

UK Trade. The New Agenda.

**Clarify and reinforce one
vision for the UK**

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Background

At PwC, we started a conversation – across regions, business, government and society – to examine what the UK can do to drive trade and investment harder and better than it has before. We believe there is a once in a generation opportunity for the UK to recast its role in global markets in a way that is genuinely differentiating, reset priorities on the sectors that will drive long term prosperity, and to rework how the UK collaborates to deliver trade and investment success. [In our first report](#) we set a four-point agenda for change; this report is the second in the series, and picks up on one of the action points: the need to clarify and reinforce what the UK stands for in global markets for trade and investment.

www.pwc.co.uk/UKTrade

What does 'Global Britain' stand for in trade and investment?

For more than 30 years, the UK's proposition to international investors was based, at least in part, on its membership of the European Union. The UK often positioned itself as the gateway to Europe's Single Market, with unfettered access to 450 million consumers across mainland Europe. It was an easy message to get across: simple, straightforward and tangible. As such, it was front and centre of most glossy brochures promoting the UK to international investors. There was much more to our proposition than that of course, but in a world of clear messaging, membership of the European Union was generally first on the list.

We now need to revisit the messages we tell overseas business leaders about why to invest here, or why to buy our wares. This is what we mean by 'clarifying the vision'. We now have an opportunity to make those messages much more compelling: to make them fit for the future, rather than rely on what has worked for us in the past; and to make them distinctive for us, rather than being based on the qualities of our neighbouring markets.

In March 2021, the Government published the Integrated Review of Security, Defence, Development and Foreign Policy (the Integrated Review). Entitled '[Global Britain in a competitive age](#)', it is a wide-ranging articulation of the Government's vision for the UK's post-Brexit place in the world. It sets out an ambitious definition of Global Britain, as well as a policy framework for what it means in practice. Its headline messages include, *inter alia*:

- the external environment is increasingly competitive, uncertain and multipolar, with the formation of competing blocs of influence and values;
- transnational challenges such as climate change and global health risks are threatening our shared security and prosperity;
- there is an increasing need for influence, partnerships and soft power to secure our interests in a less structured and multilateral world; and
- the UK should become a 'science and technology superpower' to secure our relevance and prosperity.

Trade and investment is integral to this ambition. While not articulated as an objective in its own right, trade and investment is a crucial enabler of our ability to drive influence internationally, as well as prosperity at home.

The challenge is now to translate and reinforce this wide-ranging articulation of 'Global Britain' in a way which is relevant and useful for driving trade and investment outcomes. What does this vision mean for UK businesses, so that they can both benefit from 'Global Britain' and help make it a success?

Exploring our strengths

The pandemic has thrown the world's connections and shared vulnerabilities into sharp relief. At PwC, we have framed a set of common global challenges into our ADAPT framework, comprising Asymmetry, Disruption, Age, Polarisation, and Trust. The combination of wealth disparity, the unintended consequences of new technology, populations aging at different rates, the breakdown in society, and the loss of trust is behind the emergence of four crises: a crisis of prosperity, a crisis of technology, a crisis of institutional legitimacy and a crisis of leadership. How the UK tackles these crises will shape our markets and societies for the decades to come. Trade and investment will be at the heart of creating and spreading prosperity, and using technology to accelerate fair and sustainable growth.

Is Post-Brexit UK more attractive?

According to PwC's survey of 5,000 global business leaders, the UK has surpassed India as the fourth most important target for investment, behind the US as the top target, China second and Germany in third position.

Not only has the UK grown in appeal among new trade targets, such as Canada and New Zealand, but we remain important for our European neighbours, particularly Germany.

Source: PwC's 24th Annual CEO Survey, March 2021

What are the UK's key strengths that will help kick-start international trade and investment? (Ranked #1)

23%
Openness to trade
and
investment

11%
Multilateralism,
international leadership
and partnerships

20%
Digital skills
and
innovation

19%
Intangibles – such as
culture, reputation,
rule of law

Source: PwC UK Trade Quiz, November 2020

At PwC's UK trade summit in November 2020, we asked attendees how they would describe the UK's key qualities that make it an attractive place to invest in, buy from, or export from. While the language used varied, there were three broad conclusions from our attendees.

