



TIME TO ACT

The BritishAmerican Business

Policy Agenda 2019/20



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GROWING OUR ECONOMIES

TAX

Employing smart tax policy to drive growth and investment

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Fostering an environment that encourages innovation and growth

INFRASTRUCTURE

A commitment to sustainable and resilient infrastructure investment

TRADING WITH THE WORLD

UK & THE EU

Establishing a clear vision for the future, underpinned by mutual growth and shared values

UK-US TRADE

Harnessing ambition to grow and enhance the special relationship

SUPPORTING AND SUSTAINING GLOBAL TRADE

Modernising multilateral trade for the 21st Century

PEOPLE

EDUCATION & SKILLS

Helping workers adapt to the transformation of society

INCLUSION & DIVERSITY

Putting an inclusive and diverse workforce at the front of growth strategies

LABOR MOBILITY

Ensuring businesses have the talent they need to thrive

Where we stand

In recent years, BritishAmerican Business' (BAB) guiding theme for its annual Policy Agenda has been that the transatlantic economic relationship offers **strength and stability** to both the United Kingdom (UK) and the United States (US), and to the world. Annual trade in goods and services between both countries has continued to grow, up four percent in 2018 to £190.5 billion¹. Transatlantic companies have continued to express their commitment to both markets in the most unambiguous way, with each being the other's most common destination for capital investment, yet again, in 2018.

But this enduring strength has been joined by a distinct sense of change. The UK's momentous decision to leave the European Union (EU) continues to dominate British politics and policy-making; and the change in the US Administration's priorities, especially its approach to dealing with trade concerns, which have been an unresolved problem for the last three administrations, is changing international policy landscapes, including on the reconfiguration of the transatlantic economy.

Political debate in the US and the UK has become polarized, with positions becoming more entrenched than ever. The risk is that issues like Brexit or the personality of the US President will continue to crowd out a whole slew of other policy issues that need addressing for the ongoing health of business and the jobs, prosperity and wealth that it creates in and between our two markets.

In this context, this year's Policy Agenda is a call for governments on both sides of the Atlantic to act, to overcome political mudslinging and to work on legislation, regulation and treaties that will protect and enhance the incredible, vibrant and economically unmatched environment for bi-lateral trade and investment that exists between the US and the UK.

¹ Department for International Trade, Trade and Investment Core Statistics Book, 2019;
Department for International Trade, UK Trade in Numbers, 2019

This Policy Agenda outlines three overarching fields with nine specific areas where we believe action from government and regulators can help bring our economies forward; and provide fertile ground for future transatlantic trade and investment: **Growing Our Economies, Trading With The World, and People.**

If we focus on these areas, the US and the UK can enhance their economic positions in the world, as individual economies and transatlantic economic partners. We are living through an era when change is inevitable, but it is time to end the gridlock on policy issues. Our members represent some of the largest traders and investors in the US and the UK, as well as many small and medium-sized enterprises that are responsible for a significant share of both the US and the UK economies. On behalf of them all we have a simple message to government: **it is time to act.**



Duncan Edwards
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GROWING OUR ECONOMIES

Successful and innovative economies are the result of, and dependent on an interplay of key components, such as a fair tax system, modern infrastructure, smart regulation and an innovation-friendly business environment. Providing a competitive and stable tax environment is critical to business growth and investment. The ability for economies to innovate will decide over its competitiveness and attractiveness in the future. Cost-effective and sustainable physical and digital infrastructure provides the basis on which business operates.

Addressing comprehensive issues, such as tax, infrastructure and research & innovation can be challenging as they reflect political preferences, a balance between domestic preferences and international commitments, and the availability or restriction of resources. Failing to address these issues however, or the inability to find a way forward to build a fit-for-purpose environment that allows for businesses and people to operate and advance effectively, will be detrimental.

Tax

The US and UK are the world's two most attractive destinations for investment. Smart tax policy has been part of the US' and UK's economic success stories.

