



# FROM LOCAL TO GLOBAL

With David Cameron placing export at the heart of the nation's economic recovery, **Ben Pindar** examines how Yorkshire's heritage puts us at the forefront of a brave new world of international trade

The British Empire was built on the nation's desire to explore new horizons and discover new landscapes. That pioneering spirit was fuelled by the ingenuity and dedication of our business leaders, which allowed us to reach further than ever before and, in doing so, open up new trade links that underpinned Britain's position as the world's leading power.

However, after the Second World War, Britain's businesses turned their back on the world and our export industry fell into a pattern of decline. Our position as a global leader also began to diminish – until now. After enduring a recession on an unprecedented global scale business, chiefs have been forced to think again and for the first time in more than 60 years analysts are predicting a growth in international trade.

With Britain languishing in the middle of draconian austerity measures and brutal public sector spending cuts, businesses have little hope for growth at home and are now looking to the world's ambitious emerging markets whose GDP is growing at up to 8 per cent a year.

Graham Percival, the deputy director of UK Trade and Investment (UKTI) in Yorkshire, says: "Why limit yourself to one market? Companies now need to be innovative and flexible. You won't survive if you are just focused on the UK market because it has very marginal growth at the moment.

"By exporting, your company becomes stronger as you have to be more innovative and productive. The overseas market forces you to face new challenges and develop far better planning systems."

Giles Searby, a partner at law firm Hill Dickinson, adds: "You must treat the world as your market. In the past people haven't had the guts to make the leap into exports, but as a result of the downturn they have to look at international trade to survive. You have to spread your net wider."

It's clear there has never been a better time to get involved in international trade as the weakened pound makes deals more attractive but, more importantly, there is a growing desire across the globe for British goods. With the emerging markets such as Brazil, Russia, India and China (BRIC) creating a new breed of wealthy middle classes, they are all craving British brands as it still represents quality.

"All the emerging markets are looking for brands," says Richard Gough, partner at law firm DLA Piper. "We have them in the UK and we can take advantage of that. Yorkshire is a

very strong brand and we must capitalise on that. We must not be parochial about it. We have to work together to drive the local economy forward."

Manufactured British goods are very popular across the globe, particularly in Asia. "The 'Made in the UK' brand is very important and it carries a heavy premium," says Lisa Williams, the regional international commercial director for HSBC. "It's surprising how we often underestimate the value of our own brand."

For business leaders looking to break into exporting the message is clear – research is absolutely crucial. All agree that the benefits of exporting to a business are potentially massive, but there are a myriad of pitfalls ready to snare the unprepared.

From cultural differences, foreign laws and exchange rates to finding a market for your goods, tackling shipping issues and actually getting paid, experts warn business leaders to seek the advice they need to understand every aspect of their chosen export market before signing on the dotted line.

The first step for many companies should always be the UKTI, which can help develop links and organise trade missions, but businesses are also urged to speak to their

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**Lisa Williams**



local chamber of commerce and legal and financial professionals.

The UKTI's Percival says the first step is always to forge a relationship with your customer or local partner to develop a deep understanding of the market. "People often expect to visit once and then see the orders come flowing in. You have to really commit

for the long term. In some countries you have to build a deep personal relationship before you can even begin to talk about business," he says.

"If you're aiming to sell a product you have to understand the local tariffs and duties and know who your overseas competitors are. You have to understand your own product's

unique selling points in that market and why you want to sell it there. You must also understand local demands, keep track of the cultural issues, maintain regular communication, make sure you can overcome the language barrier and follow the changing situations."

Gough, of DLA Piper, says business leaders must go back to basics to be clear about what they hope to achieve. He says: "It's essential to learn everything you can about who you are dealing with, what the product is for, where it will end up and what the commercial need is. Learn from other's experiences and speak to people in your sector – it's worth learning about the pitfalls from their mistakes rather than your own."

Company leaders need to learn as much as possible about the country they aim to export to and adds documentation is crucial should anything go wrong. "There are a lot of questions to consider and you must seek answers to every one of them," says Hill Dickinson's Searby.

"I dealt with one guy who was exporting quality watches. However, he completely ignored the local VAT charges and priced himself out of the market, but was still signed up to a lengthy contract. You don't want to be sat there saying: 'If I'd known that I would never have signed the contract.'"

Languages are also important, and businesses must seek advice to avoid anything important being lost in translation. Carolyn Burgess, chief executive of Language Is Everything in



## SUCCESS MADE IN ENGLAND

*Insider's* Growth 100 Yorkshire Exporter of the Year has seen phenomenal levels of growth in international trade and attributes his success to ensuring everything they provide is made in England.

Ehab Allam, operations director at Allam Marine, said 90 per cent of everything the company produces is exported and that international trade is "absolutely crucial" to the success of the business.

After starting out exporting entire generator sets, Allam Marine diversified by selling kits and individual components to avoid crippling import duties on complete items. However, when fake goods started to emerge from the low-wage economies, the company changed its strategy and now only supplies components that are made in England. The bold move has paid dividends and sales have grown by 30 per cent.

