Royal Institute of British Architects response to International Trade Committee inquiry: UK trade in services

The Royal Institute of British Architects (RIBA) is a global professional membership body that serves its members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. We provide the standards, training, support and recognition that put our members – in the UK and overseas – at the peak of their profession. With government and our partners, we work to improve the design quality of public buildings, new homes and new communities.

**Executive summary**

1. The RIBA welcomes this inquiry. The UK is a global hub for architectural excellence; British architecture employs over 80,000 people and contributes over £4.8bn a year to the UK economy, including over £500 million from exports. From housing to office buildings, sports stadia to infrastructure, British-designed buildings have set the gold standard for creativity and innovation in the built environment across the world.
2. British architects earn more from international work than any other European country, and unlike other service sector exporters the majority of the sector’s international revenue comes from outside the European Union. In 2018, the sector’s biggest markets were:

* Asia (27% of international revenue)
* The EU (23%)
* Middle East (20%)
* North America (14%)

1. 1 in 5 RIBA members tell us that they want to export more overseas; as the UK prepares to negotiate new trade deals with non-European countries after leaving the EU, now is the time to address the challenges and barriers that can prevent practices from expanding internationally and opening new markets through trade agreements.
2. In December 2017, the RIBA published [Global Talent, Global Reach](https://www.architecture.com/knowledge-and-resources/resources-landing-page/global-talent-global-reach), a major economic analysis of how architecture contributes to the UK economy through exports, and estimate the impact on the sector of Brexit.
3. In June 2018, the RIBA published [Boosting Britain’s architectural exports](https://www.architecture.com/knowledge-and-resources/resources-landing-page/riba-policy-note-boosting-the-uks-architectural-exports), a policy note with 10 recommendations to Government, drawing on feedback from RIBA members across the country, that would create the right circumstances for small to medium sized practices to seek international opportunities.
4. Most barriers to trade in architectural services take the form of restrictions on the movement of people or on the ability of overseas professionals to practice in overseas markets. The most significant of these is the lack of mutual recognition of architectural qualifications outside the EU. Our members also report challenges with ‘behind the border’ issues such as regulatory divergence or barriers to foreign competition.
5. While international measures to liberalise trade in services are beneficial in removing market access barriers, the UK now has the opportunity to go further. In particular, the RIBA’s top priority is the extension of the scope of the mutual recognition of architects’ professional qualifications to new markets with similar standards of architectural education – particularly the USA, Australia, Canada and New Zealand. These can be concluded quickly ahead of a larger free trade agreement.
6. Global market knowledge and language skills brought to the UK by its international workforce are key to supporting businesses accessing overseas markets; understanding of culture and local market conditions is critical in exporting services. Ensuring that the UK’s future immigration system continues to support the recruitment of high-skilled international professionals with the diverse global perspectives and language skills businesses need is vital to ensuring the continued global pre-eminence of British architectural exports.
7. The RIBA recommends that the Government:
8. Makes the necessary legislative changes to allow the Architects Registration Board to negotiate and implement new agreements for mutual recognition of professional qualifications, and instructs them to begin talks with priority markets including the USA, Canada, Australia and New Zealand.
9. Takes a leading role at the World Trade Organisation in both public procurement and trade in services negotiations, to address market access issues and eliminate persistent trade barriers.
10. Seeks a greater level of access to services markets and public procurement markets through free trade agreements with priority markets.
11. Seeks specific commitments on removing protectionist and defensive measures which prevent UK-registered architects and other professionals registering locally when working overseas.
12. Includes work visa quotas in free trade agreements to help boost international market knowledge and services trade.
13. Expands its programme of export support services for service sector businesses, including encouraging UK Export Finance to provide export finance on attractive terms and expanding its in-country support to exporters.
14. Ensures it engages with stakeholders on a regular basis to assist them in identifying market access issues and barriers to trade that exporters and other businesses are experiencing in practice.
15. Removes barriers to British architects specifying UK products through tariff reduction and closer cooperation on product standards, to help reduce costs for architectural exporters and support architecture’s role as an export multiplier.
16. Uses trade negotiations to further promote best practice in construction, professional and product standards, and regulation.

