we were the second largest exporter in the world, with a trade surplus of £173bn. On supply chains, the UK has adapted with agility to challenges such as the pandemic, conflict and geopolitical concerns by diversification, building in greater security[ii]. The UK also has enormous strengths in the financial, intellectual property, business, professional, transport, travel and creative services sectors. It is at the cutting edge of developing services that are integrated with technological advances in manufactured goods and at the forefront of commercial and research developments in Artificial Intelligence.

Our country also has a long record in building alliances globally in favour of a rules-based model of international trade. It works closely with the World Trade Organisation, and in concert with partners in the G7, G20, and the Organisation for Economic Co-operation and Development (OECD). The UK economy is relatively open to innovation, capital and investment, and scored well on trade openness (imports plus exports as a share of GDP) at 65% in 2023[iii].

But if we want to see a sustained uplift in economic growth then we must build on these strong fundamentals in our trade and investment performance. The government has charted a new course on public investment and is seeking to build a strong relationship with the private sector to turbocharge its investment too. The BCC believes that fiscal and other policies which "crowd in" private investment for the long-term will deliver the best outcomes on productivity and growth across the UK. We also know that raising exports levels is good for the UK economy. The industrial and trade strategies and the ten-year infrastructure review may be vehicles to drive that, but we still need to empower thousands more businesses to drive export growth.

This report considers new approaches on achieving an increase in investment and the contribution of exports to economic growth. We look at how we can make sustained improvements – from reforms to pension funds and regulation to the future of export support and our economic diplomacy. We outline challenges in five areas: infrastructure investment, investment and economic diplomacy, reforming regulation and capital requirements, trade agreements and delivering export growth, and the UK's influence in multilateral forums to promote trade and investment.

Geopolitical issues are always unpredictable, and the War in Ukraine and Middle East conflict have created their own challenges for international trade. But we are confident in the UK's future prosperity, if we can digitalise and deepen trade links, strengthen export support, and secure new investment opportunities at home and abroad. We hope that government and business can work in effective partnership together on this exciting journey.

CURRENT PICTURE ON TRADE AND INVESTMENT

The UK government has put trade and investment at the heart of its primary mission for the next five years of securing a sustained increase in UK economic growth[iv]. Open and fair trade is one of the four principles underpinning its new Industrial Strategy - how it sees the UK's future growth story being delivered, according to its green paper[v]. The UK's trade performance in goods over the past few years shows there is much work to be done, although services exports are a clear success story. Between 2010 and 2023, goods export volumes rose by 7%, in real terms, while services exports grew by 63%[vi]. Following the Autumn 2024 Budget, UK export growth is forecast to average 0.5% between 2026-2029, but net trade risks being squeezed as a contributor to real GDP until the end of the decade[vii].

Non-tariff barrier headwinds faced by exporters have been particularly acute in terms of trade with the EU[viii]. But between the start of the second quarter of 2023 and the end of the first quarter of 2024, the World Trade Organisation estimates that UK financial services exports rose by 13%[ix]. Overall, it has been a difficult period for global trade, marked by geopolitical shocks, downbeat consumer confidence, and disruption to shipping and supply chains. However, a recovery in world commerce is on the cards for the latter half of 2024 and next year[x].

The UK has also remained among the top two most attractive locations in Europe for inward investment, second only to France[xi]. Yet, total investment in the UK as a share of GDP declined from 23% at the end of the 1980s to 17% in the mid-2020s. This was not reflected in other G7 economies such as Germany, the USA and France[xii]. Following the Autumn Budget 2024, new government fiscal rules and a revised definition for public debt should lead to an increase in public capital investment of £100bn until 2029[xiii]. The intention behind this is that by raising the investment rate from the 2024 baseline, private sector investment will be crowded in for the long term. This could lead to potential private sector output that is 0.1% greater over 10 years, and overall GDP 0.4% that is higher over 10 years. The ten year infrastructure plan unveiled in Spring 2025 could contribute to a further uplift in long-term output. Achieving greater export volumes and growth, in key and fast-growing markets such as Asia-Pacific, from existing or enhanced trade and investment terms is also of key importance[xv].

