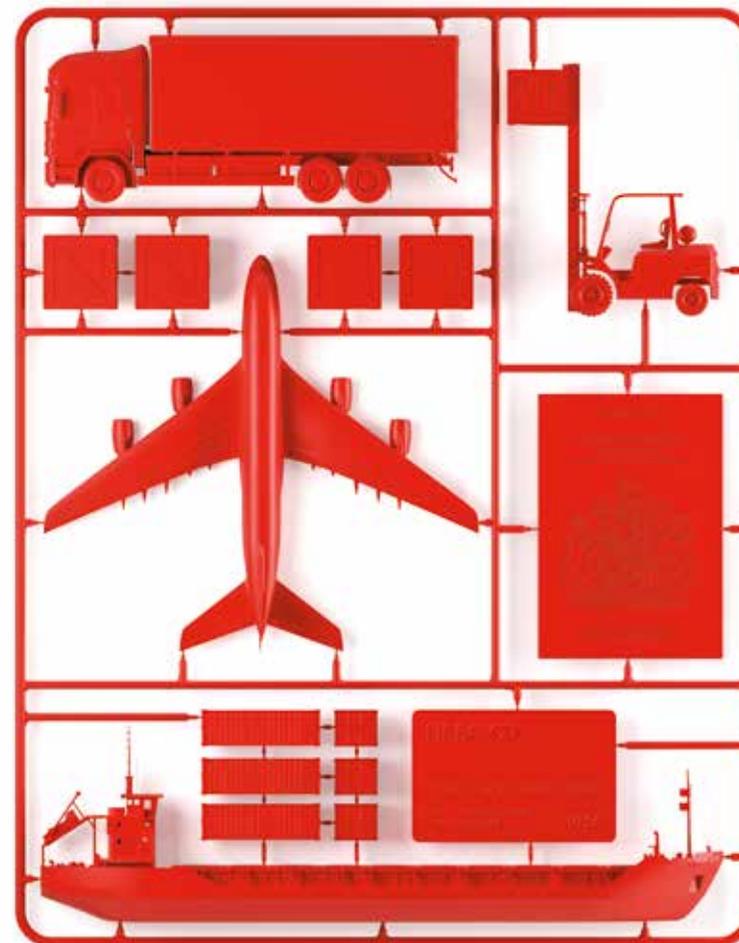


About HSBC

HSBC is the world's leading bank for international trade, financing approximately 10% of international trade flows in 2012. In 2013 we have set aside £5 billion of funding to support UK firms aspiring to do business overseas.

Equipped for success

A Manifesto for British Exports



The Great British economy has never wanted for ingenuity. Britain's businesses are among the most innovative and imaginative in the world. But in recent years, the potential of our businesses has failed to translate into significant export growth.

As the Prime Minister has observed, increasing Britain's exports is essential to the country's future prosperity, and a five percentage point rise in the proportion of UK SMEs exporting would add £30 billion to GDP, creating 100,000 jobs. The Government has already set a target of doubling exports to £1 trillion by 2020.

Hitting this target will take considerable work. We know from talking to our customers that many businesses with massive export potential lack the confidence to look overseas. They do not have the connections that would ease their transition to new markets and they see little or no value in reaching beyond their own back yard.

HSBC is committed to helping them overcome these barriers, but only the UK Government can deconstruct them for good.

This paper sets out eight policy recommendations which we believe would tangibly improve the prospects of potential exporters in the United Kingdom. They are the result of extensive dialogue with our customers and are achievable within the short to medium term. Taken together, we are confident that they would make a material difference to the UK's export potential.

HSBC believes that the UK has everything it needs to succeed in the new global economy. Our challenge is to deliver on that potential and make international business the norm, rather than the exception.

Alan Keir
Chief Executive, HSBC Bank plc

Practical policies to help British exporters

This document brings together practical suggestions on how government, trade associations and financial institutions can work together to help British SMEs export and grow.



The world's economic map is being redrawn. By the middle of the century, a further three billion people worldwide will have joined the middle class. Most of them will live in markets we call 'emerging' today, including the dynamic economies of Asia, Latin America and the Middle East.

This will create huge opportunities for British firms. The UK has a successful history as a trading nation, a tradition of scientific excellence and a reputation for producing high-quality goods. Today, however, international competition is greater than ever before. Expressed as a proportion of GDP, Germany's exports of goods to China in 2011 were five times greater than the UK's. Trading links between fast-growing nations themselves are set to increase tenfold in the coming years.

However, in order to seize these opportunities the UK needs to raise its game. It is crucial that we encourage and enable British firms to compete and thrive in new markets, especially the small and

medium enterprises (SMEs) which make up the backbone of our national economy.

At HSBC, we talk to companies who are exporting to new markets every day. Some thrive, some find it a challenge. Many receive conflicting advice, or find it hard to navigate the many different bodies designed to support them when expanding their business internationally.

Informed by this insight, as well as direct feedback from members of our Export Advisory Council (EAC) and our own research, we have set out a series of practical steps which we believe the UK Government, trade associations and financial institutions need to take in order to help British SMEs to export and grow.