**What are the main barriers faced by UK services exporters?**

1. For professional business services like architecture, the principal regulatory barriers to exporting relate to the movement of people. Our research report *Global Talent, Global Reach* shows how nearly three-quarters of the barriers to global trade in architectural services relate to markets placing restrictions on foreign entry and particularly the movement of people; architecture is more exposed to these restrictions than any service sector except legal services.
2. The most significant challenge for architectural services exports is the lack of recognition of architectural qualifications outside the EU; the UK currently has no agreement for the mutual recognition of professional qualifications outside the EU, despite the level of similarity between the architectural education systems in the UK and other large markets such as the USA and Australia. This lack of recognition is a barrier for practices looking to work internationally; 60% of RIBA members told us, in our [Global by Design 2018](https://www.architecture.com/knowledge-and-resources/resources-landing-page/global-by-design-2018) survey, that they want to see the UK agree new mutual recognition agreements with priority markets.
3. At present, RIBA members and UK-registered architects working outside the EU are not allowed to trade locally under the title ‘architect’ unless they go through complex process of validation – and in many cases requalification – with the local regulatory. This adds complications for RIBA Chartered Practices looking to work overseas, with a significant investment of time and money often required to overcome this barrier. The RIBA has recommended that the Government make the necessary legislative changes to allow the Architects Registration Board to negotiate and implement new mutual recognition agreements, without delay, and instruct them to begin talks with priority markets. These talks should prioritise key markets – the USA, Australia, New Zealand and Canada – in line with the Government’s own priorities for new trade deals. Concluding these agreements can be done quickly and separately as a regulator-to-regulator agreement, and does not need to wait for the conclusion of a larger free trade deal.
4. In addition to restrictions on professional practice caused by a lack of recognition of qualifications, there are also barriers relating to visa restrictions. Challenges obtaining work visas or restrictions on the length of stay for intra-corporate transfers are frequently cited by RIBA members as an added frustration when working overseas; architectural exports rely on the ability of businesses to travel to meet clients and visit sites in overseas markets, often for long periods of time, and the cost and administrative burden associated with obtaining visas to visit and work in non-EU markets is often significant.
5. Most other barriers to exports of architectural services take the form of ‘behind the border’ issues such as regulatory divergence, barriers to foreign competition and defensive measures from local professions, and protectionist measures in, for example, public procurement systems. Our research shows that these make up around a quarter of the barriers to trade in architecture. The extent to which these barriers apply varies significantly from market to market; some significant markets for UK architecture exports such as the USA and Australia have relatively open economies, whereas RIBA members who are active in large and growing markets such as China and the Gulf have reported significant challenges. Local contract requirements such as performance bonds or onerous insurance requirements, as well as stringent registration requirements designed to favour local practitioners, can act as a significant disincentive for practices to work in overseas markets and lead to added costs when they do. Members have also reported issues getting invoices paid for their work or in repatriating funds in some Middle Eastern or Asian markets, which combined with the prevalence of requirements for performance bonds or other insurance requirements can be a significant restraint on cashflow for businesses seeking to work in these markets.
6. These barriers are particularly pronounced for smaller practices, who are less able to bear the additional cost and administration burdens associated with overcoming these barriers. 85% of architectural practices employ fewer than 10 people; at present, propensity to export in the architecture sector varies greatly by size. For the largest practices with the greatest revenue, over 70% of their revenue comes from international projects; for smaller and medium-sized practices it is less than 10%. While there is a clear appetite among RIBA members to expand internationally, supporting more small and medium-sized practices to take the first steps to international expansion through addressing these barriers is therefore a vital objective for the sector from any trade negotiation.

**To what extent, and in which sectors, do goods and services exports interact?**

1. Restrictions affecting services trade are not addressed by goods-only trade agreements; our research shows that these have little benefit for the architecture sector, and these barriers need special attention to overcome.
2. However, barriers that affect the export of goods do have an impact on the export of architectural services. For example, tariffs on construction products have an impact on the wider construction and engineering sector, and therefore on the architecture value chain, by increasing the cost of development. Similarly, divergent product regulation and differing product standards can increase the cost of importing products into overseas markets; we observe that UK architects often specify UK construction products when working in overseas markets – architecture therefore acts as an export multiplier, creating opportunity for British product manufacturers and providers elsewhere in the construction value chain. Removing barriers to British architects specifying these products through tariff reduction and closer cooperation on product standards will help reduce the costs for architectural exporters, and further support this multiplier effect.

**To what extent should the UK seek to liberalise international trade in services through: preferential trade agreements; plurilateral agreements (e.g. the Trade in Services Agreement, TiSA); and/or through other mechanisms?**

1. When the UK joins the WTO as an independent member, we would encourage the Government to take a leading role in both multilateral public procurement and trade in services negotiations, as a way to address market access issues and eliminate persistent trade barriers.
2. Free trade agreements typically offer a greater degree of integration and market access than plurilateral international mechanisms. The World Trade Organisation Government Procurement Agreement aims to open procurement markets to international competition, but we observe that RIBA members working in overseas markets do not enjoy the same level of access to these that signatories of free trade agreements enjoy. Similarly, free trade agreements have built upon international cooperation to align standards through forums like the International Standards Organisation and can further reduce barriers to trade through offering a deeper degree of convergence in standards.
3. We also support and would encourage the UK to seek a greater level of access to public procurement markets, which are an important source of potential work for our members, as well as to wider service markets, through free trade agreements with priority markets and not to rely wholly upon plurilateral international mechanisms to drive market access. Bilateral free trade agreements can also be concluded more quickly than multilateral agreements.
4. While unilateral efforts by the UK to liberalise its economy would have the effect of boosting trade – our research shows that a one-point reduction in the UK’s Services Trade Restrictiveness Index (STRI) has the effect of boosting exports by 1.8% - these are less pronounced than the benefits of free trade agreements; a bilateral FTA with a services trade agreement boosts services trade between two markets by 36%.