There are a number of different issues that need to be addressed to make this happen. These include:

- Establishing an effective system for government to work more closely with business to maximise trade and private investment growth.
- Creating an institutional and policymaking framework to leverage Brand Britain and expand overseas market access.
- Embedding the UK further in international supply chains.
- And expanding opportunities for both inbound and outbound growth of foreign direct investment.

In the coming months, the BCC will make further submissions to the government's Trade Strategy (expected in Spring 2025). This report sets out how it can focus the role of investment at the heart of economic policy, with a reach across all government departments and the growth mission. It examines those elements of the existing structures felt to be delivering for export growth: the regional trade commissioners, the role of trade envoys, and the commercial diplomacy activities of UK embassies and consulates. And it considers where change is necessary, and how government and business can deliver the investment agenda - with particular focus on Foreign Direct Investment (FDI).

The Chamber Network has a unique role in making trade happen. Every day it generates the trade documents which make international trade a reality for small, medium and large businesses. It also provides practical advice on compliance with new regulations, which affect the movement of goods. Chambers tell us, however, that greater involvement with industry at an earlier stage would be a much smarter approach on securing genuine buy-in and successfully implementing regulations on time.

Chambers also have the advantage of being rooted in communities right across the UK, as well as more than 75 markets across the world. This means they can offer expert advice, knowledge of markets, local laws, taxes, and customer preferences to inform businesses on their export journey and allow their sales to grow. Britain should not lower its ambitions on trade. We can take UK exports to the £1trillion mark and beyond[xvi], with the right markets, future-facing bilateral and multilateral trade agreements, effective implementation with business, purposeful commercial diplomacy and strong relationship building, in growing trade corridors.

INVESTMENT STRATEGY

Raising levels of productive investment, particularly private investment, is one of the fundamental aims which should underpin economic policy decisions to generate increased prosperity and economic growth[xvii]. Government must put in place the right policy and implementation frameworks in the UK, and internationally, to leverage long-term foreign direct investment opportunities. Overall, 2023 was not a good year for foreign direct investment globally, with a 7% decline in flows[xviii]. Following the Autumn Budget 2024, further measures from government are still required. These include effective implementation of the Industrial Strategy, Trade Strategy and supply side policies such as planning and regulatory reforms, to accompany the fiscal framework changes, to further raise private investment levels. Business is ready to play its economically vital role in raising its investment levels in a sustained way over the coming years.

CHALLENGES

CHALLENGE 1
INFRASTRUCTURE INVESTMENT

The government has established a growth board, chaired by the Chancellor, as part of the delivery infrastructure in Whitehall for securing progress on its five missions. The growth mission has seven pillars, including: economic stability; infrastructure and planning; skills and workforce development; industrial strategy and net zero transition. An enhanced role for investment in driving higher levels of growth is a key element of the government's economic policy[xix]. Other elements of the policy framework around infrastructure, borrowing rules and limits, and public investment have now been put in place in the Autumn Budget 2024[xx]. There will also be a ten-year infrastructure review occurring alongside phase 2 of the spending review, for the 2026-27 fiscal year onwards.

The government has created a new National Infrastructure and Service Transformation Authority (NISTA), to combine infrastructure strategy and delivery[xxi]. This will co-exist with the National Infrastructure Commission, which recently published an analysis of major infrastructure project delivery in the UK[xxii]. This found that a lack of strategic clarity and commitment to long-term funding, beyond a single spending review period, was stopping the delivery of projects on time and to budget. A change in approach should be adopted, together with further measures to expedite approval processes, and clearer signposts on costings and progress for major infrastructure projects. Government can assist by adopting a more consistent approach to capital investment; avoiding the fluctuations in policy which have previously occurred between one spending review period and another.