These proposals should challenge us to change the way we do things. Some may be controversial, and involve initial costs, but they have the potential to help British SMEs to achieve international success and deliver substantial economic benefits to the UK.

British exporters have three simple needs

1. Connectivity

British businesses need to be able to connect with fast-growing markets through effective international links and visa processes

2. Support

British businesses need targeted financial assistance from the Government in order to help them with the initial costs and risks of exporting

3. Confidence

British businesses want clear information on international opportunities, and support from government, trade bodies and financial institutions when looking to exploit those opportunities

Connectivity

British businesses need to be able to connect with fast-growing markets through effective international links and visa processes.



Establish Welcome Centres in key overseas markets, and across the UK

“The Government should make it much easier for overseas businesses to come into this country because it is a two way thing... we may like to go there, but we also want a potential customer to come here”

HSBC customer

What happens now:

Landing in a new market is often bewildering, and support on the ground is invaluable. At present, the UKTI is establishing British Business Centres in cities such as Warsaw to support UK entrepreneurs landing in Poland for the first time. Other nations have set up their own business centres in the UK, such as China and Germany, and have established the same in their own cities, offering business visitors information on housing, language lessons, and access to education.

What our customers say:

Technology may have simplified the time it takes to do international business, but the fact remains that nothing replaces a visit to a potentially important growth market. This is as true for British entrepreneurs heading overseas as it is for companies coming here. The EAC feedback clearly demonstrated that British companies are hungry for leads and open to new ideas, and networking with companies from overseas is an opportunity to gather insight and break down preconceptions.

What we think:

We will continue to partner with the UKTI where possible to set up British Business Centres overseas, with a view to launching more in 2014. We believe that Local authorities and Local Enterprise Partnerships, with the support of central Government, should take ownership of Welcome Centres in the UK, with a view to facilitating introductions to local businesses. Showcasing the best of their area would attract investment and create jobs, and new relationships would open doors for the businesses they represent.

Simplify the business visa process to make Britain more welcoming to future business partners

“It is difficult to get a UK visa, so they go everywhere else in Europe beside Britain”

HSBC customer

What happens now:

Business people from all over the world want to visit the UK. But we're putting barriers in their way. It commonly takes at least a month to get a business visa to visit Britain, compared with far shorter processes to go to the United States or acquire a Schengen visa which covers most of the EU. David Sowsgill, CEO of the World Travel & Tourism Council, has said that visitors from emerging economies such as Brazil “have to have a great determination to visit Britain”. We must recognize that eventually, they will simply go elsewhere.

What our customers say:

Customers expressed frustration at the difficulty of getting visas to travel, both coming into and out of the UK. One customer said that they had had to cancel a business delegation due to visit from Russia because of delays in acquiring visas. Other customers spoke about the value of international secondments inside firms, where employees based in two different countries swap places for a couple of months. But such exchanges, even with countries such as the US, were “a battle every time.”

What we think:

Easing restrictions on Intra-Company Transfers (ICT) on postings of less than one year would not impact migration figures, whilst enhancing UK firms' ability to connect with and export to the emerging markets. The Government does deserve credit for recent steps to improve the visa application process for foreign visitors, such as translating visa application forms into Mandarin. But the visa application process must become swifter and less bureaucratic.

Incentives

British businesses need targeted financial support in order to help them with the initial costs and risks of exporting.



“We get credits for increasing our fixed assets... but we’ve gone from exporting 30% of our production to 70%, and we get nothing – and that is doing a lot more than adding a new wing to one of our offices.”

HSBC customer

Examine the case for export tax credits for SMEs

What happens now:

Some countries and territories provide additional incentives for SMEs to export. In the USA, for example, Michigan’s State Trade and Export Promotion programme rebates companies for costs of up to USD 25,000 associated with participating in trade missions, undertaking market research and other export-related activities. This scheme has helped 130 companies connect with 62 new markets, increasing the state’s exports by more than USD21 million in the second half of 2012 alone, from an initial Federal investment of just USD1.5m.

What our customers say:

Commercial entities must balance risk with potential reward. Offsetting a fraction of the initial costs of venturing in to new markets would encourage more companies to consider going international. The EAC members suggested that a model similar to the Research & Development tax credits would be highly beneficial to UK SMEs.

What we think:

It is clear that there is huge pressure on public spending in the UK, and the introduction of an export tax credit would require upfront funding. However, the Michigan example suggests that the increase in trade revenues would more than justify the initial cost. We strongly encourage the Government to study the potential costs and benefits of introducing export tax credits for SMEs.

Expand and improve SME access to export credit guarantees

“If I get a big job in, I have to turn it down if it’s American”

HSBC customer

What happens now:

UK Export Finance (UKEF) provides insurance and reinsurance for UK exporters, helping them secure credit overseas and manage the risk of overseas customers failing to pay.

