



## Doing Business in the United Kingdom:

### 2013 Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business in the United Kingdom

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### Market Overview

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- The United Kingdom (estimated 2012 GDP of \$2.4 trillion) has the sixth-largest economy in the world according to the CIA's 2012 World Factbook, the third-largest economy in the European Union, and is a major international trading power.
- While the United Kingdom is geographically relatively small (about the size of Oregon), it has a population of more than 63 million people.
- Highly developed, sophisticated, and diversified, the UK market is the largest in Europe and the fifth largest in the world for U.S. goods exports. The United Kingdom is the second largest market in the world for U.S. service exports.
- With few trade barriers, the United Kingdom is the entry market into the European Union for more than 41,000 U.S. exporters.
- U.S. exports to the UK of goods and services combined were estimated to be worth nearly \$110 billion in 2012.
- Major categories of U.S. exports include aerospace, automotive, electronics, healthcare, information technologies, telecommunications, and safety/security equipment.
- The United Kingdom remains the number one overseas market for travel to the United States with slightly fewer than 3.9 million UK travelers estimated to have visited the United States in 2012.
- The U.S.-UK investment relationship is the largest in the world with a cumulative bilateral stock in direct investment valued at more than \$990 billion in 2011. Over two million jobs, approximately one million in each country, have been created over the years to manage and drive this investment.
- More than 7,500 U.S. firms have a presence in the United Kingdom which is also the top location in Europe for U.S. regional headquarters covering Europe, the Middle East, and Africa.
- A major international financial, media, and transportation hub, London is also headquarters to the European Bank for Reconstruction and Development (EBRD).

## Market Challenges

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- The UK economy grew by 0.3% in 2012, reflecting continued weakness in the economy. There are some signs that the economy is beginning to pick up with additional growth of 0.3% in the first quarter of 2013.
- The continuing difficulty in accessing credit, particularly by SMEs, still represents a challenge for many businesses.
- Weak consumer confidence and broadly static wages continue to dampen retail sales and several well-known high street brands have disappeared as a result of severe financial difficulties.
- Despite the advantage of a relatively strong U.S. dollar, London is one of the world's most expensive cities to do business.
- As UK and third-country suppliers represent strong competition, U.S. exporters need to offer differentiated products at competitive prices.
- Complex EU technical/regulatory requirements can be burdensome.
- "Devolved Administrations" present some differences in policies and regulations among England, Northern Ireland, Scotland and Wales.
- The UK government has introduced deep cuts to public sector spending, affecting many businesses and, more broadly, consumer confidence.
- A debate has arisen about the UK's future membership in the EU with the suggestion of an 'in or out' referendum possibly taking place sometime in the next four years.

## Market Opportunities

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- The United Kingdom is a highly sophisticated market with strong demand for products and services that improve productivity, including ICT software and services that lower costs and improve business efficiencies.
- There is ongoing, strong demand for a wide range of equipment and services related to safety/security and, in particular, for cyber security.
- The United Kingdom's commitment to low-carbon targets is driving market demand for U.S. products and services in the area of renewable energy, energy efficiency, low carbon/green technologies, smart grid technologies and e-vehicles.
- The proposed U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) has the potential to cut tariffs and address market barriers, thus creating additional opportunities in the UK for U.S. exporters.

## Market Entry Strategy

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- Demonstrate a clear value proposition and competitive advantage (i.e. price, quality, branding).
- Pay close attention to both the obvious and subtle cultural differences between the United States and the United Kingdom and adjust marketing strategies accordingly.
- Evaluate prospective partners carefully and choose an experienced, well-established local distributor.
- Be flexible working with a UK partner during this challenging and prolonged period of economic recovery.
- Express commitment to the market with a long-term perspective.

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## COUNTRY FACT SHEET: UNITED KINGDOM

### PROFILE

Population in 2011 (Millions): 63  
 Capital: London  
 Government: Constitutionalmonarchy

### ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	2,193	2,267	2,431
Nominal GDP Per Capita (Current \$US)	35,489	36,442	38,811
Real GDP Growth Rate (% change)	-4.0	1.8	0.76
Real GDP Growth Rate Per Capita (% change)	-4.6	1.1	0.08
Consumer Prices (% change)	2.1	3.3	4.5
Unemployment (% of labor force)	7.5	7.9	8.0
Economic Mix in 2010: 21.7% All Industries; 11.4% Manufactures; 77.6% Services; .7% Agriculture			

### FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
United Kingdom Exports to World	351,163	405,869	473,757
United Kingdom Imports from World	482,893	562,501	637,243
U.S. Exports to United Kingdom	45,704	48,414	55,881
U.S. Imports from United Kingdom	47,480	49,775	51,236
U.S. Trade Balance with United Kingdom	-1,776	-1,361	4,645
<b>Position in U.S. Trade:</b>			
Rank of United Kingdom in U.S. Exports	5	5	5
Rank of United Kingdom in U.S. Imports	6	6	7
United Kingdom Share (%) of U.S. Exports	4.3	3.8	3.8
United Kingdom Share (%) of U.S. Imports	3.0	2.6	2.3

#### Principal U.S. Exports to United Kingdom in 2011:

1. Primary Metal Mfg (18.4%)
2. Transportation Equipment (16.7%)
3. Chemicals (15.7%)
4. Computer & Electronic Products (10%)
5. Machinery, Except Electrical (7.4%)

#### Principal U.S. Imports from United Kingdom in 2011:

1. Chemicals (21.8%)
2. Transportation Equipment (16.6%)
3. Petroleum & Coal Products (11.1%)
4. Machinery, Except Electrical (9.9%)
5. Computer & Electronic Products (7.4%)

### FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in United Kingdom (US \$Millions)	487,604	514,887	549,399
FDI in U.S. by United Kingdom (US \$Millions)	414,590	387,163	442,179

### DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 7 of 185  
 Heritage/WSJ 2012 Index of Freedom Rank: 14 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. United Kingdom Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3846.htm>

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## **Chapter 3: Selling U.S. Products and Services**

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### **Using an Agent or Distributor**

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Most U.S. exporters to the UK sell their products via distributors, who purchase goods directly from the manufacturer with the intent of reselling them to third parties. Distributors position products and brands in the market through advertising and promotion and assist with after-sales service, which is increasingly important for UK customers and contributes to a positive image of U.S. firms doing business in the UK. In many sectors, one distributor can cover the entire UK market, although in certain cases U.S. companies may wish to appoint separate distributors to cover selected regions as well as to cover Scotland, Wales and Northern Ireland. Depending upon the distributor's market coverage, U.S. exporters may also benefit from access to territories beyond the UK. Sales agents are less commonly used in the UK as they tend to be small, one-person operations and may offer only limited geographic sales coverage. When deciding upon the optimal form of representation, U.S. exporters should consider control over price, distribution network, operational expenses, after-sales service, and potential liability under UK and EU labor laws. The UK national laws governing the relationships between agent and principal as well as distributor and supplier are broadly harmonized to comply with EU legislation.

### **Agreement Termination**

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with EU and member state national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and

obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key links:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML>

[http://ec.europa.eu/internal\\_market/qualifications/docs/other\\_directives/commercial-agents/com\\_1996\\_364\\_en.pdf](http://ec.europa.eu/internal_market/qualifications/docs/other_directives/commercial-agents/com_1996_364_en.pdf)

### **Rules Governing Competition**

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of "vertical agreements." U.S. small- and medium-sized companies (SMEs) are exempt from these regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of affecting competition at the EU level but useful for cooperation between SMEs. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized undertakings. The EU has additionally indicated that agreements that affect less than 10% of a particular market are generally exempted as well (Commission Notice 2001/C 368/07).

Key link:

[http://eurlex.europa.eu/LexUriServ/site/en/oj/2001/c\\_368/c\\_36820011222en00130015.pdf](http://eurlex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf)

### **Rules Governing Payments**

A new directive governing payments has come into effect as of March 2013. Directive 2011/7/EU replaces Directive 2000/35/EC and covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. In sum, the new Directive 2011/7/EU entitles a seller who does not receive payment for goods and/or services within 30 days of the payment deadline to collect interest (at a rate of 8% above the European Central Bank rate) as well as €40 as compensation for recovery of costs. For business-to-business transactions a 60 day period may be negotiated subject to conditions. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Key link:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:048:0001:0010:EN:PDF>

## European Ombudsman

Companies' agents and distributors can take advantage of the European Ombudsman when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights. In addition, SOLVIT, a network of national centers, offers online assistance to citizens and businesses who encounter problems with transactions within the borders of the single market.

Key links:

<http://www.ombudsman.europa.eu/home/en/default.htm>

[http://ec.europa.eu/solvit/site/about/index\\_en.htm](http://ec.europa.eu/solvit/site/about/index_en.htm)

## Dispute Resolution

Although there are few instances that specifically require the use of a local lawyer, contracts and agreements should be vetted by a competent attorney or firm conversant with UK and EU Law. While contract coverage is often similar, specific clauses and language can be considerably different from that in the United States. Standard American contracts should not be used, as they are mostly unenforceable under UK law. Many U.S. law firms have either established their own UK offices or have links with local practices and are often the most convenient and practical sources of legal advice for American companies. The Commercial Service in London can provide lists of local law firms, including those with U.S. links.

## Establishing an Office

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The UK has an open, transparent and business-friendly system to encourage the formation of new businesses. It is often seen as the gateway to access EU markets. A foreign business may establish its own presence in the UK in many ways, including a partnership, joint venture, representative office, branch office or a subsidiary. Different legal and tax considerations apply according to which structure is chosen. The majority of foreign investors will establish a UK registered company when setting up in the UK.

Currently, there are more than 3 million registered companies in the UK. It is a straightforward process to establish a company in the UK. To register a company, certain mandatory documents such as the "Memorandum of Association" and "Articles of Association" must be filed with Companies House – the key government organization which coordinates the administration of businesses in England, Scotland and Wales. In addition, there is the Companies Registry for Northern Ireland. Further guidance on the requirements for forming a company in the UK is available at:

Key links:

<http://www.companieshouse.gov.uk>

<http://www.ukti.gov.uk/invest.html?guid=none>

Independent professional advice on forming a company in the UK can also be obtained from accountants, solicitors and company formation agents.

## **Franchising**

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U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally do not constrain the competitive position of U.S. businesses. The potential franchisor should take care to look not only at the EU regulations, but also at the local laws concerning franchising and specific business sectors.

The UK has no specific laws governing franchising. The British Franchise association operates a voluntary code of practice for franchisors.

## **Direct Marketing**

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There is a wide range of EU legislation that impacts the direct marketing sector. Compliance requirements are stiffest for marketing and sales to private consumers. Companies need to focus, in particular, on the clarity and completeness of the information they provide to consumers prior to purchase and on their approaches to collecting and using customer data. The following gives a brief overview of the most important provisions flowing from EU-wide rules on distance-selling and on-line commerce. It is worth noting that a new EU Consumer Rights Directive will come into force by December 2013 that will effectively merge four existing Directives into a single rulebook. Companies are advised to consult the information available via the hyperlinks, to check the relevant sections of national Country Commercial Guides, and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

### **Processing Customer Data**

The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see the privacy section above.

### **Distance Selling Rules**

The EU's Directive on Distance Selling to Consumers (97/7/EC and amendments) sets out a number of obligations for companies in the EU doing business at a distance with consumers. It can read like a set of onerous "do's" and "don'ts," but in many ways, it represents nothing more than a customer relations good practice guide with legal effect. Direct marketers must provide clear information on the identity of themselves as well as their supplier, full details on prices including delivery costs, and the period for which an offer remains valid – all of this, of course, before a contract is concluded. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the Doorstep Selling Directive (85/577/EEC) which is designed to protect consumers from sales occurring outside of a normal business premises (e.g., door-to-door sales) and essentially assure the fairness of resulting contracts.

Key links:

Consumer Affairs Homepage:

[http://ec.europa.eu/consumers/index\\_en.htm](http://ec.europa.eu/consumers/index_en.htm)

Distance Selling:

[http://ec.europa.eu/consumers/cons\\_int/safe\\_shop/dist\\_sell/index\\_en.htm](http://ec.europa.eu/consumers/cons_int/safe_shop/dist_sell/index_en.htm)

Door-to-Door Selling:

[http://ec.europa.eu/consumers/cons\\_int/safe\\_shop/door\\_sell/index\\_en.htm](http://ec.europa.eu/consumers/cons_int/safe_shop/door_sell/index_en.htm)

### **Distance Selling of Financial Services**

Financial services are the subject of a separate directive that came into force in September 2002 (2002/65/EC). This piece of legislation amends three prior existing Directives and is designed to ensure that consumers are appropriately protected with respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

Key link:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT>

### **Direct Marketing over the Internet**

The e-commerce Directive (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers, and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist. When an order is placed, the service provider must acknowledge receipt quickly and by electronic means, although the Directive does not attribute any legal effect to the placing of an order or its acknowledgment. This is a matter for national law. Vendors of electronically supplied services (such as software, which the EU considers a service and not a good) must also collect value added tax (see Electronic Commerce section below).

Key links:

[http://ec.europa.eu/internal\\_market/e-commerce/index\\_en.htm](http://ec.europa.eu/internal_market/e-commerce/index_en.htm)

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0031:En:HTML>

**Data Privacy/Protection**

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**Current Situation**

The EU's general data protection Directive (95/46/EC) spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, what they intend to use it for, and to whom it will be disclosed. Data subjects must be given the opportunity to object to the processing of their personal details and to opt-out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter.

### **Transferring Customer Data to Countries outside the EU**

The EU's current general data protection Directive provides for the free flow of personal data within the EU but also for its protection when it leaves the region's borders. Personal data can only be transferred outside the EU if adequate protection is provided for it or if the unambiguous consent of the data subject is secured. The European Commission has decided that a handful of countries have regulatory frameworks in place that guarantee the adequate protection of data transferred to them – the United States is NOT one of these.

As a result, in 2000 the Department of Commerce and the European Commission negotiated the Safe Harbor agreement to provide U.S. companies with simple, streamlined means of complying with the adequacy requirement. It allows those U.S. companies that commit to a series of data protection principles (based on the current Directive), and by publicly stating that commitment by "self-certifying" on a dedicated website, to continue to receive personal data from the EU. Signing up is voluntary but the rules are binding on those who do. The ultimate means of enforcing Safe Harbor is that failure to fulfill the commitments will be actionable as an unfair and deceptive practice under Section 5 of the FTC Act or under a concurrent Department of Transportation statute for air carriers and ticket agents. While the United States as a whole does not enjoy an adequacy finding, transfers that are covered by the Safe Harbor program do. Companies whose activities are not regulated by the FTC or DoT (e.g. banks, credit unions, savings and loan institutions, securities dealers, insurance companies, not-for-profit organizations, meat packing facilities, or telecommunications carriers) are not eligible to sign up for the Safe Harbor.

Key links: U.S.-EU Safe Harbor Overviews

[http://export.gov/safeharbor/eu/eg\\_main\\_018476.asp](http://export.gov/safeharbor/eu/eg_main_018476.asp)

[http://export.gov/static/Safe%20Harbor%20and%20Cloud%20Computing%20Clarification\\_April%2012%202013\\_Latest\\_eg\\_main\\_060351.pdf](http://export.gov/static/Safe%20Harbor%20and%20Cloud%20Computing%20Clarification_April%2012%202013_Latest_eg_main_060351.pdf)

EU based exporters or U.S. based importers of personal data can also satisfy the adequacy requirement by including data privacy clauses in the contracts they sign with each other. The Data Protection Authority in the EU country from where the data is being exported must approve these contracts. To fast track this procedure the European Commission has approved sets of model clauses for personal data transfers that can be inserted into contracts between data importers and exporters. The most recent were published at the beginning of 2005, and were complemented in 2010 by contractual clauses on "sub-processing" (outsourcing by an EU based exporter of its processing activities to other sub-processors outside the EU). Most transfers using contracts based on these model clauses do not require prior approval. Companies must bear in mind that the transfer of personal data to third countries is a processing operation that is subject to

the general data protection Directive regardless of any Safe Harbor, contractual or consent arrangements.

EU countries' Data Protection Authorities (DPAs) and large multinational companies have also developed a third major approach to compliance with EU rules on transfers of personal data to countries outside the EU. This is based on country-by-country DPA approval of "binding corporate rules" (BCRs). A BCR is the international code of practice that a multinational corporation follows for transfers of personal data between the companies belonging to that corporation (worldwide intra-group transfer). BCRs are suitable for closely-knit, highly hierarchically structured multinational companies but not for loose conglomerates. Companies that set up BCRs that satisfy European DPAs are able to use the presumption of conformity that these approvals provide to transfer personal data from the EU to any location in the world – not just the United States. BCRs can be a tool for compliance with privacy rules on a global scale. The process of negotiation and approval of the BCRs is currently lengthy and complex, and has not been attempted by small or medium-sized companies.

### **Proposed New Regulation**

The EU's current data privacy legislation is undergoing review. A new commercial data protection regulation was proposed by DG Justice in January 2012 and is now being revised in the European Parliament and EU Council of Ministers. Ireland was able to make good progress while holding the rotating Presidency of the EU Council during the first six months of 2013. Lithuania will take on the Presidency as of July 2013, and its Ministry of Justice has indicated its intent to prioritize the revision of the proposed legislation. The Commission has pushed for adoption of the proposed regulation in 2014 before the European Parliament's general elections in June of that year.

If the December 2012 version of the regulation is adopted, it will impose significant requirements on European and U.S. businesses and on the way they are able to gather and utilize user data. It will also introduce substantial fines for offending companies (up to 2% of global revenue). For over two years, industry representatives have voiced their concerns to EU Institutions and Member State officials. In a Position Paper published in July 2012, the American Chamber of Commerce to the EU identified 10 key concerns with the proposed regulation including:

- data breach notification;
- consent;
- definition of personal data, a child, and of public interest;
- technical feasibility of the "right to be forgotten" provision; and
- extraterritoriality element that would hamper international data transfers.

The implications of this proposed regulation go well beyond its immediate scope; in particular data privacy is an integral part of other current EU regulatory initiatives in ICT sectors such as cloud computing and cyber-security.

Key links:

European Commission's Justice Directorate-General:  
[http://ec.europa.eu/justice\\_home/fsj/privacy/index\\_en.htm](http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm)

[http://ec.europa.eu/justice/data-protection/document/international-transfers/transfer/index\\_en.htm](http://ec.europa.eu/justice/data-protection/document/international-transfers/transfer/index_en.htm)

[http://ec.europa.eu/justice/data-protection/document/international-transfers/binding-corporate-rules/index\\_en.htm](http://ec.europa.eu/justice/data-protection/document/international-transfers/binding-corporate-rules/index_en.htm)

<https://www.gov.uk/data-protection/the-data-protection-act>

## **Joint Ventures/Licensing**

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Joint ventures may be formed as limited liability companies or as equal or unequal partnerships. Consortia of companies formed to bid or manage specific projects usually use a British-registered limited liability company as the vehicle to more easily rent or purchase local premises and assets and to hire and manage a local workforce and support staff. No ownership or control restrictions apply to joint ventures in the United Kingdom.

## **Selling to the Government**

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### **Government Procurement**

Most UK government departments and public bodies are subject to a range of EU procurement directives and to the WTO Government Procurement Code, which give qualified foreign bidders from signatory countries equal access to each other's public sector contracts. Urgency or national security considerations can in certain circumstances be used to justify procurements outside EU and WTO rules. Intended procurements above the EU public procurement thresholds are published in the Official Journal of the European Union (OJEU) and in specialized industry-specific publications. Smaller procurements do not need to be published.

Information on specific tenders may be found using the Tenders Electronic Daily service, accessible via the U.S. Mission to the EU:

<http://export.gov/europeanunion/grantstendersandfinancing/cseutendersdatabase/index.asp>

or from

<http://ted.europa.eu/>

The UK Ministry of Defence (MoD) publishes information on its future projects and procurements in a biweekly Defence Contracts Bulletin, which is available to U.S. subscribers online at [www.contracts.mod.uk](http://www.contracts.mod.uk). The European Defence Agency (EDA) also maintains an online database of defense procurement opportunities with governments and leading manufacturers throughout Europe. The EDA Electronic Bulletin Board is available free and without subscription at: <http://www.eda.europa.eu/ebbweb/>.