The infrastructure review should produce a long term physical and digital infrastructure plan, equipping the UK with the necessary capacity on data hubs as well as 5G and 6G network connectivity. The approach on critical UK infrastructure should have cross-party support, to provide investors with clarity that the political cycle will not disrupt its future delivery.

CHALLENGE 2
INVESTMENT AND ECONOMIC DIPLOMACY

The Office for Investment (OfI) was created in 2020 as a joint No 10/Business Department unit to unlock strategic investment opportunities for international investors into the UK. It has recently been reconfigured, in line with the Harrington Review, to operate at the heart of government, with greater heft, to secure the requisite input from across Whitehall, including HM Treasury. This is an important first step for the OfI, to be at the heart of the necessary policy and delivery structures on investment[xxiii]. Policymakers should be open to feedback from business about the operation of the new single front door (or concierge) system by government to provide support for existing, as well as new investors, to ensure it is suitably resourced to grow the investor pipeline. In terms of machinery of government processes to deliver the best outcomes for investment, the OfI should have regular engagement with officials and Ministers on the Growth Mission Board, and a wider range of stakeholders across the UK, to inform its work. The Prime Minister should create an Investment Cabinet Committee, to focus decision-making by central government on supporting the OfI's work.

Critical drivers for inward investment are regulatory certainty, predictability on tax policies, access to high quality infrastructure, skills, international connectivity and an open approach to planning. The Harrington Review also found an increase in competition for investment due to US and EU industrial subsidies policies[xxiv]. But those are highly unlikely to form part of the policy frameworks underpinning the final version of the Industrial Strategy implemented in the UK and the fiscal framework put in place by the Autumn Budget 2024.

The government is likely to adopt policies to encourage more commercial diplomacy and increase exports opportunities for UK companies. Its aim appears to be to leverage economic and trade ties to promote exports, greater inward investment and more outbound investment. It has already launched a global impact review and an assessment of the Foreign, Commonwealth & Development Office's (FCDO) economic diplomacy strategy, current role, and its capability to deliver these outcomes[xxv].

Different concepts of the functions of economic diplomacy exist. The French approach is three-pronged: attracting inward investment, maximising export growth, and maintaining influence in multilateral regulatory forums[xxvi]. By contrast other proposals recommend a wider set of national and global public goals in a recast economic diplomacy strategy[xxvii].

The UK should seek to use its economic diplomacy strategy to drive a 'policy coordination' agenda between the UK and its principal trading partners. This would require a smaller nucleus of negotiators based in the growth mission and policy experts from relevant government departments, on attachment, to drive policy outcomes in this area. FCDO and Department for Business and Trade (DBT) officials should have an enhanced role in identifying and recommending market opportunities based on local insights derived from their presence in overseas markets. With any policy looking to boost exports, the government must look at the important role ports, airports and logistics sectors play in facilitating this growth in exports and needs to ensure they are reflected as foundational sectors in the industrial strategy.

Following the government's Economic Diplomacy review, policymakers should also ensure government processes are recalibrated to support outbound FDI opportunities for UK headquartered companies in key overseas partner markets. This should be carried out alongside an enhanced role for the OfI in securing inward investment.

CHALLENGE 3
REFORMING REGULATION AND CAPITAL REQUIREMENTS

There have been a variety of innovative proposals by successive UK governments in recent times to facilitate investment growth in key economic areas. The previous government sought to enhance the role and lending capacity of the British Business Bank. The new government is creating GB Energy and the National Wealth Fund – with clear linkages to the industrial strategy and expanding these sectors as components of economic growth. The National Wealth Fund will receive an initial allocation of £7.3bn in capital (allocated through the UK Investment Bank).[xxviii] The Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) have been extended until April 2035, to encourage investment into new or expanding companies through tax reliefs. The London School of Economics has recommended (2023) an expansion of the 'blended finance' model, with government finance used to crowd in private sector investment[xxix]. A specific instrument recommended in its report is a UK Growth Fund - acting as an umbrella for a series of sector specific funds aimed at attracting pension fund investment and other institutional capital sources. The effectiveness of the National Wealth Fund should be assessed in its ability to crowd in private investment to consider what additional policy tools may be required to support this goal, in addition to businesses raising investment levels also.