1. The UK still has a strong business environment.

Despite taking some knocks over the last few years, the UK is still believed to have a strong, stable and business-friendly economy. Some of our international attendees told us the UK's value is in its stability, in its rule of law and in its shareholder protections. Some told us they value the rich and deep labour market which provides access to the skills they need. Others said that they value the open, transparent and accessible business culture that makes doing business here straightforward. These are our traditional strengths: they are important, but are not believed to be sufficient in their own right. A strong business environment is a critical starting point, but it does not by itself set the UK apart.

2. There is a deep emotional connection to the UK.

Our international attendees all expressed a strong personal affinity for the UK, often (but not always) based on experience living or studying here. The UK's schools and universities have educated more world leaders than any other country; our world-renowned creative industries, media and sport create a cultural affinity far beyond their direct economic impact; and our cities show a cultural diversity, energy and tolerance found in few other countries. The UK, especially London, is the world's favourite second home: somewhere more people from more countries feel at ease, feel welcome, and feel confident.

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In a complex world, people feel that they know the UK.

PwC UK trade summit participant
(CEO, international data services provider)

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Few industries are ever going to reach as many parts of the globe as the Premier League or Shakespeare or Stormzy.

Dan Ramsey, Director of the GREAT campaign,
PwC trade summit, November 2020.

3. The UK is lacking differentiating factors around growth, innovation and specific technological skills

Lastly – and this is perhaps the area requiring the greatest work – there was a perception among some overseas attendees that the UK was a great place to preserve wealth, but not an obvious place to create wealth. This comes from the belief that the UK is stable, secure and well-managed, but is not a dynamic economy. In other words, some people view the UK as a low risk, low reward jurisdiction. This perception drives investment into UK financial services, infrastructure and other defensive sectors, but not into higher growth, export-focused sectors, for which other jurisdictions may be more top of mind. This perception is far removed from our own understanding of the UK as an agile, connected and innovative country and, in our view, will need to be addressed directly if 'Global Britain' is to be a success.

A new values-based vision to drive trade and investment

We believe that there is a need for some consistent messaging to address some of these issues. It should confirm that the UK's traditional strengths are alive and well, should build on the emotional affinity and, above all, counter the perception that the UK is not a wealth-creating economy.

This messaging needs to be simple so that it has impact, rock-solid so that it withstands scrutiny, relevant for all sectors and regions, and truly differentiating in global markets.

That is no small task, so at the risk of failure, we propose below a framework based on four values which we believe together achieves all four aims.

We have positioned these as values because we think this is the best way of describing a proposition in the modern economy. Business and personal

decisions are increasingly made with reference to a broader set of policies, rather than just a 'bottom line' assessment. We want international investors and overseas buyers to be confident in knowing the hard facts of the UK's proposition – its stability, skills and resources for example – but also in what the UK stands for. We think doing business with the UK should be a 'heart decision' as well as a 'head decision'.

We believe that the following four values could provide the much-needed connections between where we are now and where we want to be as 'Global Britain' in trade and investment. They highlight factors that transcend industries, sectors, technologies, and regions, and will help create an agile model that is fit for the new, competitive and multipolar world set out in the Integrated Review.

1 Innovation



An agile and entrepreneurial economy where new ideas can be born, nurtured, funded and exploited quickly.

While far from unique on the world stage, innovation is fundamental to growth, productivity and prosperity, and we believe the UK needs to declare its innovation credentials more vocally than it has done in the past. The Integrated Review continues the welcome commitment to grow R&D spending to 2.4% of GDP, but achieving the objective of being a 'science and technology superpower' is not just about R&D, it's also about the ecosystem that allows new technologies to be exploited and commercialised: the venture capital industry that takes a risk on new technologies and business models; the grant and tax environment that incentivises innovation; the incubators and communities that provide advice and support to early stage businesses; the capital markets that provides access to public investment; and the large businesses that offer channels to market and growth potential. The UK has all of these

ingredients, and needs to do everything it can to make them function even more effectively in support of this objective.

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We are good at research, we are pretty good at innovation, but we are less good at development or deployment. We need to make sure we are capitalising on our ideas here rather than exporting those ideas and seeing them developed elsewhere, which has been a bit of a pattern.

PwC UK trade summit participant
(CEO, Regional business forum)



2 Education



A country that believes that an open and world-class education underpins everything that matters: innovation, prosperity, social mobility and sustainable progress.

