



Global Counsel

Supersectors

Lessons from Britain's comparative advantages
for a 2025 UK trade and industrial strategy

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COMMISSIONED BY

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Introduction:

Important lessons from important strengths

When the new UK government set out its initial thinking for a future trade strategy in November 2024 it proposed to build that strategy on an assessment of the UK's comparative advantages.

This is the right approach. But what does it mean in practice? This paper argues that the key insight from an assessment of the country's revealed comparative advantages in 2024 is that the UK needs to combine several reform agendas into a single strategic plan for international competitiveness. The trade strategy and industrial strategy intended for 2025 are essential. But these must be linked to other policy levers such as the ongoing capital markets reform agenda, a robust future skills strategy, and a realistic and ambitious approach to grid decarbonisation in the UK.



Section 1

of this report uses six examples of UK revealed comparative advantages to examine the policy choices that have supported these sectors over several decades. We call these sectors 'supersectors' to reflect their outsized contribution to UK performance in the global economy.



Section 2

reminds us of the importance of these sectors to the strength and resilience of the UK economy. It reviews the importance of these sectors in the domestic economy and the ways in which their international competitiveness is driven by and feeds back into domestic productivity and productivity growth.



Section 3

considers the key ways in which the UK trade and industrial policy agenda should be focused on the foundations of these important sectors at home, and on sustaining the open markets and fair treatment abroad that has been key to their development.

The supersectors classification used here is a loose one and is not intended to be exclusive or precise. It is intended only to remind us that the UK hosts some of the most formidable performers in the global export economy. Most of these are the latest incarnations of sectors which a Briton from 1950 would recognise. They are long-established strengths that have been constantly re-tooled and refined by technology change and the demands of a changing international market. These supersectors should be celebrated, made a priority for policy support, and their lessons drawn on more widely.

Executive Summary

The UK government has proposed to build the UK's forthcoming trade and industrial strategies on an assessment of the UK's comparative advantages. This report responds to that challenge.

A revealed comparative advantage (RCA) tells us something important about how an economy has secured and sustained significant export market shares in the national economy. The UK sectors that have done this have established the UK as a platform for global sales. That brings disproportionate employment and spillover benefits in the UK, often widely dispersed across the country. In part because they have to measure performance against the best in the world they often make a disproportionate impact on productivity and productivity growth. In trade and industrial policy terms, these are the UK's supersectors.

How we built them, why they matter

This report focuses on six UK supersectors that between them account for around a quarter of all UK exports. They are interesting because although they are very different, there is an identifiable set of policy needs that they share and where the UK has made the right choices in the past to support them. Understanding those choices can help design both industrial policy and trade policy responses that work in a changing global economy.

UK RCAs are built on a set of foundation conditions at home and need a set of external facilitators abroad. UK supersectors are generally built on a mix of the UK's unique geographic and climatic conditions, its human capital base and capital investment in the platforms for high-value-added goods and services. They depend on robust and reliable infrastructure, not least for the provision of energy. The stronger these underlying capabilities are in a national economy, the easier it is to evolve comparative advantages over time.

Abroad, comparative advantages are built on consistent, non-discriminatory market access. Tariff elimination is important, but not least because some of the UK's key comparative advantages are in services, non-tariff barriers are equally important. Because these products frequently rely on the legal protection of knowledge assets, the focus of this regulatory diplomacy will often be robust frameworks for intellectual property rights (IPRs) and their protection. In a time of geopolitical tension, implementation of UK trade policy will need to be agile and pragmatic to maintain market access to the critical markets of the US, EU and China and to build links with emerging superpowers like India.

How we sustain them

These point to a key set of priorities for properly aligned UK trade and industrial strategy. This report advocates:



01 A UK domestic energy platform that can deliver reliable abundant energy at competitive international prices and which is ready to meet evolving requirements for minimised carbon content in export markets, e.g. through improved grid connection.



03 A strategic review of the Trade and Cooperation Agreement (TCA) with the EU that replicates EU-Swiss Sanitary and Phytosanitary (SPS) arrangements and targets a growing portfolio of mutual recognition agreements (MRAs) to reduce technical barriers to trade.



05 A targeted regulatory diplomacy strategy that focuses on a small number of areas where international standard-setting, regulatory convergence and mutual recognition are likely to be key for RCAs over the next decade. This includes international technical standards for wholesale financial markets, pharmaceutical regulation and the operation of key new technologies such as AI. Despite its weaknesses in other areas this remains an area in which the World Trade Organization (WTO) is an important forum for debate and collaboration.



07 Close alignment of trade and industrial policy both conceptually and in the way Whitehall works. Government needs to present industry with a much clearer single interface for consultation on trade, industrial and economic security policy and ensure consistency of policy across Whitehall for sectors where the UK enjoys a comparative advantage.



02 An overhauled strategy for workforce and skills shortages that targets both formal education and the transmission of 'wisdom skills' which often underpin RCAs and mixes investment in the local workforce with managed migration.



04 A renewed commitment to robust intellectual property rights across its trade agenda both at the multilateral level and with individual trading partners, while working constructively and creatively to find alternative tools for supporting the technology transfer and dissemination of knowledge necessary to address global challenges.



06 Continued refinement of a UK model for high quality Free Trade Agreements (FTAs) that mixes ambitious tariff elimination, simple and flexible change to rules of origin (ROO), effective approaches to regulatory cooperation and convergence, strong digital trade provisions and robust IP protections. The UK should explore a range of approaches, from full scale FTAs, becoming a leading voice in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreement, and taking advantage of smaller deals when appropriate. The UK should aim to ensure that 85% of its trade is covered by such frameworks within five years and keep ahead of its peers.

Selected UK revealed comparative advantages (RCAs)

Six UK RCAs are profiled below and throughout this report. The summary findings for each sector are presented on this page. RCA is measured on a scale, where a score above zero indicates a comparative advantage. The higher the calculated RCA, the higher the UK's comparative advantage in that sector.

These are not intended to be exhaustive, but they are representative in important ways of the strengths that the UK has developed in the global economy over the last 75 years - and how it has developed them. Just the six sectors profiled here account for almost a quarter of the UK's total exports.

Full calculations for RCAs are set out in the Methodology, which can be found at the end of this report.



The UK aerospace sector

The UK aerospace sector is a significant player with a global reputation for engineering excellence. Built on strengths in engine design after the Second World War, the sector is now a global specialist in propulsion, turbine manufacture, avionics systems and satellites. The sector supports a strong skills base and world-class research and development capabilities. According to the ADS Group UK Aerospace Sector Outlook, the sector employs over 100,000 skilled workers in the UK.



The UK wholesale financial services sector

Rooted in London's capital, foreign exchange and derivatives markets, the UK is one of a small number of genuine global financial centres. Its strategic time zone bridges markets in the Americas and Asia, making it a pivotal player in global finance. The large players in the wholesale markets often match London-based operations with operations in other parts of the UK, employing well over half a million skilled professionals in total.



The UK legal, accounting and consultancy sector

The UK international legal services sector is a cornerstone of the global legal market. Rooted in UK common and commercial law, the sector is the largest in the world after the US. The UK accountancy services and consultancy market is equally robust, providing a range of services for companies operating globally. These services are supplied directly from the UK and via hundreds of foreign-invested UK firms operating directly in overseas export markets.



The UK automotive manufacturing sector

The UK is a key player in global automotive manufacturing, known for its innovation, engineering excellence and iconic brands. The UK attracts significant foreign investment, fostering a robust supply chain and skilled workforce. It is now pivoting strongly to electric and autonomous vehicles. The UK Society of Motor Manufacturers & Traders (SMMT) estimates that the automotive manufacturing sector in UK employs over 180,000 engineers, technicians and other skilled workers across the UK.



The UK spirits sector

The UK is renowned globally for its Scotch whisky and Irish whiskey production and a range of high-quality gins and other spirits. The sector is rooted in a unique set of climatic and natural conditions and built around centuries of adaptation. UK spirit products are strictly regulated for authenticity and quality, making Scotch whisky and Irish whiskey premium products worldwide. The UK's Scotch Whisky Association estimates that the sector alone employs more than 60,000 people - more than 40,000 of them in Scotland - and underpins the UK's status as the world's largest exporter of spirits, sending 1.8 billion bottles abroad in 2022.



The UK pharmaceutical sector

The UK is a global leader in pharmaceutical manufacturing, with a global reputation for innovation and high-quality standards. Strong academic institutions and a skilled workforce drive advancements in drug discovery and production, solidifying its pivotal role in the global pharmaceutical industry. The UK Office for National Statistics (ONS) estimated that in 2021 the life sciences sector employed more than 125,000 people in the UK.

A close-up photograph of a scientist wearing a white lab coat and purple nitrile gloves. The scientist is holding a pipette and is in the process of dispensing liquid into a yellow microplate. The background is a laboratory bench with various pieces of equipment, including a blue rack holding several test tubes and other labware. The lighting is bright and clinical, with a slight blue tint. The overall scene conveys a sense of precision and scientific research.

01

Supersectors: what
Britain does best

01

Supersectors: what Britain does best

Key points

- 01 | The UK's Revealed Comparative Advantages (RCAs) illuminate the UK's deep strengths in the global economy. Analysing how we built them helps identify the foundations and policy frameworks that are essential to their continued success. A Briton from 1950 would recognise the UK's strengths in 2025. Why that matters for both trade and industrial policy.
- 02 | A blend of domestic policies, such as energy and skills, and external policies, such as trade liberalisation, IP protection and regulatory diplomacy, are required to lean into the UK's comparative advantages and grow the country's supersectors for the future.