What our customers say:

Customers said that their biggest concern about exporting was the certainty of getting paid. Export guarantees could help them manage this uncertainty. Some were frustrated that UKEF support only extends to certain markets – for example, China is covered, but Singapore and the USA are not – when for an SME, the proportionate costs and risks of exporting mean that any new market can be intimidating.

What we think:

In recent years UKEF has made welcome efforts to improve its service to smaller firms, but feedback from our customers suggests that there is still a long way to go. At the same time as it consolidates available advice, the Government should further develop tailored export credit support to SMEs, including reviewing the list of applicable countries. It should promote the support available to SMEs.

Confidence

British businesses want clear information on international opportunities, and support from government, trade bodies and financial institutions when looking to exploit those opportunities.



Consolidate existing official support to create a single, clear, authoritative source of advice and assistance for British exporters

“As an SME owner you spend all day trying to run your business, all night trying to put your kids to bed and then you start to learn how to do business in Singapore”

HSBC customer

What happens now:

The UK Government provides help and advice to would-be exporters through a number of different channels. UK Trade & Investment (UKTI) is the Government body seeking to help British firms do business overseas and to attract inward investment into the country from abroad. It offers the Overseas Market Introduction Service (OMIS) the services of trade teams, located in our embassies, high commissions and consulates across the world, and UK Export Finance (UKEF) is the national export credit agency, underwriting £4.3 billion of deals last year. These are just three of the many services on offer to potential exporters.

What our customers say:

Many express reservations about the quality of the services, and some are not even aware of the support on offer. One EAC member, for example, thought that UKEF no longer existed, and many referenced the EIS scheme – a now-defunct scheme which used to provide similar services to those now on offer from OMIS. Another said that given the many other demands on their time they really needed information to be as simple and accessible as possible.

What we think:

SMEs don't have time to navigate multiple organisations. Simpler is better. The government should make it much easier for UK businesses to access support by forming and promoting a single body responsible for providing export advice to UK businesses.

Actively identify major export opportunities, encourage and support individual businesses to come together to make joint bids

“There are these enormous opportunities out there but nobody in the UK is big enough to take them on their own... why aren't we bringing our manufacturers together to try and win the business?”

HSBC customer

What happens now:

The UK is home to thousands of innovative small firms and world-leading clusters, with talented people working near each other, and competition between SMEs supporting the rapid development of new products. However, when multinational firms go out to tender they often want to offer a contract to a single supplier, rather than sign multiple small contracts.

What our customers say:

UK companies are frustrated that small firms, despite their expertise, miss out on big contracts because they find it difficult to work together to secure the deal.

What we think:

The Government should support those UK groups who come together in order to make joint pitches for international contracts by providing consultants to advise on and support these bids, and by promoting successful tenders. A central database of these clusters and groups would attract foreign multinationals interested in doing business with UK PLC, who are unwilling or unable to engage with multiple suppliers.

Significantly increase training in languages of high-growth countries across our education system

“I remember being in Japan and learning to say a single phrase... I came away with the greatest piece of business I have ever done”

HSBC customer

What happens now:

A recent British Chambers of Commerce (BCC) report found that nearly two-thirds (62 per cent) of non-exporters which were likely to consider exporting in the future saw language as a barrier to taking action.

What our customers say:

Many businesses find that an ability to speak the language is invaluable when trying to establish operations in new markets, helping businesses strike deals and resolve difficulties. A number of EAC members noted that they were likely to employ native speakers of other languages who had learnt English, rather than native English speakers who had learnt foreign languages – in part because the former had a deeper cultural understanding of target markets. Many found that being able to speak even a few words of a foreign language was an important way of showing respect to and building rapport with potential partners.

What we think:

Promoting high-quality teaching of modern languages in the British education system will help ensure that firms are able to draw on local talent. The Government could also support SMEs’ international aspirations by making languages training easily accessible in adult education, and by tailoring online courses to allow SMEs to talk about industry-specific business opportunities in the chosen language at a time that suits them.

We also see a requirement for a greater focus on languages such as Mandarin, Arabic, Spanish and Portuguese.

Marketing our strengths, and leveraging Brand Britain

“When we won the Queen’s Award for Export we put the logo on our business cards and letter heads and for overseas parties to see the government crest there was a superb marketing coup...a huge help.”

HSBC customer

What happens now:

Brand Britain is alive and well, and translates in to sales for many UK companies, but the link between the brand and the average UK SME is weak. The Queen’s Awards for Enterprise, established in 1966, were established to recognise outstanding achievement by UK businesses in the fields of innovation, international trade and sustainable development. The level of applications, however, has fallen from its historic highs.

What our customers say:

Many customers value business awards, and EAC members particularly noted that earning the right to use the Queen’s Award for Enterprise logo on the firm’s website, business cards and other documents was a “superb marketing coup” and “a huge help.”

What we think:

The UK has a strong international brand, reinforced by the recent GREAT Britain marketing campaign. Relaunching and actively promoting the Queen’s Awards for Enterprise as a part of the overall GREAT Britain campaign would give the Government another platform to articulate the importance of exports to the British economy, and demonstrate how British firms can drive home this advantage with potential overseas partners.