

# UK Trade. The New Agenda.

**Make trade and investment  
a team sport**

**July 2021**



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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 **fifth** in the series, and picks up on one of the action points, i.e. the need for the UK to make trade and investment a team sport.

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[www.pwc.co.uk/UKTrade](http://www.pwc.co.uk/UKTrade)

# A new era of collaboration?

The UK and the world have been, and still are, facing a health, economic and climate crisis. There is an urgent need to address disparities across regions and countries, in particular in healthcare and technology, and this will be key in determining the speed of the recovery.

During the pandemic, countless examples sprang up of organisations from across the public and private sector going the extra mile, together. Cheering the nation, they showed us what can be achieved when groups align behind a common goal and shared values. PwC followed many of these in its '[Business at its Best](#)' initiative, sharing stories of how organisations tackled these exceptional times.

But perhaps the stand out example of collaboration has been the COVID-19 vaccine. The UK's world-class healthcare and research ecosystem has shown innovation, organisation and compassion in equal measure in developing and delivering the Oxford-AstraZeneca vaccine. This has involved rallying new partnerships, combining public and private investments, creating new global supply chains, navigating regulatory requirements, and standing up complex logistics networks to support the vaccination programme.



It's important to have collaboration. We are at a point in history where the Government and businesses need to share common goals"

**PwC UK trade summit participant**  
(Chair of board, utilities industry)

It is this kind of collaboration, this team spirit, that our clients have told us could make a material difference to the UK's trade and investment performance. Trade and investment needs a collective response between the public and the private sector, businesses large and small, between the industrial and financial communities, between the education sector and employers, and between Westminster, local government and the devolved authorities.

This level of collaboration feels new for a country that has traditionally maintained a respectful distance between the Government and industry, and that has encouraged unfettered competition in the private sector. It's certainly true that the UK is competing in export markets with countries that have structurally closer relationships between their governments and their major corporations, and whose governments have traditionally been more partisan in promoting their exports in-market.

But we can learn from the current collaboration between the public and private sector as we support an economic recovery, and show that trade and investment is best played as a team sport.

## What should be the priority actions for business to help increase international trade and investment?

Businesses need to invest more in innovation and digital skills **#1 priority**  
**34%**

## What should be the priority actions for the Government to help increase international trade and investment?

Getting good trade deals with international markets **#1 priority**  
**42%**

Source: PwC online survey

# Recent success stories – Some examples

As the UK looks to recover in the wake of the pandemic, PwC's clients are showing renewed enthusiasm for working together for the greater good. There is an appetite for constructive debate around where our focus should lie in trade and investment, and where the opportunities for collaboration may be, as the UK plans the recovery. Therefore, we expect that the next few years will see an increased level of collaboration across the different segments of the economy, as the UK aligns its focus on the economic recovery.

This collaboration will not just be between central government and big business. The UK's regions have distinctive strengths and characters, and offer international investors a choice of location to best suit their needs. There are a number of current examples, unrelated to the pandemic, that we can learn from. These include the following.

## Freeports

The location of eight [new freeports](#) in England was announced in the March 2021 Budget, with the hope of regenerating deprived areas via tax incentives for companies operating there. A key element of Government policy, the freeports proposals have prompted successful collaboration between a number of different departments and other stakeholders, including local government and exporters. Scotland, Wales and Northern Ireland are expected to announce their own freeport policies in due course.

## North Sea Transition Deal

The [North Sea Transition Deal](#) sets out an ambitious plan for how the UK's offshore oil and gas sector and the Government will work together to deliver the skills, innovation and new infrastructure required to meet stretching greenhouse gas emissions reduction targets. Driven by a Government taskforce, the deal supports and anchors the expert supply chain that has built up around oil and gas in the UK, to both safeguard, and create, new high-quality jobs. It recognises that by including Aberdeen, East Anglia and the North it will support areas vulnerable to the energy transition in line with the Government's levelling-up agenda.

## The Medicines Manufacturing Innovation Centre

The [Medicines Manufacturing Innovation Centre](#) in Scotland was set up with the aim of ensuring that the UK is a technology and innovation leader in pharmaceutical manufacturing. It is a collaboration between the Centre for Process Innovation (CPI), University of Strathclyde, UK Research & Innovation, Scottish Enterprise and founding industry partners, AstraZeneca and GSK. With a collaborative innovation culture and state-of-the-art facilities, the facility brings industry, academia, healthcare providers, and regulators together to address challenges and maximise technology opportunities within the medicines supply chain.