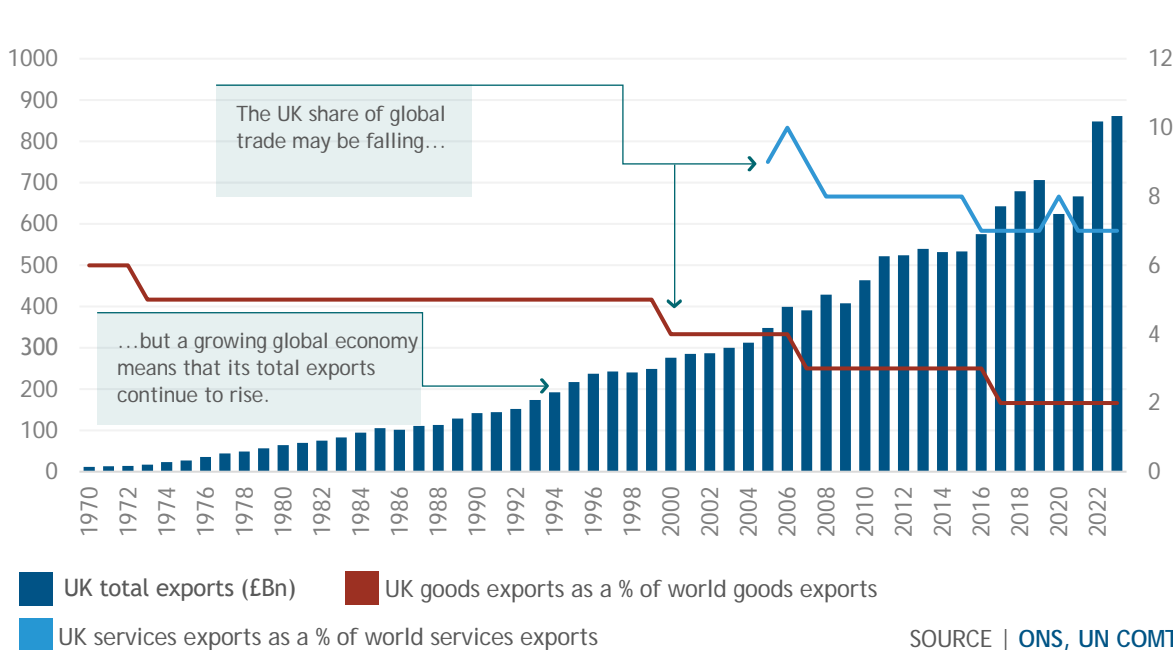
The story in the trade data

What the UK trades tells us a lot about the modern UK economy. The UK runs a large trade deficit for goods: it buys many more goods from the rest of the world than it sells. This is balanced by a large trade surplus for services: the value of the services that the UK sells to foreign customers is much greater than the value of those it buys. Combined, this trade deficit for goods and trade surplus for services produce a total deficit. That deficit was around £15bn in 2023. The UK has run such a deficit most years since the Second World War, although those deficits have grown larger with time. In this respect, the UK broadly resembles its G7 peers.

Running a trade deficit in goods is sometimes presented as a measure of the weakness of the UK economy. It is not. It simply means that the UK imports more goods than it exports. The UK compensates for this in part by being a very strong exporter of services. But it is also not the case the UK is 'strong' in services and 'weak' in manufactured goods. The UK exported more than £300bn of goods in 2023, and these include some of the most sophisticated and valuable goods traded in the global economy. While it is true that the UK's share of global exports for both goods and services has shrunk over time, that total export market has grown hugely as the global economy has developed. The UK has a smaller share of a much larger total global export market (Fig 1).

Fig 1: A growing global economy and evolving UK trade profile

Value of UK trade and services (£bns) (LHS) and UK % share of world export market (RHS)



While a UK total trade deficit is not necessarily a problem, running a long-term imbalance in total trade is not ideal for the UK or any other economy. Closing that trade deficit in the long run means reinforcing the strengths in both goods and services exports that ultimately provide the foreign exchange to pay for the goods and services that it wants to import. For this reason, what really matters for interpreting this trade picture is understanding where the UK's strengths are and why.

One way to understand where those strengths lie is to measure the UK's RCAs (see page 6). These comparative advantages help explain both the balance of goods and services in the UK's export mix and the kinds of goods and services it exports.

Unsurprisingly, the sectors in which the UK exercises a RCA are also among its biggest export success stories.

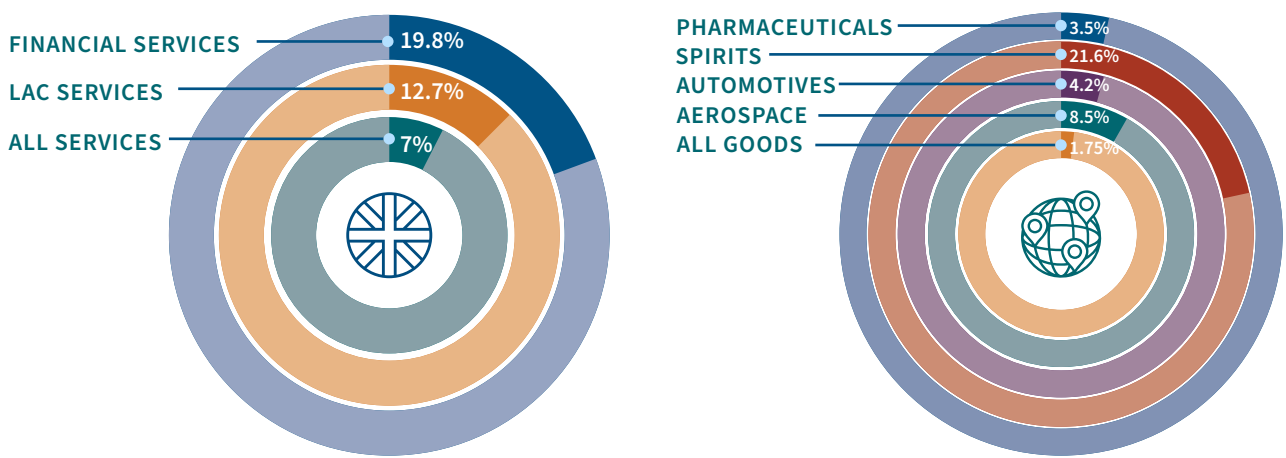
A comparative advantage is an economy's capacity to produce a good at a lower opportunity cost than its trading partners. This does not mean that the product is cheap relative to others available in the international market, but simply that the production process is more efficient relative to other domestic production. Comparative advantages can operate at any level of product sophistication or quality. A comparative advantage can reflect a combination of unique expertise, efficient production and natural endowments. The point is that no other economy can replicate those strengths at a lower relative cost.

Supersectors and the UK's trade profile

HIGH PERFORMERS:

UK supersectors account for an above average share of UK goods and services exports

Fig 2: Share of selected UK exports as a % of total global goods and services trade



SOURCE | UN COMTRADE

CONTRIBUTION TO THE UK TRADE BALANCE:

Many UK supersectors run a sectoral trade surplus, reflecting the global platform they have built in the UK. Even those who do not are major exporters, with an important position in global value chains.

Fig 3: Total exports

2023 selected supersectors, £bn

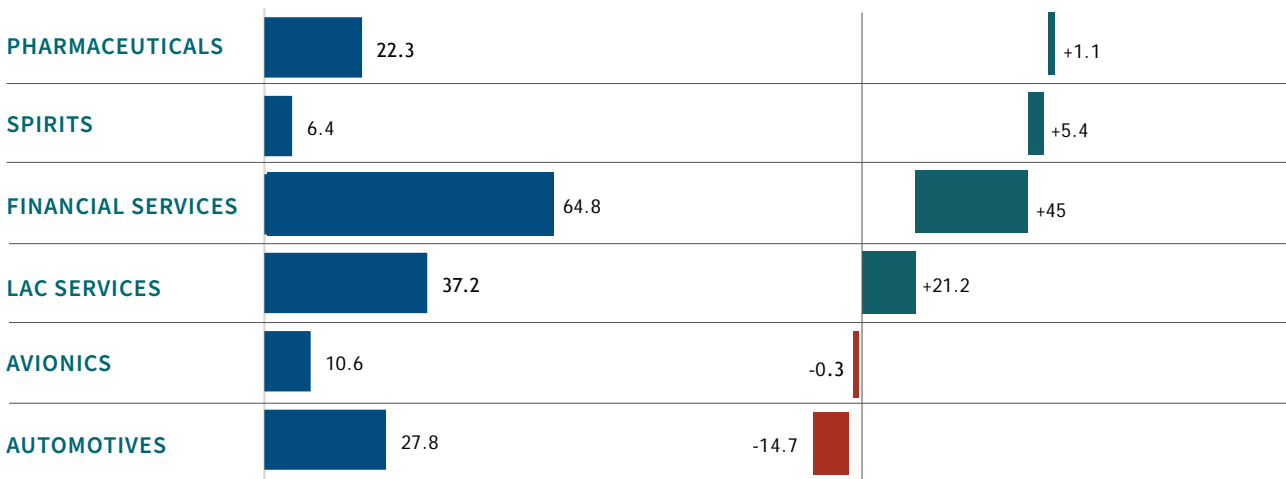


Fig 4: Impact on UK trade balance

selected supersectors, £bn

+£ 72.7bn

SOURCE | UN COMTRADE

The UK's key comparative advantages all reflect this important dimension of international competitiveness. The UK's RCAs are among some of the most sophisticated goods and services in the global economy. They are generally rooted in historic UK strengths. They reflect carefully developed national capabilities, often built over decades or even centuries. As would be expected of comparative advantages these sectors represent both some of the UK's most valuable exports and areas where the UK has strong position in global export markets. All have market shares that exceed the UK's average market share for goods or services.

How we did it - and how we keep doing it

Despite often radical technological change and innovation it is striking the extent to which the UK's core economic strengths today would not surprise a Briton from 1950. For all the ways that they have been transformed, Britain's leading export industries are clearly the descendants of their twentieth century predecessors. They have survived and prospered through constant adaptation, investment and a supportive policy framework.

Some UK comparative advantages reflect unique geographic features of the UK. The time-zone straddling location of the City of London or the spring waters that make Scotch whisky unique are two examples. But it is what is built on these lucky inheritances that matters. Genuine comparative advantage emerges out of a mix of entrepreneurship, adaptability, sustained investment in the necessary skills and capabilities and supportive public policy.

Government policy generally struggles to create entirely new comparative advantages from scratch - and many have squandered huge resources trying. But good policy choices can play a vital role in supporting them as they develop. The right mix of intelligent sectoral regulation, trade liberalisation, Intellectual Property (IP) protection and education and skills policy is key across the six supersectors profiled here and across all UK comparative advantages.