UK and overseas pension funds are seen as essential vehicles for stimulating business growth and driving investment, particularly in infrastructure. The Chancellor has launched a landmark pension review as part of the growth mission[xxx] and further outlined in her Mansion House speech in November 2024[xxxi]. A key element of the proposals is to create new "mega funds" by reducing defined contribution schemes into a minimum size and speeding up Local Government Pension Scheme pooling[xxxii]. We believe these new pension reforms are a positive step from the government to boost long term investment and growth. The reconfigured pension funds must be well managed and invested in a strategic way in key sectors like healthcare, energy, technology, infrastructure and science to support growth. Also, further collaboration between HMT/DWP and industries is required to unlock capital in the pension schemes. This should be accompanied by a diversification strategy which aims to maximise returns and manage the risks of market volatility. The Canadian Pension Plan, for example, invests in different assets, such as equities, fixed income, real estate, infrastructure, and private equity[xxxiii]. This allows it to take advantage of different market opportunities and reduce the overall portfolio risk.

This agenda also needs to be considered alongside capital markets reform to generate more investment into the UK, including making the UK an easier place for companies to list. But questions remain on how to facilitate more investment into UK unlisted equities.

Analysis by the Capital Markets Industry Taskforce recommends the UK should invest around an additional £100bn in productive capital per annum for at least ten years - £1trillion in total - to deliver 3% annual growth in real wages and real GDP per capita[xxxiv]. This goal reflects the government's commitment to boost investment and retain the UK's position as a leading global financial centre. Working with financial sector regulators and the Bank of England, the government should align investment, industrial, infrastructure and regulatory policies to facilitate a long-term sustained increase in private sector investment.

HM Treasury, the Bank of England and other financial regulators should develop pro-growth proposals for the deepening of UK capital markets, pension funds, and UK unlisted equities to increase investment.

The Prudential Regulation Authority (PRA) has recently formulated its near-final policy on implementation of the Basel 3.1 standards on risk, capital requirements and reporting[xxxv]. It proposes maintaining capital requirement levels for SME lending, infrastructure investment and trade finance investments - with a transitional period from 1 January 2026 until 31 December 2029. They are considered by industry to be more investment-friendly plans than the initial proposals for the new standards and should also improve the supply of export finance. They should be implemented as soon as possible. Financial institutions should be provided with the guidance and regulatory framework required to strengthen the market in infrastructure and trade finance instruments to promote increased investment and growth.

Comparative studies of what works in other parts of the world

The USA has crowded in private sector investment particularly in its climate friendly technology sectors, through the Semiconductors Act and the Inflation Reduction Act, although these policies are likely to be significantly augmented by the incoming Republican administration in January 2025[xxxvi]. Former Italian Prime Minister, Mario Draghi, has completed an important report on competitiveness for the EU. It called for a new approach towards regulation as a means of expanding growth - particularly in tech and other emerging sectors of the European economy[xxxvii]. The UK does not have the same subsidies capacity as the USA or the EU-27, nor is it necessarily seeking the same approach with heavy fiscal incentives to upscale domestic investment. Nevertheless, there are lessons on crowding in on a more focused scale that should be learned from these examples overseas.