We need to think big and outside our region in developing a trade narrative. There is more work to be done with universities and colleges on continued engagement with overseas alumni. There is also more work to be done with business to ensure government support is big enough and bold enough to capitalise on the opportunities we have.”

**PwC UK trade summit participant**  
(CEO, financial services)



## The National Automotive Innovation Centre

The National Automotive Innovation Centre is a true public and private sector innovation partnership between the Warwick Manufacturing Group (WMG), at the University of Warwick, Jaguar Land Rover, and Tata Motors European Technical Centre.

The partners say it is a collaboration “between people united by pioneering spirit as the key”. £150m funding came from the partners, with a further £15m (for the building) and £14.5m (for equipment in the Advanced Propulsion Research Laboratory) from the Government’s UK Research Partnership Investment Fund (UKRPIF), through Research England. The aim is the centre will support a strong economic recovery across the West Midlands, and put the region at the forefront of the low carbon agenda.

## The UK space industry

The Government and the space industry have ambitions to capture 10% of the global space market by 2030. It is estimated that almost 950 organisations, involving nearly 42,000 jobs, spread across the whole UK are engaged in the space industry. In addition, the UK Space Agency and its partners have been working to map their capabilities, outlining the various universities, companies, manufacturing businesses, funding bodies and networks that form the UK space sector.

The Space Industry Act 2018 provided for the creation of a regulatory framework to enable commercial spaceflight activities to be carried out from spaceports in the UK, although the licencing framework is not yet in place. The Department for Transport **published two consultations** in 2020 seeking views on the regulations needed to operate a spaceport, carry out spaceflight activities, and provide range control service.

This type of collaboration has the ingredients of being a team sport: a clear goal, collaboration between the key players, with the added benefit of showcasing the UK’s strengths in new technology on the world stage. However, as we will discuss below, while regulatory challenges remain, the opportunity for growth and the barriers are not yet being addressed together.

# The winning formula

In [Build Back Better: our plan for growth](#), the Government cited the race to develop a COVID-19 vaccine as a model for how effectively organisations can collaborate to solve seemingly impossible challenges. It is also a formula for success noted by everyone from the public to our clients, and beyond. The UK must take the opportunity to learn from this, and from other successful collaborations between the public and private sector, as it gets behind the need for an economic recovery.

## Five success factors

### 1. Agree priorities on a national and regional level

Successful collaborations have a common purpose, strong insistence on a whole systems approach, shared responsibility, and show clear benefits for business and society.

### 2. A true partnership between business and government

A true partnership may require significant behavioural change. However, all parties are able to make a significant contribution by working together – businesses can supply the innovation, capital and expertise to achieve these goals, whilst the Government has a role to incentivise businesses to support a thriving economy.

### 3. Regulation responding to what businesses need

The commitment by regulators to fast track vaccine candidates was an essential component in securing rapid access to successful vaccines and in reducing the risk, to companies and the Government, when entering into substantial financial commitments. The example of the UK space industry demonstrates that this type of agility in developing future partnerships, to breakdown barriers and seize new opportunities, will be vital to their success.

### 4. End to end supply chain management

With the emergence of new ecosystems and supply chains in the wake of COVID-19, there is a need for the Government to continue to invest and collaborate in order to achieve the outcomes that society expects and needs. Trade and investment is also proven to boost productivity and there's a positive consequential impact for innovation and improvements to supply chains.

We have seen this approach at work recently with the launch of the [supply chain for battery electric vehicles inquiry](#). In order for the UK's shift to electric vehicles to be successful, a supply chain focused on battery technology will be required. The announcement stated that "a delay in growing this supply chain, or a failure to establish it, could undermine any advantage the UK has in this field."

### 5. Skills

The UK must ensure it continues to provide a world class talent base. Businesses must also look to build and develop opportunities to support the skills and talent needed for our priority areas, across all of the regions.

Attracting the best talent from overseas will also be key. Therefore, [visa reforms](#) designed to attract top talent, including a new unsponsored points-based visa for science, research and tech workers, as well as an expansion of the existing visa programme for scale-ups and entrepreneurs should be a welcome development for these groups.