Strength at home: robust foundations

The most important role of public policy in sustaining UK comparative advantages lies in the way it helps build and maintain the foundations of these strengths. UK supersectors are generally built on a mix of the UK's unique conditions: its human capital base and capital investment in the platforms for high-value-added goods and services. They depend on robust and reliable infrastructure, not least for the provision of energy. Experience also suggests that the stronger these underlying capabilities are in a national economy, the easier it is to evolve comparative advantages over time, and even to develop new ones.

Three elements of the UK's RCA foundations are worth stressing, because they have proven fundamental to RCA development. They also emphasise the way in which a trade

strategy that supports RCAs must start with the foundations for global export performance in the UK domestic economy.

Strong capital markets. Deep UK capital markets are key to the maintenance of UK comparative advantages. The ability to raise both equity and debt capital has been central to the capacity of UK-based firms to expand and adapt through the modern industrial period. The establishment of strong public finance institutions and policy aimed at increasing liquidity in the market have been fundamental to provide firms with necessary access to capital. It has been estimated that UK capital markets need to channel around £100bn a year into UK companies over the next decade to sustain the necessary momentum of transformation and decarbonisation.

Access to talent and skills. Most UK comparative advantages are human capital intensive - they depend on a reliable and highly skilled workforce to produce and supply. These skills underpin not just the current strength and innovation of the UK's comparative advantages, but their evolution in the future. The technical skillset of a modern wholesale financial services or automotive worker has evolved dramatically over the last fifty years and that adaptability and the education and training that have underpinned it have been key to sustaining those comparative advantages. That adaptability has been supported by thriving higher education environment, capable of attracting top international talent and continuously investing in the R&D which fuels productivity gains. However, there is room for improvement to ensure that UK adults are equipped with the necessary basic qualifications needed for UK supersectors to continue to compete internationally.

Energy costs. UK industrial energy use has fallen over the last fifty years in part because the UK has shifted into less energy-intensive economic activities including services. However, the UK's current comparative advantages in advanced manufacturing remain highly dependent on energy and are under pressure to decarbonise their energy supply. This will become increasingly important if the UK's main trading partners adopt trade restrictions linked to carbon intensity. UK businesses also pay some of the highest energy prices in the developed world. The huge energy demands of technologies such as AI are also likely to change the energy-use profile of many services industries, including the UK's services RCAs. This will need to be done in a sustainable way.

Strength abroad: international market access and fair trade

Because their outsized domestic economic impact is built on access to global markets, international market access is key to sustaining the value of UK supersectors. Market access for the UK's supersectors can mean a range of things from eliminating border tariffs to ensuring that the treatment of foreign investment and foreign goods on the markets of our trading partners is non-discriminatory.

Looking back over the last three decades, several UK market access policy priorities have been particularly important for UK comparative advantages:

- A strong WTO non-discrimination framework has been key for many UK RCAs for the simple reason that it has helped ensure stable and non-discriminatory access to markets with which the UK has not negotiated free trade arrangements. Targeted WTO agreements have also helped reduce tariffs for key UK exports such as medicines, although these agreements need updating in some cases.

- A set of free trade agreements signed both as an EU member and outside the EU have helped eliminate tariffs and reduce regulatory barriers on UK supersector goods.

Protections for knowledge assets

Their high knowledge content or unique brand equity often makes effective international protection of Intellectual Property Rights (IPRs) key for many UK supersectors. Like many of the UK's supersectors, five of the six supersectors profiled here are classified as 'High' or 'Medium' users of IPRs by the UK Intellectual Property Office. In this case they are especially dependent on robust protection for patents, trademarks and industrial designs. The UK IPO has also calculated that above average users of IPRs account for more than 40% of the UK's export value. In recent decades, key for UK RCAs has been:

- Strong UK commitment to the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) framework and the international framework for intellectual property protection that it consolidated and enlarged upon.

- International customs cooperation between the UK and other countries in the fight against counterfeiting and the prosecution of IP infringement.

- The development of 'TRIPS+' IP protections that go further than the TRIPS framework in key areas such as supplementary protection certificates for pharmaceutical patents.

- International advocacy for concepts like Geographic Indications, which are important for supersectors that have built global market positions on unique brand equity features such as their origin in and association with specific part of the UK. 'Scotch Whisky' and 'Irish Whiskey' are now registered as a protected Geographic Indication in over 70 countries.

The problem with “legacy industry” thinking

The term ‘legacy industry’ is sometimes used to describe a sector with a long history and an uncertain future. Legacy industries are sometimes characterised as struggling with change or invested in outdated production models. The UK’s comparative advantages often have a long history, and in some cases that history itself is a source of important and valuable reputational capital. But what ultimately defines them has been the ability to combine that legacy with a high degree of adaptability over time. This can be seen in the way that successful UK sectors have incorporated new technologies and adapted products and business models to reflect market demand or environmental change. A legacy platform can be a serious handicap for a sector, but the UK’s comparative advantages are a reminder that it can also be an invaluable underpinning resource for commercial evolution.

Regulatory diplomacy

Most UK supersector exports are highly regulated and/or depend on robust and effective regulation in export markets for their success. The more the regulatory practice of the UK’s key trading partners aligns with that of the UK, the simpler it can be for UK exporters to operate in, or sell to, those markets.

The UK has historically supported this by playing an active role in the development and convergence of global product and services standards and their transposition into regulatory practice in key trading partners. It has also been a global leader in regulatory policy - best practice in regulation itself across a wide range of areas from wholesale financial markets design to approval of medicines. Key to supporting UK RCAs has been:

- Strong UK support for international standard-setting cooperation processes in the WTO, the International Standards Organisation (ISO) the G20 and other regulatory cooperation fora has helped maximise the prospects for convergence when those standards are transposed.

- UK regulatory diplomacy, often alongside EU and US diplomats has helped target and remove key obstacles to fair market operation or improve the efficiency of operating between markets. This has included the use of mutual recognition frameworks in key areas to help simplify the practicalities of trading between markets in areas such as pharmaceuticals, financial services and data transfer.

Why strength abroad matters at home

The UK’s comparative advantages are the obvious place to start in designing a UK trade and industrial strategy in 2025. But this requires careful reflection on the policy choices that have helped sustain those strengths over many decades. The UK needs twenty first century versions of those policies for twenty first century versions of its supersectors.

It is also useful to reflect on why strongly RCAs matter in a global economy. High export volumes and large global market shares do not matter in themselves. What matters is what they tell us about how UK businesses have turned the UK into a platform for serving a global market - and in doing so driven growth and productivity at home. Section 2 will consider this impact.

02

How supersectors drive UK growth and productivity

02

How supersectors drive UK growth and productivity

Key points

- 01 | Supersectors contribute disproportionately to export performance and employment and tend to run trade surpluses. They outperform the wider economy in both productivity and productivity growth.
- 02 | A highly skilled workforce underpins supersector success. The skills supersectors rely on can often be transferred to elsewhere in the economy to bolster adaptability and resilience and, over time, create new areas of comparative advantage.
- 03 | Supersectors are regionally distributed and linked to intrinsic UK assets such as geographies and institutions. For these reasons they are a source of genuine national strength.

Strong export performance, sectoral trade surpluses and employment

It might sound obvious that strong UK exporting sectors are good for the UK domestic economy. But why this is the case is important. While the UK runs a large trade deficit for goods and a much smaller deficit for total trade, the UK's RCA sectors tend to be closer to balance or run a surplus. This means the UK sells more of their product abroad than it buys and imports. A trade deficit is not necessarily a serious problem in a sector - the fact that the UK imports more cars than it exports does not alter the fact that it is a globally competitive auto exporter with an automotive manufacturing sector that is a major national asset. In fact, a sectoral trade deficit indicates that consumers are purchasing more cars than they are producing, which could be an indicator of potential future growth and a stimulus to foreign investment in that specific market.

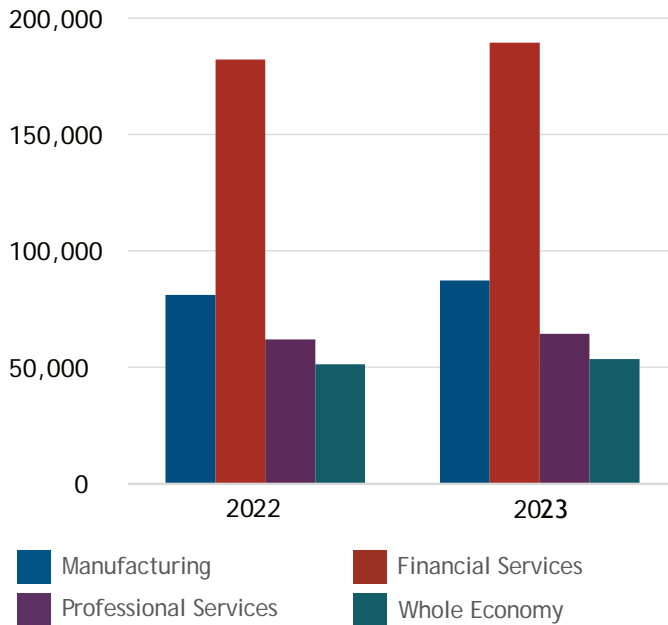
However, sectoral trade surpluses contribute to overall trade balances and tend to be associated with clear positive benefits, such as domestic employment. This is because a surplus will generally indicate that a sector is producing for a global market as well as a domestic one. This implies a greater potential economic and employment footprint than a sector serving only the domestic market. On balance, the more customers a UK-based firm has internationally, the more employees it will have in the UK. According to ONS and industry data, the supersectors profiled here account for more than 5 million jobs in the UK and more than £300bn in Gross Value Added (GVA). Although it is impossible to determine precisely, a material share of these jobs and GVA exist because these sectors supply customers outside of the UK.