However, many U.S. defense companies require more lead-time than these sources provide and detailed guidance is often needed to understand the procedures and bid evaluation criteria. The U.S. Embassy's Office of Defense Cooperation (ODC) provides insight, guidance, and advocacy in support of U.S. defense contractors competing for

sales and cooperative development programs for military equipment and services, including missiles and defense systems, munitions, sensors, ships, aircraft and helicopters. ODC may be contacted at: Tel 011 44 20 7894 0737; Fax 011 44 20 7514 4634 7894 0739; or Email [odclondon@state.gov](mailto:odclondon@state.gov).

U.S. Embassy London website: <http://london.usembassy.gov/odc/index.html>

The EU public procurement market is regulated by three Directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts.
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.
- Directive 2009/81 on Coordination of procedures for the award of certain works, supply and service contracts by contracting authorities in the fields of defense and security.

Remedies directives cover legal means for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU Member States.

The US and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and services and some works contracts published by national procuring authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on supplies and services contracts from European public contracting authorities above the agreed thresholds.

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in the EU coverage of the Government Procurement Agreement (GPA). The Utilities Directive allows EU contracting authorities in these sectors to either reject non-EU bids where the proportion of goods originating in non-EU countries exceeds 50% of the total value of the goods constituting the tender, or is entitled to apply a 3% price difference to non-EU bids in order to give preference to the EU bid. These restrictions are applied when no reciprocal access for EU companies in the U.S. market is offered. These restrictions have, however, been waived for the electricity sector.

For more information, please visit the U.S. Commercial Service at the U.S. Mission to the European Union website dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement. Access is free of charge.

Key link:

<http://export.gov/europeanunion/grantstendersandfinancing/cseutendersdatabase/index.asp>

## **Distribution and Sales Channels**

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The UK has well-developed sales and distribution channels, ranging from wholly owned subsidiaries of foreign manufacturers to independent trading companies that buy and sell on their own account. Between these two extremes are independent resellers, sales agents, and stocking distributors, who have contractual relationships with their suppliers. The selection of an appropriate marketing organization depends largely on the nature of the goods and services involved. Also, increasing international e-commerce has contributed the growth of local fulfillment and delivery/return services.

## **Selling Factors/Techniques**

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Typically, U.S. companies enter the UK market through distribution, franchising or licensing agreements, or through direct foreign investment. EU law, implemented by national legislation, governs exclusivity in agency and supply agreements, purchasing contracts, and contract terms. U.S. manufacturers and exporters are generally able to appoint exclusive representatives and to determine the methods used to promote the sale of their products. Such exclusive territories are usually national in size.

Most of the same sales and advertising techniques used in the United States are used in the United Kingdom, although companies are advised to work closely with their UK partners to account for any local differences. Sales practices that give regulatory concern are those that could give an unfair advantage to the supplier at the expense of competitors or end users. Recent legislation exempts some vertical agreements between manufacturers and their resellers but requires the disclosure of certain types of inter-company commercial arrangements and also gives powers of investigation and enforcement to the regulatory authorities.

## **Electronic Commerce**

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### **Overview**

Internet shopping is more popular in the UK than in any other major country. Consumers in the UK spend an average of \$1,600 a year on internet shopping, compared with Australia which spends the second highest at \$1,300. The UK's fondness for net shopping is, in part, driven by mobile devices. UK consumers are also downloading more data from their mobiles than any other nation, according to the same survey.

Low economic growth and static wages have helped to increase online shopping, as consumers increasingly turn to the internet in search of the best prices on a wide variety of goods and services. The internet is now the natural place for shoppers to look for books, consumer electronics, white goods and travel services. One key trend is to physically look at or try a product in-store and then go home to buy it at a better price online.

With the continuing rise of social networking and mobile internet access, social media marketing is the channel in which firms are most likely to be boosting their investment in e-commerce in the next couple of years

## Search Engines

Market share of the top search engines in the UK:

<a href="http://www.google.co.uk">www.google.co.uk</a>	91.1%
<a href="http://www.bing.com">www.bing.com</a>	4.7%
<a href="http://www.uk.yahoo.com">www.uk.yahoo.com</a>	2.3%
<a href="http://www.uk.ask.com">www.uk.ask.com</a>	0.5%
Others	1.5%

Submitting a site is exactly the same process as for submitting it to a search engine in the United States. Generally, search engine websites have an “About us” section on their websites that will include details about how to submit a site or add a URL.

## Domain Names

A local domain is not essential. Indeed, many UK firms use the .com domain. If a U.S. company wishes to localize its site, the domain suffixes “.co.uk”, “.uk.com” and “.org.uk” are easily obtained. In order to qualify for a “.ltd.uk” or “.plc.uk” domain name, a company must be either a UK private (Ltd) or public (plc) limited company.

## Online Marketplaces and Auctions

There are many UK auction sites. A selection of the most visited includes:

Ebay	<a href="http://www.ebay.co.uk">http://www.ebay.co.uk</a>
Amazon UK	<a href="http://www.amazon.co.uk">http://www.amazon.co.uk</a>
CQout	<a href="http://www.cqout.com">http://www.cqout.com</a>
eBid	<a href="http://www.ebid.co.uk">http://www.ebid.co.uk</a>

## Pop-up Ads and Spam

As a general rule, the Internet in the UK looks and feels identical to the U.S. Pop-up ads are not prohibited and, indeed, are quite common. As a result, many users turn on the anti-pop up features in their browsers.

Spam is covered by the Privacy and Electronic Communications Regulations (EC Directive). In summary, the regulations require UK or EU-based businesses to gain prior consent before sending unsolicited advertising e-mails to individuals. This consent must be explicitly given by individuals on an opt-in basis except where there is an existing customer relationship. The regulations also require that the use of cookies or other tracking devices are clearly indicated and that people be given the opportunity to reject them.

Spam is, however, a worldwide problem and there is little that regulators can do to prevent Spam originating from outside the EU. Many email systems have increasingly effective Spam filters.

## E-commerce Specific Laws

The main rules covering sales on the Internet are the Consumer Protection (Distance Selling) Regulations 2000 and the Consumer Protection (Distance Selling) (Amendment) Regulations 2005. These set out the rights consumers have when making purchases over the Internet in the EU.

Key links:

<http://www.offt.gov.uk/OFTwork/consumer-protection/campaign11-12/kycr/kycr-buying-online/>

[http://www.offt.gov.uk/shared\\_offt/business\\_leaflets/general/oft913.pdf](http://www.offt.gov.uk/shared_offt/business_leaflets/general/oft913.pdf)

### **Electronically Delivered Services**

There is a special scheme for non-EU companies selling 'downloadable software' via the Internet to clients within the EU. This type of transaction is classified by the EU as an "electronically delivered service". Non-EU companies selling downloadable software to EU customers must be registered for VAT in at least one member state within the EU. There are different requirements for accounting for VAT depending on whether the customer is a corporation or an individual and depending on where the customer is physically located. This is a complex subject and companies should either engage an accountant to advise them or ensure that they are familiar with the regulations. For more information about the UK's "Electronically supplied services: Special Scheme for non-EU businesses", companies should visit HM Revenue and Customs' website at:

[http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?\\_nfpb=true&\\_pageLabel=pageOnlineServices\\_ShowContent&propertyType=document&id=HMCE\\_CL\\_001460](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageOnlineServices_ShowContent&propertyType=document&id=HMCE_CL_001460)

### **Advertising and Lotteries**

There are some restrictions on general advertising. In the UK, the 'watchdog' for advertising is the Advertising Standards Authority (ASA). The ASA is an independent body set up by the advertising industry to police the rules laid down in the industry's advertising codes. The advertising codes are drawn up by the Committee of Advertising Practice (CAP) and are in place to protect consumers and create a level playing field for advertisers.

Key links:

Advertising Standards Authority: <http://www.asa.org.uk/>

Committee of Advertising Practice: <http://www.cap.org.uk/>

Comparative ads are allowed, but they must not be disparaging. Advertising to children is more closely regulated. The general rule is that special care should be taken when promotions are targeted at children (people under 16) or when children may see ads intended for adults.

It is possible to use prize giveaways, etc., as incentives. Promotions with prizes, including competitions, prize draws and instant win offers, are subject to legal restrictions. Promoters usually seek to avoid running illegal lotteries by running skill-

based prize competitions (often using tiebreakers to identify the winners) or by offering free entry if the chance-based prize promotion might encourage purchase.

### **Online Payments**

Almost all UK-based online businesses allow customers to use credit or debit cards. Visa and MasterCard are almost universally accepted, while American Express, Diners Club and JCB, less so. Many websites use Pay Pal or other similar services. UK consumers are becoming much more aware of the issue of online identity theft and will generally only conduct financial transactions on secure websites.

### **Online Sales and Digital Signatures**

Internet transactions are recognized as legal sales contracts. The Consumer Protection (Distance Selling) Regulations and amendments cover consumer rights especially post-purchase.

The EC's 1999 Electronic Signatures Directive was transposed into UK national law as the Electronic Communications Act 2000, the Electronic Signatures Regulations 2002, and the Electronic Commerce (EC Directive) Regulations 2002.

(UK) Electronic Communications Act 2000  
<http://www.legislation.gov.uk/ukpga/2000/7/contents>

Section 7 of this Act makes clear that electronic signatures, supporting certificates and the processes under which such signatures and certificates are created, issued and used can be admitted as evidence in court. The court will decide whether an electronic signature has been correctly used and what weight it should be given. In disputes where electronic signatures are fraudulently created, or where people deny having signed payments, the electronic signature and supporting certificates can be supplied as evidence to the court.

Section 7 does not affect any contracts that businesses already have in place regarding electronic communications, nor does the Act mandate the use of electronic signatures or specify particular formats or methods. The legislation aims to be technology-neutral and covers all types of electronic signature from those based on e-mail exchanges to those using public key cryptography or biometric techniques.

(UK) Electronic Signatures Regulations 2002  
<http://www.legislation.gov.uk/uksi/2002/318/contents/made>

These regulations provide a framework for the definition and issue of electronic signatures. They cover the rules for the supervision of certification-service-providers and outline their duties and liability. The main point is that an electronic signature (or advanced electronic signature) would be uniquely linked to the person signing via a certificate (or qualified certificate) issued by a certification-service-provider and tied to the data that is signed, so that any subsequent change in the data is detectable. Electronic signatures can come in many forms, ranging from a typewritten name to a signature created by cryptographic means.

Electronic Commerce (EC Directive) Regulations 2002: These regulations cover a broad range of online activities, including the sale of goods and services.

### **UK Customs Matters**

UK consumers may buy goods freely over the Internet from overseas suppliers (with the exception of certain prohibited goods such as firearms, illegal drugs and the like). As long as the correct paperwork accompanies the goods, there should not be any undue delay in the purchase clearing customs. The shipping company will often contact the purchaser to arrange any payments due for import duty and VAT prior to the goods clearing customs.

The importer is responsible for paying duty (at a variable rate) and VAT when goods are imported to the UK from a non-EU country. However, due to an EU regulation designed to reduce the cost of tax collection on small consignments, an exception is made on shipments where the total value is less than £15 as from April 1, 2012 (previously £18). This is an administrative relief known as Low Value Consignment Relief or LVCR. It can be set between 10 and 22 Euros by individual member states of the EU. Special rules apply to excise goods i.e. cigarettes, tobacco, alcohol, etc., where the duty payable is much higher.

In the UK, the standard rate of VAT is 20 per cent.

### **Dispute Resolution**

In the UK, Ebay, Amazon, and other similar online trading forums have predefined resolution procedures, just as in the U.S. The British government encourages parties to a legal dispute or complaint to use alternative dispute resolution (ADR) schemes, including arbitration, mediation and ombudsmen. Where these fail, a company may decide to use the services of a debt collection agency. Where all else fails, it may be possible to use the special procedure for handling smaller claims in a county court or use the government's secure online money claim service.

Key link:

<https://www.moneyclaim.gov.uk/web/mcol/welcome>

### **Government Procurement**

The tender process in the UK is open to U.S. companies, and they are free to bid on UK contracts (except those with specific exclusions). Tendering can, however, be a complex process, and companies with a UK presence or UK partner may find it easier to compete than a company operating solely from the U.S. The procurement process often requires the bidder to provide three years of accounts.

The UK government complies with EU public procurement rules and all procurements exceeding the relevant thresholds are published in the Official Journal of the European Community (OJEC), which is available online from a variety of sources, including the U.S. Mission to the EU.

Key link:

<http://export.gov/europeanunion/grantstendersandfinancing/cseutendersdatabase/index.asp>

The dedicated procurement portal for UK government contract opportunities is Contracts Finder at <https://online.contractsfinder.businesslink.gov.uk/>

The Government Procurement Service is the national procurement partner for all UK public services and is part of the Efficiency and Reform Group within the Cabinet Office. <http://gps.cabinetoffice.gov.uk/about-government-procurement-service/buying-solutions>

## Trade Promotion and Advertising

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While trade promotion practices in the UK are similar to those in the U.S., printed materials prepared for use in the U.S. market may need to be modified for use in the UK to account for local, legal, cultural, spelling and other differences. In addition to advice that the U.S. Commercial Service offers, local advertising agencies and marketing consultants can provide appropriate professional guidance. Also, the Advertising Standards Authority, an independent body set up by the advertising industry, oversees the practices of the advertising industry and enforces the provisions of the British Code of Advertising Practice (CAP). Advertisers should become familiar with CAP recommendations.

Key links:

<http://www.cap.org.uk/Advertising-Codes.aspx>

[http://ec.europa.eu/comm/consumers/cons\\_int/safe\\_shop/fair\\_bus\\_pract/index\\_en.htm](http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm)

[http://ec.europa.eu/avpolicy/reg/avms/index\\_en.htm](http://ec.europa.eu/avpolicy/reg/avms/index_en.htm)

The leading British daily newspapers are:

- The Times ([www.thetimes.co.uk](http://www.thetimes.co.uk))
- The Daily Telegraph ([www.telegraph.co.uk](http://www.telegraph.co.uk))
- The Guardian ([www.guardiannews.com](http://www.guardiannews.com))
- The Independent ([www.independent.co.uk](http://www.independent.co.uk))
- The Financial Times ([www.ft.com](http://www.ft.com))
- Daily Mail ([www.dailymail.co.uk](http://www.dailymail.co.uk))
- Daily Express ([www.express.co.uk](http://www.express.co.uk))
- Sun ([www.thesun.co.uk](http://www.thesun.co.uk))
- Mirror ([www.mirror.co.uk](http://www.mirror.co.uk))
- Metro ([www.metro.co.uk](http://www.metro.co.uk))

The leading British Sunday newspapers are:

- Sunday Times ([www.thesundaytimes.co.uk](http://www.thesundaytimes.co.uk))
- Sunday Telegraph ([www.telegraph.co.uk](http://www.telegraph.co.uk))
- Observer ([www.observer.co.uk](http://www.observer.co.uk))

The London Gazette, Edinburgh Gazette and Belfast Gazette are the official journals of the UK, but these are less widely used for formal notices than the Official Journal of the European Community (OJEC).

Key links:

[www.gazettes-online.co.uk](http://www.gazettes-online.co.uk)  
<http://eur-lex.europa.eu/JOIndex.do>

In addition, there is a very large number of trade publications in the UK aimed at specific industrial sectors and business segments. Global publications such as The Wall Street Journal, Business Week and Industry Week are widely read.

## **Medicine**

The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC. Generally speaking, the advertising of medicinal products is forbidden if market authorization has not yet been granted or if the product in question is a prescription drug. Mentioning therapeutic indications where self-medication is not suitable is not permitted, nor is the distribution of free samples to the general public. The text of the advertisement should be compatible with the characteristics listed on the product label, and should encourage rational use of the product. The advertising of medicinal products destined for professionals should contain essential characteristics of the product as well as its classification. Inducements to prescribe or supply a particular medicinal product are prohibited and the supply of free samples is restricted.

The Commission presented a new framework for information to patients on medicines in 2008. The framework would allow industry to produce non-promotional information about their medicines while complying with strictly defined rules and would be subject to an effective system of control and quality assurance.

Key link:

[http://ec.europa.eu/enterprise/sectors/healthcare/competitiveness/pharmaceutical-forum/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/healthcare/competitiveness/pharmaceutical-forum/index_en.htm)

## **Nutrition & Health Claims**

On July 1, 2007, a new regulation on nutrition and health claims entered into force. Regulation 1924/2006 sets EU-wide conditions for the use of nutrition claims such as “low fat” or “high in vitamin C” and health claims such as “helps lower cholesterol”. The regulation applies to any food or drink product produced for human consumption that is marketed on the EU market. Only foods that fit a certain nutrient profile (below certain salt, sugar and/or fat levels) will be allowed to carry claims. Nutrition and health claims will only be allowed on food labels if they are included in one of the EU positive lists. Food products carrying claims must comply with the provisions of nutritional labeling directive.

Key link:

[http://ec.europa.eu/food/food/labellingnutrition/nutritionlabel/index\\_en.htm](http://ec.europa.eu/food/food/labellingnutrition/nutritionlabel/index_en.htm).

## **Food Supplements**

Regulation 1925/2006, applicable as of July 1, 2007, harmonizes rules on the addition of vitamins and minerals to foods. The regulation lists the vitamins and minerals that may be added to foods. This list was most recently revised in November 2009. A positive list of substances other than vitamins and minerals has not been established yet, although it is being developed. Until then, Member State laws will govern the use these substances.

Key link:

[http://ec.europa.eu/food/food/labellingnutrition/vitamins/index\\_en.htm](http://ec.europa.eu/food/food/labellingnutrition/vitamins/index_en.htm)

## **Pricing**

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### **How to build a UK pricing strategy**

When working out a UK pricing strategy, you should think about:

- the effect exchange rates may have on your profits
- whether cost-based or value-based pricing is better for your goods or services
- what UK businesses charge for similar goods and services
- how UK consumers value your product or service
- whether you will charge different prices to different customers - for example, discounted rates for off-peak users, senior citizens or frequent users
- whether you will use a variety of pricing tactics

### **Finding out about your UK competitors**

You can look for articles or advertisements in the trade press or newspapers to find out about your UK competitors and their prices. You should read their marketing information and check their entries in business directories. You can get a copy of the annual report for public companies. You can also check their websites and find out about them by going to exhibitions and trade fairs.

### **Setting prices**

EC and UK competition law prohibits an agreement between a retailer and a supplier under which the retailer agrees to resell goods or services either;

- at a price fixed by the supplier, or
- above a minimum price level set by the supplier.

Suppliers can issue non-binding recommended retail prices for their products or impose maximum prices above which their retailers or distributors may not resell the products.

### **Import pricing**

Import prices for products entering the UK from non-EU states generally consist of product cost plus insurance plus freight plus duty, with VAT of 20% levied on the aggregate value. End-user pricing should include local storage, delivery, sales and support costs, as well as the margin for distributors, wholesalers and retailers.

Traditional pricing methods have led to the acceptance of higher prices and profit margins than is customary in the U.S., as the UK market for any product is generally smaller and the cost of sales usually need to be recovered from smaller sales volumes.

## **Sales Service/Customer Support**

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The provision of after-sales parts and service is essential and should be taken into account when entering into an agreement with a UK partner. There are also a number of independent after-sales, warranty and product servicing organizations in the UK. Most specialize in a single business sector, but a few major firms operate nationwide, providing a comprehensive maintenance and facilities management service. The leaders in this sector are Serco, Jarvis, AMEC and AM Planned Maintenance Ltd. The smaller service companies that provide local coverage can be identified from business directories, the Internet, and from listings held by local trade associations.

Conscious of the discrepancies among member states in product labeling, language use, legal guarantee, and liability, the redress of which inevitably frustrates consumers in cross-border shopping, the EU institutions have launched a number of initiatives aimed at harmonizing national legislation. Suppliers within and outside the EU should be aware of existing and upcoming legislation affecting sales, service, and customer support.

## **Product Liability**

Under the 1985 Directive on liability of defective products, amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.

Key link:

<http://ec.europa.eu/enterprise/policies/single-market-goods/internal-market-for-products/product-liability/>

## **Product Safety**

The 1992 General Product Safety Directive introduces a general safety requirement at the EU level to ensure that manufacturers only place safe products on the market. It was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product, provisions for its recall, the creation of a European Product Safety Network, and a ban on exports of products to third countries that are not deemed safe in the EU. The legislation is undergoing review.