Both the US and the UK have seen recent developments in tax policy. In the US, the passing of the Tax Cuts and Jobs Act 2017 provided a stimulus to the economy. The reform was welcomed by our members and corrected a long-term imbalance in corporate tax rates between the US and many of its competitors, ending the era of tax inversions. By bringing tax rates more in line with other developed markets, it has also removed a hurdle for US companies looking to acquire in the UK. While the full impact is still being assessed, we welcome the Internal Revenue Service (IRS) and US Treasury exempting UK firms from disproportionate impacts of the Base Erosion and Anti-Abuse Tax (BEAT) and ongoing work to ameliorate negative impacts on UK banks.

In the UK, the Treasury's proposal to introduce a Digital Services Tax in 2020, in the absence of progress with a multilateral solution, has caused bipartisan concern in the US and amongst our members who might be impacted. With similar proposals also coming out of other European countries, the lack of multilateral action presents a risk of international divergence and fragmentation.

The latter will only grow to become a significant policy issue in 2019. Leading bodies like the European Commission and the Organization for Economic Co-Operation and Development (OECD) will be best placed to define how to most effectively tax multinational corporations in a world that becomes more and more digitalized.

Countries should be free to set their own corporate tax rates to drive investment and job creation, while ensuring fairness and appropriateness in tax policy. At the same time, business must recognize that aggressive tax optimization planning contributes to the reputational challenge that business faces increasingly throughout the world. There is a valid question as to whether the ideas in BEAT might form the basis of a multilateral solution that can be adapted internationally.

- The UK Government should continue its close consultation with business stakeholders on the proposed 'Digital Services Tax' and other international tax arbitrage challenges.
- Both the US and the UK should help drive and be more active at the European and OECD level to ensure an effective international solution to the issue can be found. This includes committing resources to creating a multilateral framework on e-commerce which negates the need for a specific digital tax. An exception for financial services in any digital tax should be kept in any case.
- Both the US and the UK should continue to offer opposition to a Financial Transaction Tax.
- The US Government should continue to assess the effectiveness of the US Tax and Jobs Act and its impact on other areas to ensure tax reform is part of a wider industrial strategy.
- The UK Government should be ready to use tax policy as a means to balance potential market access barriers to the EU and must review its competitiveness with the US, especially in Financial Services.

Research & Innovation

An encouraging environment for research and innovation (R&I) has been a driver of success for both the US and the UK economies, particularly in its ability to attract investment. Both the US and the UK are repeatedly ranked among the most innovative economies globally².

Global Innovation Index 2018: Top 10 Most Innovative Economies

 1 Switzerland	 6 United States of America
 2 Netherlands	 7 Finland
 3 Sweden	 8 Denmark
 4 United Kingdom	 9 Germany
 5 Singapore	 10 Ireland

Source: World Intellectual Property Organisation, *Global Innovation Index 2018*

Being at the forefront of R&I requires sustained commitment and government support and must not be taken for granted. The UK has made strong commitments to foster new technologies, such as 5G, but there are signs that the UK may fall behind other countries in terms of providing a welcoming environment for innovation. In addition, there is ongoing uncertainty among UK-based businesses leading in fields of innovation around access to EU research and funding schemes and research consortia, as well as talent post-Brexit³.

In the US, increased efforts to protect intellectual property (IP) globally continue to be very welcome but the US Government must do more to set out a comprehensive approach to R&I policy that can help to improve the US’ capacity to defend its place as a leading innovation-nation.

- The UK needs to secure its place within Europe-wide R&I funding schemes and multilateral standards and commit to strengthening domestic innovation platforms, such as ‘Innovate UK’.
- The US Government should explore how to establish a comprehensive R&I agenda and present a viable plan to Congress.
- The US and UK should continue to use tax policy to encourage investment in research and development to sustain their places as two of the most innovative economies in the world.
- Both the US and UK Governments should ensure that the overall regulatory environment embraces the development and protection of key and new technologies.
- Both the US and the UK Governments should work closely with the business community to enforce IP protection with third countries and encourage the highest IP standards in international treaties.

