

# UK Trade. The New Agenda.

**Play to our strengths and  
focus our efforts**

**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 fourth in the series. It picks up on one of the action points: the need for the UK to play to our strengths and focus our efforts.

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

# How should the UK focus its resources?

In the current economic climate, the UK needs to work harder than ever to attract the high value Foreign Direct Investment (FDI) that will be key to its economic recovery and sustainability. The UK, along with many countries across the globe, is looking to an export and investment-led strategy as it moves towards recovery from the COVID-19 pandemic. Not all countries will achieve this; those that will be successful will be those that move first, and put serious investment, of both effort and money, behind it.

In the UK, past governments have been unwilling to make interventions of the size and scale needed for it to become a major exporter. Piecemeal adjustments in the last few decades have prevented the UK from fulfilling any promise in this area. What's more, particularly in the years of austerity post the 2008 financial crisis, there was no real enthusiasm for channelling significant public funds towards the export agenda. But now, as the UK repositions itself in global markets, there is a fresh hunger to reinvigorate and invest in 'UK plc' to drive exports and FDI.

Throughout the pandemic the Government demonstrated its willingness to spend big and move fast – and the public didn't balk. Commitments to the furlough scheme and the COVID-19 vaccines witnessed a sea change in attitudes towards spending. The question is now whether the public will back this approach if it is applied to trade and investment, which is a crucial enabler of the UK's ability to drive prosperity at home, as well as influence internationally.

If the UK is to become a more successful exporter, we must rethink how well-placed it is to serve the global economy. With export markets increasingly competitive, the UK can't expect to be good at everything, and our clients have told us they are ready for a constructive debate around where the focus should be, and which sectors should be prioritised. There is a sense that the UK's national prosperity would be better served by focusing resources on a few world-beating sectors – where we already have a comparative advantage – rather than trying to up our game in weaker sectors, or enter markets that are already dominated by other territories.

Concentrating on a few sectors, at the expense of spreading our export support resources across many, is easy to say but hard to do. Prioritising some sectors implies de-prioritising others, which is a complex trade-off for the Government in particular. But we believe that bringing the debate into the open could bring balance to the UK's portfolio of priorities – in both existing and new areas – which support the national agenda.



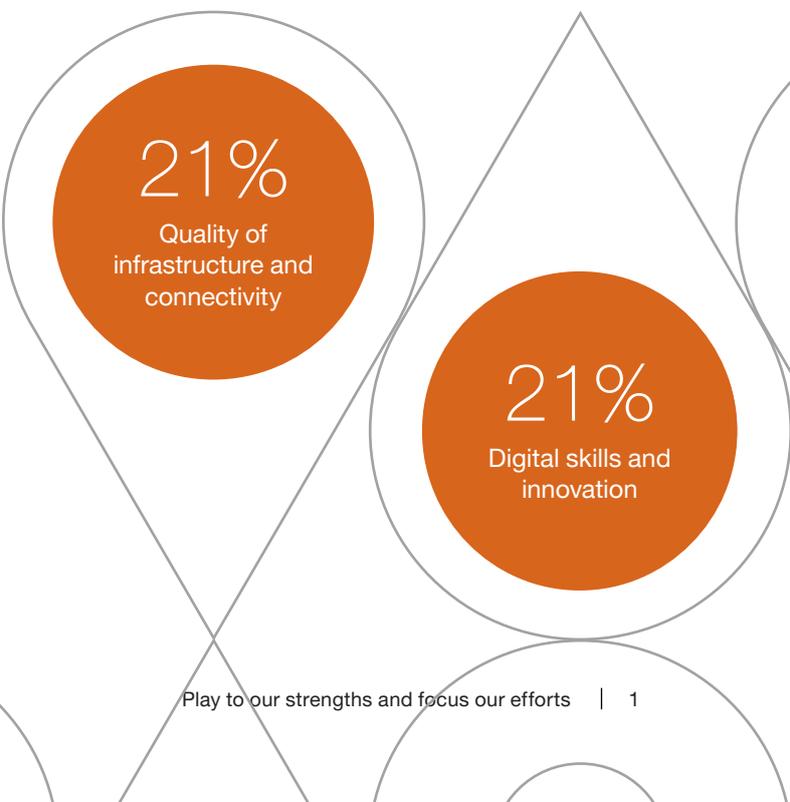
**We realise that we can't be all things to all people, we really want to focus on those areas where we know we have some clear strengths."**

**PwC UK trade summit participant**  
(Trade & Investment leader – Devolved Authority)

**Where does the UK need to invest its efforts to be a more attractive partner for international trade and investment?**

Please select your top 2 in order of importance

Source: PwC online survey



# Exploring our priorities

For the UK to lead in any area, it needs to align Government priorities with the future needs of the global economy. These big bets of the future will be key to driving economic recovery. The UK will need to target the foreign investment community proactively to bring in the extra capabilities, technologies and capital that will be essential to forward-focused opportunities.

In November 2020, PwC held a UK Trade Summit to explore the UK's role in this changing environment and [to develop an agenda for driving trade and investment](#). We gathered a wide range of different perspectives and ideas from more than 120 senior participants from across the public and private sectors, including representatives from across all UK nations and regions, as well as some major international investors from the US, India, China and Europe.

There was a strong steer from our participants that the UK should be focusing its finite resources on sectors that will have the greatest economic impact (now and in the future), as well as on sectors where the UK can build or maintain real global leadership.

Perhaps the answer lies in having a balanced portfolio of priorities. We believe that to achieve the right balance, the UK should prioritise the following:

## 1. Supporting export titans

The UK must do everything we can to support our 'export titans' – sectors where we are already leaders on the world stage and that drive our overall export performance. These might include, for example, aerospace and defence, financial services, professional services, the pharmaceutical and life sciences sector, the education sector, and creative industries.