Key link:

[http://ec.europa.eu/consumers/safety/prod\\_legis/index\\_en.htm](http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm)

## **Legal Warranties and After-sales Service**

Under the 1999 Directive on the Sale of Consumer Goods and Associated Guarantees, professional sellers are required to provide a minimum two-year warranty on all consumer goods sold to consumers (natural persons acting for purposes outside their

trade, businesses or professions), as defined by the Directive. The remedies available to consumers in case of non-compliance are:

- Repair of the good(s);
- Replacement of the good(s);
- A price reduction; or
- Rescission of the sales contract.

Key link:

[http://ec.europa.eu/comm/consumers/cons\\_int/safe\\_shop/guarantees/index\\_en.htm](http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm)

## **Protecting Your Intellectual Property**

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### **Protecting Your Intellectual Property in the European Union**

Several general principles are important for effective management of intellectual property (“IP”) rights in the European Union (EU). First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in the EU than in the U.S. Third, rights must be registered and enforced in the EU, under local laws. Your U.S. trademark and patent registrations will not protect you in the EU. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the EU market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in the EU. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in EU law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may

create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in the EU require constant attention. Work with legal counsel familiar with EU laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both EU or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/ipprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the

USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. For more information, see:  
[http://www.uspto.gov/ip/global/attache/Attache\\_Contacts\\_12-23-11.doc](http://www.uspto.gov/ip/global/attache/Attache_Contacts_12-23-11.doc)

## **IPR in the UK**

The UK legal system provides a high level of intellectual property rights (IPR) protection. Enforcement mechanisms are comparable to those available in the United States. The UK is a member of the World Intellectual Property Organization (WIPO). The UK is also a member of the major intellectual property protection agreements: the Bern Convention for the Protection of Literary and Artistic Works; the Paris Convention for the Protection of Industrial Property; the Universal Copyright Convention; the Geneva Phonograms Convention; and the Patent Cooperation Treaty. The UK has signed and, through various EU Directives, implemented both the WIPO Copyright Treaty (WCT) and WIPO Performance and Phonograms Treaty (WPPT), known as the internet treaties.

The UK Trade Marks Act of 1994 provides for the registration and protection of trade marks in the UK, and has been harmonized with EU Directive No 89/104/EEC.

Trademarks are considered personal property in the UK, and are normally registered for a period of 10 years with an option to renew. However, trademarks may be removed from the register if a period of five years has elapsed, during which time there has been no bona fide use of the trademark in relation to the goods by the proprietor. Detailed information can be found at <http://www.legislation.gov.uk/ukpga/1994/26/contents>

Trade Secrets/Confidential Test Data: Commercially sensitive information is not itself specifically subject to legal protection, but the misappropriation of such information from business premises may be subject to criminal law. Action under employment law may also be taken against an employee who, by disclosing information, breaches a contract with his or her employer. In addition, confidential test data, submitted in conjunction with a registered application for pharmaceuticals or veterinary products, enjoys 10 years of exclusive protection from the date of authorization, provided the product is marketed in the UK.

IPR Resources in the UK: For additional information on IPR in the UK, please visit the UK Intellectual Property Office (UK-IPO) website at <http://www.ipo.gov.uk/>

## **Due Diligence**

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Banks, accounting firms, credit agencies and risk management companies provide a full range of reporting services that U.S. companies can use as part of their due diligence before signing a local partner. Service providers include the UK subsidiaries of the American-owned Dun & Bradstreet, Equifax and Infocheck. All limited companies in England, Wales, Scotland and Northern Ireland are registered with Companies House.

The WebCheck service offered by Companies House enables U.S. companies to search information on UK companies free of charge including viewing a company's filing history. Copies of document images as well as a selection of company reports are available for a small fee.

The U.S. Commercial Service provides International Company Profile (ICP) background checks on UK companies that can be a valuable part of a U.S. company's wider due diligence process. The ICP is a useful tool for American companies seeking to enter international business relationships and provides a background check on UK limited liability firms.

Key link:

[http://export.gov/unitedkingdom/servicesforuscompanies/findaukbusinesspartner/eg\\_gb\\_027227.asp](http://export.gov/unitedkingdom/servicesforuscompanies/findaukbusinesspartner/eg_gb_027227.asp)

### **Local Professional Services**

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The UK has a highly developed professional services market that is well regulated. A wide variety of service providers is available to support U.S. companies doing business in the UK, from the largest global firms to small niche players.

The U.S. Commercial Service UK website lists various professional service providers at <http://export.gov/unitedkingdom/businessserviceproviders/index.asp>. Additional information is available upon request:

Local service providers focusing on EU law, consulting, and business development can be viewed on the website maintained by the Commercial Service at the U.S. Mission to the European Union at:

<http://export.gov/europeanunion/businessserviceproviders/index.asp>.

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<http://www.buyusa.gov>

<http://www.export.gov>

<http://www.buyusa.gov/unitedkingdom/>

<http://export.gov/unitedkingdom/index.asp>

<http://export.gov/europeanunion/index.asp>

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## **Chapter 4: Leading Sectors for U.S. Export and Investment**

### **Commercial Sectors**

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- [Medical Equipment](#)
- [Low Carbon Energy Generation and Transmission](#)
- [Pet Products](#)
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- [Travel and Tourism](#)

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## Aerospace

### Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	19,430,000	21,854,000	19,000,000	17,500,000
Total Local Production	37,231,000	37,000,000	35,000,000	34,000,000
Total Exports	27,692,000	28,000,000	29,000,000	29,500,000
Total Imports	9,891,000	12,854,000	13,000,000	13,000,000
Imports from the U.S.	6,893,000	6,835,000	7,000,000	7,000,000
Exchange Rate: 1 USD	0.65	0.65	0.65	0.65

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: ADS

Total Exports: UK Trade Info

Total Imports: UK Trade Info

Imports from U.S.: USITC Dataweb

The UK aerospace industry is the second largest in the world behind the U.S. The industry is split almost equally between civil and defense aerospace. Airframes and systems account for 42%, aircraft engines for 32% and aircraft equipment for 26% of the industry's domestic and export sales. The UK does not produce any large civil aircraft and most domestic production is exported. These exports are made up in large part by wings for Airbus and Rolls-Royce aircraft engines. The aerospace industry is a major category for U.S. exports in the United Kingdom. U.S. exports to the UK of civil aircraft, aircraft engines and aircraft parts were \$6.2 billion in 2012, with military equipment exports running at \$600 million. With the UK military facing severe cuts and with the civil aviation sector being fairly static, the UK market is expected to contract slightly over the next couple of years. GDP growth in mature western markets is likely to remain weak for some time. However, BRIC nations are forecast to retain strong growth. The perception is that there remain good opportunities for the aerospace industry, but there are still concerns that the ongoing crisis in the euro-zone area could further damage confidence. Overall, however, the UK civil aerospace industry should continue to do well supplying into both Boeing and Airbus.

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Despite the current weak economic conditions in Europe, global air travel is forecast to nearly double by 2030. This is expected to create demand for an additional 9,500 helicopters by 2020, and 27,000 large civil aircraft, 24,000 business jets and 5,800 regional jets by 2030. The UK's position in the global aerospace market means it should be well-placed to benefit from this demand. The UK's Aerospace Growth Partnership, which comprises the UK government and leading aerospace companies in the UK, is

focusing on maintaining its position in the global market, broadening its base around the world and concentrating on the single aisle aircraft market.

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The UK has the world's second largest aerospace industry. It is a highly developed industry in which indigenous players such as BAE Systems, GKN and Rolls-Royce; European players such as Airbus, Finmeccanica and Thales; and U.S. firms such as Boeing, GE, Spirit and UTC are all highly competitive. The aerospace supply chain is well-integrated with the primes, who are all looking at rationalizing the number of their suppliers. This means that U.S. suppliers looking to enter the market may need to look at a lower tier of the supply chain than they might usually. U.S. suppliers should consider using a local distributor or agent familiar with the key players in the market.

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Industry Events:

Helitech International, ExCeL, London, September 24-26, 2013  
[www.helitechevents.com](http://www.helitechevents.com)

Farnborough International Airshow, Farnborough, July 14-20, 2014  
[www.farnborough.com](http://www.farnborough.com)

### **Trade Associations:**

AIDIS Group  
[www.adsgroup.org.uk](http://www.adsgroup.org.uk)

British Helicopter Association  
[www.britishhelicopterassociation.org](http://www.britishhelicopterassociation.org)

### **Government Departments:**

Department for Business, Innovation and Skills (BIS)  
<https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

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## Consumer Electronics

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The United Kingdom is the largest European market for high-end consumer electronics products including tablets, HD TVs, Blu-Ray and DVD Players, MP3 players, mobile handsets and games consoles. The market is valued at more than \$13 billion, accounting for 14.4% of the European consumer electronics market value (the consumer electronics market definition does not include mobile telephony or computing).

The consumer electronics sector in the UK encompasses a broad range of companies, from ground breaking smaller companies to global businesses. Promotions by leading retailers such as DSG, KESA, John Lewis and Tesco ensure that cutting-edge consumer electronics products are adopted more rapidly in the UK and in larger numbers than elsewhere in Europe. Online sales, predicted to capture over \$1 in every \$5 spent on all new commerce by 2013, will reinforce this trend. Online sales of consumer electronics accounted for over 20% of all consumer electronics sales in 2011, up from 16.4% the previous year. That is over double the rate for all retail items bought online in the UK, which reached 9.8% of total retail sales in 2011.

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The UK market is mature and driven by British consumers who are early adopters of new technologies: UK citizens spend more per head on cutting-edge product categories such as mobile handsets, HD -ready TVs and Blu-Ray players, than any other EU country. Additionally the UK market is forecast to grow by approximately 10% by 2014.

### Opportunities

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One of the key trends in the UK is connectivity and compatibility of electronic devices across all categories. Manufacturers have introduced and developed gadgets that can be integrated with one another, providing the consumer with a variety of access points. This has enabled consumers to make tandem purchases across categories. For example, televisions and cameras now feature Wi-Fi for greater connectivity.

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#### Trade Associations:

IntellectUK  
<http://www.intellectuk.org/>

#### Government Departments:

Department for Business, Innovation and Skills (BIS)  
<https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

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## Cyber Security

### Overview

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According to the National Audit Office, cybercrime cost the UK economy between £18bn and £27bn last year. The number of attacks on companies and government departments in the UK rose from two a day in 2010 to 500 a day in 2012. The value of the UK Cyber Security in 2012 was estimated at \$13.3 billion. The UK Cyber Security market is expected to grow 8% from 2012 to 2013. The market is open and U.S. suppliers are well-represented but market entrants should be aware of the various EU and UK market regulations that apply in order to be successful.

The desire for enhanced cyber security has been expressed across the UK IT industry, in sectors such as: business analytics, mobile computing, cloud computing, and social business, as companies and government alike are increasingly dependent on cyberspace. Cyber threats can be categorized as cyber-crime, cyber terrorism or cyber warfare, and the solutions to these threats come in the form of hardware, software, and/or services. Despite decreasing IT budgets overall during the downturn of the economy, the increasing threat of cyber-attacks has led to greater spending on security.

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**Security Software:** Software as a Service (SAaS); Anti-virus software; content-management software; Security Information and Event Management (SIEM); software associated with compliance and disclosure regulations.

**Security Services:** Managed Information Security Services (MISS); Outsourcing; security audits and penetration testing; services associated with compliance and disclosure regulations.

**Security Appliances:** Unified Threat Management (UTM) - the unification of firewall, VPN, ID&P and gateway antivirus into a single platform; wireless and application security solutions; biometric technology.

### Opportunities

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The market consists of three key segments: small to medium-sized businesses, corporate companies, and the UK government, which is comprised of civil, security, military, and critical national infrastructure (e.g. utilities and telecoms). Cyber threats to these parties can be combated using hardware, software, services, and a combination of the three.

Software solutions are a major portion of the market, with anti-virus and other security software programs being deployed in businesses of all types and sizes. Within the security hardware sector, companies are demanding more Unified Threat Management appliances as they adopt increasingly integrated security solutions on a tighter budget.

The UK Cyber Security Strategy outlined the UK Government commitment to making the UK one of the safest places to do business online. An estimated 4% of the IT budget of \$25 billion is currently already spent on Cyber Security.

Companies are also increasing the demand for Cyber Security as they face more and more security breaches. They are taking more proactive steps to ensure IT security, with 82% of large companies and 75% of smaller ones assessing information security risks now, compared to only 48% who did so in 2008.

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### **Industry Events:**

National Security: Innovation and Technology, QEII Conference Centre, London, July 3, 2013

<http://nationalsecuritytechnology.co.uk/>

Cyber Security Summit, London, November 2013

<http://cybersecuritysummit.co.uk/>

Infosecurity Europe, Earls Court, London, April 29- May 1, 2014

<http://www.infosec.co.uk/>

### **Trade Associations:**

IntellectUK

<http://www.intellectuk.org/>

### **Government Departments:**

Department for Business, Innovation and Skills (BIS)

<https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

Office of Cyber security and Information Assurance

[www.cabinetoffice.gov.uk/content/office-cyber-security-and-information-assurance-ocsia](http://www.cabinetoffice.gov.uk/content/office-cyber-security-and-information-assurance-ocsia)

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## Franchising

### Overview

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Unit: USD thousands

	2011	2012 (est)	2013 (est)	2014 (est)
Total Market Size	21,440,000	22,083,200	22,745,696	23,428,067
Number of Franchise Systems	929	961	980	1000

Data Sources: British Franchise Association

According to the 2012 British Franchise Industry report (2011 data), the franchising industry contributed \$21.4 billion to the UK economy. There are 929 franchise systems operating in the UK, with 38,400 franchised units. The number of systems is forecast to grow to 1,000 by 2014. Just under one third of franchises operating in the UK are members of the British Franchise Association (BFA). UK franchisees employ 594,000 staff. The majority of franchisees (73%) are single unit businesses, and 20% of UK franchisees do not employ any staff.

Franchising operates across nearly all sectors and is highly diversified. There are very few operators of multiple franchise brands that could be potential targets for new systems. Thus, it is essential for an incoming franchise to thoroughly research and to fully understand its specific industry sector. The UK market is mature, sophisticated, and in many areas saturated. To succeed here, a franchise must offer a concept that is truly unique and different from what is already available to a highly discerning consumer base. Recovery from the recession continues, albeit slowly. Financial losses in the recession have resulted in lenders and investors taking a measured and cautious approach to new business ventures. Franchisors seeking to move quickly, within months, will struggle in the UK. New franchises must prove themselves in this market. A record of success in the U.S., Asia, and the Middle East does not necessarily predict success in the European market.

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When considering the opportunities in the UK market, it is helpful to divide franchising systems into two main categories based on where they will trade: Retail or Service. Retail franchises are hallmarked by their need for significant physical trading premises while Service franchises have a limited (if any) need for a physical location. The most common examples of Retail franchises include fast/fast casual food, restaurants, bars/pubs, and hotels. Examples of Service franchises include education, management, employment/training, professional and IT services, and domiciliary care.

As they entail physical property with fixtures and fittings, Retail franchises require substantially more investment and thus carry higher risk. Property rents are high, and London property prices can be prohibitively so. Successful routes to market for

incoming U.S. franchise systems include pilot locations, joint ventures, regional chain takeover, and partnership/colocation with an existing UK franchise. UK lenders will not fund a system that is unproven in the UK market. To secure funding (typically 50%), lenders will require solid business plans, based on the results of a UK pilot or pilots. Forecasts for 1, 3, and 5 years are needed, and substantial support from the U.S. corporate parent must be demonstrated. It is important to note that the market in London is substantially different from other UK cities. A pilot's performance in London may not accurately indicate trends for the entire country. If a Retail franchise intends to trade outside of London, the pilot location(s) selected should reflect this.

Service franchises, which have a limited physical property requirement, have a substantially lower cost of initial investment than Retail franchises. As such, Service franchises offer a higher probability of success and more opportunity for U.S. franchise systems. When seeking a UK master licensee, systems with a specific, targetable candidate profile will have a better chance of success. U.S. franchises that have advertised in the UK national press have also experienced higher rates of success, as they have reached a larger potential candidate audience. Due to the high cost of recruiting unit franchisees, high cost master franchise licenses are likely to fail. The conversion rate for unit inquiries to investment ranges from 1 in 50 to 1 in 200. To support and encourage master franchisees, an emerging trend in the market is to spread the initial franchise fee over several years or as each unit is recruited. High up-front costs will deter investors and will negatively impact a master franchisee's ability to enter the market and grow the brand.

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Entering and succeeding in the UK franchise market is a challenge, however, companies that demonstrate a commitment to the market and perform adequate research into their industry will most likely do well here. Making the appropriate approach may reap highly rewarding results, as UK success is often used as a springboard into the rest of Europe.

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### Industry Events:

The British Franchise Association (BFA) runs events in several cities throughout each year. Full details can be found at [www.franchiseinfo.co.uk](http://www.franchiseinfo.co.uk), and the major BFA shows to consider for U.S. systems are:

Franchise Opportunities Live  
Radisson Blu Edwardian, London Heathrow | September 2013

The National Franchise Exhibition  
Birmingham NEC | October 2013 and February 2014

British & International Franchise Exhibition  
London Olympia | March 2014

In addition to BFA's calendar of events, The Franchise Show takes place at London ExCel in February 2014. Full details can be found at [www.thefranchiseshow.co.uk](http://www.thefranchiseshow.co.uk).

**Trade Association:**

British Franchise Association  
<http://www.thebfa.org/>

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## Medical Equipment

### Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	8,795,000	8,998,000	9,465,000	9,874,000
Total Local Production	7,432,000	7,948,000	8,355,000	8,712,000
Total Exports	3,362,000	3,674,000	3,825,000	3,995,000
Total Imports	4,725,000	4,724,000	4,935,000	5,157,000
Imports from the U.S.	1,849,000	1,889,580	1,987,650	2,073,540
Exchange Rate: 1 USD	0.65	0.65	0.65	0.65

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: ONS, Espicom MR

Total Exports: ONS

Total Imports: ONS

Imports from U.S.: ONS, ITS

The UK medical equipment market is the world's sixth largest and Europe's third largest. Valued at \$9 billion, the market is expected to increase by between 4-5% each year in 2013 and 2014. The U.S. is the most important overseas source of medical devices. The U.S. exports \$1.9 billion of medical equipment to the UK, representing 21% of the market in 2012.

The principal purchaser of medical equipment is the National Health Service (NHS), the public sector health care system, which accounts for about 86% of the country's healthcare provision. It receives funding from central government through taxation, but is essentially managed as four separate segments: NHS Wales, NHS Scotland, HSC Northern Ireland, and NHS England. The NHS delivers strategy and services both centrally and locally, through regional local authorities and other public or private organizations.

The largest segment, NHS England, is comprised of around 200 general practitioner-led (GP) clinical commissioning groups (CCG's), which plan and commission NHS services, such as hospital care or community health services, for their local patients; 166 acute trusts, which provide hospital services; 12 ambulance trusts; and 60 mental health trusts. Most medical device procurement is done by acute trusts. They can purchase goods through centralized procurement bodies, such as NHS Supply Chain ([www.supplychain.nhs.uk](http://www.supplychain.nhs.uk)), procure products individually, or pool their resources with other trusts to form consortia for procurement decisions.

The private health sector, which accounts for around 7% of the total market, is funded through health insurance and, increasingly, through self-pay patients. Its strengths lie in the provision of secondary and tertiary care in fields not traditionally offered by the NHS

(e.g. cosmetic surgery and care homes) or where public sector service is limited (NHS dental care). The nature of the UK healthcare market means that private sector growth is closely linked to public sector performance, policy and public funding for core services. The balance of the healthcare sector is made up of charities and alternative medicine.

Medical devices are regulated by EU Directives that set out compliance requirements and procedures. The Directives are the Medical Devices Directive, the Active Implantable Medical Devices Directive, and the In-Vitro Diagnostic Medical Devices Directive. For more information about these directives visit the Medicines and Healthcare Products Regulatory Agency (MHRA) web site at [www.mhra.gov.uk](http://www.mhra.gov.uk). In addition, various Health Technology Assessment (HTA) agencies such as the National Institute for Health and Clinical Excellence (NICE) ([www.nice.org.uk](http://www.nice.org.uk)), which judge the cost-effectiveness of new and existing medical devices and provide the NHS with guidance on treatment strategy, may present an additional regulatory hurdle that innovative U.S. devices must overcome.