² World Intellectual Property Organization, *Global Innovation Index 2018*
³ Parliamentary and Scientific Committee, *Science priorities for Brexit*, 2018

Infrastructure

Infrastructure, 'hard' and 'soft', is a fundamental pillar of successful economies. Yet, both the US and the UK are underperforming when it comes to providing cost-effective and sustainable physical, energy and digital infrastructure for the 21st Century⁴. The International Monetary Fund's (IMF) latest Global Competitiveness report has the US and UK 9th and 11th respectively, with a third of the public in both countries unsatisfied with existing public infrastructure⁵.

In the US, the challenge is to achieve comprehensive infrastructure reform in Congress, which includes sustainable funding solutions, as federal support is required for the largest projects. New thinking on funding is essential as nothing has effectively replaced the discredited ear-mark system, and the planning process needs comprehensive reform.

In the UK, major infrastructure projects such as the Heathrow Airport expansion or High Speed 2 (HS2) are on their way, but despite progress being made and a clear assessment of infrastructure needs, as stated in the 2018 National Infrastructure Assessment⁶, continued delays and political gridlock raise concerns over the UK's ability to fully deliver the infrastructure the country requires.

A reinforced commitment to delivering more efficient and resilient infrastructure, alongside a forward-thinking, sustainable and smartly funded approach to infrastructure planning that addresses economic and societal needs should be at the heart of government action if the US and the UK wish sustain the foundation of their successes, and to lead the field globally.

- The US Government should seek and encourage smarter solutions that offer long-term sustainable funding sources for infrastructure by focusing on revenue streams, not just the up-front capital required.
- The UK Government needs to ensure robust government backing for Heathrow Airport expansion in practice, alongside continued commitment and delivery of HS2.
- Both the US and the UK should put long-term sustainable planning at the heart of domestic infrastructure policies and seek to avoid political gridlock on major infrastructure projects.
- Both the US and the UK governments should offer greater support for digital infrastructure as 'soft' and 'hard' infrastructure are of equal importance in addressing competitiveness in today's globally interconnected world.

⁴ National Infrastructure Commission, National Infrastructure Assessment, 2018; ASCE, Infrastructure Report Card, 2017

⁵ World Economic Forum, Global Competitiveness Report, 2017-2018

⁶ National Infrastructure Commission, National Infrastructure Assessment 2018



TRADING WITH THE WORLD

In an increasingly globalized world, embracing international trade and investment is of critical importance for any modern economy. Global trade and foreign direct investment supports jobs at home, fuel innovation, raise living standards and increases the ability for citizens to provide their families with a wider range of goods and services.

The benefits that modern economies such as the US and the UK can achieve from trade are far from exhausted. The great majority of consumers operate beyond national borders, with increasing purchasing power in other parts of the world.

Yet, with global trade and investment increasing, there have been questions as to whether current trading frameworks are fit for the 21st Century against the background that the benefits of international trade and investment are not being felt across parts of society. Strengthening our trade ties with global partners while addressing the latter will be a common challenge for many years to come.

UK and the EU

The UK's decision to leave the EU continues to be a source of uncertainty for transatlantic businesses. For some, the decision disrupts business models formed over many years, and for everyone, the lack of clarity about when, if, and how the UK will leave the EU and what form its future trading relationship will take is deeply frustrating and leads to a delay or change in relevant investment decisions.

The position of BAB remains that the UK should not leave the EU without a deal, and that certainty around timing and scope need to be provided as soon as possible. It is true that for some sectors, for example Financial Services, Broadcasting, or Life Sciences, Brexit has already happened, as the implications of being unprepared for a 'no deal' scenario in March 2019 were too serious. However, continued delay in providing certainty over the UK's future relationship with the EU, and as part of that, with other global partners, will create ongoing costs for transatlantic businesses and, most importantly, reduce the attractiveness of the UK as a destination for investment, particularly from the US, in the long term.

