

Exporting for Growth

Speech by James Emmett, Global Head of Trade and Receivables Finance, HSBC CityUK seminar London, 11 February 2013

Good morning and welcome.

My name is James Emmett and I am the Global Head of Trade and Receivables Finance here at HSBC.

Listening to the debate in the UK at present it would be very easy to believe that the global economy is not growing. But of course this is not the case.

2012 was a year of global growth. The emerging world expanded by 4.9%. Led by China at 7.8%.

This year we expect China to grow by 8.6% and, next year, that it will add more to global growth than ever before.

The challenge for the UK is to claim our share of this growth by building our connections with the markets that are now driving the global economy. And we will only achieve this by punching our weight in terms of our exports.

A five percentage point rise in the proportion of UK SMEs exporting would add £30 billion to GDP and create 100,000 jobs. The government have set a target of doubling exports to £1 trillion by 2020. How we can begin to deliver this is the topic for our session today.

And while we must be pragmatic, I believe there is cause for optimism.

My message to you this morning is that the UK has the basis for everything it needs to succeed in new global economy. Our challenge is to deliver on our potential – to make it a reality.

The UK's history as an open, trading economy has left a powerful legacy. The City is part of that, having grown through the financing of British trade and investment during the industrial revolution and beyond. And it remains a world-leading asset.

Another part of this legacy is the national brand – carried today by institutions that resonate around the world: from Rolls Royce to Manchester United, from James Bond to the BBC. Last year's Olympics were positive proof that the British brand is still in robust health.

Another aspect of this legacy is our manufacturing base which, though often talked down, is still strong.

The UK is home to numerous world leading companies – and not just those providing services. At HSBC we see countless examples of companies that are seizing the opportunities on offer.

In 2012 the UK became a net exporter of cars for the first time in 35 years. ARM in Cambridge provides technology that is used in 90% of smart phones. And, as the Prime Minister has said: We export tea to China, vodka to Poland and cheese to France – there's even a company in Anglesey selling canoes to the Inuit!

Yet despite seemingly having so much going for us, it is clear that the UK is not punching its weight when it comes to exports.

So we must ask ourselves: why aren't we making more of this potential?

What are the barriers which prevent or discourage firms from going international?

Of course, to begin exporting companies need financial support. Beyond import and export finance, they need capital injections to increase productive capacity, the right risk mitigation, legal advice, insurance, Payments and Cash Management and FX support.

But put yourself in the shoes of the CEO of a UK Mid-Market Company who wants to export his or her product. Before they can begin to think about finance, they need practical knowledge of the target market and, moreover, an understanding what it means to do business in that country, not just in a legal and regulatory sense – but also culturally. In a recent UKTI survey, 43% of firms said legal and regulatory issues were the most common barriers to export. 33% cited lack of contacts.

There is a plethora of initiatives to help businesses overcome these barriers. And there are some good schemes underway: the UKTI's 'open to export' portal; Exporting for Growth; Funding for Lending; the Business Growth Fund; Passport to Export; Gateway to Global Growth; and the list goes on.



All excellent schemes – but it is clear that despite these efforts, our economy is not reorienting fast enough to achieve our common aim.

Too often the support on offer is not reaching the businesses that desperately need it.

Indeed, the sheer number of initiatives, their fragmented nature and their tendency to change has perhaps constituted a barrier in itself.

I recognise constraints of austerity, and a great deal of money and work is already focused on the problem. But it's not more investment or initiatives we need. We already have the basis for everything we need to succeed in new global economy, but we do need to get more out of what we're already doing – we need better coordination and drive.

Businesses should experience well-coordinated frontline support in their quest to export. We need to bring together the private and public sectors.

We need a greater coordinated programme of action to leverage the assets we already have, and focus on those areas where we can make the most difference.

We need to bring together the government, the Chambers of Commerce, UKTI, the City and others to form a 'whole economy approach'.

