



Exporting Britain:

trading our way back to growth

CONTENTS

FOREWORD	3
1. EXECUTIVE SUMMARY	4
2. THE EXPORT CHALLENGE	6
3. THE VALUE OF TRADE MISSIONS AS AN AID TO EXPORTING	10
4. IMPROVING EXPORT SUPPORT STRUCTURES	17
5. EXPORT FINANCE AND PAYMENT RISK	19
6. SECURING MARKET ACCESS: AVIATION AND MIGRATION	21
7. UPSKILLING FOR INTERNATIONALISATION	25
8. CONCLUSION	26
APPENDIX: LCCI TRADE MISSIONS SINCE 2010	27

London Chamber of Commerce and Industry (LCCI)

LCCI represents London businesses' interests to the Mayor and the GLA, national Government, Parliament and other relevant stakeholders. LCCI's research focuses on business-related matters led by the views and experiences of our member companies and is characterised by its independence and solution-focused approach.

Any data reproduced from the report should be fully referenced.

LCCI would like to thank everybody that contributed to this report.

For further information on this report, please contact:

Sean McKee

Director of Policy and Public Affairs

E: smckee@londonchamber.co.uk

T: +44 (0)20 7203 1882

Silviya Barrett

Policy Research Manager

E: sbarrett@londonchamber.co.uk

T: +44 (0)20 7203 1817



International trade has long been a critical component of Britain's economic well-being. For centuries, entrepreneurs and traders from across our small island have travelled the globe, engaging in business and commerce and helping to build a strong and prosperous UK economy.

In the modern setting, UK enthusiasm to trade internationally appears to have dimmed somewhat. Only one in five small to medium-sized UK enterprises are engaged in exporting compared to the EU average of one in four SMEs. Although a greater number of London businesses are involved in exporting compared with the rest of the UK, over half of businesses in the capital are not currently engaged in export activity. In order to succeed in the 'global race', we need this to change.

Since our inception one hundred and thirty-three years ago, London Chamber of Commerce has had a strong focus on British trade and exports. Trade promotion and trade facilitation services form a central part of our work. Since the current Government took office in May 2010, LCCI has hosted twenty-nine international trade missions involving over 350 UK businessmen and women in 19 different countries. Indeed, over the next month alone, LCCI will be leading missions to explore trade and export opportunities in Brazil, China, Indonesia and Vietnam.

LCCI works with UK Trade & Investment to facilitate some of our trade missions and we have enjoyed a productive working relationship over recent years. UKTI performs its global access and support services at a tactical, operational level. However, overall direction for the future positioning of 'Britain abroad' to optimise emerging opportunities is within the direct remit of national Government, and we make the case for a coherent national strategy to enhance greater export activity and ensure that the UK can trade its way back to growth.

Colin Stanbridge, Chief Executive, London Chamber of Commerce and Industry

A handwritten signature in dark ink, consisting of a stylized 'C' followed by a vertical line and a long horizontal stroke.

I. EXECUTIVE SUMMARY

As part of a wider prescription to rebalance the economy after the economic downturn, the UK Government has placed increasing emphasis on an 'export-led recovery'. This signalled approach is to be welcomed, as the Government has been directing some additional resources towards trade promotion activity. However, with a large proportion of businesses – particularly SMEs – not exporting, the practical enactment of greater levels of exports remains a challenge.

London Chamber of Commerce and Industry (LCCI) figures have shown that, although 46 per cent of London companies currently export against a UK national average of 39 per cent, over half of London businesses (54 per cent) are not currently engaged in overseas trade, pointing to a considerable amount of untapped exporting potential. The challenge for Government is to address the barriers that are discouraging companies from exporting.

Drawing on LCCI's long history of supporting businesses' international activity through seminars, trade missions and export documentation, this report assesses the benefits of export support services, in particular trade missions, to London firms and explores a number of policy areas, which have a direct impact on businesses' ability to export and grow.

Based on our experience, a recent survey of LCCI members on export priorities and support, mission questionnaires and interviews with mission participants, as well as other relevant stakeholders, we ask the Government to take up the following points:

(i) Trade missions play a vital part in winning export orders

The ease of finding potential customers and business partners was the most influential factor for 81 per cent of London companies considering exporting. Trade missions address this challenge, as 39 per cent of London's exporters found trade missions to be of the most benefit, out of a range of export support methods, for entering new markets.

With the right support and preparation, trade missions can generate significant business growth, as contracts worth from tens of thousands to millions of pounds are signed in the aftermath of country visits. The average additional business that mission attendees expect to generate over three years is £826,000 per company. Although the support received from UKTI staff before and during trade missions is of a predominantly high quality, London businesses highlighted certain aspects of UKTI's export support services that could be improved.