## 2. Building economic resilience

During the pandemic, it has become evident that there are sectors and gaps in our supply chain that need reinforcing to increase our economic resilience. Investment can drive this in a number of ways, for example by procurement-led and regulator-driven opportunities in infrastructure, automotive and manufacturing, among other sub-sectors.

## 3. Maximising growth areas

The UK is at the cutting edge of emerging sectors such as artificial intelligence, space, advanced manufacturing, quantum computing, cyber security and green technologies. To keep our edge, the UK must drive investment in innovation and R&D. These will be prominent sectors in the post-pandemic world, and have the ability to help expand our economy.

## 4. Focusing on the future

The UK needs to look at the future needs of the global economy, and consider how it is best placed to serve these needs. We need to challenge ourselves on where the gaps are, and which ones we can fill with higher levels of specialism. The success of [the National Graphene Institute in Manchester](#) is one example of this, or efforts to become a leader in the production of electric vehicles through initiatives like [the National Automotive Innovation Centre](#).

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

Please select your top 2 in order of importance.

Source: PwC online survey



42%

Getting good trade deals with international markets

# What does this mean for business?

Engagement between industry and Government is crucial in helping the UK focus its resources and drive the trade and investment that is vital to our economic recovery and future growth. There are a number of actions business can take.

## 1. Work with others

Businesses should make stronger requests for public money where there are clear market opportunities or failures. Industries need to come together to put forward radical ideas for Government investment in assets and R&D that will drive future growth. As the UK sets itself on a new path, now is the time for business to encourage bold, large scale intervention.

Perhaps the outstanding example of collaboration has been the COVID-19 vaccine which involved forming 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. But there are a number of other current examples, unrelated to the pandemic, that we can also learn from. These include the Medicines Manufacturing Innovation Centre in Strathclyde, and the National Automotive Innovation Centre in the West Midlands.



We need to take ownership of our success – through better ways of working in partnership at home and overseas, upskilling and aspiring to produce world class products – then national government initiatives will make more of a difference.”

**PwC UK trade summit participant**  
(Regional director, Industry association)



## 2. Be bold and ambitious

Trust has never been more important than right now – it's even more difficult to earn, and even easier to lose. The UK is leading the globe in areas of environmental, social and corporate governance (ESG), such as net zero, social responsibility and wellbeing. Businesses around the world are eager to learn more about the trends emerging from the ESG agenda, and by staying at the forefront of it, UK businesses can help them achieve this. This means continuing to provide clear, thorough reporting and commitments that detail what they are doing, why and how it benefits others.



The UK is still seen as a relatively stable place. It is known for its strong rule of law, a sense of morality and care in its decision making, and a stable pluralistic democratic system. The UK is a place where diversity is respected and where everyone matters.”

**Blair Shepard, UK's opportunity in the 21st century**

## 3. Invest in skills

Now we're outside the EU, the UK must ensure it continues to provide a world class talent base that will attract investment. 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.



By the mid 2030s, automation has the potential to substitute 12% of current UK jobs done by graduates and a staggering 47% of jobs done by lower skilled workers. If that comes to pass, the impact of Brexit, COVID or anything else will pale into insignificance.”

**PwC: How will automation impact jobs**

34%

Businesses need to invest more in innovation and digital skills

20%

Existing exporters need to increase their international focus

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

Please select your top 2 in order of importance.

Source: PwC online survey

# What does this mean for the Government?

The Government will face tough choices as it works to balance wider strategic considerations, such as net zero, with policy interventions, such as levelling-up – and all while **managing a growing budget deficit** following the pandemic. In our previous report, **View our priorities through a trade lens**, we talk about the role that trade and investment can play in delivering on these priorities, and in turn the boost that trade and investment would receive from their success. In making these choices, it should also keep in mind the following:

## 1. Inclusive growth and levelling up

In the wake of COVID-19, the Government reaffirmed its commitment to levelling up and to reducing geographical inequalities across the UK. It must also make the link more strongly between trade and investment and levelling up, to drive a virtuous circle in areas of the UK that are perceived to be left behind. The government must create a framework for its investment strategy that is broad and inclusive. The framework must grasp the key areas of priority, but widely enough to include all regions.



After housing, PwC's polling revealed that 49% of the public believes the best way to even out geographical disparities and create a more equal society would be to help people into better paid jobs and invest in skills for the future."

[Strategy & Rethinking 'levelling up'](#)

## 2. Promoting a wider understanding of investment

The new business models emerging in the wake of the pandemic will be driven by investors with a new set of requirements and expectations. The UK, along with the rest of the world, has to adapt to this landscape. To do this, the Government and civil service must look outward to gain a better business understanding. It must recognise the broad range of investment forms available – notably the increase in capital investment, M&A and other vehicles.



An integrated approach is needed to pull together the fragmented pieces of international trade into an easy-to-follow, simple process and point of reference that businesses can call upon to understand how to open the UK for business."

**PwC UK trade summit participant  
(CEO, international data solutions business)**

## 3. Breaking down barriers

Building investor confidence and supporting investment in priority areas is critical, and to do this the Government must provide access to a range of financial options. Support for all investment and investor categories should be on offer to demonstrate that the UK is the most attractive place to do business. We will need to focus on communicating this range of offerings in a clear and consistent manner to the investment community.



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)**



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For the UK to retain, and build on, its position as a world leader in investment attraction, we must focus our efforts on a new approach. Government and business must work together on a national effort to make the UK the destination of choice for investors from across the globe.

We must forge ahead with a new, investor-led strategy that plays to our strengths while delivering on new, innovative initiatives to develop the export titans of the future.

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