Now, I don't want to prescribe solutions today – but simply to start a discussion. I want to challenge you to consider:

- How can we harness the power of all of our current efforts into one coordinated approach – in other words, how can we make this whole economy approach real?
- How can we better leverage existing investment, advantages and expertise?
- How can we reorientate the economy towards China, towards Brazil, towards India?
- How can we change attitudes, celebrate success and create a sense of competitive confidence in UK?
- How can we better project the nation's strengths to the world and show that we are open for business?

Of course, we have to recognise that every Western country is having this conversation. So it is all the more important that we stand out by leveraging the advantages that we have.

The City is a major asset for the UK – and one that is not replicated to the same degree by many of our competitors.

Critically, the City can play an important role in a whole economy approach, in helping businesses to build relationships in their target markets – because it is truly international. Recruiting from around the world and competing in an international marketplace are part of our culture but we need to build on this.

Last year Lord Wei produced a report for Greater Manchester on their engagement with China. He proposed a coordinated city-to-city strategy, twinning UK and Chinese cities based on their specialisms, but he also found that other countries are ahead of us in this, building strong civic and cultural links.

For example, the German state of North Rhine—Westphalia was an early mover. 700 Chinese companies employ over 5,000 people in the state. Partnership agreements have existed for more than 20 years with the provinces of Jiangsu, Shanxi and Sichuan. And this is supported by cultural infrastructure.

The Düsseldorf China Centre was set up in 2005 to host trade fairs for family businesses where hundreds of companies from both countries meet. It helps to unite small Chinese companies with potential German partners, provides office space for entrepreneurs and organises bilateral trade missions. And it also provides a home away from home for Chinese businesspeople, providing Chinese food, teahouses and access to traditional Chinese medicine.

We have to learn from this – to make the UK as welcoming as possible for businesspeople from China and elsewhere. We have to catch-up – and the City is well-positioned to help.

Take the example of HSBC. We have been financing trade between East and West for almost 150 years. Today we have a huge footprint in China, throughout the emerging world, as well as here in the UK.

So we too are thinking about these issues, and how we can ensure that our network is put to the best effect to support UK exports. For example:

• We have 230 International Commercial Managers located throughout our network of UK commercial banking centres, providing dedicated expertise to businesses that are looking to expand in new markets.



- We already have China desks in 17 countries around the world, including the UK, to promote links with China.
- Through our Global Connections and Thought Exchange programmes we provide regular insight into emerging market trade trends to help businesses with their planning, and we regularly take groups of businesspeople into these markets to meet potential partners, make contacts and gain their own insights into different commercial cultures.

I spoke earlier about the barriers that the CEO of a UK Mid-Market Company faces in going international. Well, let me describe one example of how we help companies to overcome these barriers.

Based in Devon, Aero Stanrew, supplies electromagnetic components and electronic systems to the aerospace, defence and space industries, among others.

Direct exports now make up 15% of the company's £12.5 million turnover, and the CEO expects this to rise to a quarter of the £20 million sales projected for five years' time.

HSBC has supported them in reaching out to new markets, including China and India - using our expertise to advise on how to trade in particular territories and helping them to make the right contacts in those markets.

And as China's currency, the renminbi, grows in importance, they know that we can support them in adopting the currency and potentially reaping the rewards that it offers – including preferential terms of trade when dealing with Chinese companies.

This is just one example, but I think it shows the value we can add.

Business is about relationships – as a nation we need to work harder at building those relationships in the markets that are driving the global economy. We need national coordination to reach out to these markets at all levels – politician to politician, city to city, business to business.

A starting point could be to work together to pool City expertise in pursuit of British export growth, leveraging the immense experience the City has – perhaps under the auspices of CityUK.

I hope that provides some fuel for our discussions today.

To sum-up:

- At a time when the UK is teetering on the edge of a triple dip recession, we need a renewed sense of urgency to get growth back into the economy.
- Connecting to the world's growth centres through exports must be the priority.
- Reorientating the economy will take greater leadership and coordination.
- But we have the basis of everything we need the challenge now is to bring it together and make it real.
- And I believe the City has a critical role to play in this.

Thank you.