Reducing the uncertainty around Brexit and providing a clear vision of what the future relationship between the UK and the EU will look like needs to be a top priority, and must be more specific than what is currently presented in the Political Declaration. We continue to advocate strongly for a relationship that ensures free and frictionless trade between the UK and EU so the transatlantic trade triangle between the the US, the UK and the EU can continue to thrive.

- The UK and the EU must do everything possible to reach an agreement that ensures tariff-free and frictionless trade in goods is maintained.
- Any agreement between the UK and the EU must provide a sufficient transition period to allow businesses and people to adapt to the new relationship.
- The UK and EU should provide a clear commitment to maintaining and growing trade with each other under an umbrella of shared values and economic interests.
- As part of an agreement, the UK and the EU should work towards a framework that allows for either party to advance independent trade relations with third parties.
- The UK Government should put an emphasis on helping smaller firms to prepare for, and navigate practical changes to goods and services trade post-Brexit.
- The US should be an objective partner in the discussions on the future relationship between the UK and the EU and help facilitate a smooth transition to a new relationship that maintains the strength of the current trade relationship for transatlantic business between the US and the UK, and the EU.

UK-US Trade

The trade and investment relationship between the US and the UK is one of the world's greatest economic success stories. Goods and services worth billions are traded across the Atlantic every month. Transatlantic companies generate growth, foster innovation, and most importantly, create jobs for millions of British and American workers.

In the context of Brexit, we have welcomed steps taken by government on both sides of the Atlantic to strengthen this relationship bilaterally and we are serving an important role as a primary business facilitator to these efforts.

The leaders of both governments have publicly stated the ambition for a comprehensive free trade agreement. But it is clear that until the UK's future relationship with Europe is agreed, the scope of these efforts will be limited.

Nevertheless, much can be done in the meantime to increase trade and investment between the US and the UK, outside the scope of a free trade agreement and in preparation for any future formal talks. There are tremendous opportunities for the US and the UK, particularly when it comes to setting new global standards in crucial areas, such as digital trade, or making it easier, particularly for smaller businesses, to fulfill their growth and expansion ambitions.

- Building on existing bilateral dialogue on trade and investment, both the US and UK Governments should continue to use the momentum to drive to conversation on US-UK economic collaboration forward.
- Both the US and UK should further assess what can be achieved outside of a trade agreement in order to provide quick wins for both economies, for example in the field of trade facilitation.
- The US and the UK should also continue to use and establish additional bilateral platforms to explore new levels of economic cooperation in areas such as financial services, life sciences or data flows.
- Discussions around future economic integration should also touch on non-traditional areas, such as labor mobility across borders, for example a better experience for regular travelers at the point of entry. An extension of the trusted traveler scheme using biometric machines to reduce waiting times at airports would be welcome.
- Both the US and the UK should make further efforts to increase support for smaller businesses, in terms of their ability to grow domestically and in their ambition to expand across the Atlantic.
- The ambition for a comprehensive free trade agreement should not be pursued at the cost of damaging what is already a very healthy and successful trade and investment corridor.
- Equally, we call on the US and the UK not to pursue politically difficult market access changes, if it risks derailing the whole process for limited economic gain.
- The US Government should remove Section 232 tariffs on UK steel and aluminum and equally refrain from imposing tariffs on cars and car parts coming from the EU. The threat or imposition of tariffs on commercial goods should not be used as a means of trade policy or any policy between trusted partners.

Supporting and Sustaining Global Trade

It is no question that globally, international trade has lifted billions of people out of absolute poverty over the last 30 years⁷ and should be recognized as one of the great successes of human history.

Multilateral agreements, and the establishment of the World Trade Organization (WTO) have helped build a global governance framework for trade, with ground rules for economic operators and governments to establish an open, sustainable trading environment.

But the WTO, and the existing agreements that govern our global trading environment, need reform to be effective facilitators in the 21st Century. Reformed multilateral forums will continue to be the best places to create modern, integrative trade framework that avoids fragmentation and conflict.