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The best sales prospects for U.S. manufactured medical equipment are expected to be in the following areas: telemedicine; electronic monitoring equipment; home care technology; orthopedic and prosthetic equipment; rehabilitation equipment; and diagnostics.

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Radical public sector health care reforms may help open up the market to private sector providers. For example, the introduction of the 'any qualified provider scheme' (AQP) offers GP's and their patients, with certain medical conditions, treatment or care requirements, the choice of using the services of a range of approved public or private providers. A provider must be licensed by healthcare regulator, the Care Quality Commission (CQC), before it can provide services. AQP contracts are advertised on the NHS Supply2Health website at <https://www.supply2health.nhs.uk>

While the private sector currently accounts for less than one-tenth of the health care market, opportunities exist for companies to supply private hospital, residential, and nursing facilities, as well as home care service providers with equipment.

Department of Health (DoH), NHS and regional trust tenders can be found on the Official Journal of the European (OJEC) web site at [www.ted.europa.eu](http://www.ted.europa.eu)

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#### **Industry Events:**

MEDXPO, London, July 4-6, 2013  
[www.medxpo.co.uk/](http://www.medxpo.co.uk/)

Naidex Scotland, September 18-19, 2013  
[www.naidex.co.uk](http://www.naidex.co.uk)

MEDTEC UK, Birmingham, May 14-15, 2014

[www.medtecuk.com/](http://www.medtecuk.com/)

Naidex National, Birmingham, April 29-May 1, 2014  
[www.naidex.co.uk](http://www.naidex.co.uk)

**Trade Associations:**

The Association of British Healthcare Industries (ABHI)  
[www.abhi.org.uk](http://www.abhi.org.uk)

The British Healthcare Trades Association (BHTA)  
[www.bhta.net](http://www.bhta.net)

British Anesthetic & Respiratory Equipment Manufacturers Association (BAREMA)  
[www.barema.org.uk](http://www.barema.org.uk)

British In-Vitro Diagnostics Association (BIVDA)  
[www.bivda.co.uk](http://www.bivda.co.uk)

GAMBICA (Instrumentation, Control, Automation and Laboratory Technology)  
[www.gambica.org.uk/](http://www.gambica.org.uk/)

**Government Departments**

The Department of Health (DOH)  
<https://www.gov.uk/government/organisations/department-of-health>

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## Low Carbon Energy Generation and Transmission

### Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	87,648,000	92,107,000	96,620,000	101,260,000
Total Local Production	91,919,000	96,405,000	100,936,000	105,680,000
Total Exports	9,796,000	9,845,000	10,140,000	10,535,000
Total Imports	5,525,000	5,547,000	5,824,000	6,115,000
Imports from the U.S.	138,000	159,000	167,000	175,000
Exchange Rate: 1 USD	£0.65	£0.65	£0.65	£0.65

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: UK Department for Business, Innovation and Skills (BIS)

The UK's determination to become a low carbon economy creates many opportunities for U.S. companies to supply products and services that will help the UK develop sustainable, secure, low carbon energy sources. Over \$300 billion of investment is needed over the next ten years to replace older power plants and upgrade the grid - twice the rate of investment seen in the previous decade. Some of the best prospects are found in the smart grid sector, renewable energy, and new build nuclear generation.

Approximately 30,000 companies are actively involved in the low carbon and energy efficiency industry in the UK. U.S., UK and foreign companies have been attracted to the UK by the strength of market demand, substantial government investment, and the country's relatively low-risk business environment. Partnerships between UK and overseas organizations are increasingly viewed as an important means of fast-tracking the introduction of low carbon energy and energy efficiency projects into the UK.

### Sub-Sector Best Prospects

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- Smart grids: UK public and private organizations are investing in the upgrade the grid, creating significant business opportunities for U.S. companies that have developed products, services or technologies related to smart grids. Pilot projects undertaken in the UK market can serve as a benchmark to provide U.S. companies with early adopter opportunities in other European countries and in the global market.
- The uptake of renewable energy technologies has been identified by the UK Government as key for the provision of new, secure supplies, while contributing to meeting CO2 reduction targets. The UK is the global leader for offshore wind energy with 1.8 GW of operational capacity with 568 turbines already in the water, and is well placed to continue this lead role to 2020 and beyond - up to 18 GW of additional future capacity from offshore wind could be deployed by 2020. Beyond 2020 there is a very high potential for deployment with over 40 GW possible by 2030. Another renewable technology with great potential is biomass.

Biomass and energy from waste capacity increased by over 85% in the period from 2004 to 2012. In addition to biomass-dedicated plants, all major UK coal power plants are now co-firing a proportion of biomass. One or two coal fired power stations are being converted to run entirely on biomass. Biomass imports are, and will continue to be, a significant source of biomass feedstock in the UK.

- New nuclear electricity generation plants will also play a role in the UK energy mix. The estimated investment for planned, future 16GW new nuclear capacity currently stands at \$65 billion and is estimated to create 30,000 jobs by 2025. There are also opportunities in nuclear decommissioning.

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The United Kingdom is the foremost market in the rapidly developing smart grid sector in Europe. The UK smart grid market is expected to grow from \$380 million in 2010 to \$4.5 billion in 2015 and \$18 billion will be invested in the mass roll-out of smart meters, expected to begin in 2014. Private sector utilities are also expected to invest more than \$65 billion in the upgrade and expansion of the UK's transmission and distribution networks. Target sectors holding high potential for U.S exporters include: smart meters and advanced metering infrastructure; communication and data management software; grid optimization; demand response and control systems; cyber security software and services; transmission and distribution equipment; and consumer engagement platforms and services. The major competitive electricity and gas suppliers in the UK are involved in the implementation of smart grids and include: British Gas, EDF Energy, E.ON UK, RWE npower, Scottish Power and SSE.

Industry plans for the 19GW of new nuclear capacity can be broken down as follows:

- EDF Energy: 2 Areva EPR at Hinkley Point and 2 Areva EPR at Sizewell amounting to a total capacity of 6.4GW;
- Horizon (owned by Hitachi Ltd): 2 to 3 Hitachi ABWR at Oldbury and 2 to 3 Hitachi ABWR at Wylfa amounting to a total capacity of at least 6 GW; and
- NuGeneration (a 50:50 joint venture of GDF Suez and Iberdrola): up to 3.6GW capacity at Moorside in the North West of England.

With regard to a timeline, the first new-generation plants are hoped to be on-line about 2018. The UK Government aims to have 16 GW of new nuclear capacity on-line by 2025 or 2030. Suppliers will need to demonstrate that the equipment and services they offer are both commercially competitive and meet the required standards if they are to win orders, which would cover a wide spectrum of services ranging from the provision of mechanical and electrical equipment to civil materials such as structural steel and concrete, etc.

With regard to biomass, some of the major developers of biomass plants in the UK include: Drax, Forth Energy (a joint venture between Forth Ports and SSE), Helios Energy, MGT Power, E.ON and RWE npower.

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## Industry Events:

RenewableUK 2013, Birmingham, November 5-7, 2013

<http://www.renewableuk.com/en/events/conferences-and-exhibitions/renewableuk-2013/>

All-Energy 2014, Aberdeen, May (dates TBC), 2014

[www.all-energy.co.uk](http://www.all-energy.co.uk)

**Trade Associations:**

RenewableUK,

[www.renewableuk.com](http://www.renewableuk.com)

Energy Networks Association

[www.energynetworks.org/](http://www.energynetworks.org/)

**Government Departments:**

Department of Energy and Climate Change (DECC),

[www.gov.uk/government/organisations/department-of-energy-climate-change](http://www.gov.uk/government/organisations/department-of-energy-climate-change)

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## Pet Products

### Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	4,486,000	4,626,000	4,767,000	4,912,000
Total Local Production	3,301,000	3,403,000	3,509,000	3,616,000
Total Exports	1,801,000	1,855,000	1,910,000	1,967,000
Total Imports	2,986,000	3,078,000	3,168,000	3,263,000
Imports from the U.S.	1,010,000	1,050,000	1,095,000	1,130,000
Exchange Rate: 1 USD	£0.65	£0.65	£0.65	£0.65

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Unofficial estimates based on industry figures for pet products

The total pet products market in the United Kingdom reached nearly \$4.6 billion in 2012 and is forecast to grow by 6.1% to reach \$4.9 billion by 2014. Imports accounted for 66% of the market in 2012, with U.S. products accounting for 22%.

Pet food is the largest sector of the pet products market, accounting for around three quarters of sales. The growth in pet food has been driven by “premiumization” in terms of convenient single-serve packs and foil pouches, natural and organic products, and products offering functional health benefits (such as improved coat, teeth and brain function).

“Humanizing” of pets by their owners who wish to treat them as a family member is a growing trend. This is especially evident in the accessories segment where owners are purchasing high quality, premium-priced products, especially in the toys, bedding and collar categories. This sector has been driven by fashionable pet housing and bedding that fits in with home decor. Fashion and celebrity is the driving force behind pet leads and collars with metallic effects and jewels being popular.

To be successful in the UK market, pet products need to be innovative and incorporate the newest trends.

### Sub-Sector Best Prospects

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There are numerous market opportunities for U.S. manufacturers of “dog treats” and wet cat foods, especially those that are organic or ‘sports’ nutrition based. However, exporters need to be aware of the specific requirements for importing meat or meat based products into the UK.

### Opportunities

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There has been a growing trend in the ownership of miniature purse dogs in the UK and products that are geared towards these breeds are in demand. Items such as fashion accessories, coats, boots, upscale collars, Jewelry, and specialized grooming products offer potential for U.S. companies in the UK.

## **Web Resources**

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### **Industry Events:**

PATS, Harrogate International Exhibition Centre, September 15-16, 2013  
<http://www.patshow.co.uk/page.cfm>

GLEE, Birmingham National Exhibition Centre, September 15-17, 2013  
<http://www.bleebirmingham.com/>

### **Trade Associations:**

Pet Care Trade Association (PCTA)  
[www.petcare.org.uk/](http://www.petcare.org.uk/)

Product Retail Association (PPRA)  
[www.bhfgroup.co.uk/](http://www.bhfgroup.co.uk/)

Pet Food Manufacturers' Association (PFMA)  
[www.pfma.org.uk](http://www.pfma.org.uk)

International Trade Association of Pet Equipment Suppliers (PetQuip)  
[www.petquip.com/](http://www.petquip.com/)

### **Contact Details:**

For further information about the UK pet products market, please contact:

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U.S. Commercial Service  
American Embassy  
Tel: +44 (0)20 7894 0451  
Fax: +44 (0)20 7894 0020  
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## Security Products and Services

### Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	13,348,000	13,691,000	14,416,000	14,581,000
Total Local Production	12,440,000	12,883,000	13,489,000	13,629,000
Total Exports	3,579,000	3,704,000	3,757,000	3,806,000
Total Imports	4,487,000	4,512,000	4,684,000	4,758,000
Imports from the U.S.	1,333,000	1,417,000	1,544,000	1,627,000
Exchange Rate: 1 USD	0.65	0.65	0.65	0.65

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: ONS, BSIA

Total Exports: ONS, BSIA

Total Imports: ONS

Imports from U.S.: ONS, ITS

In 2012, the UK market for security products and services grew by around 2.6% to \$13.7 billion. The market continues to benefit from the focus on national security and counter terrorism as well as the need to guard against the increased threat of crime in an economic downturn. The security market is expected to continue to grow steadily over the next couple of years, as the threat to national security remains high.

Although government statistics indicate a decrease in the overall number of crimes, especially violent offences committed in 2012, demand for solutions that help enhance retail, property and personal security has grown as shoplifting, opportunistic crime and street robbery have increased during the recession. The theft of cell phones, particularly smart phones, is growing particularly rapidly. One half of all street crime in the UK is now related to mobile phone theft.

The need for increased security at airports and other high profile national locations continues to drive the demand for better screening and surveillance solutions. There has also been a growth in demand for solutions to combat the growing threat of identity theft, which affects around 2% of UK adults and costs the UK economy just over \$2.5 billion a year.

Various facets of organized crime including: the illegal drugs market, which has an estimated social and economic cost of \$27 billion a year; money laundering; intellectual property crime; firearms; and human trafficking/people smuggling; also present major threats to the UK.

### Sub-Sector Best Prospects

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- Physical screening products at airports, ports, prisons or high-profile public buildings.
- Access management solutions (secure entry systems or visitor management systems).
- Electronic security systems (intruder/burglar alarms, building control systems).
- Physical security solutions (locks/safes/fencing/security doors/manned guarding).

## Opportunities

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The constant terrorism threat from internal and external groups is driving the need for new technology and product innovation. The U.S. security market is highly advanced and leads the UK in the implementation of new security technology.

An increasing number of public sector police support services, such as crime scene management, custody or security services, are being outsourced to private companies. This growing trend, together with diminishing police resources and budgets, is likely to create opportunities for private sector companies that work in this segment.

## Web Resources

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### Industry Events:

IFSEC, Birmingham, May 13-16, 2013  
[www.ifsec.co.uk](http://www.ifsec.co.uk)

Counter Terror Expo, London, April 30 - May 1, 2014  
[www.counterterrorexpo.com](http://www.counterterrorexpo.com)

INFOSEC, London, April 29-May 1, 2014  
[www.infosec.co.uk/](http://www.infosec.co.uk/)

### Trade Associations:

British Security Industry Association  
[www.bsia.co.uk/](http://www.bsia.co.uk/)

ADS - Aerospace, Defence, Security Group  
[www.adsgroup.org.uk/](http://www.adsgroup.org.uk/)

Information Systems Security Association UK Chapter  
[www.issa-uk.org/](http://www.issa-uk.org/)

### Government Departments & Documents:

Home Office Centre for Applied Science and Technology  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/115681/intro-to-cast.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/115681/intro-to-cast.pdf)

Centre for the Protection of the National Infrastructure  
[www.cpni.gov.uk/](http://www.cpni.gov.uk/)

Office of Counter Terrorism

<https://www.gov.uk/government/policies/protecting-the-uk-against-terrorism>

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## Sustainable Construction Products and Services

### Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
UK Construction Market	164,261,538	150,507,692	147,497,538	151,965,854
Sustainable Construction	21,354,000	22,576,154	22,965,283	23,956,204
Exchange Rate: 1 USD	£0.65	£0.65	£0.65	£0.65

#### Data Sources:

Total Construction Output: ONS

Sustainable Construction: Unofficial estimate

The UK market for construction products and services was worth an estimated \$150 billion in 2012, a decrease of 8.4% from the previous year. The fall in output is due largely to the reduction in public sector work, a casualty of ongoing government austerity measures (public new housing is down 18.7% and public other new work is down 21.3%). The market experienced a small rise in output during the final quarter of 2012 (0.9%), as a result of work in the private new housing (5.9%) and infrastructure (4.2%) segments; especially in the London and wider South East region. Industry experts predict a further fall in output of around 2% in 2013, but expect private housing and existing or planned infrastructure projects to help to drive recovery in 2014. Falling output and economic challenges aside, the UK construction market remains large and competitive with a constant need for new products and services.

Sustainable construction was estimated to account for around 15% (\$22 billion) of the total market in 2012. High demand for 'green' or sustainable products and services should help the segment to maintain and possibly increase its value in 2013. It should experience growth as the construction industry recovers and continues to implement initiatives to encourage the use of efficient and sustainable materials.

Government measures to reduce CO<sup>2</sup> emissions, address climate change and improve energy and water efficiency continue to be the key drivers of the sustainable construction market. The main legislative driver is The Climate Change Act 2008, which introduced legally binding targets for greenhouse gas emissions by 2050. In addition to the Act, the UK's Strategy for Sustainable Construction provides additional sustainability targets for the construction industry. Further, the Energy Bill 2011 created the Green Deal, a financing framework for fixed improvements to the energy efficiency of homes, which launched in January 2013. Revisions to Part L of Building Regulations (England and Wales), towards the end of 2013, will constitute another step towards the government's pledge that all new homes and non-domestic buildings will be zero carbon from 2016 and 2019 respectively. Within the commercial segment, the CRC Energy Efficiency Scheme, a mandatory scheme to improve energy efficiency in large public and private sector organizations, will help drive demand in the commercial/industrial property retrofit segment.

## Sub-Sector Best Prospects

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- Design/architecture in the affordable, sustainable housing segment.
- Various government and industry initiatives, such as the Green Deal and Heat Strategy, will continue to drive demand for products which improve building energy efficiency.

## Opportunities

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The Code for Sustainable Homes is a national standard which rates and certifies the sustainability of new homes within nine sustainable categories (e.g. materials, waste or energy). The Code follows a star rating system from Level 1 (10%) up to Level 6 (Zero Carbon) to indicate sustainability. This is driving demand for competitive priced building materials that can help achieve higher levels of sustainability and efficiency in buildings.

The Green Deal, launched in January 2013, creates demand for products which improve energy efficiency in domestic and non-domestic buildings. It enables private firms to offer consumers energy efficient improvements for their homes, community spaces or businesses at no upfront cost. Suppliers will recoup the money that they have advanced to consumers through the savings made on the customer's energy bills.

## Web Resources

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### Industry Events:

Greenbuild Expo, Manchester, May 8-9, 2013

<http://www.greenbuildexpo.co.uk/>

PLANTWORX, Coventry, May 14-16, 2013

[www.plantworx.co.uk/](http://www.plantworx.co.uk/)

UK Concrete Show, Birmingham, February 26-27, 2014

[www.concreteshow.co.uk/](http://www.concreteshow.co.uk/)

Ecobuild, London, March 4-6, 2014

[www.ecobuild.co.uk](http://www.ecobuild.co.uk)

CITE 2014, London, May 20-22, 2014

[www.cite-uk.com/](http://www.cite-uk.com/)

### Trade Associations:

UK Green Building Council

[www.ukgbc.org/](http://www.ukgbc.org/)

Low Carbon Trust

[www.lowcarbon.co.uk/](http://www.lowcarbon.co.uk/)

BREEAM (BRE Environmental Assessment Method) (UK equivalent of LEED)

[www.breeam.org/](http://www.breeam.org/)

The Construction Products Association  
[www.constructionproducts.org.uk/](http://www.constructionproducts.org.uk/)

Construction Equipment Association  
[www.coneq.org.uk/](http://www.coneq.org.uk/)

**Government Departments:**

Department for Communities and Local Government  
[www.gov.uk/government/organisations/department-for-communities-and-local-government](http://www.gov.uk/government/organisations/department-for-communities-and-local-government)

Department for Environment, Food and Rural Affairs (DEFRA)  
[www.gov.uk/government/organisations/department-for-environment-food-rural-affairs](http://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs)

Department for Business Innovation and Skills (BIS)  
[www.gov.uk/government/organisations/department-for-business-innovation-skills](http://www.gov.uk/government/organisations/department-for-business-innovation-skills)

Highways Agency <http://www.highways.gov.uk/>

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## Travel and Tourism

### Overview

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	2011	2012	2013 (estimated)	2014 (estimated)
UK arrivals (millions)	3.84	3.79	3.91	4.03
Total Spend by UK travelers (\$ billions)	11.98	13.04	13.39	13.79

The number of UK travelers visiting the U.S. declined for the third straight year in 2012 although the decline was small (-1.4%), similar to both 2010 and 2011. Even so, with 3.79 million travelers, the UK remained the number one overseas market for inbound travel to the U.S. Latest industry forecasts suggest that the downward trend will reverse in 2013 with growth of around 3% leading to 3.91 million UK visitors to the U.S.

Continuing uncertainty surrounding the UK economy has made UK consumers think twice about vacation plans. Price and value remain the major determining factors when cost conscious UK consumers consider where to visit. Given the reliance on price, it's small wonder that short-haul destinations, invariably within the EU, dominate the list of preferred destinations. The recent rise in Air Passenger Duty (APD) has aggravated the situation, with many consumers originally considering a long-haul destination choosing instead a nearer location within a cheaper APD band. APD rose again in April 2013 and Economy Class passengers traveling to the U.S. now pay \$100 in APD tax. Despite this the U.S. still appeals to the UK consumer helped by Brand USA's two marketing campaigns. These campaigns, one in mid-2012, the other in early 2013 created a 14% surge in "intent to visit". Industry experts hope that a sizable percentage of this "intent to visit" will translate into actual bookings during 2013.

The exchange rate remains another vital factor in the booking process as consumers search for best value. Surprisingly, the crisis within the Eurozone over the past six months has seen the euro gain against the UK pound by over 5%. This should have benefitted the U.S, but the dollar also strengthened against the UK pound during this period, making currencies outside the euro and the dollar more competitive and attractive for UK travelers, i.e. Turkish Lira, Moroccan Dirham, and Tunisian Dinar.

