

The North East looks globally

Insider gathered a panel of experts to discuss the risks and opportunities for North East companies that want to trade internationally

ATTENDEES

MIKE GREEN

HSBC

DAMIEN CHARLTON

Ward Hadaway

GAVIN CARSON

Aon

RICK ELDRIDGE

Aon

BRIAN LAIDLAW

Tait Walker

ALASTAIR WILSON

Tait Walker

SIMON CROSBY

UKTrade & Investment

SARAH PRIME

Cundall



Back row (left to right) *Insider's* Michael Taylor, Brian Laidlaw, Mike Green, Gavin Carson and Simon Crosby
Front row (left to right) Alastair Wilson, Damien Charlton, Sarah Prime and Rick Eldridge

Where are the North East's strengths and opportunities in global trade?

Simon Crosby There are three big sectors for the region – chemicals, pharmaceuticals and energy, which account for two thirds of our exports. Outside that, we work with every type of business – including companies that provide professional services.

Mike Green Some of the work at the larger end is projects-based, where companies are delivering a large infrastructure project in, say, oil and gas and the chemical engineering, or healthcare sectors. We've got a couple of very good examples of health and medical export-related businesses.

We see more interest in what we refer to as deep-sea, long-haul type

export-related businesses. The Middle East is an area of opportunity for us, although there's more risk involved now than there was. From a service sector point of view, our own investments are heavily focused on emerging markets in Latin America and the Middle East. And there's quite a bit of interest in Central and North Africa, which is an area we're working on. We have a couple of oil and gas businesses there doing very well. What we're seeing, I guess, is support from banks, generally, to try and look at these types of export-related projects where we can... and where the bank can gain some value.

Risk is obviously very important to you guys at Aon Risk Solutions?



"If British exporters are not credit insuring now, they should really seriously be thinking about it."

Rick Eldridge

Rick Eldridge We have 400 people worldwide in more than 80 countries in Risk Solutions. So, ours is a very large global network. We look after the whole spectrum from multinationals – I think our largest client is for £1.2bn – to mid-sized corporates and smaller SME companies. No client is too big or no other client is too small.

Risk is the buzzword in the current climate, and when you think of consolidating on the market side you think of Greece or, worryingly, Italy, to see how that pans out. For UK exporters, next year is going to be very tough and 2013 probably more difficult still. So if they're not credit insuring now, they should really seriously be thinking about it.

Gavin Carson From a risk perspec-



tive, when businesses or clients are going into these territories, it opens up a new world and a host of different risks. One of our clients in the oil and gas supply chain service sector had opportunities for contracts in the Niger Delta, but they thought it was just too risky. But it's all about understanding the risks and then managing them properly. For instance, the company was trading in Chad, which is far more dangerous. And we came up with a plan and looked at all the different security aspects. You can trade anywhere as long as you understand that there are risks, it's just how you handle them.

Sarah Prime All the set-ups that we did were a cold start set-up. The implications in terms of cash flow was one of the over-riding issues we faced when going into a new territory. Basically, there can be a time lag in getting a business generating cash; particularly from a cold start, I think it's probably slightly different if you can go into a territory on the back of a project that you might have won upfront. But if you go in and set up from a cold start, certainly the cash flow implications should never be underestimated.

Crosby We work predominantly with smaller businesses, and one of the first considerations, or one of the first barriers to entry, is financial. If you're working with a business with a small turnover, one of the first questions we are asked is how much is it going to cost to develop this market? How much to just get a presence there, in whatever shape or form that might be. That could involve finding an agent, a distributor, or setting up a subsidiary. We will sit with the leaders of the business and carry out a rigorous diagnostic on the business. We look at the financial aspects, the skills and resources it has – even down to the brochures and the website. Then we'll start to distil that information and judge what markets are right for the company. Is it an emerging or mature market? And a lot of companies forget that Ireland is an export market too. It's amazing how many companies ignore markets in Europe and jump straight into the US or even Mexico or Brazil.

As a lawyer, how do you draft the terms and conditions for international trade agreements?

Damian Charlton It never ceases to amaze me the diversity of the regulations that get altered around the world. We forget how business friendly the UK is when you actually go and try to form a company in, say, China; or even some European countries like Italy. For couple of hundred quid, probably less, you can get an off-the-shelf company in the UK. And you say to Simon: "Right, I'm thinking of exporting into China and I believe I need...oh, I don't know... a subsidiary." And, you're talking about months and thousands of dollars to get that thing off the ground, and a long and complicated bureaucratic process.

Crosby Networking is incredibly powerful. UKTrade & Investment (UKTI) has the international networking club here in the North East, where companies come together and share best practice. They talk about their successes, but also the war stories and the horror stories because they do happen. And one of the real benefits of joining a trade mission is exactly that. So when the delegates come together at the end of the business day they can share that kind of experience as well. And that's incredibly powerful.

What tips do you have for a business looking to get started in a particular territory?

Crosby If you're looking for a distributor, speak to UKTI. If you're looking for agents or distributors and a local partner, we are a good starting point. And speak to our local team because we can help identify suitable contacts within a market and warm them up.

Alastair Wilson We try to put clients in touch with one another if they have had experience of a market. We suggest they call each other and have a coffee, just so they can actually tell them personally about what it's like to expand overseas and what they may have seen in



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Sarah Prime

practice. Discuss what you would do differently if you were to do it all over again because nobody gets it right first time. And there are lots of helpful points that can come out of an informal conversation, which might be lead to work. It's about trying to cut through what the theory is and actually get to hear about some of the practical issues on the ground.

Prime You need to make sure that the entity that you choose is the right entity, as well as going into territories and talking to professional advisers under the businesses that are operating in your sector. It's surprising how willing people are to share their time. So, for example, if you make it a point to go and see the local bank or to go and see a firm of accountants or a law firm, they will often give you an hour of that time with no charge.

And they'll steer you in the right direction. Then ultimately, when you come to set up your entity, you may well use that law or accountancy firm. It is surprising that you will get conflicting advice, so it also pays to take plenty of advice from different channels before settling on the ultimate route that you take because it is possible to get it wrong. And once you get it wrong, it can be expensive to unravel.