Of the UK's many attributes, the UK's education system is truly and indisputably world-class. The UK has four of the top ten universities in the world as well as 18 of the top 100. Just as importantly, our education system is open to the world – more overseas students choose to study in the UK, and more world leaders have been educated here, than in any other country apart from the US. Collectively, this means that the UK is synonymous with intellectual and academic achievement, and in a way which is open to everyone irrespective of background, means or nationality. Now, more than ever, education is a common good that benefits everyone and should be a core component of the UK's value proposition and soft power status in the world.

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Even if the UK already boasts more than its share of brilliant thinkers and doers, it cannot possibly have all the talent it needs to compete with the rest of the world. The solution would be to sample from as large a population as possible to find the best of the best and bring them to the UK.

Blair Sheppard,
Head of Global Strategy, PwC

3 Togetherness



A responsible and collaborative hub in a multi-nodal world: a place to meet, seek advice, develop solutions and forge partnerships.

The Integrated Review describes a collaborative, multilateral UK stance based on soft power, alliances and partnerships. This translates well into the trade and investment sphere, where joint ventures and partnerships are an increasingly common way for businesses to pool knowledge, share risk or access new markets.

This concept of responsible collaboration has been picked up by other thinkers. Chatham House has the UK's future international role described as '[Global Britain, Global Broker](#)', arguing that the country has the chance to remain internationally influential if it serves as the broker of solutions to global challenges. PwC's head of global strategy, Blair Sheppard, suggests that we could be [a nation of technology-savvy humanists](#). And [Monocle Magazine](#) would have the UK climb the soft power ladder, calling for all nations to boost their brands in a more subtle way as they look to the future.

From a trade and investment perspective we capture these concepts as 'Togetherness', representing a culture of collaboration not just between businesses, but across a wider ecosystem including research institutions, local and central government, the financial sector and different parts of the UK. As an iconic example, our world-class healthcare ecosystem has shown what can be achieved when different organisations across the private and public sectors come together to achieve a common goal: the development, certification, production and distribution of the Oxford-AstraZeneca COVID-19 vaccine. This level of collaboration feels new for a country that has traditionally maintained a respectful distance between state and industry, but shows the power of collaboration to achieve rapid and successful outcomes.

Togetherness also captures the broader topic of Environmental, Social and Governance concerns, including the shift to net zero, which is of course a climate imperative, but also one of the defining business opportunities of the next two decades. Leadership on net zero represents a clear opportunity for the UK from a trade and investment perspective – a theme we will pick up again in our next paper.

Finally, togetherness also represents the UK's role as convener – capitalising on our location, language, and reputation as an open and welcoming place. We can be a place for the world to come together to debate, find agreement, develop solutions and seek alliances. With the upcoming G10 summit in Cornwall in June, COP26 summit in Glasgow in November, and the Commonwealth Games in 2022, we have an opportunity to showcase the power of a convening role in an increasingly complex and multipolar world. We also note that these major events serve multiple trade and investment purposes: they provide international visibility of the UK and promotion opportunities in global media; they provide an impression of influence beyond GDP and population; and they reinforce the UK as an open and collaborative place to do business.



Education, the attractiveness of the UK as a place to live, the green revolution, levelling up... these are all pieces in a trade jigsaw that we need to execute on if we are going to make the UK offer real.

PwC UK trade summit participant
(Strategy Director, construction industry)

4 Trust



An economy built on the highest standards of stability, ethics, transparency and security.

Declining trust is one of the components in PwC's ADAPT framework of global forces. It argues that declining trust in the institutions that underpin society and in the information that we absorb is making it harder to make decisions, and is a headwind to globalisation. In this environment, trust can be a differentiating factor in trade and investment.