Supersectors and UK productivity

HIGH PRODUCTIVITY:

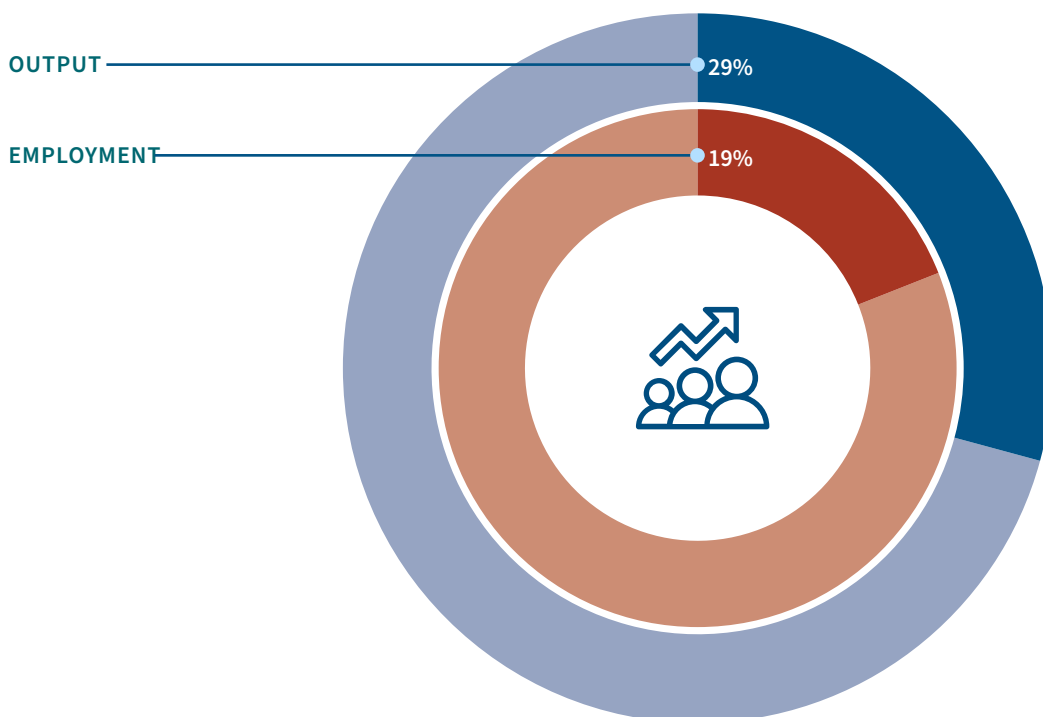
UK supersectors make an outsized contribution to UK productivity

Fig 5: GVA per job, selected supersectors, £mil



SOURCE | ONS

Fig 6: Share of GVA and employment, selected supersectors and all other sectors, %



SOURCE | ONS

HIGH PRODUCTIVITY GROWTH

UK supersectors are also among the UK's best performers in terms of productivity growth. They have outstripped the economy as a whole post-COVID. Advanced manufacturing in particular has been key to UK productivity improvements over the last two decades.

Fig 7: Post COVID productivity growth

100 = 2019

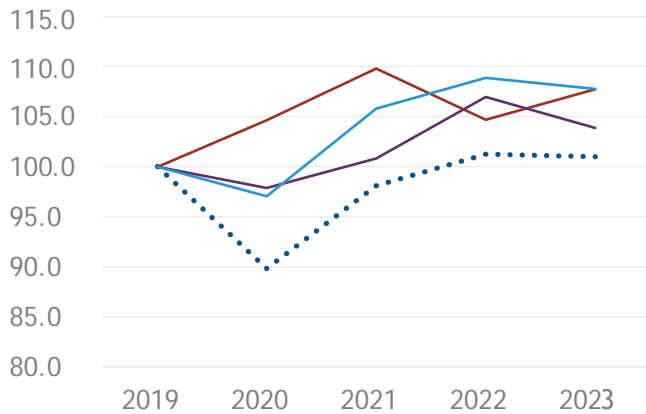
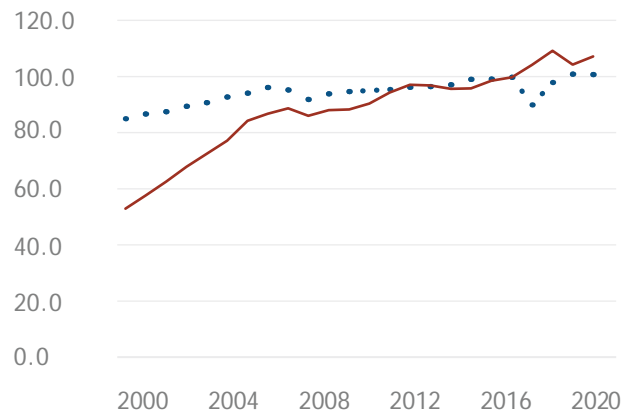


Fig 8: Long-term productivity growth

100 = 2019



..... Whole Economy ■ Manufacturing ■ Financial Services ■ Professional Services

SOURCE | ONS

A domestic one. This implies a greater potential economic and employment footprint than a sector serving only the domestic market. On balance, the more customers a UK-based firm has internationally, the more employees it will have in the UK. According to ONS and industry data, the super sectors profiled here account for more than 5 million jobs in the UK and more than £300bn in GVA. Although it is impossible to determine precisely, a material share of these jobs and GVA exist because these sectors supply customers outside of the UK.

RCAs and productivity

The link between RCAs and sectoral and firm-level productivity is interesting and important. There is substantial evidence that firms that export effectively tend to more productive. Productive firms are more likely to enter export markets, but they will then often be made more productive by the discipline required to compete internationally. The economies of scale provided by large international markets can also make firms more efficient and productive. The kind of strengths that make a firm an exporter will often be strengthened by exporting.

It is therefore not surprising that the UK's RCAs are amongst its most productive sectors. Using the broad sectoral categories used by the UK ONS we can see that the Manufacturing, Financial and Professional, Scientific and Technical services sectors all outperform the rest of the economy in output per job by some margin (Fig 5). In 2023, average output across these sectors was more than 200% average output in all other sectors. In that year, these sectors accounted for just under 20% of employment in the UK economy but almost 30% of gross value added (Fig 6).

This productivity performance also shows strong improvement over time, often in stark contrast to the rest of the UK economy. This is especially true for UK advanced manufacturing, which has dramatically improved its productivity over the last thirty years through a combination of automation, process reform and competition in international markets (Fig 8). The UK's performance as a global exporter in segments such as aviation, automotive, pharmaceuticals and high-value consumer goods has both driven and been driven by these productivity improvements.

The manufacturing, financial and professional, scientific and technical services sectors have also outperformed the wider UK economy both during and after the COVID pandemic. While the UK economy has only marginally improved on pre-COVID productivity levels, these three sectors recovered faster coming out of the pandemic and have posted large post-COVID productivity gains (Fig 7). Access to international markets was an important contributor to the resilience of these sectors through COVID and to their post-pandemic rebound.

In practice, because this data includes both exporting and non-exporting firms, it is likely to understate the productivity performance of the exporting firms at the sectoral level. But even from this aggregate picture, it is clear that these sectors make an outsized and critical contribution to the UK economy – and their status as RCAs is closely linked to that.

Spillover effects – horizontal and vertical skills transfer

While it is difficult to build new comparative advantages from scratch, there is evidence that comparative advantages rooted in sophisticated transferable skills can make a particular contribution to economic adaptability and resilience over time. This is because highly skilled workers can move between economic activities or evolve existing strengths without reducing the value being added to the economy in doing so. Many of the UK's comparative advantages have this important human capital quality.

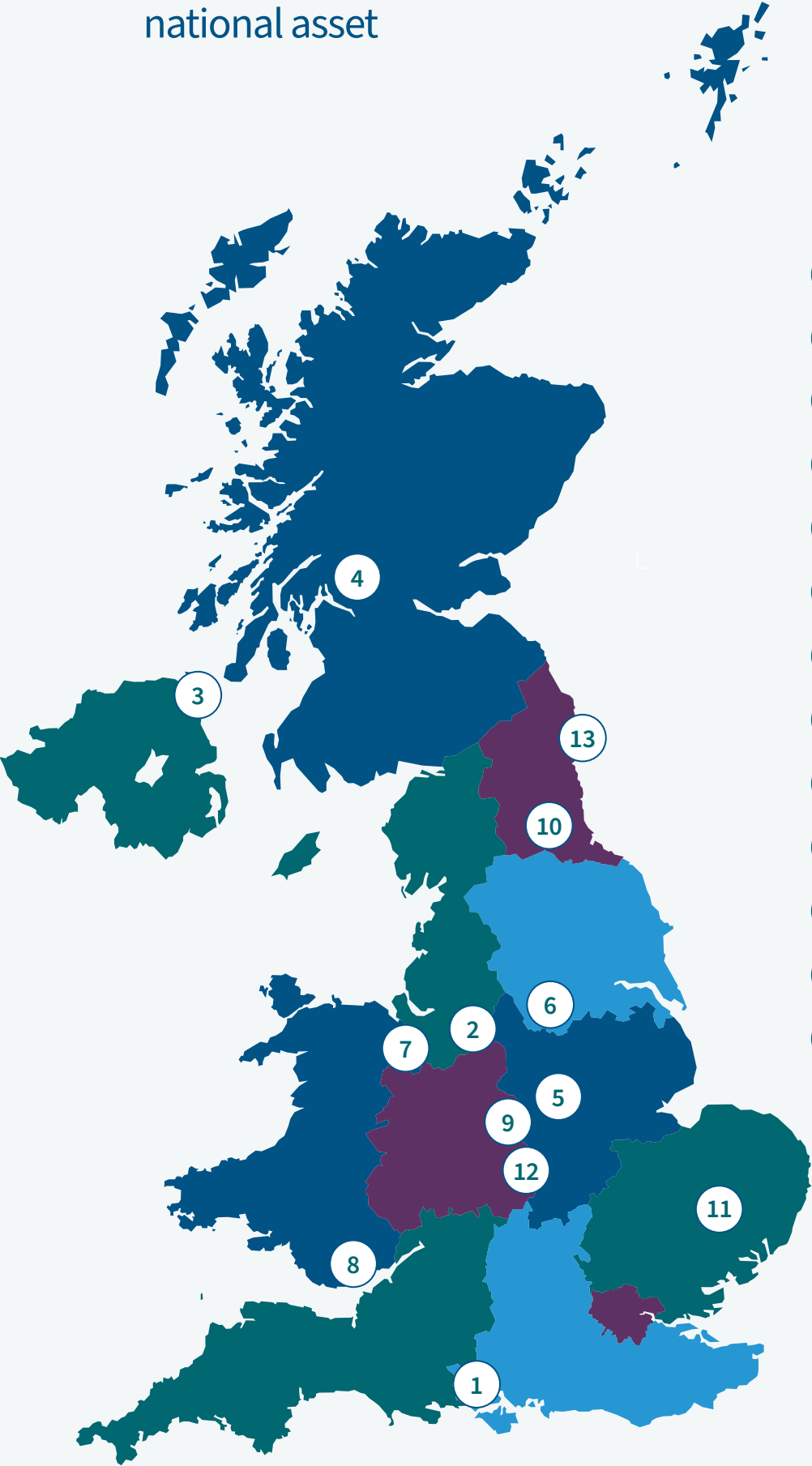
Spillover effects from the UK's comparative advantages can be thought of in two ways. First, advanced skills can move horizontally in the economy. The engineer that is trained to design and build jet engines can transfer her skills and knowledge into the construction of wind turbines. The pharmaceutical scientist can move from one area of research to another. The coder that develops risk management systems for a bank can move on to develop the same technologies for a small fintech startup. A specialism in advanced project management, research design or AI deployment can in principle move from sector to sector, driving productivity and quality as it does.