UKTI should continue working with partner organisations to encourage more companies of all sizes and sectors to take up exporting opportunities through trade missions, which should include facilitated business-to-business (B2B) meetings. To fully meet the needs of businesses attending trade missions, UKTI should ensure effective quality control of all of its services, while pulling in additional resources when needed, to deliver a consistent level of support.

(ii) Lack of finance and skills are preventing London businesses from exporting

Cashflow and payment risk are the second most important factor, cited by 80 per cent of London businesses, when considering whether to export. Securing finance to fulfil international orders can be a challenge; yet, only four per cent of London businesses were aware of the role of UK Export Finance (UKEF) in offering support to them if they cannot access finance through normal banking channels.

In addition, 38 per cent of all London businesses identified limited access to labour with appropriate skills as a barrier to exporting. While 26 per cent have recruited, or would consider recruiting, non-EU migrant workers with a view to developing export markets, London businesses face long application processes to sponsor overseas workers.

The Government should promote increased awareness of the services of UKEF, while ensuring that immigration policies do not obstruct UK businesses' efforts to trade internationally. In the long term there needs to be an increased focus on foreign languages and international trade skills at all educational levels, while simplifying non-EU business visitor and work visas is vital for businesses to fill the gaps in their workforce in the short term.

(iii) London businesses rely on frequent direct air links to access high-growth markets

Although the EU continues to be the primary export market for 72 per cent of London's current exporters, London businesses are increasingly targeting specific non-European high-growth markets with the United Arab Emirates, Hong Kong, India and Singapore prominent. Brazil, Russia, Turkey and South Africa are considered to hold the most potential for London businesses over the next five years.

To successfully tap into these fast-growing but far away markets, businesses need quality international air transport connectivity; a fifth (20 per cent) of London businesses identified limited air links as a barrier to exporting. Limited hub airport capacity in the UK restricts access to the high-growth markets that London businesses are targeting.

To enhance the competitiveness of London businesses and ensure the capital remains an attractive place to do business, the Government should urgently agree on its coherent long-term vision for aviation. Ministers should commit to a clear timetable to implement the short- and medium-term measures recommended by the Airports Commission in its interim report and look to make best use of existing London airport infrastructure.

(iv) There is a need for a National Strategy for Exports and Growth

UKTI is the primary provider of export support services but business organisations and private sector providers also have an important role to play. Although UKTI already partners with a range of organisations, the scale of the export challenge is such that the experience and energies of all those involved in export support needs to be effectively harnessed.

Across the entire governmental interface, decisions in a number of departments and agencies impact on trade and investment activities. The creation of a coordinating mechanism would bring relevant policies and initiatives together in a coherent and cohesive approach.

A National Strategy for Exports and Growth (NSEG) should outline the roles that business organisations and private providers could play, while coordinating relevant departmental policies, in an integrated effort to increase exporting activity and ensure appropriately resourced and relevant support is delivered to greater numbers of UK businesses, particularly SMEs, looking to export. The NSEG should be driven at a Cabinet sub-Committee level.

2. THE EXPORT CHALLENGE

As an island nation, international trade has always been an economic priority for the UK. In the post-war period Britain's trade had been largely balanced between exports and imports with only dramatic shocks in the early 1970s and late 1980s upsetting this balance significantly. From around the mid-1990s, however, a downward trend set in, with the trade deficit between imports and exports steadily growing.¹ This stood at £3.1 billion in July 2013, with a deficit of £9.9 billion for trade in goods offsetting a surplus of £6.8 billion in services, where the UK has a comparative advantage, in particular financial and business services concentrated in London.²

While the trade deficit reached a low of £1.5 billion in June 2013 and one national survey recorded the highest level of exporting activity since 2007,³ the subsequent July increase reminded policy-makers that global competition to sell abroad is relentless.

At \$474.6 billion, its total annual exports rank the UK as the tenth biggest exporter in the world. Topping the list is China at over \$2 trillion, followed by the USA at \$1.5 trillion.⁴ The UK's trade deficit is still striking when compared to its European competitors, particularly Germany which, with total exports valued at \$1.4 trillion in 2012, is Europe's largest exporter. In contrast to the UK's current trade deficit, Germany has consistently registered a trade surplus, which in June 2013 stood at €16.9 billion.⁵ Over the last two decades developed economies' share of global exports has declined in favour of emerging economies. Nevertheless, while the UK and Germany had similar levels of exports in 1990 at 24 and 25 per cent of GDP respectively, in 2012 German exports were 52 per cent of its GDP, whereas the UK was trailing at 32 per cent.⁶