CHALLENGE 4
TRADE AGREEMENTS AND DELIVERING EXPORT GROWTH

The Trade Strategy, linked to the Industrial Strategy, should be a bold, evidence-led blueprint to improve the UK's supply chain and critical imports security, alongside lasting export growth. It should set out a clear stance on the importance of open and fair trade in driving prosperity at home and across the globe, and the impact of policy on tariffs, quotas and subsidies. It must also tread a careful line on our key trading relationships with the EU, the US, and China, given the greater scope for fragmentation of the global trade system through policy shifts in early 2025. There is a prospect of additional trade friction between the US and China, with other countries experiencing trade volatility as a result. Further policy action to enhance export support should be considered in phase two of the spending review. This should raise net trade as a driver of real GDP growth, given the positive consequences for productivity growth and investment that international trade generates for UK companies, and export support's role[xxxviii].

Recommendations from our first Global Britain report, earlier in 2024, have been taken on board by government in terms of completing the UK trade negotiations pipeline. This includes commitments to secure new or upgraded free trade agreements with six key trading partners; India, Israel, South Korea, Türkiye, Switzerland, and the Gulf Co-operation Council states. There is still a strong case, in our view, for pursuing a reset of the negotiations with Canada and Mexico, unless the same outcomes can be achieved through the existing continuity agreements with both countries, alongside our CPTPP obligations in parallel when both states ratify the UK's Accession Protocol. We also see potential in scoping possibilities for free trade agreement negotiations with Indonesia and Thailand, unless the former's application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is expedited very quickly.

The BCC previously called for the creation of a preference utilisation unit within the DBT, to ensure that UK firms received targeted assistance on how best to use new Free Trade Agreements (FTAs) with Australia, New Zealand and Japan. The unit has proven successful, and its remit should be expanded to cover other key trading partners which the UK has preferential trading agreements with. This would better link companies in the UK, who could export more or begin an export journey, with opportunities in key overseas markets. DBT should publish preference utilisation rates - to allow business to join efforts within government to reach companies which are not taking advantage of preferences on goods exports. Government should also make use of this data, together with HMRC data, to reach UK businesses in a highly targeted way to ensure maximum take up of trade opportunities afforded by FTAs.

A complex system of business engagement on trade is being reviewed by government. Stakeholders would prefer systems where their views on policy areas are taken onboard at an earlier stage, before an agreement in principle is reached with negotiating partners. There is a case for the review of non-disclosure agreements for stakeholders on key trade policy issues, while accepting all deals involve trade-offs. They should be used in a smarter way, so industry can play a stronger role in getting deals done and providing specialist advice. This could work well on issues such as rules of origin, intellectual property, investment protection, mobility, and market access chapters of trade agreements, or in negotiations. More consideration also needs to be given to whether the most appropriate stakeholders are being consulted in every case where decisions on trade policy are involved, and to reform engagement accordingly.

Authoritative economic studies show the positive links between exports and high employment levels[xxxix]. SMEs are facing increased cost pressures through the rise in employers' National Insurance Contributions in the Autumn Budget 2024. These risk reduced financial and staff capacity in SMEs to engage in new export activities. In turn, this could result in reduced productivity and investment. Alongside greater usage of trade preferences, export support should receive additional funding in the next phase of the comprehensive spending review to achieve growth in export volumes over the next five years. This could be done through funding trade promotion activities and overseas trade missions which would maximise the return for taxpayers and on economic growth[xl].

Maintaining international competitiveness is also required in aviation and global connectivity links for the UK to prosper. The risk of not exempting UK airside transit passengers from the forthcoming UK Electronic Travel Authorisation (ETA) and diverging from the EU's position, is that transit in the UK would be placed at a competitive disadvantage thereby damaging the viability of some routes. In August 2024, Heathrow Airport estimated a loss of 90,000 transit passengers since the introduction of the ETA trial.

The government's campaign to promote the UK brand and its goods and services in 164 countries – GREAT Britain and Northern Ireland – was last refreshed in 2021. BCC research shows its enduring strength, with 52% of exporters reporting it helps boost sales[xli]. We would recommend developing the campaign, so exporters can obtain guidance and communications on key trade opportunities and developments through the GREAT online platform as their first port of call. Government should also flag key advice and services on exporting and regulatory compliance through trusted partners, such as the Chamber Network.