Skill spillovers in the UK's comparative advantages also move vertically through the workforce in the form of inter-generational skills transfers. This is especially true in cases where the skills are not just technical but 'wisdom skills' – competences that rely on experience and carefully refined judgement.

These might be the lessons learned in a lifetime of delivering legal counsel, managing industrial production lines, designing clinical medical trials or distilling whisky. Experienced workers pass on these complex wisdom skills downwards to less-experienced workers. In this respect, the skilled work supported by comparative advantages, especially where it is built on transferable skills, can be seen as part of the UK's long-term learning ecosystem.

One obvious expression of this is the idea of the apprenticeship. It is not a coincidence that many of the UK's comparative advantages have both a strong historic tradition of vocational training and are among the largest modern users of apprenticeships. In the most recent year measured, there were more than 80,000 apprenticeships across UK advanced manufacturing. The legal, accountancy and financial services sectors offer thousands more, alongside trainee models like pupillage that often perform a similar vocational training role. This deep commitment to sectoral expertise is key to RCAs and needs to be nurtured whenever possible.

Supersectors: a national asset



REACHING EVERY PART OF GLOBAL EXPORT MARKETS FROM EVERY PART OF THE UK

Selected examples of UK-based global businesses operations

- 1 **JP MORGAN BOURNEMOUTH**
Global Operations
- 2 **BARCLAYS RADBROKE**
Global Operations
- 3 **BUSHMILLS NORTHERN IRELAND**
World's oldest distillery
- 4 **KILMALID DUMBARTON**
Scotch whiskey bottling
- 5 **ROLLS ROYCE DERBY**
Engine assembly and testing
- 6 **BOEING SHEFFIELD**
Aircraft element manufacture
- 7 **AIRBUS BROUGHTON**
Airliner wing manufacture
- 8 **PWC CARDIFF**
Accountancy and consulting
- 9 **PINSENT MASONS BIRMINGHAM**
Global legal advisory
- 10 **GSK BARNARD CASTLE**
Biologics manufacturing
- 11 **ASTRA ZENECA CAMBRIDGE**
Global R&D
- 12 **JLR SOLIHILL**
Range Rover and Discovery
- 13 **NISSAN SUNDERLAND**
Global manufacturing

A genuine national strength

Another striking feature of the UK's RCAs is the way that they are distributed around the UK. This reflects a number of things. In some cases, the driver of location is geography. For example, Scotch whisky and Irish whiskey distilleries take advantage of a wealth of natural resources based on their location, such as access to local fresh water sources from springs and glens. Other supersectors have grown up around access to universities, ports and historic skills bases in manufacturing. London is important in this mix, especially for professional services, but far from dominant. The performance of the UK advanced machinery and transport sector exemplifies this. Almost 85% of the UK's machinery and transport exports, which includes its automotive and aerospace supersectors, originate outside of London and the Southeast (Fig 9). A full

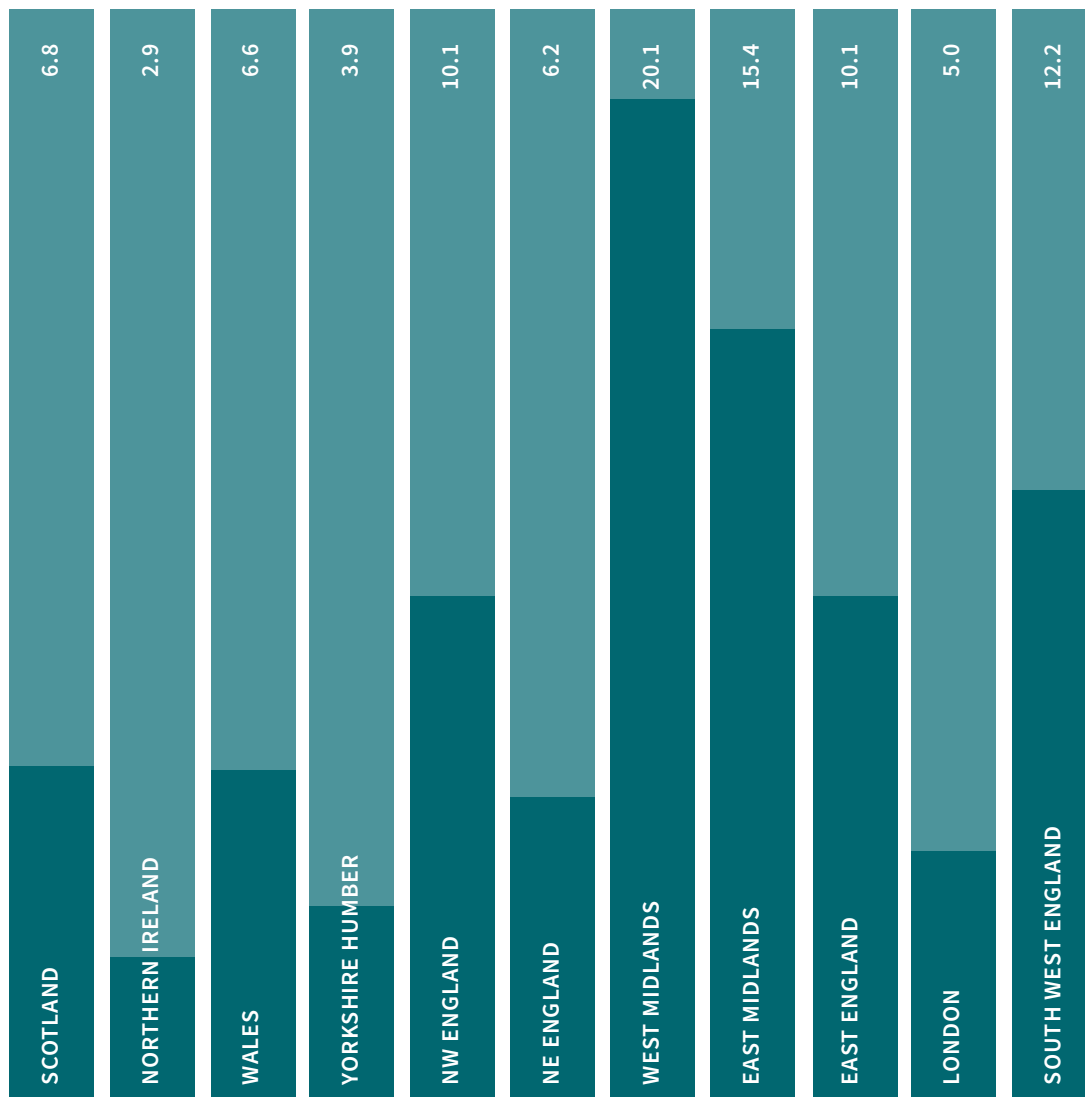
22% of the UK's food and drink exports by value originate in the Scotch whisky industry. About a quarter of this is produced in remote distilleries across the Scottish Highlands.

A new approach for old strengths

If the UK is serious about growth and productivity at home, a focus on its comparative advantages in the global economy makes sense. At a time of rising geopolitical competition and disruption in global trade, this will mean making practical and pragmatic choices about where to focus resources and political capital. Above all, it will mean combining several policy agendas into a single combined approach to UK competitiveness and engagement with our key markets. Section 3 suggests such an approach.

Fig 9: Machinery and transport exports

UK regions and nations, % of UK total



SOURCE | ONS



03

A trade and industrial
strategy for UK supersectors

03

A trade and industrial strategy for UK supersectors

Key points

- 01 | As the UK considers its trade and industrial strategies, it is important to recognise the vital link between supersector success, strong domestic competitiveness, open global markets and regulatory convergence in the UK's key future markets.
- 02 | The Government can support supersectors through an intelligent and balanced suite of industrial and trade policies that exploit the full range of policy levers available to navigate an increasingly volatile geopolitical environment.
- 03 | Specific considerations should include multilateral and bilateral engagement, contextualising policy choices within the future relationships the UK should seek with the EU, US, and China and how Whitehall could be better organised to deliver policies that reflect supersector interests.

Foundations: the UK as a platform for global exports

The UK's supersectors often depend heavily on the right conditions for operation in the UK to serve global markets. For this reason, aligning the new industrial strategy with a refreshed trade strategy is critical. A new industrial strategy should target the capabilities that underpin the UK's comparative advantages.