**"We are one of the only companies that can say everything is made in England."**

Allam says: "Made in England is a desirable brand. The fake goods from China have changed the perception of the market and people want genuine, quality items from the UK. We are one of the only companies in our sector that can say everything is made in England."

"You still need to have very good control of your overheads to compete, but we managed to increase our turnover during the recession while our competitors contracted by 30 to 40 per cent. I believe the changes we made to say 'Made in England' were vital in maintaining our strength."

### Next big thing



Brazil is undergoing massive changes and, having been designated one of UK Trade & Investment's High Growth Markets, it is simply too big a market to ignore. It is the fifth-largest country in the world with a population of 185 million people, has one of the world's most rapidly developing economies and a GDP per head greater than either India or China.

Brazil has a broad and sophisticated industrial base and there is a growing middle class of people who have real spending power. The country is investing millions in its transport and is also set to host the World Cup in 2014 and the Olympics in 2016.



**BURGESS** Know the language

Hull, says that people often overlook the simplest of details: "People will often translate their website to attract international customers, but then can't speak the language if they are contacted. Having a reliable translator is an important part of creating a good experience for those looking to get into exporting.

It's crucial you understand the culture of a country before you do business there, and understanding the language is a key part of that. We've seen a big surge in demand for our language services. You can't afford to lose anything in translation."

HSBC's Williams warns business leaders of the potential pitfalls in financing exports and ensuring you get paid. She says: "You must be thorough and make sure your intellectual property and contract is good for purpose in your chosen country. It is vital you protect yourself from the moment you agree the sale to the moment you convert the money to sterling.

"First and foremost is ensuring that you are paid. You must maintain full control of the payment or goods and make sure the payment terms are agreed in a contract.

"Second, consider the foreign exchange rates. All your profits could be wiped out by not factoring it in and you cannot afford to leave it to chance. You must also bear in

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**Graham Percival**

mind that you will need extra working capital for exports to fund delays in payments while the goods are in transit. The government has launched an Enterprise Finance Guarantee scheme with the banks to enable smaller businesses to access funds for this purpose and accessing the export market."

One piece of legislation that companies may fall foul of is the Bribery Act, which comes into force next month. The aim of the law is to prevent companies from gaining an unfair advantage by bribing company officials. However, many business leaders fear they may get caught out when handing out gifts in countries where the custom calls for it.

Percival welcomes the move but admits that it could be tricky for some companies in certain markets. He says: "It could be a very difficult area as in some countries it is customary to exchange gifts and presents. Put simply, it just means you can't be seen to be giving something that puts you ahead of your competitors."

Searby believes the Act will have a big impact on trade, saying: "All transactions will be scrutinised. It's designed to make sure that everybody is on a level playing field internationally and follows fears that in some places, businesses do better by competing with less than even-handed means.

"Companies could be prosecuted over international deals and I think there will be a fine line between bribes and gifts. You need to make sure you have the systems in place

## Rising star

China has become the world's hottest business topic over the past few years by sustaining double-digit growth in a decade that was rocked by the global downturn. Whether you are selling, trading, investing or franchising, China offers opportunities in abundance to British companies of all sizes.

The opportunities for business in China are not just in the well-known business centres of Beijing, Shanghai, Guangzhou and Shenzhen, but further afield in emerging regional centres. The increasing wealth of the Chinese middle classes has also created a desire for quality brands and British-made products can command a handsome premium.

## Tried and trusted

Germany is the UK's number one European export market and is a key international market for thousands of British companies.

Situated in the heart of Europe, just an hour's flight from the UK, Germany represents annual sales of more than €2trn in goods and services. The successful export sectors from the UK to Germany include vehicles and automotive components; petroleum and gas; healthcare; aerospace; information and communications technology; chemicals; and creative industries. But potentially any goods may sell in Germany if they fit the needs of this sophisticated market.

so you can show in defence that you have procedures to prevent bribes from being handed over in other countries."

One thing is clear, there's a whole world of lucrative opportunities for businesses to cash in on. Aside from the BRIC countries, Europe is still a valuable and relatively simple market to tackle; the Middle East is investing trillions in developing each of the nations and transport infrastructure programmes are under way in Vietnam, Turkey, Mexico, Malaysia, Singapore and the Philippines as their burgeoning economies grow and develop.

Britain is once again aiming to rule the world, and the fresh round of support offered by the government, coupled with the wealth of expertise at our disposal, the nation is on a new road to recovery that circles the globe. As Percival puts it: "The British brand is in high demand across the world. We have a fantastic chance to make the nation the centre of international trade for the coming decades."

## VALUE OF UK EXPORTS BY COUNTRY (\$USBN)

COUNTRY	GOODS	SERVICES
Brazil	2.7	1.0
China	8.0	4.5
India	4.5	3.2
Russia	3.5	3.7
Europe	194.6	114.7
N America	58.1	66.0
Rest of world	81.8	93.9
<b>Total</b>	<b>353.4</b>	<b>285.9</b>

Source: The Item Club