We need to be doing more partnerships and, in particular, collaborations with research institutions. I don't mean just big businesses, we need to create an environment for everyone."

**PwC UK trade summit participant**  
(Director of strategic partnerships, UK university)

# Making trade and investment a team sport – Some recommendations

## The importance of multilateral relationships

Getting the most out of export markets will be key to the UK recovery. There are a number of opportunities to explore. As well as making a success of recent trade deals with Australia, Japan, Canada and India; the UK Government has an ambitious list of priorities including trade deals with the US, the Middle East, South Korea, Singapore and Malaysia, and becoming the first accession country to the CPTPP trading bloc of eleven countries.

There was an assumption that the pandemic would lead to nations localising their supply chains and it did to an extent. However, the recent disruption caused by the [Suez Canal shipping blockage](#) demonstrated the continued interconnectivity of global supply chains. This underlines the importance of a multilateral and multi-nodal approach to trade and investment by the Government, businesses, industries and regions, by maximising their networks to drive a seamless and coordinated effort to bring the best of what the UK has to offer when seeking new opportunities.



Creating a coalition of businesses from different industries in a particular region would help with positioning a UK market on the global stage and accessing practical support.”

**PwC UK trade summit participant**  
(Chairman, Technology industry)

## Support for industry

There is a need to understand the broader supply chains for each industry. The pandemic led to increased collaboration and open dialogue with industry, which ensured ongoing provision of key public services and even food supplies. Continuing this spirit of cooperation will ensure partnerships deliver innovation and increased value for money long after the crisis.

Making a material difference to the UK's export performance will require a package of support for priority sectors, including innovation-friendly regulation, R&D incentives, skills development programmes, incubation support, infrastructure and regional investment.

## Regional cooperation

Making a success of trade and investment will require collaboration between regions, coming together under common strategic objectives to build a stronger brand globally, thereby maximising the total economic prize for the UK rather than, for example, creating a number of competing regional clusters that fail to achieve critical mass.

Post-pandemic there is a need to reassess the priorities of each region and how they fit together amid national priorities. The Government recently announced [plans to create four regional trade and investment hubs](#) to boost economic growth across the UK. This is welcome news - in our conversations with public and private sector leaders, we're hearing about the importance of growth strategies and partnerships across all the UK's regions, which harness the benefits of trade and investment. It is vital that all regions are able to have a voice, and can showcase the fantastic capabilities the UK has in everything from technology, green energy to fashion and financial services.

## Achieve the UK's strategic priorities, together

Trade and investment should be recognised as a primary driver of jobs, skills (which are particularly important to international investors) and prosperity. In our recent report '[View our priorities through a trade lens](#)' we also discussed treating trade and investment as a powerful lever for the successful delivery of key priorities. Viewing an issue like net zero through a trade lens could contribute to its success, which would give a boost to trade and investment. This is an area where business and Government should be collaborating more - matching investment to the specific regional economies in areas such as energy transition and decarbonisation of transport across the larger cities in the UK.

## Focus on strengths

If we approach our trade and investment strategy by looking at it region by region, it will enable us to focus on our strengths and determine what differentiates the UK from the rest of the world. There is an opportunity to showcase our strengths rather than just our places. For example, the UK is a very attractive destination for financial services - whilst London is a powerhouse, the Midlands and Scotland have a role to play too. By looking at these strengths, we can demonstrate that different parts of the UK are attractive to inbound and domestic investors.