In a refreshed trade and industrial strategy, the UK should:

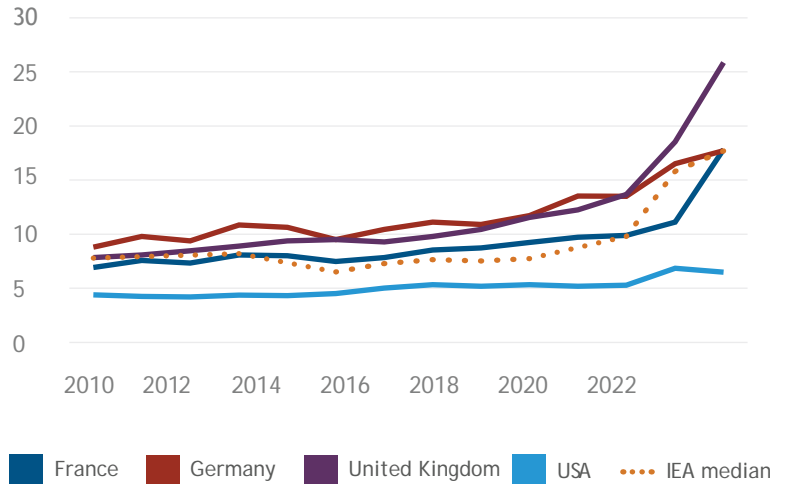
- Set out clear objectives to ensure that UK exporters can access energy at competitive international prices and are ready to meet evolving requirements for minimised carbon content in export markets. This means: reducing compliance costs and aligning with key export markets such as the EU on emissions standards; accelerating grid infrastructure and decarbonisation projects; and considering ways to reduce the cost of accessing clean energy for all supersectors, and for the economy more generally.

Supersectors and UK trade and industrial strategy

INDUSTRIAL STRATEGY FOUNDATIONS AT HOME:

UK supersectors need competitive energy costs, a decarbonised grid and a strong skills base

Fig 10: Energy prices UK and IEA comparators, p/kWh

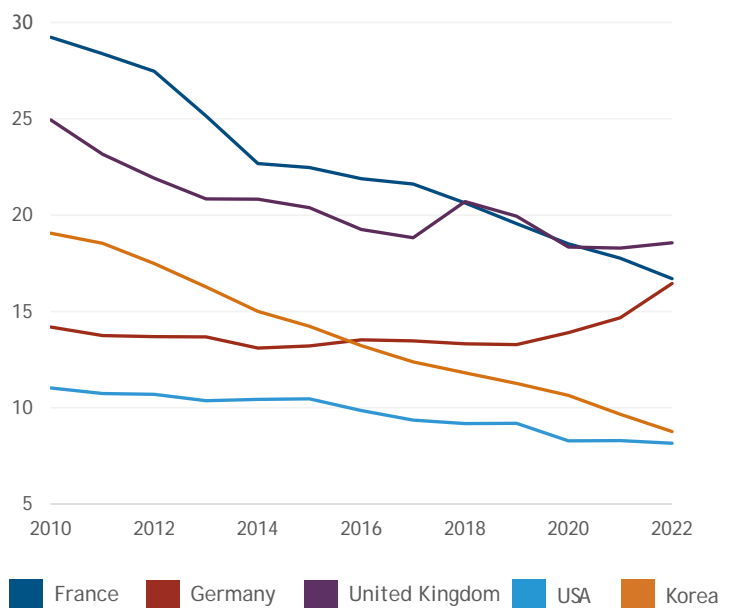


SOURCE | ONS, IEA

SKILLS GAP:

the UK lags peers when it comes to adults with basic qualifications

Fig 11: Share of 24-64 year olds with below upper secondary level education, %



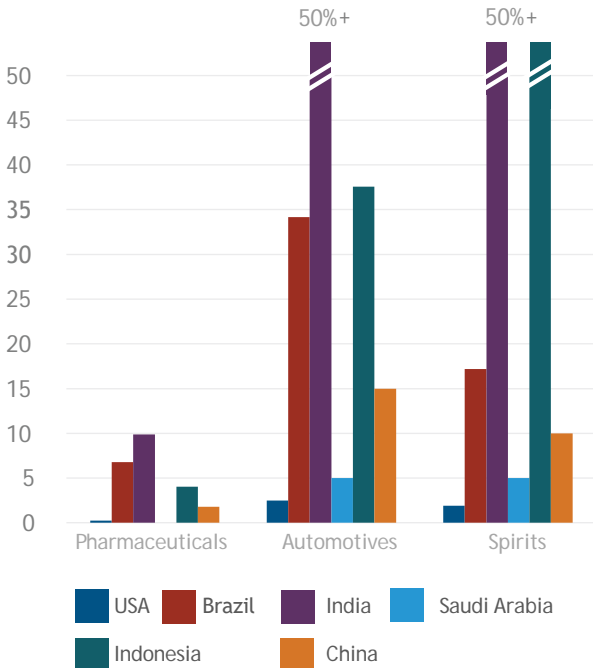
SOURCE | OECD DATA ARCHIVE

TRADE STRATEGY PRIORITIES ABROAD:

UK supersectors need targeted tariff reductions in key markets and robust IP protections everywhere

Fig 12: Average applied MFN tariffs

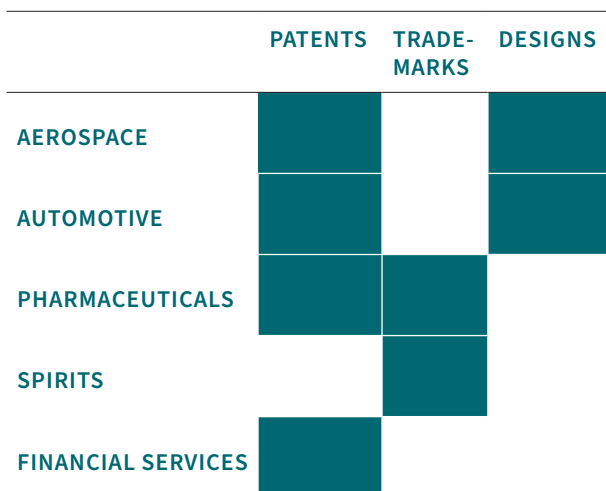
Selected supersectors and markets, %



SOURCE | WORLD BANK

Fig 13: Importance of IP rights

Moderate/High sectoral use



SOURCE | UK IPO

Continue to focus on reform and modernisation of UK capital markets to ensure that UK firms have access to both risk capital for critical digital or low-carbon transformation and patient capital for sustainable growth. The creation of the National Wealth Fund should be accompanied by wider support of institutions such as the British Business Bank to ensure they can deploy their funds more quickly and with a greater risk appetite and continue to crowd in private capital to support UK industrial strength.

Continue addressing workforce and skills shortages through a comprehensive approach targeted at increasing employment, managed migration and supporting education institutions in creating a diverse pipeline of talent in the UK.

Navigating geopolitics to ensure continued trade

Critical to supersectors success will be continued access to a range of global markets, particularly the three largest global markets: the EU, the US and China.

While the UK's supersectors are global in their outlook, the proximity and scale of the EU market is critical for their success. A limited but meaningful easing of trade frictions between the EU and UK is possible, both in the context of the upcoming TCA review in 2026 and through political engagement outside the review framework.

The review coincides with the end of the transitional periods for energy and fisheries, and although they will be addressed separately from other aspects of the Agreement, there are significant linkages in terms of negotiating the wider relationship. In particular, the UK government should prioritise mechanisms that can turn the close alignment of regulatory practice in the EU and the UK into simplified market access protocols.

This should include negotiating a comprehensive veterinary agreement modelled on current EU-Swiss SPS arrangements and a growing portfolio of mutual recognition agreements (MRAs) to reduce technical barriers to trade by eliminating duplicative testing and certification purposes in sectors like automotive and life sciences. Despite the difficulty in negotiating this type of agreement, the costs associated with regulatory divergence make it one of the most impactful instruments that can be pursued as part of a trade strategy. Empirical models show that MRAs can increase both the value of exports (15-40%) and the probability of SMEs exporting. The effort and political capital are worth the outcome and impact.

Additionally, the UK should continue to work alongside the EU to support balanced institutional reforms of key structures, like the WTO, to ensure the rules-based

trading system continues to operate and reflect key UK equities. However, the agility and opportunity that an independent trade policy affords the UK in the context of weakened multilateralism must not be lost on policymakers going forward.

The US and China are especially important in this light. The US is the UK's biggest trading partner. It is a vital market, and it should be a priority to ensure that access remains open and potentially enhanced for UK supersectors. Consequently, a deal with the new Trump administration - whether sector-specific 'mini deals' or a comprehensive trade agreement - should rank highly as a key trade priority for the UK, as should locating in parallel a balanced trading relationship with China that allows for trade and investment where essential security interests permit.

Finally, the UK should continue to exploit FTAs as an avenue to secure comprehensive market access, enhance supply chain resilience and achieve economic security objectives. In these respects, momentum already exists and should be translated into a deal with India and the Gulf Cooperation Council (GCC) in the short-term and championing CPTPP enlargement in the medium-term.

The defence of knowledge assets

The single most important set of international standards for UK comparative advantages internationally are those that relate to the protection of knowledge assets: intellectual property (IP). The UK's comparative advantages generally have a high knowledge content or carefully built brand equity that needs effective IP protections. Defending UK patents, trademarks, designs and copyright abroad is key. UK firms also need to know that they will be able to protect commercial secrets from inappropriate disclosure when they operate outside the UK.

In a refreshed trade strategy, the UK should:

- Renew its commitment to robust IPRs across its trade agenda. The UK should resist attempts to qualify or weaken intellectual property rights at the WTO level and in individual trading partners, while working constructively and creatively to find alternative tools for supporting the technology transfer and dissemination of knowledge necessary to address global challenges.

- Continue to make engagement on IP central to its regulatory diplomacy. This is important both at the cutting edge of IP development in areas such as AI, and in traditional areas such as Geographical Indications (GI). These protections for products linked to specific geographic origins are often critical for the UK's prestige traditional food and drink sectors.



Securing GI status for Scotch whisky in Brazil

A Geographical Indication (GI) is a form of IP that protects products originating from a geographical region which use specific methods of production and possess qualities due to being from that region (e.g. Scotch whisky, Stilton blue cheese). GIs protect products against misuse or imitation and guarantee the true geographical origin of the products to customers, offering stronger protection than other IP measures at WTO and World Intellectual Property Organization (WIPO) level, and allowing for the possibility of enhanced protections that go beyond WTO requirements through bilateral deals. Annual UK GI exports are estimated to be worth over £6 billion and account for 25% of UK food and drink exports' value. Indeed, there is a case for regarding the UK's 'GIs' as a supersector in their own right. In 2023 alone Scotch exports were worth £5.6bn, accounting for 74% of Scottish food and drink exports and 22% of all UK food and drink exports.