HM Trade Commissioners

HM Trade Commissioners[xlii] have engaged with the BCC in recent months, showing an interest in our research on trade and investment barriers and the key priority markets for UK businesses in goods and services. They have an experienced outlook and valuable knowledge and insight of host markets for UK sales, as well as delivering regionalised plans on exports. The Trade Strategy and its findings on commercial diplomacy should retain and enhance the role of the Commissioners.

UK Trade Envoys

The UK Trade Envoy programme began in 2012. By mid-2024, there are 35 envoys operating in 58 countries across the globe. They are experienced Parliamentarians, engaging in trade and investment opportunities with strategic partners[xliii]. The government is reviewing the Trade Envoy arrangements, but the higher profile which Envoys add to UK economic diplomacy missions, and Brand Britain, has been endorsed by many businesses. The BCC supports a revitalised Trade Envoy programme, with potentially greater involvement by trade and business representatives as well as parliamentarians in key markets.

Trade Finance and Export Growth

The work of the Trade Digitalisation Taskforce, led by the International Chambers of Commerce UK (ICC UK), has delivered a clear plan on improving access to supply chain and trade finance and payments[xliv]. This plan should be taken forward by the financial sector and policymakers.

On UK Export Finance (UKEF), the Secretary of State for Business and Trade wrote to the Chief Executive of UKEF in September 2024 setting out a new strategy for the next few years[xlv]:

- Seeking focus on delivery - deploying finance to kickstart growth, by supporting the forthcoming Industrial Strategy and increasing the number of SME firms supported by UKEF.
- Maintaining 80% of firms supported being outside London during the UKEF business plan period.
- Reviewing the UKEF offer to maintain competitiveness with international partners in two ways: first, to examine, with HMT, the size of the credit facilities UKEF provides, and second, benchmarking the range of products it offers.
- UKEF to have deep coverage in high growth sectors like renewables, aerospace, defence and advanced manufacturing.
- UKEF should build upon the Business Plan objective of £10bn in green exports finance by working with GB Energy and the UK's Clean Power Alliance.
- UKEF should digitise its offer to SMEs, where it can, and further expand its supports for firms with turnover of less than £10m to start exporting.
- Taking further action to assist SMEs to access finance on the private market.
- Working at pace to significantly increase the number of exporters it supports each year.

This approach aligns to the BCC's views on UKEF. It was followed by a decision, in the Autumn Budget 2024, to increase the credit capacity for UKEF and give it a new role on critical imports supply chain security. The BCC also supports it offering credit guarantees to drive supply chains for Net Zero and key economic sectors. This includes UK companies, with key export relationships overseas, which import critical minerals such as lithium, cobalt and graphite for production in the UK[xlvi]. The apportionment of lending risk between commercial lenders and UKEF is a worthwhile further area for review by HMT.

The UK's Influence in Multilateral Forums

UK trade policy must address emerging geopolitical realities, particularly in terms of trade relations between the US, EU and China. It should stand firmly behind the role and capacity of multilateral institutions to deliver on UK trade priorities. This includes the World Trade Organisation (WTO) and the alliances required to be assembled to deliver these outcomes in a world of greater trade fragmentation. The new strategy must also navigate a regulatory landscape involving wider usage of carbon border taxes globally (including in the UK from 2027)[xlvii], due-diligence legislation on supply chains[xlviii], and the role of non-tariff barriers.

Trade issues around digitalisation, climate change and sustainability are opportunity areas for the UK to build clear global alliances and to step up at the WTO in terms of these priorities for the coming years[xlix]. Intellectual Property rights, data, and trade in services are all further areas of opportunity for UK diplomacy and alliance building.