The US and the UK are, and should be at the heart of this discussion, with the principle that maintaining support and the strength of global trade requires further participation in global trade forums, not less. It must be clear that reform is not just desirable, but essential.

- The US and UK should re-affirm their commitment to a rules-based trade environment and work with stakeholders to communicate the benefits of trade to their citizens across society.
- Both the US and the UK should act as frontrunners and engage proactively in helping to modernize multilateral trade forums, such as the WTO, so they are fit for purpose, more efficient and transparent.
- The US and the UK should seek to use existing and future trade negotiations to contribute to a 21st Century trading system by reflecting, for example, the growing trade in services, but also by strengthening the rules-based trade system overall.

⁷ The World Bank, The Role of Trade in Ending Poverty, 2015



PEOP*LE*

People are at the heart of any economic growth. Without a skilled, diverse, and inclusive workforce that is able to produce the goods and services our economies need, and who are able to adapt to changing conditions and fill the roles required for economic growth, modern economies will fall behind.

Ensuring that an economy has the people it needs is a result of a smart interplay of many key factors: Economies need to educate and train future workers in a way that delivers them with the right skill sets. Immigration can help deliver the additional talent needed and offer the flexibility that globally operating businesses need, without harming the values that form the fabric of our societies. Finally, the workforce needs to reflect the audience it serves. Ensuring that an economy has the people it needs is a task for governments and businesses together.

Education and Skills

The ability of workers to embrace and adapt to the technological transformation of our societies stands at the heart of personal and economic prosperity. Particularly in leading innovation-nations like the US and the UK, education systems and policies need to equip people with the skills they will need to stay adept and competitive.

Both the US and the UK face a scenario in which an increasing number of people lack the necessary skill set for their jobs, or where employers cannot fill positions due to the lack of skilled workers. The challenge is two-fold: to provide careers training and a well-rounded education and skills curriculum for young people, and to provide opportunities to ‘upskill’ for those already in the workplace; and in some circumstances, to provide mechanisms to support workers who fall out of the workforce due to technological changes.

We have welcomed efforts by both Governments to tackle skills shortages, including the introduction of IT-Levels in the UK and state/government-led skills training and re-skilling programs in the US. Focusing on the areas where job growth is happening fastest – science, technology, engineering, mathematics, and the creative industries – is the right step. Now is the time to turn the challenge into comprehensive policy reform packages in both the US and the UK that provides businesses and our economies the trained workforce we need; now and in the future.

- The US and the UK should incentivize employers to set up and expand training and re-skilling schemes, as well as programs for older workers and those who are not mobile, with tax incentives, learning accounts or training funds.
- The US and the UK should encourage public-private partnerships in school curricula development to ensure the inclusion of in-demand skills and specific business requirements.
- As part of the latter, the US and the UK should work with businesses and academic institutions to design curricula that put an emphasis on capabilities on which industry can add specification.
- The UK Government should work with business to re-design the apprenticeship levy, so that the levy does not end up being counterproductive.

Inclusion and Diversity

Inclusion and diversity are top of mind for policy makers and business leaders. Rightly so. A diverse workforce strengthens business' ability to innovate and to respond to changing consumer demands⁸. Creating a work force that does not discriminate based on gender, age, origin, cognition, race, class, faith, sexual orientation or health condition strengthens society and takes advantage of all the potential within it. Relevant studies have shown that inclusive and diverse companies make more money⁹.

Over the past few years, companies in the US and the UK have made significant progress towards creating a diverse and inclusive workforce. In the UK, youth unemployment has halved since 2010¹⁰, and there are more people over the age of 50 still in work than ever¹¹. Yet, when it comes to having a fully balanced and diverse representation of society in the workforce, including on corporate boards, there is still a long way to go.

In light of growing skill shortages and the need for our economies to stay at the forefront of innovation, it is the time for policy makers and businesses to put diversity and inclusion at the front of their business strategies to drive growth in our economies.