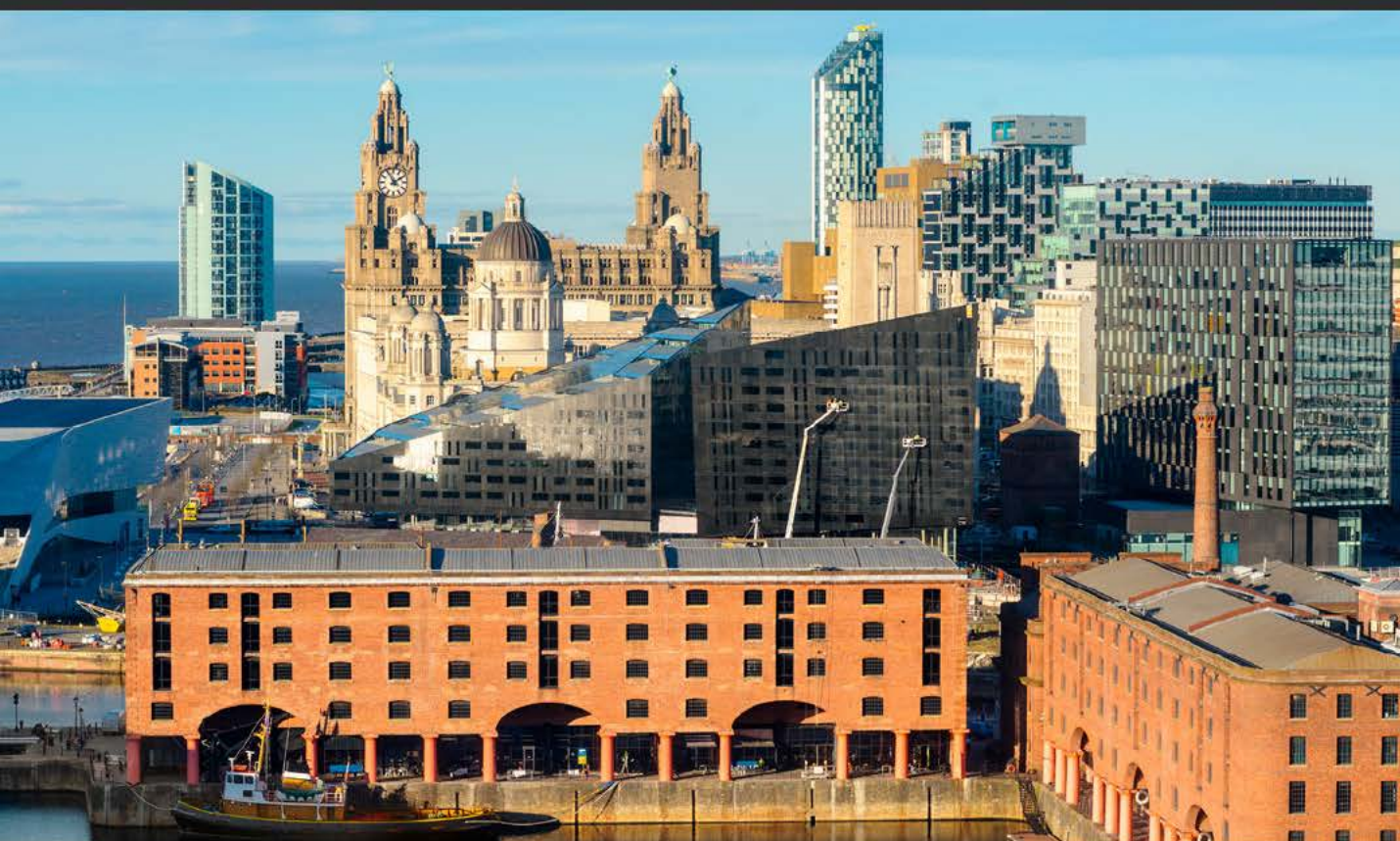
Our choice of 'Trust' reflects some of the UK's traditional strengths that remain important to business leaders. The UK's strong rule of law, shareholder protections, intellectual property protection, stable political system and high ethical standards in business dealings still represent important qualities that mitigate the risk of investing into the UK or buying from UK companies.

It also seeks to reflect a response to new areas of concern for business leaders. According to PwC's latest [CEO survey](#), business leaders are more concerned about the risk of cyber attacks than about any other risk bar the pandemic. Other risks in the top ten include policy uncertainty, over-regulation and misinformation – all of which speak to the need for trust in political and social systems, and therefore provide an opportunity for the UK to differentiate itself.

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Many of the UK's strengths lie in 'soft' infrastructure (open and fair markets, talent, rule of law) and in the personal affinity that many investors have for the UK.

PwC UK trade summit participant
(SVP, automotive industry)



Reinforcing the vision

This is not just about brochures – any vision needs substance. For it to gain traction it needs to be repeated and reinforced at every turn, by everyone involved. So what our businesses, politicians and other leaders say and do matters. As we exit from a period of disruption and division, it would be great to see Government policy and the actions of our major corporations reinforcing a set of shared values that will help drive trade and investment.

What does this mean for business?