The UK is well-positioned to play an influential role, if it is more strategically engaged through a partnership of government and industry, in areas such as trade digitalisation, e-commerce and reducing barriers to services trade. It needs to put in place the right processes and outputs to develop a partnership for forward-looking reforms at the WTO, to support a rules-based trading order. This is essential in a global trading environment, where disputes (between major trading nations) are becoming more frequent and disruptive to open trade. The UK should be proactive in making the case for other nations across the world to join the Agreement on Electronic Commerce (already agreed by 91 states), and to fully implement the Domestic Regulation in Services accord (now part of the WTO rulebook). The UK should also explore how business engagement through the G7 and G20 could be improved. And it should play a key role in the future work programme of UN Trade and Development and the UN Commission on International Trade Law.

CHALLENGE 5
BUILDING GLOBAL ALLIANCES ON DIGITAL TRADE

Digital trade is a huge area of opportunity for growth and productivity gains, but this must be higher up the priority list of policymakers to make it happen. Data standards harmonisation and supply chain interoperability are key issues, together with ecosystem digitalisation – bringing benefits of digitalisation to shipments, finance, payments, customs, and transfer of ownership. UK policymakers need to recognise that innovation in payments systems and apps is driving a big expansion of e-commerce. It is an efficient way of increasing the number of companies exporting goods and services. This should be reflected in the Trade Strategy together with a commitment to build further global support for the settled text of the Agreement on Electronic Commerce, and its implementation as part of the WTO rulebook.

The UK should encourage more countries to adopt reforms on digitalisation through implementing the United Nations Commission on International Trade Law (UNCITRAL) model law on electronic transferable records[l], to realise the full benefits for global trade. It should also call for further dialogue in Geneva to allow other countries to join the settled text of the Agreement on Electronic Commerce[li]. Its terms should then form part of the WTO rulebook, in due course, with more global trading countries on board.

The UK's digital economy agreements with Singapore and Ukraine have also proven valuable for UK businesses. Further such agreements should be considered in cases where a free trade agreement may not be possible for now, including with states such as Brazil and the USA.

The government should use the review of CPTPP to expand the bloc's ambition on digital trade. It should also explore with the EU, what potential there may be, in the medium to long term, to put data flow arrangements on a more permanent footing (which business supports), rather than requiring adequacy assessments every four or five years.

CONCLUSIONS AND RECOMMENDATIONS

The BCC proposes 26 policy recommendations grouped in five thematic areas: infrastructure investment; investment and economic diplomacy; reforming regulation and capital requirements; trade agreements and delivering export growth; and building global alliances on digital trade.

Implemented together, these would help raise the contribution of investment and net trade to UK GDP growth in the coming years. This would have benefits for productivity, wage growth, and capacity for further investment by business. The UK has real strengths in its capital markets, in data flows, and its growing trade in energy, goods, and services with its neighbours and expanding markets across the globe. There are huge opportunities if we secure the right trade and investment deals, improve trade finance access and digitalisation, have smarter regulation, and more effective economic diplomacy. It must also build alliances globally to support the multilateral rules-based trade order, open and fair trade, and export support.

OUR POLICY RECOMMENDATIONS

INFRASTRUCTURE INVESTMENT

1. Provide certainty around delivery of major national infrastructure projects with expedited approval processes, and clear signposts on costings and progress.
2. Adopt a consistent approach to capital investment; avoiding the fluctuations in policy which have previously occurred between one comprehensive spending review and another.
3. Implement a long term physical and digital infrastructure plan. If possible, this should have cross-party support to provide investors with clarity that the political cycle will not disrupt progress on long-term critical infrastructure investment.