In this area however, we do not advocate for additional legislation from government. Consumer, workforce, investor and cultural pressure is causing change in the right direction and we know that leadership in businesses can and should help set and lead by example.

- Together with business, the US and the UK Governments should continue with, and increase their commitment to inclusion and diversity.
- The US and the UK should promote initiatives that help diversify the talent pool, particularly in curricula focused on sciences, engineering, technology and mathematics.
- Both the US and UK Governments should work with businesses to further drive efforts to eliminate gender pay disparity.
- Both the US and UK Governments should proactively support industry initiatives that will allow for greater diversity and inclusion, for businesses of all sizes.

⁸ Forbes, Fostering Innovation Through a Diverse Workforce, 2018

⁹ McKinsey & Co, Delivering Through Diversity, 2017

¹⁰ UK Office of National Statistics, Press Release 16th October 2018, 'Youth unemployment down 50% since 2010'.

¹¹ UK Office of National Statistics, Release 19th February 2019, UK Labour Market

Labor Mobility

One of the biggest challenges for governments in modern times remains how to craft a policy solution that balances public concern over immigration with the economic reality that the ability of workers to move across borders play a significant part in the success of their economies.

Despite low unemployment and aging populations, both the US and the UK have fallen short in making significant progress on immigration reform. In the US, the new attempt to offer a path for immigration reform made by the President in May 2019 was welcome. But viable support in Congress seems less than certain, increasing the concern that immigration reform will, yet again, fail to be achieved.

While a focus on skills-based immigration is welcome, as an organization that believes in free trade, we have found the Buy American Hire American (BAHA) executive order, and the consequent focus on immigration compliance and enforcement discouraging and we hope that this approach is only temporary. Equally, a solution to legitimize the so-called ‘dreamers’ and give a permanent legal status to the millions of undocumented workers who live, work and pay taxes in the US is urgently needed; in the interest of our economies and businesses, and to achieve bipartisan support in Congress for reform in the future.

In the UK, the Migration Advisory Committee’s (MAC) final report and many elements of the Home Secretary’s White Paper on a future skills-based immigration system post-Brexit were welcome. Removing all caps on skilled workers moving to the UK is sensible, although we believe that for some industries, the definition of ‘skilled’ is being set too high and will cause problems in future implementation. Additionally, the £1,000 hiring charge per overseas worker, the doubling of the health surcharge for overseas workers, as well as the recent scrapping of the Tier 1 (Entrepreneur) route without launching a credible alternative send the wrong signal in terms of the UK’s being ‘open for business.’

- The UK Government should review its current proposals for immigration reform based on stakeholder feedback and in that context assess any impact from the sharply declining numbers of EU citizens moving to the UK.
- In both the US and the UK immigration reform should include innovative ways that attract particularly highly skilled, experienced and entrepreneurial immigrants.
- In the UK, any new immigration system post-Brexit should be subject to a sufficient transition period that allows for businesses to adjust to new rules.
- In order to avoid further political gridlock, we recommend for the US to create a new bipartisan immigration reform Committee and bring a new immigration bill to the floor of Congress, addressing America’s social and economic needs.
- As the UK and the US move towards a potential post-Brexit free trade agreement, consideration should be given to a modern, progressive chapter on mobility as part of the agreement that allow for both long and short term immigration.



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About Us

BritishAmerican Business is an exclusive members’ organization; we create networking opportunities for our members, which often lead to business opportunities, through the events and programming that we run, as well as the chance to meet, and discuss policy with, government, their representatives, and other NGOs. As a policy and advocacy organization we are the voice of transatlantic business; we support policies and action that will protect and enhance the environment for trade and investment between the US and UK through research, published reports and discussion with legislators and the executive branch of both governments. For more information, please visit www.babinc.org

BAB proudly serves and is part of the BritishAmerican Business Network, comprising 22 chapters across North America and the United Kingdom.

On behalf of the transatlantic business community we
have a simple message to government: *it is time to act.*



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