### Sub-Sector Best Prospects

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The top two U.S. city destinations for UK travelers remain New York City and Orlando. This is due to the volume of available product and the frequency of direct nonstop flights. New York City is recovering following Hurricane Sandy, but it's doubtful that any significant growth will come from the UK in 2013. Similarly, Orlando is trying hard to recapture lost market share and has devoted considerable in-country resources to promote itself. The city depends heavily on the mass market, i.e. families, but in the UK this is the market segment hardest hit by the ongoing economic turmoil. Like New York City, Orlando is unlikely to see any real growth in 2013, but as these two destinations

account for 48% of all UK travelers visiting the U.S, they must be considered as “best prospects”.

The Western states continue to see steady growth because they appeal to UK travelers with higher disposable incomes, who are frequent visitors to the U.S., and who want to experience the real America. This growth has come from high-end tour operators selling tailor made itineraries or fly-drive packages within the region.

The Deep South remains popular due to the popularity of fly-drive packages centered on New Orleans and emphasizing the cultural heritage and history of the region. New England remains a popular year round destination boosted by ease of travel, frequency of flights and perception from UK consumers especially for packages that capture the “fall colors”.

## **Opportunities**

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Opportunities exist for U.S. travel suppliers meeting demand from frequent UK travelers who invariably focus on specific niche sectors. These are usually outdoors, e.g. National and State Parks, Scenic Byways, Walking, Hiking, Golf Holidays, but also include other less familiar sectors such as Agritourism, primarily culinary tourism and wineries. Cultural Tourism, especially musical heritage, visiting small towns and historical sites always prove popular with UK travelers. Shopping remains a must, although UK travelers now tend to be more discerning with their purchases, but will still spend. Despite the less than optimistic forecast for the two leading destinations, New York City and Orlando, opportunities exist but only if the price is right, although the introduction of anything “new” in Orlando’s Theme Parks can influence repeat visitation. San Francisco, Los Angeles and Las Vegas also offer good prospects with constant introduction of new products enticing both first time and repeat visitors. San Francisco, for example, as host city for the 2013 America’s Cup, can expect more UK visitors as should Las Vegas that is hosting U.S. Travel Association’s International Pow Wow this year. Opportunities also exist for second and third tier destinations as UK travelers look to discover more of what the U.S. offers international visitors.

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### **Industry Events:**

IPW (International PowWow), Las Vegas, Nevada, June 8-12, 2013  
<http://www.ipw.com/>

World Travel Market, ExCel Conference Centre, London, November 4-7, 2013  
<http://www.wtmlondon.com/>

### **Trade Associations:**

Visit USA Association (UK) Ltd (VUSA)  
Tel: +44 (0)20 7495 4814  
Fax: +44 (0)20 7495 4851  
Contact: Paul Verhaak, Chief Operating Officer  
Email: [paul.verhaak@visitusa.org.uk](mailto:paul.verhaak@visitusa.org.uk)  
<http://www.visitusa.org.uk/>

U.S. Travel Association

Tel: (202) 408 2141

Fax: (202) 408 1255

Contact: Malcolm Smith, Vice President Business Development

Email: [msmith@ustravel.org](mailto:msmith@ustravel.org)

<http://www.ustravel.org/>

Brand USA (UK)

Tel: +44 (0)20 7845 6373

Contact: Gerry Boyle, Account Director

Email: [Gerry@blackdiamond.co.uk](mailto:Gerry@blackdiamond.co.uk)

<http://www.thebrandusa.com/>

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The UK is a very important market for U.S. agricultural products. In calendar year 2012, U.S. exports of agricultural, fish and forestry products to the UK were \$1.9 billion, an all-time high. There are strong historic and cultural ties between the UK and the U.S., which are obvious in consumer trends in retail and foodservice markets. The UK presents market opportunities for many U.S. consumer oriented products, including specialty food products, “healthy” food items, wine, sauces, fruit, nuts and juices. “Health” and convenience foods are the main driving forces in the UK value-added food and beverage market. Consumers in this relatively wealthy country are looking for variety in high quality food products especially those perceived to have health benefits and a strong provenance.

Consumer oriented food and beverage products remain the most important sector, amounting to 43 percent (\$820 million) of total U.S. exports of agricultural, fish and forestry products to the UK in calendar year 2012. Ranked as the twelfth most import destination for U.S. consumer orientated food products, the UK continues to differentiate itself from its European neighbors in this product area. Fruit, vegetables and nuts account for over 39 percent of this category imported from the U.S. into the UK. U.S. wines, particularly from California, have established a high profile in the UK and, despite a dip in 2009, sales remain strong at \$227 million in calendar year 2012. There has also been notable success for branded snack foods and grocery goods, largely by generating niche markets and specialist distribution based upon their quality attributes.

The UK is also a key market for U.S. fish and seafood products (\$126 million in calendar year 2012). Over 58 percent of U.S. seafood exports to the UK in calendar year 2012 were accounted for by canned salmon shipments, although increasing volumes of fresh and frozen salmon from the wilds of Alaska are entering the UK and appearing on retailer’s shelves. Also, considerable volumes of Alaskan Pollack have entered the UK over the last 5 years. These shipments are destined for the processing sector to compensate for the decline in harvested volumes of whitefish as a result of low levels of fish stocks in European fishing grounds.

U.S. forestry product exports to the UK have been under pressure in recent years due to strong competition from low cost third country suppliers, as well as EU competitors such as Scandinavia. Technical barriers with regard to differing standards and certification requirements have also made trade difficult. However, calendar year 2012 saw a resurgence in trade to the UK with timber generating a record \$303 million of export revenue.

**Opportunities and Challenges for U.S. Products in the UK**

Opportunities	Constraints
The scale of the U.S. food industry may offer price competitiveness on large volume orders	Competition from EU member states (import duty payable on U.S. products)
The UK climate limits growing seasons and	Poultry and red meat imports are highly

types of products grown	regulated by the EU; as are dairy product imports from the U.S.
The diversity of the U.S. population creates innovative food products and concepts which are often mirrored in the UK	Must meet strict UK/EU/retailer rules on food safety, traceability, environmental issues and plant inspection
U.S. has good brand image in UK. The U.S. is a popular destination for the UK tourist and familiarity with U.S. products is widespread	Labels, including nutritional panels, need to be changed. Pack sizes and palletization may also need changing
A common language means that the UK is a natural gateway into Europe	Need to develop relationship with UK trade contacts and invest in marketing product
The UK has a core group of experienced importers with a history of sourcing from the U.S.	Biotech (GMO) ingredients are not widely accepted by the UK consumer, perhaps due to aggressive negative press
Strong interest in innovative products. Currently there is high interest in natural, "wholesome" and "health" food categories	Taste buds differ e.g. in the UK, popcorn is sweet, relishes are like jam, and spicy doesn't mean high chili content

## Best Prospects and Top Ten Exports

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### Ten Best Products/Prospects

- Natural, wholesome & healthy foods (including gluten-free, meat-free, functional foods)
- Wine
- Seafood
- Fresh fruit & vegetables
- Dried fruit & nuts
- Specialty sauces & condiments
- Snack foods
- Confectionery
- Beer (including micro-breweries)
- Soft Drinks

Top U.S. Agricultural Product Exports to the UK by Value & Calendar Year (\$ Millions)					
	2008	2009	2010	2011	2012
Wine & Beer	266	194	218	239	227
Other Value-Added Wood (including wood for fuel, finished wood products, builders joinery etc)	105	92	111	113	202
Other Intermediate (other crop products, animal products etc)	170	169	181	203	189
Other Consumer Oriented (including spices, pasta, soup, ice cream etc)	103	108	181	199	164
Tree Nuts (including coconuts, brazil nuts, cashew nuts, hazelnuts, almonds, chestnuts,	89	68	95	110	130

pistachios etc)					
Soybeans	-	-	28	14	108
Processed Fruit & Vegetables (including frozen, preserved, dried, shelled, cut etc)	125	102	102	103	95
Live Animals (includes race horses)	86	119	81	52	88
Soybean Meal	31	22	33	26	82
Salmon, Canned	72	61	55	82	73

## Resources

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The U.S. Department of Agriculture (USDA) is represented in the UK by the Foreign Agricultural Service (FAS) in the U.S. Embassy in London. FAS works to improve foreign market access for U.S. agricultural, fish and forestry products and operates programs designed to build new markets and improve the competitive position of U.S. agriculture in the global marketplace.

The primary role of FAS/London is to advise U.S. exporters and to increase U.S. market presence by focusing resources on viable product categories sought after by UK buyers. The FAS office also works on detection and elimination of trade barriers; analysis of and reporting on the UK agricultural situation, outlook and market opportunities for U.S. agricultural, fish and forest products; and representation of U.S. agricultural policies to UK trade and public. FAS/London works in conjunction with marketing partners such as U.S. trade associations, State departments of agriculture, small businesses and cooperatives to implement a unified export strategy.

FAS provide a range of services (free-of-charge) to assist U.S. exporters of agricultural products in achieving export success. More detailed information can be obtained by contacting:

FAS/London  
 Tel: +44 20 7894 0464  
 Email: [aglondon@fas.usda.gov](mailto:aglondon@fas.usda.gov)

Information on FAS global services can be found at FAS Online:  
<http://www.fas.usda.gov/>

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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Customs duty is assessed on the fair market value of imported goods at the time they are landed in the UK. Import prices for products entering the UK from non-EU states generally consist of: Cost, Insurance, Freight and Duty, with VAT of 20% levied on the aggregate value.

The commercial invoice value is usually accepted as the normal price, but if a preferential arrangement has been established between the overseas supplier and the importer, or an unrealistic value has been declared, HM Revenue and Customs (HMRC) reserves the right to assess a fair market value for duty purposes. The duty is payable at the time the goods are imported, but established importers can defer payment for an average of 30 days. In addition to customs duties on imported goods, an excise tax is levied on in-country sales of alcohol, tobacco, and road vehicles, and on sales of oil and petroleum products.

The applicable import duty and excise tax rates can be obtained from U.S. Department of Commerce Export Assistance Centers, and copies of the tariff can be purchased from HMRC Stationery Office.

The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily

Key link:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/tariff\\_aspects/customs\\_tariff/](http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/)

## Trade Barriers

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The UK has no significant trade or investment barriers and no restrictions on the transfer of capital or repatriation of profits. The very few barriers that exist are almost all attributable to UK implementation of EU Directives and regulations.

For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website: <http://www.ustr.gov/about-us/press-office/reports-and-publications/2013/NTE-FTB>

Information on agricultural trade barriers can be found at the following website: <http://www.fas.usda.gov/posthome/useu/>

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://www.trade.gov/tcc> or the U.S. Mission to the European Union at <http://export.gov/europeanunion/>.

## Import Requirements and Documentation

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A limited range of goods requires import licenses, which are issued by the Import Licensing Branch of the UK Department for Business, Innovation and Skills. These include firearms and explosives, nuclear materials, controlled drugs and certain items of military equipment.

Key link:

<https://www.gov.uk/import-controls>

## U.S. Export Controls

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The U.S. Senate ratified the U.S.-UK Defense Trade Cooperation Treaty on September 29, 2010. This treaty allows for the export of certain defense articles and the furnishing of defense services, controlled pursuant to the International Trafficking in Arms Regulations (ITAR).

Key link:

<http://www.pmddtc.state.gov/treaties/>

In addition to International Trafficking in Arms Regulations (ITAR), re-exports from the UK and the activities of UK-based subsidiaries are subject to UK export controls. These are managed by the Export Control Organisation (ECO), an office of the UK Department for Business, Innovation and Skills. U.S. companies supplying certain restricted items appearing on the UK Military List, including missile and long-range UAV technology, are encouraged to consult guidance available from the ECO website on the trafficking and brokering provisions contained in the UK Export Control Act 2002.

Key link:

## Temporary Entry

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Raw materials, temporarily imported for incorporation into products for export, may be admitted without payment of duties and taxes. The importer must provide a bank or insurance company guarantee or indemnity for the applicable duties and taxes. Goods intended for unaltered re-export may also be imported free of duty for a period of up to six months by prior arrangement with Her Majesty's Revenue & Custom (HMRC), <http://www.hmrc.gov.uk/index.htm>. Temporary entries and goods imported for technical examination and testing are subject to a VAT deposit scheme with VAT refunded following the re-export of the goods. Products imported for repair, calibration or incorporation are admitted with conditional relief from duty and VAT pending correct disposal of goods, usually re-export from the European Community.

Professional and demonstration equipment may be temporarily imported into the UK free of duty and tax under the Customs Convention on the Temporary Importation of Professional Equipment. A carnet should be obtained from the U.S. Council of the International Chamber of Commerce: <http://www.iccwbo.org/>. Additionally, these goods may also be imported under the above-mentioned VAT deposit scheme for temporary entries.

## Labeling and Marking Requirements

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In the UK, origin, weight and dimension, chemical composition and appropriate hazard warnings are required for consumer protection purposes on any product offered for retail sale. If the product cannot be labeled or marked, the data may be included on any packaging, accompanying printed material, or product literature. European and British clothing and shoe sizes are differently marked, and special provision may have to be made for apparel retail labeling. Dual labeling is strongly supported by the UK, which uses the practice as a cost-saving measure in its exports to North America.

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at: [http://buyusainfo.net/docs/x\\_366090.pdf](http://buyusainfo.net/docs/x_366090.pdf)

## Prohibited and Restricted Imports

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Prohibited imports include AM citizens band radios, switchblade knives, devices that project toxic, noxious or harmful substances (e.g., tear gas), counterfeit coins and currency, certain types of pornography and hormone-treated beef.

The UK participates in the Wassenaar Arrangement for the control of dual-use exports; the Australia Group (AG) for the control of chemical and biological weapons; and the Nuclear Suppliers' Group (NSG) for nuclear-related goods, preventing the export of restricted goods and technology to countries of proliferation concern. The UK also supports United Nations' sanctions restricting exports to certain other destinations. Although sensitive to the extraterritorial application of U.S. law in export controls, the UK authorities cooperate with the U.S. in preventing the re-export of sensitive goods and

technology of U.S.-origin to unauthorized destinations, when the enforcement action is based on multilateral controls.

The TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Key link:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/tariff\\_aspects/customs\\_tariff/](http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/)

## Customs Regulations and Contact Information

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The documents required for shipments include the commercial invoice, bill of lading or airway bill, packing list, insurance documents, and, when required, special certificates of origin, sanitation, ownership, etc.

A copy of the commercial invoice should accompany the shipment to avoid delays in customs clearance. It is worth noting that imprecise descriptions are a common reason for goods being held without customs clearance, meaning that a clear description of the goods is essential and should be worded in such a way as to describe the goods to an individual who may not necessarily have an understanding of a particular industry or article. A clear description of goods should satisfy three basic questions as to what the product is, for what is it used, and of what it is made.

No special form of invoice is required, but all of the details needed to establish the true value of the goods should be given. At least two additional copies of the invoice should be sent to the consignees to facilitate customs clearance. Consular documents are not required for shipments to the UK. For additional information, please visit the UK Customs website: <http://www.hmrc.gov.uk/>.

## Standards

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Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU's different approach to the protection of the health and safety of consumers and the environment. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive as well as to possible additional national requirements.

European Union standards are harmonized across the 27 EU member states and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of new approach legislation, go to: <http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/>

### Agricultural Standards

The establishment of harmonized EU rules and standards in the food sector has been ongoing for several decades, but it took until January 2002 for the publication of a general food law establishing the general principles of EU food law. This Regulation introduced mandatory traceability throughout the feed and food chain as of Jan 1, 2005. For specific information on agricultural standards, please refer to the Foreign Agricultural Service's website at: <http://www.fas.usda.gov/posthome/Useu/>

EU standards setting is a process based on consensus initiated by Industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. There is strong encouragement for non-governmental organizations, such as environmental and consumer groups, to actively participate in European standardization.

Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

CENELEC, European Committee for Electrotechnical Standardization  
(<http://www.cenelec.eu/>)

ETSI, European Telecommunications Standards Institute  
(<http://www.etsi.org/>)

CEN, European Committee for Standardization, handling all other standards  
(<http://www.cen.eu/cenorm/homepage.htm>)

Standards are created or modified by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the member states, which have "mirror committees" that monitor and participate in ongoing European standardization. CEN and CENELEC standards are sold by the individual member states standards bodies. ETSI is different in that it allows direct participation in

its technical committees from non-EU companies that have interests in Europe and gives away some of its individual standards at no charge on its website. In addition to the three standards developing organizations, the European Commission plays an important role in standardization through its funding of the participation in the standardization process of small- and medium-sized companies and non- governmental organizations, such as environmental and consumer groups. The Commission also provides money to the standards bodies when it mandates standards development to the European Standards Organization for harmonized standards that will be linked to EU technical legislation. Mandates can be checked on line at <http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/>

Given the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members (countries which are hopeful of becoming full members in the future) such as Albania, Belarus, FYR Macedonia, and Morocco among others. Another category, called "partner standardization body" includes the standards organization of Mongolia and Australia, which are not likely to become a CEN member or affiliate for political and geographical reasons.

The role of standards in legislation is undergoing review. The Commission's proposal, which is now in its first reading at the European Parliament, clarifies the relationship between regulations and standards and confirms the role of the three European standards bodies in developing EN harmonized standards. The emphasis is also on referencing international standards where possible. For information, communication and technology products, the importance of interoperability standards has been recognized. Through a newly established mechanism, a board will decide which deliverables from forums and consortia will be acceptable for public procurement specifications. The European standards bodies have been encouraged to improve efficiency in terms of delivery and to look for ways to include more societal stakeholders in European standardization.

Key link:

<http://ec.europa.eu/enterprise/policies/european-standards/standardisation-policy/>

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

**Conformity Assessment**

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Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages, from design to production, to

facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. Conformity assessment bodies in individual member states are listed in NANDO, the European Commission's website.

Key link:

<http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and CEN workshop agreements (CWA) Certification Rules. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

## **Product Certification**

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To sell products on the EU market of 27 member states as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking, but hopefully this section provides some background and clarification.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the member states, and its use simplifies the task of essential market surveillance of regulated products.

The CE marking addresses itself primarily to the national control authorities of the member states, and its use simplifies the task of essential market surveillance of regulated products. As market surveillance was found lacking, the EU adopted the New Legislative Framework, which went into force in 2010. As mentioned before, this framework is like a blueprint for all CE marking legislation, harmonizing definitions, responsibilities, European accreditation and market surveillance.

## Accreditation

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Independent test and certification laboratories, known as notified bodies, have been officially accredited by competent national authorities to test and certify to EU requirements.

"European Accreditation" (<http://www.european-accreditation.org/>) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

## Publication of Technical Regulations

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The Official Journal is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, studies by committees, and more (<http://eur-lex.europa.eu/JOIndex.do>). It also lists the standards reference numbers linked to legislation (<http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/>).

National technical Regulations are published on the Commission's website [http://ec.europa.eu/enterprise/tris/index\\_en.htm](http://ec.europa.eu/enterprise/tris/index_en.htm) to allow other countries and interested parties to comment.

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical regulations that could affect trade with other member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## Labeling and Marking

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Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of member states to require the use of the language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key link:

[http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/index_en.htm)

## The Eco-label

The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product from its manufacture, use, and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are currently twenty-three different product groups, and approximately 250 licenses have been awarded for several hundred products.

Applications to display the eco-label should be directed to the competency body of the member state in which the product is sold. The application fee will be somewhere between €300 and €1300 depending on the tests required to verify if the product is eligible. The eco-label also carries an annual fee equal to 0.15% of the annual volume of sales of the product range within the European community. However, the minimum annual fee is currently set at €500 and maximum €25,000.

There are plans to significantly reform the eco-label in the near future, reducing the application and annual fees and expanding the product ranges significantly. It is also possible that future eligibility criteria may take into account carbon emissions.