**What approach(es) should the UK take to negotiating market-access commitments across different modes of supply, regulatory disciplines (including on transparency and sector-specific anti-competitive practices) and mutual recognition (e.g. of qualifications) in its international agreements covering trade in services?**

1. The RIBA’s top priority in international trade agreements is extending the scope of the mutual recognition of architects’ professional qualifications to new markets with similar standards of architectural education – particularly the USA, Australia, Canada and New Zealand. The Government should seek to settle new agreements with these markets quickly and as a matter of priority given their similar levels of architectural education and the strong pre-existing links between respective architectural professions. There is an existing network of mutual recognition agreements between these countries – both Australia and New Zealand concluded a mutual recognition agreement with the USA for architects’ professional qualifications in 2016, and Canada has had a similar agreement with the USA since 2014 – which can serve as a model for the UK in negotiating and concluding similar commitments. These agreements can be concluded quickly ahead of a larger free trade agreement, and we would therefore recommend the Government prioritises concluding new mutual recognition agreements as separate bilateral, regulator-to-regulator agreements.
2. We would also encourage the Government to prioritise removing barriers to competition and establishment in overseas markets. Several markets in which RIBA members do significant work, or which have the potential for significant growth in the construction market in the coming years, are characterised by protectionist professional practices which present a significant challenge for UK architects working in those markets. RIBA members working in the Gulf, for example, frequently report having to partner with a local practice (adding additional cost to a project) due to onerous local registration requirements and regulatory restrictions that mean only locally-registered architects can comply with requirements such as signing-off designs. Addressing these practices through trade agreements should be a priority; the Government should seek specific commitments on removing these defensive measures and allowing UK-registered architects and other professions to register locally when working overseas.

**What other policy tools should the UK Government use to facilitate international trade in services, including both imports and exports?**

1. Accessing the right skills is integral to architectural practices looking to work internationally. Global market knowledge and language skills brought to the UK sector by its international workforce are key to supporting businesses in accessing overseas markets; access to these skills has supported the global exporting pre-eminence of British architecture. 1 in 4 of the architects working in the UK are non-UK nationals; 85% of these architects cite their global market knowledge and perspectives, and 42% cite language skills, as a benefit to UK practices undertaking work internationally. Ensuring that the immigration system continues to support the recruitment of high-skilled professionals is vital to ensure that UK architecture continues to benefit from the knowledge and skills it needs to maintain and grow its export success; the proposals in RIBA’s new research report [Powered by people](https://www.architecture.com/knowledge-and-resources/resources-landing-page/powered-by-people)set out what is needed to ensure that the UK’s new immigration system works for our sector’s international workforce and the wider economy.
2. The UK should also look for opportunities to include work visa quotas in free trade agreements; as outlined above, the most significant restrictions affecting exports of architectural services relate to the movement of people. A number of bilateral trade agreements already include work visa quotas (e.g. between the USA and Australia or the USA and Chile) and these have helped to boost services trade between signatories by removing barriers. Adopting this approach will support UK trade in services and also broaden the pool of skilled talent that UK businesses can benefit from.
3. The Government also has significant tools at its disposal to promote trade in services through its programme of export support services. The Department for International Trade’s Export Strategy contains some welcome measures to support particularly small and medium-sized enterprises to export, however it will not go far enough to support service sector exporters, who have different needs than businesses exporting goods. In particular it is vital that UK Export Finance is encouraged to provide export finance on more attractive terms to service sector businesses, as commercial lenders are often more risk-averse than when dealing with firms trading in goods. The DIT should also expand its in-country support to exporters; for sectors like architectural services, establishing a presence in overseas markets can take a significant investment of time and money and the DIT is well-placed to better support practices to build relationships and market presence. This in-country support should also extend to support for dispute resolution – for example, with late or non-payment of invoices which is a particular concern to our members in some significant markets in Asia and the Middle East.
4. In addition to the above measures, the Government should ensure it engages with stakeholders on a regular basis to assist them in identifying market access issues and barriers to trade that exporters and other businesses are experiencing in practice. This will support efforts to address both access barriers and ‘behind the border’ issues through trade negotiations, and ensure that trade agreements are beneficial in supporting exporters.

**What are the implications of negotiating trade in services agreements for domestic policy autonomy, including for devolved administrations and local government? How should these implications be considered in the development of UK trade policy?**

1. By their nature, free trade agreements go further than international mechanisms like GATS in aligning standards, regulations and law to open service markets; this naturally implies less regulatory autonomy in order to open services markets. The UK service sector is, however, already relatively liberal and open to overseas competition compared to international comparisons; our research shows that for architectural services the UK’s STRI is 0.27, or 16th out of 44 OECD and associate countries. While it is necessary to remove competitive constraints and pursue closer co-operation on standards and regulation to remove barriers to trade, the RIBA would not support UK standards being weakened in pursuit of this. Rather, the Government should use trade negotiations to further promote best practice in construction, professional and product standards, and regulation.