INVESTMENT AND ECONOMIC DIPLOMACY

1. Secure feedback about the operation of the new single front door (or concierge) system by government for assisting investors, to ensure it is suitably resourced to grow the investor pipeline.
2. Ensure the OfI has regular contact with officials and Ministers on the Growth Mission Board to inform its work. Create an Investment Cabinet Committee to focus decision-making required to support the OfI's work.
3. Adopt an approach to economic diplomacy rooted in clear principles – maximising inward investment opportunities, increasing UK exports, and strengthening the UK's ability to secure its priorities in multilateral organisations affecting trade and investment policies.
4. Use the government's economic diplomacy strategy to drive a 'policy coordination' agenda between the UK and its principal trading partners. This should combine permanent UK Mission diplomats and policy experts within government. FCDO and DBT officials should have an enhanced role in identifying and recommending market opportunities based on local insights derived from their presence in overseas markets.
5. Ensure government processes are recalibrated to support outbound FDI opportunities for UK headquartered companies in key overseas partner markets, as well as an enhanced role in securing inward investment working through the OfI.

REFORMING REGULATION AND CAPITAL REQUIREMENTS

1. Implement the Prudential Regulation Authority (PRA)'s proposals on the Basel 3.1 standards on risk, capital requirements and reporting, as soon as possible.
2. Assess the effectiveness of the National Wealth Fund in crowding-in private investment to consider what additional policy tools may be required to support this goal.
3. Explore the scope for reforms of capital markets and UK unlisted equities to further facilitate investment opportunities and economic growth. Following the Mansion House speech by the Chancellor in November 2024, reconfigured pension funds must be well managed and invested in a strategic way in key sectors like healthcare, energy, technology, science and infrastructure to support growth. Alongside more discussion with industries to unlock capital, a diversification strategy should be adopted to maximise returns and manage the risks of market volatility.
4. Align investment, industrial, infrastructure and regulatory policies to facilitate a long-term sustained increase in private sector investment, working with financial sector regulators and the Bank of England to achieve this.
5. Provide financial institutions with the guidance and regulatory framework required to strengthen the market in infrastructure and trade finance instruments to promote increased investment, exports and growth.

TRADE AGREEMENTS AND DELIVERING EXPORT GROWTH

1. Ensure the Trade Strategy has clear positions on the importance of open and fair trade for the UK economy, and the roles of tariffs, quotas and subsidies.
2. Publish preference utilisation rates on key trade agreements. Use these, and HMRC data, to help UK businesses in a highly targeted way to maximise trade opportunities from FTAs. Make the most of CPTPP accession to expand UK trade in the Asia-Pacific region over the coming decades.
3. Review business engagement so industry can play a stronger role in getting trade deals done. This should include providing specialist advice in negotiations on areas such as rules of origin, intellectual property, investment protection, mobility, and market access chapters, while accepting all deals involve trade-offs.
4. Retain the GREAT campaign, with further development, ensuring that exporters can obtain necessary guidance and communications on key trade opportunities and developments through the GREAT online platform as a first port of call. Government should also flag key advice and services on exporting and regulatory compliance through trusted partners, such as the Chamber Network.
5. Exempt UK airside transit passengers from the forthcoming UK Electronic Trade Authorisation (ETA) scheme.
6. Enhance the role of HM Trade Commissioners.
7. Support a revitalised Trade Envoy programme emphasising the convening role which parliamentarians, as Envoys, can play in key markets.
8. Work with business to ensure export support receives additional funding in the next phase of the comprehensive spending review to achieve growth in export volumes over the next five years.
9. Use the increased credit envelope for UKEF, following the Autumn Budget 2024, to grow UK companies' access to key trading markets and supplies of key minerals and metals, particularly aligned to exports in advanced manufacturing.

BUILDING GLOBAL ALLIANCES ON DIGITAL TRADE

1. Build global alliances and step up at the WTO in terms of its priorities for the coming years, including digital trade. Intellectual Property rights, data, trade in services are all further areas of opportunity to work with like-minded nations.
2. Encourage more countries to adopt reforms on digitalisation from the UNCITRAL model law on electronic transferable records, to realise the full benefits of trade document digitalisation for global trade.
3. Reach bilateral digital trade agreements with key partners, particularly where full free trade agreements may not prove possible, such as Brazil and the USA.
4. Scope with the EU what possibilities exist to place EU-UK data flows on a more permanent basis than four or five yearly data adequacy assessments.

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