### Key links:

Eco-label Home Page

<http://ec.europa.eu/environment/ecolabel/>

Product Categories eligible for the Eco-label

<http://ec.europa.eu/environment/ecolabel/products-groups-and-criteria.html>

Eco-Label Catalogue

<http://ec.europa.eu/ecat/>

List of Competent Bodies

<http://ec.europa.eu/environment/ecolabel/competent-bodies.html>

Revision of the Eco-label

<http://ec.europa.eu/environment/ecolabel/criteria-development-and-revision.html>

The Eco-label and Carbon Footprint

<http://www.ecolabelindex.com/ecolabel/carbon-footprint-of-products>

**Contacts**

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The following link lists standards and conformity bodies throughout the UK and EU:

[http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=country.notifiedbody&cou\\_id=826](http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=country.notifiedbody&cou_id=826)

## Trade Agreements

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The UK participates in the free trade arrangements of the European Union (EU) and European Free Trade Association (EFTA), and is a member of the World Trade Organization (WTO). For a list of trade agreements with the EU and its Member States, as well as concise explanations, please see: [http://tcc.export.gov/Trade\\_Agreements/](http://tcc.export.gov/Trade_Agreements/)

The U.S. Senate ratified the U.S.-UK Defense Trade Cooperation Treaty on September 29, 2010. This treaty allows for the export of certain defense articles and the furnishing of defense services, controlled pursuant to the International Trafficking in Arms Regulations. For further information refer to: <http://www.pmddtc.state.gov/treaties/>

## Web Resources

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General Regulation Inquiries:

Office of the U.S. Trade Representative  
<http://www.ustr.gov/>

U.S. Mission to the EU (USEU)  
<http://www.useu.be> or <http://useu.usmission.gov/>

Foreign Agricultural Service website, USEU  
<http://www.fas.usda.gov/posthome/useu>

Trade Compliance Center  
<http://tcc.export.gov/>

U.S. Commercial Service European Union  
<http://export.gov/europeanunion/>

UK Packaging and Labeling Requirements

Department for Business, Innovation and Skills  
Eco-Design and Product Regulation Team  
Sustainable Development and Regulation Directorate  
1 Victoria Street  
London SW1H0NN  
UK  
Tel: 011 44 20 7215 5000  
Fax: 011 44 20 7215 2635  
<https://www.gov.uk/environmental-regulations>

Customs and Rules/Regulations for the UK

Customs & International Trade Written Enquiries Team  
HM Revenue & Customs  
Crownhill Court  
Tailyour Road  
Plymouth PL6 5BZ

UK

Tel: 011 44 2920 501 261

E-mail: [Enquiries.estn@hmrc.gsi.gov.uk](mailto:Enquiries.estn@hmrc.gsi.gov.uk)

<http://www.hmrc.gov.uk/>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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The UK was the world's seventh largest recipient of foreign direct investment in 2011, slipping from fifth position in 2010, receiving U.S. \$53.9 billion, according to the United Nations Conference on Trade and Development (UNCTAD) latest available figures. Despite the drop in ranking, however, inflows have increased 7 percent over 2010. The UK attracted 17 percent of all European Union (EU) FDI inflows, the highest percentage for a single EU country, but this position is under threat, with Germany's share of FDI rising for the fifth year in a row to reach 15 percent. The United States remains the primary source of foreign direct investment into the UK. In FY 2010-2011, the United States contributed 24% of all inward investment projects to the UK and over 30% of all inward investment-generated jobs. In 2010, the United States contributed FDI inflows of \$227 billion, a rise of 15% on 2009.

With a few exceptions, the UK does not discriminate between nationals and foreign individuals in the formation and operation of private companies. U.S. companies establishing British subsidiaries generally encounter no special nationality requirements on directors or shareholders, although at least one director of any company registered in the UK must be ordinarily resident in the UK. Once established in the UK, foreign-owned companies are treated no differently from UK firms. Within the EU, the British Government is a strong defender of the rights of any British-registered company, irrespective of its nationality of ownership.

Market entry for U.S. firms is greatly facilitated by a common language, legal heritage, and similar business institutions and practices. Long-term political, economic, and regulatory stability, coupled with relatively low rates of taxation and inflation make the UK particularly attractive to foreign investors. The Coalition Government, formed between Conservatives and Liberal Democrats in May 2010, is committed to economic reforms, including privatization, deregulation, and support for competition. Both political parties in the coalition believe in a liberal economic policy.

Local and foreign-owned companies are taxed alike. Inward investors may have access to certain EU and UK regional grants and incentives that are designed to attract industry to areas of high unemployment, but no tax concessions are granted. The UK taxes corporations 24 percent on profits over GBP 1.5 million (USD 2.4 million). Small companies are taxed at a rate of 20 percent for profits up to GBP 300,000 (USD 471,000) and marginal tax relief is granted on profits between these thresholds. Tax deductions are allowed for expenditure and depreciation of assets used for trade purposes. These include machinery, plant, industrial buildings, and assets used for research and development. A special rate of 20 percent is given to unit trusts and open-ended investment companies.

<b>Corporate Tax rates for 2008–2012</b>			
	<b>2008–2010</b>	<b>2011</b>	<b>2012</b>
Small profits rate	21%	20%	20%
Small profits upper limit	£300,000	£300,000	£300,000
Marginal relief limits	£300,001 – £1,500,000	£300,001 – £1,500,000	£300,001 – £1,500,000
Main rate	28%	26%	24%

The government announced an increase in the tax levied on North Sea oil and gas production in April 2011. The increase in the levy was not pre-announced or consulted, and oil and gas producers in the region, as well as the Scottish Executive (many of the jobs and revenues associated with North Sea energy extraction are generated in Scotland), complained that they had not been consulted and that investment in the region would be curtailed. Investment decisions were delayed at the time, but the continued high level of the oil price has meant that new North Sea energy extraction continues.

The UK has a simple system of personal income tax. The basic income tax rate is 20 percent on income over a personal tax free allowance of GBP 8,105 (USD 13,010) and less than GBP 34,371 (USD 55,172). For earnings over GBP 100,000 (USD 160,500) and less than GBP 116,210 (USD 186,517), the tax free allowance is reduced by GBP 1 for every GBP 2 of over additional income. As part of the Coalition Government's plan to reduce the significant UK budget deficit, tax rates on income over GBP 35,000 will increase from 40 to 45 percent as of April 2013. UK citizens also make mandatory payments of about 12 percent of income into the National Insurance system, which funds social security and retirement benefits. The UK requires non-domiciled residents of the UK to either pay tax on their worldwide income or the tax on the relevant part of their remitted foreign income being brought into the UK. If they have been resident for 7

years or more, and they choose to pay tax only on their remitted earnings, they may be subject to an additional charge of GBP 30,000 (USD 48,141).

The Scottish Parliament has the legal power to increase or decrease the basic income tax rate in Scotland, currently 20 percent, by a maximum of 3 percentage points. The Scottish Government has been opposed to a rise in tax. However, in practice HM Revenue & Customs (HMRC) admitted to the Scottish Cabinet Secretary for Finance in 2010 that the computer systems between Scotland and the HMRC are incapable of processing collections that fall under this category of devolved taxation power.

The UK imposes few impediments to foreign ownership. The UK subscribes to the OECD Committee on Investment and Multinational Enterprises' (CIME) National Treatment Instrument and the OECD Code on Capital Movements and Invisible Transactions (CMIT).

U.S. companies have found that establishing a base in the UK is an effective means of accessing the European Single Market, and the abolition of most intra-European trade barriers enables UK-based firms to operate with relative freedom throughout the EU. Many U.S. companies have operations in the UK, including all top 100 of Fortune 500 firms. The UK hosts more than half of the European, Middle Eastern and African corporate headquarters of American-owned firms.

### **British Overseas Territories**

The British Overseas Territories (BOTs) comprise Anguilla, British Antarctic Territory, Bermuda, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, Pitcairn Islands, St. Helena and its dependencies Ascension and Tristan da Cunha, Turks and Caicos Islands, South Georgia and South Sandwich Islands, and Sovereign Base Areas on Cyprus. The BOTs retain a substantial measure of responsibility for their own affairs. Local self-government is usually provided by an Executive Council and elected legislature. Governors or Commissioners are appointed by the Crown on the advice of the British Foreign Secretary, and retain responsibility for external affairs, defense, and internal security. However, the UK imposed direct rule on the Turks and Caicos Islands in August 2009 after an inquiry found evidence of corruption and incompetence. Its Premier was removed and its constitution was suspended. The UK restored Home Rule following elections in November 2012.

The UK's Department for International Development (DFID) is committed to "help to provide an improved environment for economic and social development and promote self-sustainability" of the BOTs. Many of the territories are now broadly self-sufficient. However, DFID maintains development assistance programs in St. Helena, Montserrat and Pitcairn, including budgetary aid to meet the islands' essential needs and development assistance to help encourage economic growth and social development. Other BOTs receive small levels of assistance through "cross-territory" programs for issues such as environmental protection, disaster prevention, HIV/AIDS and child protection. The UK also lends to the BOTs as needed, up to a pre-set limit, but assumes no liability for them if they encounter financial difficulty.

Many of the BOTs, particularly those in the Caribbean, have been hit hard by the financial crisis. In the Cayman Islands, the British Virgin Islands, the Turks and Caicos

and Anguilla, decreases in financial services activity and tourism have resulted in falling output and government revenue. Fisheries and tourism activity in the Falkland Islands have fallen while the government revenues of Gibraltar, with its more diversified economy, have been resilient. To mitigate the impact of the crisis, the territories are reprioritizing government expenditure and looking at ways to increase revenue. Additionally, BOTs may request higher borrowing limits from the UK.

Seven of the BOTs have financial centers: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Montserrat and the Turks and Caicos Islands. In April 2009, during the London G20 Summit, all of these territories were placed on the OECD's "grey list" of jurisdictions that have committed to the internationally agreed tax standard, developed by the OECD, but have not yet substantially implemented it by signing the 12 tax information exchange agreements. As of October 11, 2010, all but Montserrat were listed on the OECD's list of jurisdictions that have substantially implemented the internationally agreed tax standard.

**Anguilla:** Anguilla is a neutral tax jurisdiction. There are no income, capital gains, estate, profit or other forms of direct taxation on either individuals or corporations, for residents or non-residents of the jurisdiction. The territory has no exchange rate controls. Non-Anguillian nationals may purchase property, but the transfer of land to an alien includes a 12.5 percent tax.

**British Virgin Islands:** The government of the British Virgin Islands welcomes foreign direct investment and offers a series of incentive packages aimed at reducing the cost of doing business on the islands. These range from relief on customs duties on imported capital goods to relief from corporation tax payments over specific periods. Crown land grants are not available to non-British Virgin Islanders, but private land can be leased or purchased following the approval of an Alien Land Holding License. Company tax is 15 percent on chargeable income. Personal income taxes are payable at the rate of three percent on the first \$2,500 of income, six percent on the next \$5,000, ten percent on the next \$7,500, 15 percent on the next \$10,000 and 20 percent on income exceeding \$25,000.

**Cayman Islands:** There are no direct taxes in the Cayman Islands. The government charges stamp duty of six percent on the value of real estate at sale and there is a one percent fee payable on mortgages of less than CI\$300,000, and one and a half percent on mortgages of CI\$300,000 or higher. There are no controls on the foreign ownership of property and land. Investors can receive import duty waivers on equipment, building materials, machinery, manufacturing materials, and other tools.

**Falkland Islands:** Companies located in the Falkland Islands are charged corporation tax at 21 percent on the first GBP one million and 26 percent for all amounts in excess of GBP one million. The individual income tax rate is 21 percent for earnings below GBP 13,000 and 26 percent above this level.

**Gibraltar:** The government of Gibraltar encourages foreign investment. Gibraltar is a low-tax jurisdiction (no capital or sales taxes) with a stable currency and few restrictions on moving capital or repatriating dividends. It is a member of the EU and offers EU funding for projects that improve the island's economic development.

Montserrat: The government of Montserrat welcomes new private foreign investment. Foreign investors are permitted to acquire real estate, subject to the acquisition of an Alien Land Holding license. Foreign investment in Montserrat is subject to the same taxation rules as local investment, and is eligible for tax holidays and other incentives. Montserrat has preferential trade agreements with the United States, Canada and Europe. The government allows 100 percent foreign ownership of businesses but the administration of public utilities remains wholly in the public sector.

St. Helena: The island of St. Helena is open to foreign investment and welcomes expressions of interest from companies wanting to invest. Its government operates an Approved Investor scheme, which offers concessions to businesses that meet a set of criteria outlined in the government's Economic Development Ordinance and Tourism Policy – particularly tourism projects that will be trading at the time of the opening of the St. Helena airport. All applications under the scheme are processed by the St. Helena Development Agency.

Pitcairn Islands: The Pitcairn Islands have approximately 50 residents, with a workforce of approximately 15. The territory does not have an airstrip or safe harbor. Residents exist on fishing, subsistence farming, and handcrafts.

The Turks and Caicos Islands: The islands operate an "open arms" investment policy. Through the policy, the government commits to: a streamlined business licensing system; a responsive immigration policy to give investment security; access to government owned land under long term leases; and a variety of duty concessions to qualified investors. The islands have a "no tax" status.

Measure	Year	Index/Ranking
TI Corruption Perceptions Index	2012	74/17th (jointly with Japan)
Heritage Economic Freedom	2013	74.8/14th
World Bank Doing Business	2012 (June)	7 <sup>th</sup> (6 <sup>th</sup> in 2011)

## Conversion and Transfer Policies

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The British pound sterling is a free-floating currency with no restrictions on its transfer or conversion. There are no exchange controls restricting the transfer of funds associated with an investment into or out of the UK.

The UK is not a member of the Euro area and the current Coalition government does not wish to join, or prepare to join, over the next 5 year Parliament. Even at that time, it is likely that any decision to join would only be made through a referendum.

The Finance Act 2004 repealed the old rules governing thin capitalization, which allowed companies to assess their borrowing capacity on a consolidated basis. Under the new rules, companies who have borrowed from a UK or overseas parent need to show that the loan could have been made on a stand-alone basis or face possible transfer pricing penalties. These rules were not established to limit currency transfers, but rather to limit

attempts by multinational enterprises to present what is in substance an equity investment as a debt investment to obtain more favorable tax treatment.

## **Expropriation and Compensation**

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Expropriation of corporate assets or nationalization of an industry requires a special Act of Parliament, as seen in the February 2008 nationalization of Northern Rock. In the event of nationalization, the British government follows customary international law, providing prompt, adequate, and effective compensation.

## **Dispute Settlement**

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International disputes are resolved through litigation in the UK Courts or by arbitration, mediation, or some other alternative dispute resolution (ADR) method. Over 10,000 disputes a year take place in London, many with an international dimension, reflecting its strong position as an international center for legal services. Most of the disputes center on the maritime, commodities, financial services, and construction sectors. The London Court of International Arbitration and the International Chamber of Commerce's International Court of Arbitration are the leading administrators of international arbitrations. The Stock Exchange Panel on Takeovers and Mergers mediates takeover bid disputes, and there is a further right of appeal to the Stock Exchange Appeals Committee.

As a member of the International Center for Settlement of Investment Disputes, the UK accepts binding international arbitration between foreign investors and the state. As a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the UK permits local enforcement on arbitration judgments decided in other signatory countries.

## **Performance Requirements and Incentives**

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UK business contracts are legally enforceable in the UK, but not in the United States or other foreign jurisdictions. Performance bonds or guarantees are generally not needed in British commerce, nor is any technology transfer, joint venture, or local management participation or control requirement imposed on suppliers. Government and industry encourage prompt payment, but a tradition does not exist of providing an additional discount to encourage early settlement of accounts.

The UK offers a wide range of incentives for companies of any nationality locating in depressed regions of the country, as long as the investment generates employment. The Grants for Business Investment (GBI) program provided government grants to qualifying projects in parts of the UK needing investment to revitalize their economies, but closed on February 1, 2011. It was replaced by the Regional Growth Fund (RGF). The RGF has £1.4bn to spend across England from 2011 to 2014. Its funds are aimed at supporting

projects and programs that leverage private sector investment creating economic growth and sustainable employment, particularly in those areas and communities currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. Further information can be found at:

<http://www.bis.gov.uk/policies/economic-development/regional-growth-fund>.

Additionally, assistance can be obtained through the EU Structural Funds available through 2013. The UK will receive approximately €9.4 billion (USD 12.6 billion) in structural funds including: approximately €2.6 billion (USD 3.5 billion) in convergence funding for the UK's poorest regions; approximately €6.2 billion (USD 8.4 billion) in competitiveness and employment funding for other regions; and approximately €0.6 billion (USD 0.8 billion) in cooperation funding for cross-border and trans-national activities. Assistance is offered to companies that meet the government's objectives for convergence, cooperation, competitiveness and employment. Convergence funding is available to companies that locate in areas with GDP per capita below 75 percent of the EU average. In the UK, these regions are Cornwall, the Isles of Scilly, West Wales and the Welsh Valleys.

Local authorities in England and Wales also have power under the Local Government and Housing Act of 1989 to promote the economic development of their areas through a variety of assistance schemes, including the provision of grants, loan capital, property, or other financial benefit. Separate legislation, granting similar powers to local authorities, applies to Scotland and Northern Ireland. Where available, both domestic and overseas investors may also be eligible for loans from the European Investment Bank.

## **Right to Private Ownership and Establishment**

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The Companies Act of 1985, administered by the Department for Business, Innovation and Skills (BIS), governs ownership and operation of private companies. On November 8, 2006 the UK passed the Companies Act of 2006 to replace the 1985 Act. The law simplifies and modernizes existing rules rather than make any dramatic shift in the company law regime.

BIS uses a transparent code of practice that is fully in accord with EU merger control regulations, in evaluating bids and mergers for possible referral to the Competition Commission. The Competition Act of 1998 strengthened competition law and enhanced the enforcement powers of the Office of Fair Trading (OFT). Prohibitions under the act relate to competition-restricting agreements and abusive behavior by entities in dominant market positions. The Enterprise Act of 2002 established the OFT as an independent statutory body with a Board, and gives it a greater role in ensuring that markets work well. Also, in accordance with EU law, if deemed in the public interest, transactions in the media or that raise national security concerns may be reviewed by the Secretary of State of BIS. The Competition Commission and the OFT are due to be merged into a single Non Departmental Government Body, although this is unlikely to alter UK competition policy.

Only a few exceptions to national treatment exist. For example, foreign (non-EU or non-EFTA, European Free Trade Association) ownership of UK airlines is limited by law to 49 percent. Registration of shipping vessels is limited to UK citizens or nationals of

EU/EFTA member states resident in the UK. For some of these companies, restrictions of foreign ownership of ordinary shares apply. Citizenship requirements for certain senior executive and non-executive posts also apply for these enterprises. Foreign investment in financial services that are not covered by EU Directives on banking, investment, services, and insurance may be subject to a bilateral agreement.

The Takeover Panel, an independent authority that administers the City of London's code on takeovers and mergers has recently considered the code as it relates to hostile takeovers and the impact on existing shareholders for the target firm. They have made a range of amendments to their code to reduce the negative impact of hostile takeovers, with the stated objective of: increasing the protection for offeree companies against protracted 'virtual bid' periods; strengthening the position of the offeree company; increasing transparency and improving the quality of disclosure; and, providing greater recognition of the interests of offeree company employees.

The privatization of state-owned utilities is now essentially complete. With regard to future investment opportunities, the few remaining government-owned enterprises or remaining government shares in other utilities are likely to be sold off to the private sector when market conditions improve. These include the postal service and parts of the air traffic control service.

## **Protection of Property Rights**

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The UK legal system provides a high level of intellectual property rights (IPR) protection. Enforcement mechanisms are comparable to those available in the United States. The UK is a member of the World Intellectual Property Organization (WIPO). The UK is also a member of the major intellectual property protection agreements: the Bern Convention for the Protection of Literary and Artistic Works; the Paris Convention for the Protection of Industrial Property; the Universal Copyright Convention; the Geneva Phonograms Convention; and the Patent Cooperation Treaty. The UK has signed and, through various EU Directives, implemented both the WIPO Copyright Treaty (WCT) and WIPO Performance and Phonograms Treaty (WPPT), known as the internet treaties.

In November 2010, Prime Minister David Cameron announced an independent review of the UK's IP framework, chaired by Professor Ian Hargreaves. The Hargreaves Review is the fifth in a series of IPR reviews since 2006 – the Gowers Review (2006), the Creative Economy Programme (2007), the Digital Britain Review (2008-2009) and the Copyright Strategy (2009).