The recent GI agreement with Brazil for Scotch whisky has secured a more robust legal framework for protecting these assets. It is a salient example of how the UK can back these supersectors in their regulatory diplomacy in key export markets. Brazil had been a significant market for Scotch Whisky, with exports totally £90 million in 2023, and the addition of the GI status is estimated to boost these exports by £25 million over five years. As consumption growth shifts to developing markets with population growth and GDP increases, pursuing GI recognition and enhancing protections can contribute to the UK's "Growth Mission".

A focus on rules and rulemaking

The UK's comparative advantages are often highly regulated or depend on regulation such as effective IP protection for fair treatment in export markets. In the case of sophisticated services such as financial services or legal services, they are also often exported through commercial presence. In these respects, UK supersectors depend as much on sound and fair regulation as they do on the elimination of tariffs. For this reason, the UK should continue to develop a strategy for shaping both standard-setting and regulatory practice in key trading partners and key areas for its comparative advantages.

In a refreshed trade strategy, the UK should:

- Target a small number of areas where international standard-setting is likely to be key to the regulatory frameworks of UK trading partners over the next decade. This might include international technical standards for wholesale financial markets, pharmaceutical regulation and the operation of key new technologies such as AI. This work can be done through the OECD, WHO, WTO and through support for organisations such as the ISO.

- Facilitate dialogue between regulators, particularly of financial and legal services, to ensure that firms are not prevented from utilising FTA provisions due to outdated or divergent regulatory frameworks.

- Champion the use of mutual recognition among trusted trading partners to help reduce duplication in regulation and the cost of trading between regulated markets.

Mutual recognition

A trade and industrial strategy designed for the realities of modern supersector trade will focus on tariffs and rules. Trading between modern economies almost always means navigating multiple regulatory regimes. Where these rules are objectively similar in intent and outcome, mutual recognition can help eliminate duplicative regulatory costs.

Financial Services: The Berne Agreement

The UK-Switzerland Berne Financial Services Agreement, signed on December 21, 2023, is one of the most important examples of the way the UK can take an innovative and customised approach to trade policy. The agreement is the first of its kind in developing a new mutual recognition platform for cross-border financial services trade.

The agreement establishes the principle that as long as the regulatory frameworks and supervisory practice of the UK and Switzerland remain aligned in defined areas, firms may have the right to supply non-retail customers in the other jurisdiction without having to establish a commercial presence there. This allows UK firms to serve Swiss clients from UK-based hubs, supporting employment and skills clusters in the UK. These market access provisions are embedded in deep commitments to close regulatory cooperation and collaboration.

Life Sciences: Mutual Recognition Agreements

Mutual Recognition Agreements (MRAs) in the Life Sciences Sector have played an important role in building and strengthening internal supply chains in medicines. A key example is the UK's approach to the recognition of batch testing of medicinal products from listed countries. Batch testing is an end-of-process laboratory test that confirms every batch of medicine or vaccine has the correct composition. The process exists to help ensure patients receive medicines of the necessary quality to deliver the intended therapeutic effect.

The UK has reciprocal batch testing arrangements in place via MRAs with Australia, Canada, Israel, Japan, New Zealand, Switzerland, and the US. In December 2022 the UK government took the important step of unilaterally adding the EU/EEA to the listing system, despite the absence of corresponding recognition of UK tests on the EU side. This policy choice is an example of a pragmatically applied UK unilateral approach that has proven effective in supporting UK supersectors in the life sciences. It has eliminated duplicative batch testing requirements, while preserving patient safety and the UK's supply of essential medicines by providing certainty for industry.

High quality Free Trade Agreements (FTAs)

While FTAs are becoming more challenging to negotiate and agree, they remain an important element of UK trade policy above all because they can secure the elimination of high tariffs (see Fig 12) and encourage trade diversification. The UK is currently negotiating several significant FTAs with markets whose tariff profiles are often a material issue for goods supersectors. These include India, the Gulf Cooperation Council (GCC), Turkey, and South Korea.

The UK's aim should be to ensure that no less than 85% of its trade is covered by durable, high-quality FTAs that deliver complete elimination of goods tariffs immediately or on short time frames. This is especially important in areas where UK supersectors face tariff spikes such as automotive manufacturing and luxury goods such as spirits. To keep growing the UK services sector, FTAs should maintain a focus on mutual recognition, mobility and access to public markets. Given the resources required for FTA negotiation, the UK should prioritise large and growing markets with clear demand for UK supersector exports and material market protection: as outlined in the last section, India is a prime example, as a country with the potential to become one of the UK's four major export markets alongside US, EU and China.

The UK should also carefully track FTAs and 'mini deals' completed by other major global economies, to keep pace and benchmark what is realistically attainable in the current geopolitical climate. For instance, should the EU finally implement a deal with Mercosur (which is not assured) the UK will need to follow suit, or it will find itself at a competitive disadvantage.

Central to a 'UK FTA model' should be:

Tariff elimination. The removal of tariffs on goods like Scotch Whisky or automotive components reduces costs for UK exporters, making their products more competitive in international markets. Under the UK-New Zealand FTA, tariffs on all UK goods exports were immediately eliminated upon entry into force, benefiting sectors like automotive parts and spirits by removing duties of up to 10% on these goods. This should be the aim in all FTAs.

Harmonising technical regulations and standards and streamlining regulatory compliance for UK exporters. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) includes provisions that streamline regulatory processes across member countries. For example, UK automotive exporters benefit from simplified certification procedures when exporting to CPTPP members. The UK-New Zealand FTA is a good example of an agreement with extensive SPS provisions which facilitate trade by standardising production specifications and reducing administrative burdens, particularly for spirits and life sciences.

Simple, flexible Rules of Origin (RoOs). Flexible RoOs allow manufacturers to source components globally, maintaining agile and diverse supply chains while benefiting from preferential trade terms. All UK FTAs should ensure cumulation and lower thresholds - such as insufficient transformation rules - should be practical and minimal.

Strong digital trade provisions. These can facilitate cross-border data flows while protecting intellectual property rights. This is crucial for sectors reliant on digital infrastructure such as financial services or legal services. The UK-Singapore Digital Economy Agreement (DEA) is the best-in-class treaty on digital trade, including provisions which go beyond traditional FTAs, for example by preventing unjustified data localisation requirements, promoting interoperability of electronic payment systems and facilitating information sharing between regulators to reduce compliance burdens.

Robust IPR provisions. Strong IP protections are crucial for sectors that rely heavily on innovation and brand value, such as life sciences and spirits. The UK-Australia FTA is a good example of upholding high IP standards through its strong protection of Geographical Indications (GISs) and comprehensive patent and regulatory data protections for pharmaceuticals.

Effective multilateral and plurilateral cooperation and coordination

The WTO was conceived as the institutional foundation of a global rules-based trading system. It consolidated the framework of practice established by the General Agreement on Tariffs and Trade (GATT) and extended and elaborated the principles set out in that agreement into new areas such as services trade, regulatory policy and state support for industry. The WTO's Dispute Resolution Mechanism created a forum for resolving trade disputes that has no equivalent in any other area of economic diplomacy.

It would be naive not to recognise that the WTO faces an uncertain future. Yet despite the hobbling of its dispute resolution system and high-profile disagreements on the future of trade rules and the rising tensions and protectionism between major economies, the basic principles of non-discrimination in the WTO rulebook are central to the freedom to export the products and services that represent UK strengths and underpin supersector success in global markets.

The UK must continue to leverage the WTO's 'business as usual' committee infrastructure to challenge unfair trading measures, share best practice and reinforce key norms among like-minded states.

In a refreshed trade strategy, the UK should:

- Actively exploit relevant WTO Committees to advance UK economic interests. For example, the Council for Trade in Goods (CTG), Committee on Market Access (CMA), Committee on Import Licencing (IL), Committee on Sanitary and Phytosanitary Measures (SPS) and the Technical Barriers to Trade (TBT) Committees are all avenues to raise and advance specific trade concerns with other WTO Members. The Trade Policy Review mechanism is another tool which can be applied to scrutinise other Members' practices and apply coordinated pressure.

- Target WTO engagement on areas where the institution continues to play a valuable role in establishing global norms or provides a forum for international cooperation in key areas of future policy or regulation to support domestic priorities. This will include: technical standards, ongoing work on international standards for electronic commerce and negotiations on the future of Intellectual Property Rights (see above).

- Advocate for plurilateral action in the areas where coordinated action by like-minded WTO Members can deliver material value for UK exporters, even in the absence of unanimity among the broader WTO Membership. Examples might include updating the WTO Pharmaceutical Agreement to cover developments in medical technologies over the last decade and similar potential agreements in areas such as low carbon technologies.

- In a plurilateral context, joining the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) merits serious consideration to ensure trade rules remain at least partially enforceable where they concern other MPIA parties.

A Whitehall strategy for supersector policy

Robust and effective domestic policies in isolation are not enough to sustain the growth potential of UK supersectors. For a mission-driven government to deliver for the UK's most competitive sectors coordination, in policy development between the industrial strategy and the trade strategy is required. Both initiatives will also need to bring in other policy areas and delivery departments that will help shape the future ability of the UK to navigate an increasingly volatile geopolitical context.

The creation of the Department for Business and Trade (DBT) and the merging of decision-making responsibilities for trade policy and domestic regulation was a positive step in this respect. Despite this, the need for better coordination across-Government can be illustrated by the fact that Whitehall can present a fragmented landscape for effective private sector engagement and consultation.

Using the nascent industrial and trade strategies as examples, we can already see how complicated it is for domestic businesses to engage constructively with the evolution of UK economic security policies, which will inform the development - and eventually fall under the umbrella - of both strategies. For example, current economic security policy formation involves numerous ongoing consultation channels and reviews and spans multiple departments that include the DBT, HM Treasury (HMT), the Cabinet Office and the Foreign, Commonwealth and Development Office (FCDO)..

Of course, discrete policy levers exist in different departments for good reasons. However, to effectively support supersectors and leverage their strengths with better policy design, the UK Government should consider devising a mechanism to ensure that supersector policy priorities are protected and translated into delivery, aligned with Growth Mission objectives and support closer integration with key allies and trading partners.