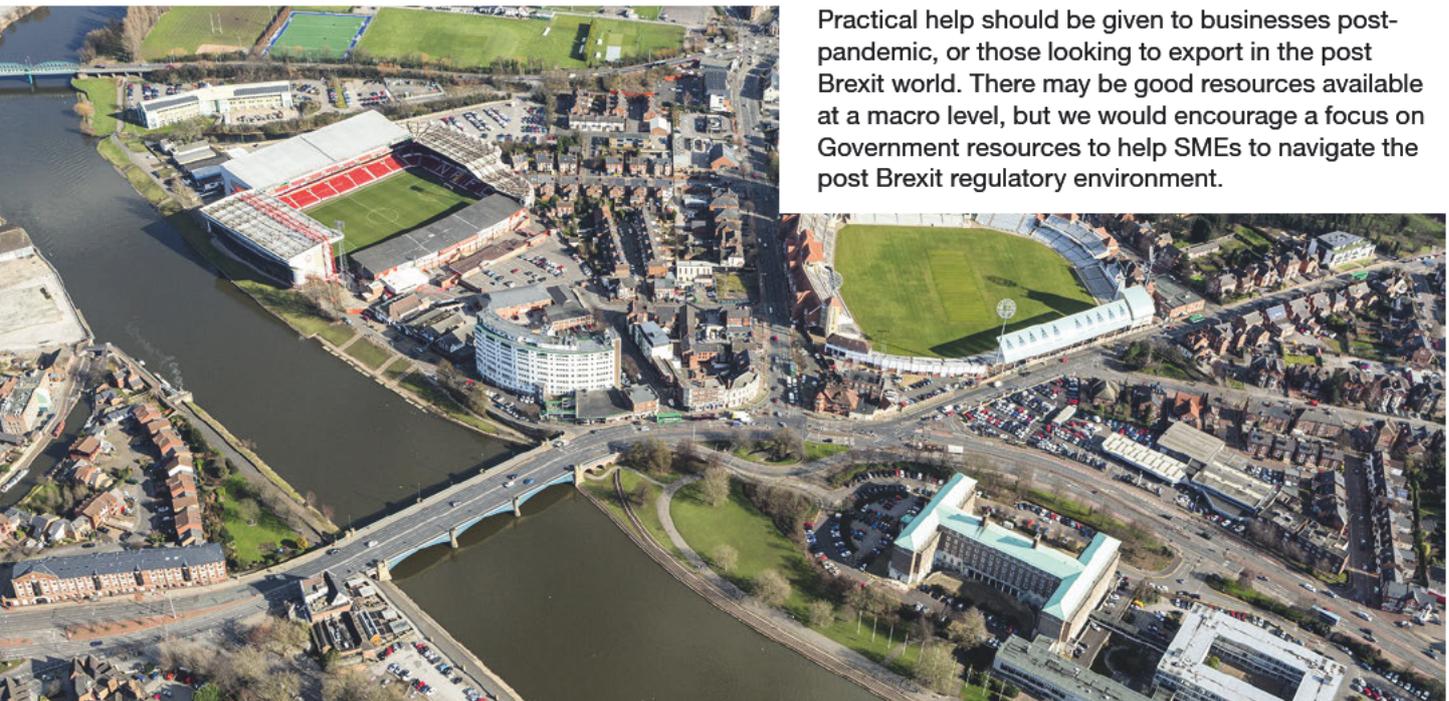
In conclusion priorities need to sit around strengths and strategic priorities, as well as countries and regions. Rather than building back a better version of the past, there is a need to look forward, taking new approaches to solving the challenges of tomorrow. Economic stimulus plans that support issues, such as clean energy and decarbonisation, through innovative partnerships will create new models for sustainable growth.

## Make working groups work

The Government should form more task forces, directorates and working groups with specific mandates to solve issues and help to deliver solutions. Successful bids by regional LEPs to gain freeport status are a good example of this approach, as was the establishment of the Office for Investment, established in November 2020 to support high value investment into the UK. In July 2021, the Government backed a new, industry-led [Impact Taskforce](#) that will harness private finance at scale to ensure a sustainable recovery from the pandemic.

The success of future task forces and working groups should have the ambition to mirror [the successful vaccines taskforce](#) that made progress securing COVID-19 vaccines for the UK, working internationally to develop and increase access, and building UK capability.

Practical help should be given to businesses post-pandemic, or those looking to export in the post Brexit world. There may be good resources available at a macro level, but we would encourage a focus on Government resources to help SMEs to navigate the post Brexit regulatory environment.



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International trade and investment can be a powerful engine for growth. Longer-term success internationally will depend on increasing productivity and competitiveness at home. The UK's new relationship with the EU, and changing relationship with other international partners is increasing the urgency of developing growth strategies and partnerships across, and within, the UK's industries and regions which harness the benefits of trade and investment.

Making trade and investment a team sport must be built on trust and will require expertise, strong relationships and unique blending of a broad range of capabilities – to deliver strong and lasting outcomes for all stakeholders and society as a whole.

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