The Hargreaves Review, released in May 2011, covers all aspects of how intellectual property (IP) is created, used and protected in the UK. It concludes that the current UK IP framework impedes innovation and economic growth and outlines ten recommendations to make the UK a more competitive IP marketplace. The UK government responded positively to the Review and has committed acting upon all ten Hargreaves. Some the more controversial recommendations include creating copyright exemptions around format shifting and clearing patent thickets. The government is currently consulting with stakeholders and preparing draft legislative and regulatory remedies to address the Hargreaves recommendations. Progress is slow and no legislative action is expected before 2013.

Patents: Many of the key features of the UK Patents Act 2004 entered into effect on January 1, 2005. The Act is designed to bring UK patent law into line with the updated European Patent Convention (2000). The Act lifts restrictions on filing patent applications from abroad, with exceptions made for military technology and applications whose contents could affect UK national security. The Act expands options for non-binding, written opinions on patent infringement to be issued by the UK Patent Office. The legislation also lays out significant changes to the process of approaching alleged infringers (sometimes known as "threats"). The changes are designed to aid genuine attempts to settle infringement disputes while providing protection -- particularly to small and medium enterprises -- against frivolous threats. A UK patent application requires that an invention must be new, involve an innovative step, and be capable of industrial application. A patent cannot be granted in the UK for any invention used for offensive, immoral, or anti-social purpose, for any variety of animal or plant, or for a biological process used in its production. The UK IPO and the U.S. Patent and Trademark Office (USPTO) are cooperating in various ways (including a 2007 Patent Prosecution Highway (PPH) scheme) to allow U.S. or UK patent applicants who have received a report by either the UK IPO or the USPTO to request accelerated examination of a corresponding patent application filed in the other country.

Copyright: The Copyright, Designs and Patents Act of 1988 grants the originator the exclusive right to assign those rights or to exploit them through copying, dissemination, publication, or sale. Computer programs and semiconductor internal circuit designs are included as works that are protected by this act. Under the terms of an EU Directive, which took effect in January 1988, databases are also protected in each EU-member country by the national legislation that implements the Directive.

Trademarks: The UK submits to the WIPO system of international registration of marks, as governed by the Madrid Agreement and the Madrid Protocol. The UK Trade Marks Act of 1994 is the current law providing for the registration and protection of trade marks in the UK, and has been harmonized with EU Directive No 89/104/EEC. Trademarks are considered personal property in the UK, and are normally registered for a period of 10 years with an option to renew. However, trademarks may be removed from the register if a period of five years has elapsed, during which time there has been no bona fide use of the trademark in relation to the goods by the proprietor.

Trade Secrets/Confidential Test Data: Commercially sensitive information is not itself specifically subject to legal protection, but the misappropriation of such information from business premises may be subject to criminal law. Action under employment law may also be taken against an employee who, by disclosing information, breaches a contract with his or her employer. In addition, confidential test data, submitted in conjunction with a registered application for pharmaceuticals or veterinary products, enjoys 10 years of exclusive protection from the date of authorization, provided the product is marketed in the UK.

## Transparency of Regulatory System

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U.S. exporters and investors generally will find little difference between the U.S. and UK in the conduct of business. Common law prevails in the UK as the basis for commercial

transactions, and the International Commercial Terms (INCOTERMS) of the International Chambers of Commerce are accepted definitions of trading terms. In terms of accounting standards and audit provisions firms in the UK must use the International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB) and approved by the European Commission. The UK's Accounting Standards Board provides guidance to firms on accounting standards and works with the IASB on international standards.

Statutory authority over prices and competition in various industries is given to independent regulators. These include the Office of Communications (Ofcom), the Office of Water Regulation (Ofwat), the Office of Gas and Electricity Markets (Ofgem), the Office of Fair Trading (Oft), the Rail Regulator, and the Financial Services Authority (FSA). The FSA is set to be dissolved in 2013. A new Prudential Regulatory Authority (PRA) will be created and report to the Financial Policy Committee (FPC) in the Bank of England. The FPC will be headed by a new Deputy Governor (the first of whom will be current FSA Chief Executive Hector Sants). The PRA will be responsible for supervising the safety and soundness of individual financial firms, while the FPC will take a systemic view of the financial system and provide macro-prudential regulation and policy actions. A new Consumer Protection and Markets Authority (CPMA) will be created to act as a single integrated regulator focused on conduct in financial markets. The Competition Commission and the Oft are due to be merged into a single Non Departmental Government Body, although this is unlikely to alter UK competition policy. These regulators work to protect the interests of consumers while ensuring that the markets they regulate are functioning efficiently. Most laws and regulations are published in draft for public comment prior to implementation.

The Coalition government has stated its ambition to reduce the regulatory burden on firms. To do so, they have established a Cabinet Office sub-committee to review all planned regulation inherited from the previous government, scrutinize all new regulation and implement the new 'one in, one out' rule of regulation. This rule, applied to new regulation from every government department, means that for every piece of regulation a department introduces, it must find a regulation to remove in order to keep the regulatory burden to a minimum.

## **Efficient Capital Markets and Portfolio Investment**

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The City of London houses one of the world's largest and most comprehensive financial centers. London offers all forms of financial services: commercial banking; investment banking; insurance; venture capital; private equity; stock and currency brokers; fund managers; commodity dealers; accounting and legal services; as well as electronic clearing and settlement systems and bank payments systems. London has been highly regarded by investors because of its solid regulatory, legal, and tax environment, a supportive market infrastructure, and a dynamic and highly skilled workforce. The financial services industry contributed approximately 10 percent to UK GDP in 2012, employs approximately a million people and contributes 11 percent of UK tax receipts. While banks remained concerned that excessive regulation in the wake of the financial crisis could drive business and talent away from London, the UK is expected to maintain its position as a top financial hub.

UK banks have been particularly hard-hit by the global financial crisis. Large-scale lay-offs have been common over the past year and business conditions in financial services in 2013 are expected to remain difficult. Mergers, nationalizations, and bank failures, have left a consolidated playing field. Northern Rock, wholly nationalized by the government during the financial crisis, has recently been sold back to the private sector (Virgin Money). The Government also announced a series of "bank rescue measures" including taking large equity stakes in two key banks, the Royal Bank of Scotland and Lloyds Banking Group. Government stakes are managed at arm's-length by UK Financial Investments (UKFI) and are approved by the European Commission to comply with state intervention rules.

Since the beginning of the financial crisis in 2008, the UK's economy has taken longer to recover than other G8 economies. Since contraction began in the second quarter of 2008, the UK has experienced a double dip recession and remains more than 3 percent below its pre-crisis GDP. After three consecutive quarters of negative growth, the UK barely emerged from its latest recession with 0.9 percent growth in the third quarter of 2012. Most observers believe 3Q 2012 growth reflected a one-off boost from the 2012 Summer Olympics and Paralympics, and favorable comparisons to the previous quarter. Bank of England (BoE) Governor Mervyn King, Business Secretary Vince Cable, and a growing chorus of analysts and economists have pointed to the growing risk of a triple-dip recession in 2013 after possible negative growth in Q4 2012.

Looking forward, slow growth is expected: 1.2% in 2013 and 2.0% in 2014, according to the Office of Budget Responsibility; with marginal increases every year following and expansion reaching a peak of 2.8% by 2017-18. In 2013, a challenged financial services sector, which continues to lay off workers and struggles to adapt to increasing regulation; declines in North Sea oil and gas production; and the ongoing eurozone crisis will continue to weigh heavily on the UK economy. Property values, which have been a major driver of household consumption in the UK, are 11 percent lower than before the credit crunch. Unemployment stands at 7.8% (December 2012). The BoE, whose quantitative easing program has helped stimulate the economy in recent past, now says its ability to ease further will have limited effect. Inflation is currently at 2.7 percent – above the BoE's 2.0 percent target rate, but down from its recent high of 5.2 percent in September 2011.

Following fiscal stimulus under the previous Labour government, in 2010 the Coalition Government committed to a deficit reduction plan to cut GBP 81 billion (USD 127 billion) from the budget, eliminate the structural deficit, and begin reducing the national debt by 2014-15. While reaffirming the Government's commitment to deficit reduction, in December 2012, Chancellor Osborne announced that the target of reducing public debt as a share of GDP by fiscal year 2015-16 would not be met, pushing the date out further to 2016-17. Debt-to-GDP is expected to peak in 2015-16 at 79.9% and then start declining. In addition, the Chancellor said the Government will take another year, until 2017-18, to eliminate the structural deficit. Ratings agencies are concerned; both Fitch and S&P have placed the UK on Negative Outlook, warning that the UK's coveted AAA bond rating may be in jeopardy if economic and fiscal recovery weaken further. The Coalition government views fiscal consolidation as essential to restore confidence in the UK economy and to avoid the fates of other European countries.

In all observable circumstances, foreign investors, employers, and market participants have been treated equally and benefit from government initiatives equally. There are no

signs of increased protectionism against foreign investment, and none are expected. Recently, a Parliamentary committee opened an investigation into tax avoidance by multinational companies, including several major U.S. firms. However, foreign and UK firms remain subject to the same tax laws, and several UK firm have also been criticized for tax avoidance.

Government policies are intended to facilitate the free flow of capital and to support the flow of resources in the product and services markets. Foreign investors are able to obtain credit in the local market at normal market terms, and a wide range of credit instruments are available. The principles involved in legal, regulatory, and accounting systems are transparent, and they are consistent with international standards. In all cases, regulations have been published and are applied on a non-discriminatory basis by a single regulatory body, the Financial Services Authority (FSA). The FSA is set to be dissolved by 2013. A new Prudential Regulatory Authority (PRA) will be created and report to the Financial Policy Committee (FPC) in the Bank of England. The FPC will be headed by a new Deputy Governor (the first of whom will be current FSA Chief Executive Hector Sants). The PRA will be responsible for supervising the safety and soundness of individual financial firms, while the FPC will take a systemic view of the financial system and provide macro-prudential regulation and policy actions. A new Consumer Protection and Markets Authority (CPMA) will be created to act as a single integrated regulator focused on conduct in financial markets.

The London Stock Exchange is one of the most active equity markets in the world. London's markets have the advantage of bridging the gap between the day's trading in the Asian markets and the opening of the U.S. market. This bridge effect is also evident as many Russian and Central European companies have used London stock exchanges to tap global capital markets. The Alternative Investment Market (AIM), established in 1995 as a sub-market of the London Stock Exchange, is specifically designed for smaller, growing companies. The AIM has a more flexible regulatory system than the Main Market and has no minimum market capitalization requirements. Since its launch, the AIM has raised approximately GBP 24 billion (USD 38 billion) for more than 2,200 companies.

The UK banking sector is the largest in Europe. According to TheCityUK, 164 financial services firms from the EU are based in the UK and EU banks in the UK hold GBP 1.4 trillion in assets, 17 percent of total UK bank assets.

## **Competition from State Owned Enterprises**

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There are 20 state-owned, or partly-owned, enterprises in the UK, with a combined turnover of about GBP 11.5 billion (USD 17.9 billion) in the year ending March 2011. The UK's state-owned enterprises are spread across a wide range of sectors. They range from large, well-known companies such as the Royal Mail, to small trading funds like the UK Hydrographic Office that supplies marine navigational information and services and government financing bodies such as the Exports Credit Guarantee Department and the student loans company. Some of these, where appropriate, are due to be sold to the private sector over the next few years. The government has already successfully sold Northern Rock, the bank nationalized during the financial crisis in 2007. It has also sold its shares in Tote, the betting firm, for GBP 265 million.

The UK's Shareholder Executive, within the Department for Business, Innovation and Skills (BIS), works with government departments and management teams to help these companies perform effectively. It advises government ministers and officials on a wide range of shareholder issues including objectives, governance, strategy, performance, monitoring, board appointments and remuneration. It sets overall objectives for the businesses and agrees on a strategic plan with the board for delivering those objectives; the board is then accountable for delivery. Where appropriate, it appoints the Chair and actively participates in other board appointments. It sets compensation principles, works with the business to agree dividend policy, and monitors performance. Under the terms of the Government-Owned Business Framework, the UK government must provide all external financing for state-owned business. Businesses are charged at the market rate to ensure they do not receive any commercial advantage from the ability to borrow at, or below, the market rate.

During 2008 and 2009, the UK government nationalized two banks, Northern Rock and Bradford & Bingley, and took significant stakes in the Royal Bank of Scotland (RBS) and Lloyds Banking Group. The government's stake in these banks is managed, at arm's-length, by UK Financial Investments (UKFI), a company wholly owned by HM Treasury. With the exception of Bradford & Bingley (which will be wound down), UKFI will execute an investment strategy for disposing of the investments through sale, redemption or buy-back. The UK government does not intend to be a permanent investor in UK financial institutions. The government has successfully sold the "good bank" section of Northern Rock to VirginMoney. Sale of RBS and Lloyds is expected once market conditions improve. The rescue packages were authorized by the European Commission under EC Treaty state aid rules, which ensures state aid packages do not result in significant market distortions. At the end of 2009, the European Commission approved state aid measures for RBS and Lloyds but insisted on substantial divestments to limit market distortions. These divestments of retail branches have been fulfilled.

## **Corporate Social Responsibility**

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Businesses in the UK are accountable for some activities that fall under corporate social responsibility – such as human resources, environmental issues, sustainable development, and health and safety practices – through a wide variety of existing guidelines at national, EU and global levels. There is a strong awareness of corporate social responsibility principles among UK businesses, promoted by UK business associations such as the Confederation of British Industry and the UK government.

The UK government has signed up to the OECD's guidelines for Multinational Enterprises. The government is committed to the promotion and implementation of these guidelines and encourages UK multinational enterprises to adopt high corporate standards involving all aspects of the guidelines. The UK established a National Contact Point (NCP) to promote the guidelines and to consider allegations that a multinational enterprise's behavior is inconsistent with them. It is housed in the Department for Business, Innovation and Skills and is partially funded by the UK Department for International Development (DFID). A Steering Board monitors the work of the UK NCP and provides strategic guidance. It is composed of representatives of relevant government departments and four external members nominated by the Trades Union

Congress, the Confederation of British Industry, the All Party Parliamentary Group on the Great Lakes Region of Africa, and the NGO community.

## **Political Violence**

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The United Kingdom is politically stable, with a modern infrastructure, but shares with the rest of the world an increased threat of terrorist incidents. On June 29 and 30, 2007, terrorists unsuccessfully attempted to bomb a nightclub area in London and the Glasgow airport. In August 2006, the UK government heightened security at all UK airports following a major counterterrorism operation in which individuals were arrested for plotting attacks against U.S.-bound airlines. On July 7, 2005, a major terrorist attack occurred in London, as Islamic extremists detonated explosives on three Underground trains and a bus in Central London, resulting in over 50 deaths and hundreds of injuries. Following the attacks, the public transportation system was temporarily disrupted, but quickly returned to normal. A similar, but unsuccessful attack against London's public transport system took place on July 21, 2005. UK authorities have identified and arrested people involved in these attacks. These attacks do not seem to have significantly impacted investment in the UK.

With the Northern Ireland Assembly elections of May 2011, Northern Ireland marked the successful completion of the first full term of representative, power-sharing government in its history. The first anniversary of fully- devolved policing and justice powers into Northern Ireland was also celebrated in 2011. Despite continuing political stability and progress, certain small but potentially violent groups opposed to the peace settlement have targeted police, military, and justice-related entities with firearms and explosives. It is likely possible that these groups, to include dissident republican groups such as the Real IRA and Continuity IRA, will attempt future attacks on security targets. Most recently, in December 2012 and January 2013, violent frequent demonstrations have taken place in Belfast due to a decision by Belfast City Hall to limit the amount of days the Union flag will fly over the building. Some of these demonstrations have turned violent, resulting in injuries to police, opposition, and personal property; arrests; and, in some cases, criminal charges being brought against the participants. These demonstrations remain highly localized and do not negatively affect the positive overarching investment climate in Northern Ireland.

Environmental pressure groups in the UK have been involved with numerous protests against a variety of business activities, including airport expansion, bypass roads, offshore structures, wind farms, civilian nuclear power plants, and petrochemical facilities. These protests tend not to be violent but are disruptive and work toward obtaining maximum media exposure.

## **Corruption**

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States. Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN

Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco)) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce Website at <http://www.ogc.doc.gov/>. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

#### **In the United Kingdom:**

Although isolated instances of bribery and corruption have occurred in the UK, U.S. investors have not identified corruption of public officials as a factor in doing business in the UK.

The UK formally ratified the OECD Convention on Combating Bribery in December 1998. The UK also signed the UN Convention Against Corruption in December 2003 and ratified it on February 8, 2006. The UK has launched a number of initiatives to reduce corruption overseas. The OECD Working Group on Bribery (WGB) criticized the UK's implementation of the Anti-Bribery convention. The OECD and other international organizations promoting global anti-corruption initiatives pressured the UK to update its anti-bribery legislation which was last amended in 1916. In 2007, the UK Law Commission began a consultation process to draft a Bribery Bill that met OECD standards. A report was published in October 2008 and consultations with experts from the OECD were held in early 2009. The new Bill was published in draft in March 2009

and adopted by Parliament with cross-party support as the 2010 Bribery Act in April 2010.

The Bribery Act 2010 came into force on July 1, 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. The scope of the law is extra-territorial. Under the Bribery Act, a relevant person or company can be prosecuted bribery if the crime is committed abroad. The Act applies to UK citizens, residents and companies established under UK law. In addition, non-UK companies can be held liable for a failure to prevent bribery if they do business in the UK.

Section 9 of the Act requires the Government to publish guidance on procedures that commercial organizations can put in place to prevent bribery on their behalf. It creates the following offences: Active bribery - promising or giving a financial or other advantage; Passive bribery- agreeing to receive or accepting a financial or other advantage; Bribery of foreign public officials, and; the failure of commercial organizations to prevent bribery by an associated person (corporate offence). The first prosecution under the Act (a domestic case) went forward in 2011. A UK administrative clerk faces charges under Section 2 of the Act for requesting and receiving a bribe intending to improperly perform his functions as a result.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: <http://cpi.transparency.org/cpi2012/>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## Bilateral Investment Agreements

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The U.S. and UK have no formal bilateral investment treaty relationship, although a Bilateral Tax Treaty reviewed in 2008 specifically protects U.S. and UK investors from double taxation. The UK has its own bilateral tax treaties with more than 100 (mostly developing) countries and a network of about a dozen double taxation agreements.

The UK has concluded 106 Bilateral Investment Treaties (known in the UK as Investment Promotion and Protection Agreements) with other countries, of which 94 are in force. These countries are: Albania, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bolivia, Bosnia & Herzegovina, Bulgaria, Burundi, Cameroon, Chile, China, Congo, Cote D'Ivoire, Croatia, Cuba, Dominica, Ecuador, Egypt, El Salvador, Estonia, Georgia, Ghana, Grenada, Guyana, Haiti, Honduras, Hungary, India, Indonesia, Jamaica, Jordan, Kazakhstan, Kenya, Korea, Kyrgyzstan, Laos, Latvia, Lebanon, Lesotho, Lithuania, Malaysia, Malta, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Romania, Saint Lucia, Senegal, Serbia, Sierra Leone, Singapore, Slovenia, South Africa, Sri Lanka, Swaziland, Tanzania, Thailand, Tonga, Trinidad & Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, UAE, Uruguay, Uzbekistan, Venezuela, Vietnam, and Yemen.

## **OPIC and Other Investment Insurance Programs**

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OPIC does not operate in the UK. Export-Import Bank (Ex-Im Bank) financing is available to support major investment projects in the UK. A Memorandum of Understanding (MOU) signed by Ex-Im Bank and its UK equivalent, the Export Credits Guarantee Department (ECGD), enables bilateral U.S.-UK consortia, intending to invest in third countries, to seek investment funding support from the country of the larger partner. This removes the need for each of the two parties to seek financing from their respective credit guarantee organizations.

## **Labor**

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The UK's labor force, that is, people of a working age (between 16 and 64) is the second largest in the European Union, at just over 40 million people. 29.07 million people were in employment as of October 2011, equivalent to 70 percent of the working age population. As of the same date, unemployment was 2.62 million or 8.3% of the workforce lower than the EU average of 9.7 percent. By sector, the largest proportion of the workforce was placed in the education, health, and public administration sector with 8.3 million people or 27 percent of the total, followed by the distribution, hotels and restaurants sector with 6.8 million people or 22 percent; the finance and business services sector came third with 6.3 million people or 21 percent, followed by manufacturing with 2.8 million or 8 percent of the UK workforce.