At a minimum, this requires streamlining engagement and more targeted collaboration between departments on essential policy issues. A dedicated engagement platform structure to provide a bird's eye view of key policy priorities and a 'golden thread' of supersector requirements across disparate but related policies and departments could be considered.

A good approach to cross-department delivery for one supersector can be seen already, in respect of the UK's life sciences strategy and the UK's pursuit of regulatory diplomacy as part of this. Here the Office for Life Sciences (OLS) champions the sector internally across Whitehall and, in partnership with the Medicines and Healthcare products Regulation Agency (MHRA) - which operates under the Department for Health and Social Care (DHSC) - the DBT and the FCDO effectively promotes UK 'gold standard' approaches to regulation and supervision across export markets. This work in turn prepares a fertile foundation for binding frameworks that codify recognition policy, both through MRAs and FTAs.



04

Conclusion

Conclusion

For a mission-driven government to deliver for strategic sectors, decisionmakers must appreciate that effective domestic frameworks are not enough on their own. They are a critical ingredient to success. But any national policies geared towards promoting economic growth must be supported by a set of equivalent international policies that maximise the UK's ability to export its commercial successes. This report has identified a set of key policy priorities to align the UK's trade and industrial strategies and underpin the RCAs that fuel its supersectors.

This is even more important as we move into a new political cycle characterised by increased geopolitical volatility. Global operating models will need to adapt to succeed. To help manage this transition - and service the UK's most productive sectors effectively - the government should consider a different, cross-Whitehall approach to business engagement to streamline and coordinate delivery, translate strategy into action and review progress to remain agile and adaptable.

As this report has set out, the UK's innate RCAs reside in a handful of sectors heavily invested in R&D, advanced manufacturing, and innovative services. By considering these structural features and their unique contribution to supersector output, we can begin to chart a course that informs what the forthcoming trade and industrial strategies should consider and how the UK can best position itself to support and maintain economic growth.

Data and methodology

Revealed comparative advantage (RCA) is the measure of the UK's relative strength in producing a specific product or service, as inferred from its position in global patterns of trade in that product. It is calculated by comparing the share of a good or service in a country's export mix with the same good or service in the composition of the global export market.

A note on definitions:

It is difficult to completely define any sector in terms of the way its activity is captured in trade data or other sectoral classifications for the purposes of comparing international measurements, such as productivity. In most cases, it is not possible to compare between groups of firms captured by exporter data and sectoral estimates of domestic employment or productivity.

For productivity analysis, we have used data from the Office for National Statistics (ONS) and national trade associations as illustrative examples, selecting categories that most align with the sector under consideration. While these sources provide valuable perspectives, the inherent differences in how data is categorized and collected mean that the comparisons made here should be interpreted with these limitations in mind.

The sector defined here as the legal, accounting and consultancy (LAC) sector represents the Extended Balance of Payments Services Classification (EBOPS) category SJ21 encompassing legal, accounting, management, consulting and public relations. For high-level comparisons of productivity performance similar but non-overlapping categories have been used. These are identified in the text.

Data sources and commodity codes

All trade data was sourced from the UN Comtrade database, which is compiled by the United Nations Statistics Division. Data on goods trade is from 2023, whereas data on services trade is from 2019 – the most recent year available.

The 2022 Harmonized System (HS) nomenclature was used to classify the spirits, automotive, pharmaceutical and aviation sectors. The 2010 Extended Balance of Payments Services (EBOPS) classification system was used to classify the financial services and legal, accounting and consultancy sectors. Sector classifications were chosen based on Office of National Statistics and sectoral standard practice.

Exact commodity codes used are as follows:

Supersector	HS 2022 / EBOPS 10 code(s)
Spirits	2208
Aerospace	8801, 8802, 8805, 8806.1, 8806.23-8806.69, 8807
Automotives	8703.2 to 8703.9
Medicines and Pharmaceuticals	2936, 2947, 2938, 2939.1-2939.79, 2941, 30
Financial Services	SG
Legal, Accounting and Consultancy	SJ21

RCA calculations

RCA is calculated as: $RCA(E) = (UE/UA)/(WE/WA)$

Where: E = category of export; UE = UK exports of E; UA = Total UK exports; WE = World exports of E; WA = Total world exports.

This is then calculated as a nominal score by:
 $NRCA(E) = (RCA(E)-1)/(RCA(E)+1)$

This renders a nominal RCA score in which a score above 0 indicates a comparative advantage.

This methodology was applied to six selected supersectors, using national and global export data sourced from UN Comtrade.

Spirits

The RCA for the sector can be calculated as:

$$(UE/UA)/(WE/WA) = (8502664312.4/521207222955.3)/(39398367116.0/19813455742573.8) = 8.20$$

Rendering a nominal RCA of:

$$(RCA(E)-1)/(RCA(E)+1) = 0.78$$

Aerospace

The RCA for the sector can be calculated as:

$$(UE/UA)/(WE/WA) = (14086040562.2/521207222955.3)/(168661918740.5/19813455742573.8) = 3.17$$

Rendering a nominal RCA of:

$$(RCA(E)-1)/(RCA(E)+1) = 0.52$$

Automotives

The RCA for the sector can be calculated as:

$$(UE/UA)/(WE/WA) = (36941295998.5/521207222955.3)/(877913797366.9/19813455742573.8) = 1.60$$

Rendering a nominal RCA of:

$$(RCA(E)-1)/(RCA(E)+1) = 0.23$$

Medicines and pharmaceuticals

The RCA for the sector can be calculated as:

$$(UE/UA)/(WE/WA) = (29489058878.5/521207222955.3)/(859427317170.5/19813455742573.8) = 1.30$$

Rendering a nominal RCA of:

$$(RCA(E)-1)/(RCA(E)+1) = 0.13$$

Financial services

The RCA for the sector can be calculated as:

$$(UE/UA)/(WE/WA) = (86100506370/461947373664.2)/(435145012317.5/5442045062306.7) = 2.33$$

Rendering a nominal RCA of:

$$(RCA(E)-1)/(RCA(E)+1) = 0.40$$

Legal, accounting and consultancy services

The RCA for the sector can be calculated as:

$$(UE/UA)/(WE/WA) = (49438322330.8/461947373664.2)/(390499902286.6/5442045062306.7) = 1.49$$

Rendering a nominal RCA of:

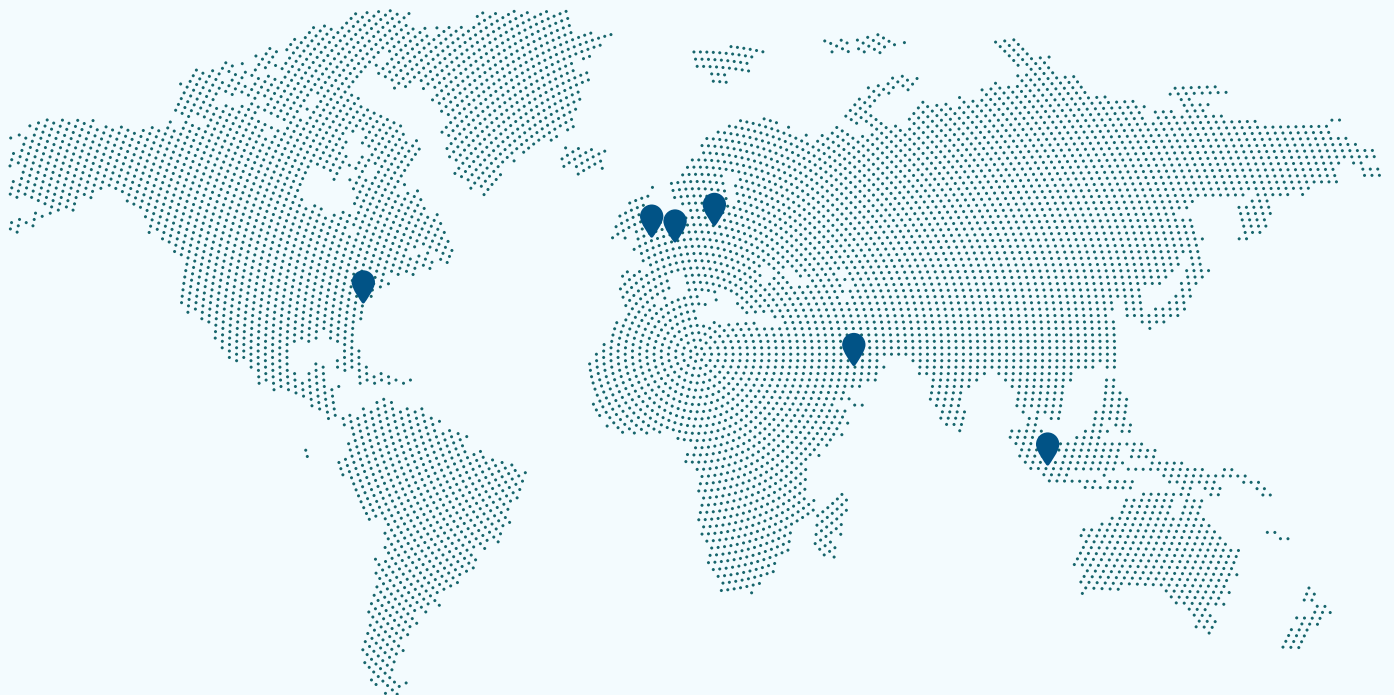
$$(RCA(E)-1)/(RCA(E)+1) = 0.20$$

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About Chivas Brothers Pernod Ricard

Pernod Ricard is the world's leading producer and distributor of premium spirit drinks operating in over 60 countries internationally. Pernod Ricard's UK operations business is carried out by Chivas Brothers Ltd which produces iconic Scotch whisky brands including Chivas Regal and Royal Salute Blended Scotch whisky and The Glenlivet, Aberlour and Scapa Single Malt Scotch whiskies and exports around £1bn of goods to over 160 markets around the world. Pernod Ricard employs more than 2,200 people across the UK from Orkney in the north, to Plymouth in the south, and contributes more than £500m in tax annually to the UK Exchequer. Pernod Ricard invests heavily in the UK with over £680m in capital expenditure allocated between 2020 and 2025 helping to create highly skilled jobs in rural and post-industrial localities in the UK.

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