For businesses, the Integrated Review can be regarded as the UK's response to a more complex world, within which protectionist policies, regulatory divergence, Brexit and COVID-19 have exposed the inherent risks in long, multi-layered and geographically concentrated supply chains. At the same time, trade deals are being struck across the world, lowering barriers while increasing compliance costs and complexity, and rapidly changing technologies and consumer preferences are making new forms of production possible and necessary to remain competitive and relevant.

For global businesses, trade is now firmly a strategic as well as operational issue, in which the stakes have rarely been higher. We recommend that companies take a proactive and integrated approach to turn uncertainty into strategic advantage, lowering their risk exposure and seizing new opportunities:

- The impact of Brexit will play out over many years, but we know that it has fundamentally altered the rationale for investing in the UK to access EU markets or supply chains. Where affected, be on the front foot: act now to reconfigure, cut costs and seize new global opportunities.
- Countries are intent on increasing their resilience, which will inevitably raise barriers to trade and investment, spilling well beyond vaccines and personal protective equipment to include digital, transport, food, advanced manufacturing and other areas. Evaluate and take action to unlock new opportunities within local and trusted supply chains and make changes if you risk being locked out.
- Global trade and regulatory policies are changing rapidly, perhaps nowhere more so than in the UK, as it pursues an ambitious trade and regulatory agenda. Build realistic scenarios to inform strategy and make sure you have the data, systems and processes you need to respond agilely and comply with these new tariff and regulatory arrangements.
- As it implements its new trade agenda and 'Indo-Pacific tilt', the UK Government will intensify its support for businesses to access its high priority markets. Engage with the Government to shape its global trade and investment policy so that it works for you, and explore how it can best help you succeed in new markets and regional value chains.
- Accessing new international markets is not straightforward, and what works at home or elsewhere may not work there. As with any good strategy, be clear about your key differentiators and focus on your core value drivers. Make sure you really understand your markets and work with the right partners to unlock them.

Reinforcing the vision

What does this mean for the Government?

- Trade and investment will be key to delivering the objectives in the Integrated Review; it is a crucial enabler of our ability to drive influence internationally, as well as prosperity at home. The challenge is now to translate and reinforce this wide-ranging articulation of 'Global Britain' in a way which is relevant and useful for driving trade and investment outcomes.
- We have a need and an opportunity to redefine our messaging to global investors and buyers. What we say about ourselves matters in increasingly competitive world markets; these messages need to be fit for the future and distinctive to the UK.
- PwC's 2020 Trade Summit, concluded with three key insights about how the UK is currently perceived:
 - The UK is still believed to have a strong business environment, based on its stability, rule of law, skills base and transparent business culture.
 - Many international leaders have a deep cultural connection with the UK which is a defining and differentiating asset.
 - The UK is perceived by some overseas leaders as lacking differentiating factors around growth and innovation; unaddressed, this may damage its ability to achieve the ambition in the Integrated Review.
- Our messaging should therefore confirm that the UK's traditional strengths are alive and well, should build on the emotional affinity and, above all, counter the perception that the UK is not a wealth-creating economy.
- We believe that four values can underpin an approach to trade and investment that is fit for the uncertain, competitive and multipolar world set out in the Integrated Review.
 - **Innovation:** The UK needs to declare its innovation credentials more vocally than it has done in the past.
 - **Education:** The UK is synonymous with intellectual and academic achievement, which should be a core component of the UK's value proposition and soft power status in the world.
 - **Togetherness:** The UK can represent a culture of responsible collaboration across organisational and national borders.
 - **Trust:** The UK can build a differentiated position as somewhere reliable, secure and transparent.
- The success of any new positioning in trade and investment will be dependent on coherence in Government policy that unites the brand and the reality.
- Doing this requires a truly integrated approach across industrial, trade and skills policy and new forms of enhanced partnership between government and business.

UK Trade. The New Agenda.

Rewriting the script for a nation with such a rich history is no easy task, but at this pivotal moment it is crucial that we take the time to reconsider what 'Global Britain' really means for trade and investment. The groundswell of interest in the UK's new trading agenda is an opportunity to redefine our value proposition in a way which is fit for this new chapter of our development. A clear, active and collaborative stance on trade and investment is fundamental to both our economic recovery and our future growth.

Together, we can redefine what the UK stands for in global markets and make a material difference to our trade and investment performance.

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