The most serious issue facing British employers is a skills gap derived from a high-skill, high-tech economy outpacing the educational system's ability to deliver work-ready graduates. The government has placed a strong emphasis on improving the British educational system in terms of greater emphasis on science, research and development, and entrepreneurship skills. The UK's skills base remains just above the OECD average, but is improving.

About 20 percent of full time UK employees belong to a union, a low proportion by UK historical standards, but still quite high to an employer used to a much lower American percentage. Public-sector workers have a much higher share of union members -- nearly 60 percent -- while the private sector is about 15 percent. Manufacturing, transport, and distribution trades are highly unionized. Unionization of the workforce in the UK is prohibited only in the armed forces, public-sector security services, and police forces. Union membership has been relatively stable in the past few years, although the trend has been slightly downward over the past decade.

Once-common militant unionism is less frequent, but occasional bouts of industrial action, or threatened industrial action, can still be expected. Recent strike action has become more frequent as the Coalition Government's deficit reduction program impacts on highly unionized sectors. According to the Office of National Statistics, in the 12 months to September 2011 there were 130 official labor disputes resulting in the loss of 419,000 working days. Most British unions have adapted to the reality of a globalized economy in which jobs are contingent on the competitiveness of their employers. Privatization of traditional government entities has accelerated such thinking. The

Trades Union Congress (TUC), the British AFL-CIO equivalent, encourages union-management cooperation as do most of the unions likely to be encountered by a U.S. investor.

As of October 2011, the minimum wage is GBP 6.08 (\$9.54) for adults (those 21 and over) and GBP 4.98 (\$7.82) for young people (18-20) and GBP 3.68 (\$5.78) for workers aged 16 and 17. As of October 2010, a new rate of GBP 2.60 (\$4.08) was introduced for apprentices under 19 and apprentices over 19 who are in their first year of training.

Much of the employment legislation currently affecting the UK labor market is based on EU regulations and directives. EU regulations affect working patterns, wage structures, and employee protection rights. For example, the European Working Time Directive creates an entitlement to minimum daily and weekly rest periods, an average work-week limit of 48 hours, and restrictions on night work. It also entitles workers who meet the qualifying criteria, including part-time and seasonal workers, to a minimum of 28 working days annual paid holiday. The universal application of labor regulations across respective EU borders undermines British competitiveness to the extent that the UK has made its historically more flexible labor market a major selling point to investors. As it has implemented EU directives, however, the UK government has been proactive in maintaining its flexibility and competitiveness. For example, it negotiated a special provision under the Working Time Directive that allows employees to opt out of the work week limitations and has favored changes to the rules on temporary workers.

The 2006 Employment Equality (Age) Regulations make it unlawful to discriminate against workers, employees, job seekers and trainees because of age. The regulations cover recruitment, terms and conditions, promotions, transfers, dismissals and training. They do not cover the provision of goods and services.

The regulations also removed the upper age limits on unfair dismissal and redundancy. It sets a national default retirement age of 65, making compulsory retirement below that age unlawful unless objectively justified. Employees have the right to request to work beyond retirement age and the employer has a duty to consider such requests.

## **Foreign-Trade Zones/Free Ports**

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The cargo ports and freight transshipment points at Liverpool, Prestwick, Sheerness, Southampton, and Tilbury that are used for cargo storage and consolidation are designated as Free Trade Zones. No activities that add value to the commodities are permitted within the Free Trade Zones, which are reserved for bonded storage, cargo consolidation, and reconfiguration of non-EU goods. The Free Trade Zones offer little benefit to U.S. exporters or investors, or any other non-EU exporters or investors.

## **Foreign Direct Investment Statistics**

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The UK was the world's seventh largest recipient of foreign direct investment in 2011, slipping from fifth position, receiving U.S. \$53.9 billion, according to the United Nations

Conference on Trade and Development (UNCTAD) latest available figures. This is 7 percent higher however than the previous year's figures. The UK attracted the highest percentage of all FDI inflows into the European Union (EU) at 17 percent but this position is under threat, with Germany's share of FDI rising for the fifth year in a row to reach 15%,. The U.S. remains the primary sources of foreign direct investment into the UK, In 2011, the US had FDI inflows of \$227 billion a rise of 15% on 2010

The United States remained the most favored location for UK direct investment abroad in 2010, continuing the strong investment partnership between the two countries. By the end of 2010, 25.9 percent of UK-owned assets abroad were in the United States, reflecting a net position of £184.3 billion, although this was down by £40.6 billion compared with 2009. This is the lowest level for direct investment in the U.S. by the UK since 2006. Non-EU European countries attracted much of the remaining outward UK FDI.

## Web Resources

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UK Department of Business Innovation and Skills (BIS):

<https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

UK Accounting Standards Boards (ASB): <http://www.frc.org.uk/asb/>

UK Intellectual Property Office (UK-IPO): <http://www.ipo.gov.uk/>

UK Financial Conduct Authority (FCA): <http://www.fca.org.uk/>

UK Prudential Regulation Authority (PRA):

<http://www.bankofengland.co.uk/pr/Pages/default.aspx>

UK Trades Union Congress (TUC): <http://www.tuc.org.uk/>

UK Trade & Investment (UKTI): <http://www.ukti.gov.uk/home.html>

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
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### How Do I Get Paid (Methods of Payment)

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Because of the ongoing credit crisis, UK businesses are experiencing a serious shortage of available credit, not only for domestic business transactions, but also for trade. Moreover, the depreciation of the British pound vis-à-vis both the U.S. dollar and the Euro has compounded the credit crisis. In light of the recession, many UK importers are carefully considering their purchases and may seek special trade finance arrangements. Normal practice has been for payments to be made on open account, payment in advance, letter of credit, documentary draft, or consignment. British buyers will typically ask for credit on 60, 90, or 180 day terms, depending on what is accepted practice in the industry.

### How Does the Banking System Operate

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There are many British and foreign-owned banks and financial institutions based in London. There are more U.S.-owned banks operating branches and subsidiaries in London than there are on Wall Street. In addition, many of the smaller U.S. banks have correspondent relationships with one or more of the major British banks, and those UK correspondents can provide financial services for exporters and investors.

### Foreign-Exchange Controls

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There are no exchange controls restricting the transfer of funds into or out of the UK, although anyone carrying the equivalent of €10,000 or more in cash when they enter the UK must declare it.

### U.S. Banks and Local Correspondent Banks

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The many U.S. banks operating in the UK are generally members of the British Bankers' Association and the Association of Foreign Banks. Contact details for these associations are listed below under web resources and in Chapter 9.

### Project Financing

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Although London is a major source of international project financing, there has been a serious shortage of available credit not only for domestic business transactions but also for trade in light of the slow recovery from the recession. The relatively weak British

pound vis-à-vis both the U.S. dollar and the Euro has compounded the problem. In light of slow economic recovery, UK importers are carefully considering the volume and price of their purchases. Therefore, U.S. exporters should consider offering very competitive prices and should coordinate closely with their UK business partners to explore available opportunities to finance trade transactions.

In addition, London is the home to the headquarters of the European Bank for Reconstruction and Development (EBRD), an international financial institution whose single largest shareholder is the US Government. The EBRD supports projects from central Europe to central Asia. In 2011 the Bank began laying the foundations for the expansion of its operations to the southern and eastern Mediterranean (SEMED) region. Investing primarily in private sector clients whose needs cannot be fully met by the market, the EBRD offers debt, equity and local currency financing with tenors not usually obtained from commercial banking sources. The Commercial Service (CS) maintains a presence at the EBRD to represent the interests of US firms. CS EBRD website: <http://export.gov/ebrd/index.asp>.

U.S. Export-Import Bank financing is available to support major capital equipment sales to the UK.

For detailed information on EU Project Financing, please visit the CSEU website: <http://export.gov/europeanunion/>

## **Web Resources**

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: <http://www.exim.gov/tools/countrylimitationschedule/>

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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## Chapter 8: Business Travel

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### Business Customs

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UK business customs are increasingly similar to those in the U.S. as the British class structure, based on family history, profession, as well as property and land ownership, continues to erode through taxation, education, and social developments over the last few decades. Liberalization of business and industry has rewarded enterprise, and a new generation of professionals schooled in management, marketing and finance techniques has increasingly taken charge. In addition, ethnic minorities are expected to rise from 8% of the population, as recorded in the 2001 census, to 20% by 2051 and become increasingly active throughout the British economy.

Some fundamental cultural differences between the U.S. and the UK remain. Variations in pace and style may be most noticeable, and sustained personal contact with potential business partners is expected. Prompt acknowledgment of correspondence, longer lead time for appointments, adherence to appointment schedules, and a greater formality in the conduct of business is the norm.

British executives communicate typically by phone and e-mail. The British are less likely to seek legal advice and guidance than their U.S. counterparts, although a litigation culture is developing along the lines of the U.S. model – i.e. no win, no fee cases have recently been permitted.

### Travel Advisory

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The State Department's Country Specific Information for the United Kingdom can be found at: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1052.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1052.html)

### Visa Requirements

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[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1052.html#entry\\_requirements](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1052.html#entry_requirements)

<http://london.usembassy.gov/service.html>

## Telecommunications

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The telecommunications system in the United Kingdom is comparable to that of United States. A direct-dial telephone system links the UK to the U.S. and the rest of the world. Calls on landlines can be charged to international telephone cards such as AT&T, MCI and Sprint. The UK has a highly developed mobile network. Visitors from the U.S. can readily rent or buy pre-pay mobile (cell) phones.

To call the UK from the United States, you should dial: 011 44 followed by the number of the individual or organization whom you are calling, but without the leading 0. For instance, the phone number for the U.S. Commercial Service in London is: 020 7894 0419. To call from the U.S., you should dial: 011 44 20 7894 0419.

To call the United States from the UK, dial: 00 1 then the number of the receiving party, including their area code.

## Transportation

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[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1052.html#traffic\\_safety](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1052.html#traffic_safety)

Visitors uncomfortable with or intimidated by the prospect of driving on the left-hand side of the road may wish to avail themselves of the United Kingdom's extensive bus, rail, and air transport networks. Roads in the United Kingdom are generally excellent but are narrow and often congested in urban areas. If you plan to drive while in the United Kingdom, you may wish to obtain a copy of the Highway Code.

Travelers intending to rent cars in the United Kingdom should make sure that they are adequately insured. U.S. auto insurance is not always valid outside the United States, and travelers may wish to purchase supplemental insurance, which is generally available from most major rental agents. A congestion charge of £10 (about \$15) is imposed on all cars entering much of central London Monday through Friday from 7:00 a.m. to 6:00 p.m. Failure to pay the charge by the end of the day results in large fines. Information on the congestion charge can be found on the Transport for London website.

Public transport in the United Kingdom is excellent and extensive. Information on disruptions to London transportation services can be found on the Transport for London website. Information about the status of National Rail Services can be found on the National Rail Enquiries website.

Key links:

<http://www.tfl.gov.uk/>

<http://www.nationalrail.co.uk/>

## Language

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English is the official language of the United Kingdom. Welsh is spoken by a significant minority in Wales. Gaelic is spoken by a small minority in Scotland. In addition, there are

many large communities in the UK whose first language is not English. Over 300 languages are spoken in London alone, which continues to be one of the most culturally diverse cities in the world.

## Health

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[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1052.html#medical](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1052.html#medical)

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1052.html#insurance](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1052.html#insurance)

## Local Time, Business Hours, and Holidays

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Banking hours are generally 9:30 a.m. to 4.30 p.m., Monday through Friday, except on Thursdays when they tend to stay open later. Offices are open from 9 a.m. until 5 p.m., Monday through Friday. Stores are generally open from 9 a.m. to 5:30 p.m., Monday through Saturday, and Sunday 10 a.m. to 4 p.m. or 11 a.m. to 5 p.m. At traditional vacation times, many British executives are unavailable except by advance appointment. England, Scotland, Wales, and Northern Ireland are in the same time zone, five hours ahead of U.S. Eastern Standard Time.

The following are the major UK public holidays in 2013:

New Year (*)	Tuesday, January 1
Bank Holiday (S)	Wednesday, January 2
Saint Patrick's Day (NI)	Monday, March 18
Good Friday (*)	Friday, March 29
Easter Monday (ENIW)	Monday, April 1
Easter Tuesday (NI)	Tuesday, April 2
May Day Holiday (*)	Monday, May 6
Victoria Day (S)	Monday, May 20
Spring Bank Holiday (*)	Monday, May 27
Orangeman's Day (NI)	Friday, July 12
Orangeman's Day (NI)	Monday, July 15
Summer Bank Holiday (S)	Monday, August 5
Summer Bank Holiday (ENIW)	Monday, August 26
Christmas Day (*)	Wednesday, December 25
Boxing Day (*)	Thursday, December 26

E – England

NI – Northern Ireland

S – Scotland

W – Wales

\* - All

## Temporary Entry of Materials and Personal Belongings

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Raw materials, temporarily imported for incorporation into products for export, may be admitted without payment of duties and taxes. The importer must provide a bank or insurance company guarantee or indemnity for the applicable duties and taxes. Goods intended for unaltered re-export may also be imported free of duty for a period of up to

six months by prior arrangement with HM Revenue and Customs. Duty-free entry is also permitted by prior arrangement for leased or loaned machinery, plant, and equipment, and goods imported solely for processing, repair, technical examination and testing. Professional and demonstration equipment may be temporarily imported into the UK free of duty and tax under the Customs Convention on the Temporary Importation of Professional Equipment. For this, a carnet should be obtained from the International Chamber of Commerce: <http://www.iccwbo.org/>

## Web Resources

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U.S. Embassy London: <http://london.usembassy.gov/>

UK Home Office: <https://www.gov.uk/government/organisations/home-office>

UK Security Service (MI5): <https://www.mi5.gov.uk>

UK Border Agency (UKBA): <http://www.ukba.homeoffice.gov.uk>

UK Visa Information: <http://www.ukba.homeoffice.gov.uk/visas-immigration/>

Transport for London: <http://www.tfl.gov.uk>

National Rail Services: <http://www.nationalrail.co.uk>

UK Department for Transport:  
<https://www.gov.uk/government/organisations/department-for-transport>

Driving Standards Agency:  
<https://www.gov.uk/government/organisations/driving-standards-agency>

Centers for Disease Control and Prevention: <http://wwwnc.cdc.gov/travel/default.aspx>

World Health Organization: <http://www.who.int>

U.S. Department of State, Bureau of Consular Affairs: <http://travel.state.gov>

International Chamber of Commerce: [www.iccwbo.org](http://www.iccwbo.org)

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## Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
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### Contacts

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#### U.S. Embassy Trade Related Contacts

American Embassy  
24 Grosvenor Square  
London, W1K 6AH  
UK  
Embassy Switchboard: 011 44 20 7499 9000  
<http://london.usembassy.gov/index.html>

U.S. Commercial Service  
Tel. 011 44 20 7894 0419  
Fax 011 44 20 7894 0020  
E-mail: [Office.London@trade.gov](mailto:Office.London@trade.gov)  
<http://export.gov/unitedkingdom/>

Economic Section  
Tel. 011 44 20 7894 0291  
Fax 011 44 20 7409 1637

Foreign Agricultural Service  
Tel. 011 44 20 7894 0464 and 0040  
Fax 011 44 20 7894 0031  
E-mail: [AgLondon@fas.usda.gov](mailto:AgLondon@fas.usda.gov)  
<http://london.usembassy.gov/fas/index.html>

Office of Defense Cooperation (ODC)  
Tel. 011 44 20 7894 0737  
Fax 011 44 20 7894 0730  
E-mail: [odclondon@state.gov](mailto:odclondon@state.gov)  
<http://london.usembassy.gov/odc/index.html>

The European Bank for Reconstruction & Development  
U.S. Commercial Service  
Tel. 011 44 20 7338 7493  
Fax 011 44 20 7338 6487  
E-mail: [Will.Center@trade.gov](mailto:Will.Center@trade.gov)  
<http://export.gov/ebrd/>

## **Bilateral Business Councils**

BritishAmerican Business  
<http://www.babinc.org/>

For information about the other British American Business Council chapters in the UK and the U.S., please visit: <http://www.babc.org>

## **UK Trade and Industry Associations**

The UK's trade associations are too numerous to list in a report of this nature. Those organizations specifically identified in preceding chapters are listed below. In addition, there is information on the Trade Association Forum, with links to virtually all of the trade and industry associations in the UK.

Trade Association Forum  
<http://www.taforum.org>

British Chambers of Commerce  
<http://www.britishchambers.org.uk>

International Chamber of Commerce  
<http://www.international-chamber.co.uk/>

Confederation of British Industry (CBI)  
<http://www.cbi.org.uk>

British Bankers' Association  
<http://www.bba.org.uk>

Association of Foreign Banks  
<http://www.foreignbanks.org.uk>

Direct Marketing Association  
<http://www.dma.org.uk/>

Advertising Standards Authority  
<http://www.asa.org.uk/>

## **UK Government Offices**

UK government websites are readily identified and accessed via the official portal:  
<https://www.gov.uk/>

UK Trade & Investment (UKTI)

<http://www.ukti.gov.uk/home.html?guid=none>

UKTI has teams located in the British Embassy in Washington, D.C. and seven British Consulates General around the United States.

<https://www.gov.uk/government/priority/increasing-business-with-the-usa>

Embassy of Great Britain

<https://www.gov.uk/government/world/organisations/british-embassy-washington>

Department for Business Innovation & Skills (BIS)

<https://www.gov.uk/government/organisations/department-for-business-innovation-skills>

The House of Commons

<http://www.parliament.uk/commons>

The House of Lords

<http://www.parliament.uk/lords>

General Inquiries

The Stationery Office (UK equivalent of the U.S. Government Printing Office)

<http://www.tso.co.uk>

Statistical Information

Office for National Statistics (ONS)

<http://www.ons.gov.uk>

Work Permits, Consular Matters

UK Border Agency (UKBA)

<http://www.ukba.homeoffice.gov.uk>

Environmental Regulations

Department for Environment, Food & Rural Affairs (Defra)

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs>

UK Patents

Intellectual Property Office

<http://www.ipo.gov.uk>

Central Bank

Bank of England

<http://www.bankofengland.co.uk/>

**UK Commercial Banks**

Barclays Bank PLC  
<http://www.barclays.co.uk>

HSBC Bank PLC  
<http://www.hsbc.co.uk/1/2/>

Lloyds TSB Bank PLC  
<http://www.lloydstsb.com>

Metro Bank  
<https://www.metrobankonline.co.uk/>

National Westminster Bank PLC  
<http://www.natwest.com>

Royal Bank of Scotland (RBS)  
<http://www.rbs.co.uk>

### **Multilateral Development Banks**

European Bank for Reconstruction and Development  
<http://www.ebrd.com>

U.S. Commercial Service Liaison Office  
E-mail: [Will.Center@trade.gov](mailto:Will.Center@trade.gov)  
<http://export.gov/ebrd/>

### **U.S. Department of Commerce**

UK Desk Officer – Office of the European Union  
Market Access and Compliance (MAC)  
International Trade Administration  
Room 3515  
Washington, D.C. 20230  
Tel. (202) 482-3748  
Fax (202) 482-2897  
<http://www.trade.gov/mac/>

Trade Information Center  
International Trade Administration  
U.S. Department of Commerce  
1401 Constitution Ave., NW  
Washington, D.C. 20230  
Tel. 1-800-USA-TRADE/1-800-872-8723  
[http://www.export.gov/exportbasics/eg\\_main\\_017483.asp](http://www.export.gov/exportbasics/eg_main_017483.asp)

### **U.S. Department of Agriculture**

Foreign Agricultural Service  
1400 Independence Ave., S.W.  
Washington, D.C. 20250

<http://www.fas.usda.gov/contactus.asp>  
<http://www.fas.usda.gov>

### **Export-Import Bank of the U.S.**

Washington D.C. Office  
811 Vermont Ave., NW  
Washington, D.C. 20571  
Tel. (202) 565-3946  
<http://www.exim.gov/about/contact/>  
<http://www.exim.gov/>

### **Market Research**

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To view market research reports produced by the U.S. Commercial Service please visit: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

### **Trade Events**

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Please click on the link below for information on upcoming trade events.

U.S. Commercial Service UK: <http://export.gov/unitedkingdom/events/index.asp>

U.S. Commercial Service in general: <http://www.export.gov/tradeevents/index.asp>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service UK offers to U.S. exporters, please click on the following link:

<http://export.gov/unitedkingdom/servicesforuscompanies/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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