There are many reasons for Germany's strong exporting position. Its economy has some inherent advantages that have been developed over time, including a strong manufacturing sector focused on specialised and sophisticated goods that emerging economies cannot easily replicate. Secondly, the continued focus on innovation and workforce development has made its small and medium-sized companies, the *Mittelstand*, a powerful engine of Germany's economy. Regulatory reform and government subsidies have also contributed to the ability of German companies to retain skilled employees during the economic downturn in order to fully mobilise them again in its aftermath.⁷

Although the UK's economic make-up is largely focused on the service sectors as opposed to manufacturing like in Germany, the UK also has a number of factors in its favour, including the English language, legal framework and historical links to some countries, such as those in the Commonwealth. Yet, the low value of sterling over the last five years has not translated into increased exporting, as would be expected. Part of the problem is that **the UK faces a particular challenge with getting small and medium-sized enterprises (SMEs) to explore overseas opportunities, as only one in five UK SMEs export in comparison with the European average of one in four.**⁸

To begin to address the deficit, the UK Government has placed a great deal of emphasis on "the rebalancing of the UK economy" away from domestic consumption and towards exports.⁹ The effect of exporting on economic growth has been well documented, as it allows companies to achieve greater specialisation and economies of scale, and creates a virtuous

¹ Office of National Statistics data quoted in Institute of Directors (2013): *Ice skates to Argentina: IoD member export trends 2012-13*, IoD Research Paper

² Office of National Statistics (2013): *Statistical bulletin: UK Trade, July 2013*, at http://www.ons.gov.uk/ons/dcp171778_324586.pdf

³ DHL and British Chambers of Commerce (BCC) (2013): *Trade Confidence Index: 2nd Quarter 2013*. The Index measures UK exporting activity and business confidence

⁴ 2012 figures. Central Intelligence Agency (2013): *The World Factbook, Country comparisons: Exports*, at <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html>. Last accessed 2 September 2013

⁵ Trading Economics (2013): *Germany balance of trade*, at <http://www.tradingeconomics.com/germany/balance-of-trade>. Last accessed 28 August 2013

⁶ The World Bank (2012): *Exports of goods and services (% of GDP)*, at <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>. Last accessed 28 August 2013

⁷ Rattner, S. (2011): "The secrets of Germany's success: What Europe's manufacturing powerhouse can teach America" in *Foreign Affairs*, Vol. 90, No. 4; and The World Bank (2012): *Golden Growth: Restoring the lustre of the European economic model – Country benchmarks, Export generation: Germany*, at http://siteresources.worldbank.org/ECAEXT/Resources/258598-1284061150155/7383639-1323888814015/8319788-1324485944855/06_germany.pdf

⁸ European Commission Enterprise and Industry Directorate (2010): *Internationalisation of European SMEs*, pp. 23-24; and CBI and Ernst & Young (2011): *Winning overseas: boosting business export performance*, p. 4

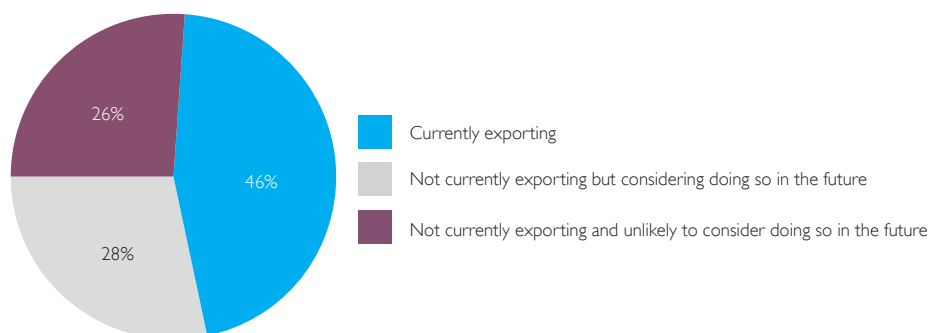
⁹ HM Treasury and Department for Business Innovation & Skills (BIS) (2010): *The Plan for Growth*, p. 28

cycle with greater levels of turnover, productivity and innovation than they would have achieved without exporting.¹⁰ As a result, there is a general consensus that increasing exports would stimulate economic growth and should be prioritised. To this end, Prime Minister David Cameron set a National Export Challenge with ambitious targets to get 100,000 more UK companies exporting and to double UK exports to £1 trillion a year by 2020.¹¹

Central to achieving this ambition will be UK Trade & Investment (UKTI), the Government body – reporting to the Department for Business, Innovation & Skills (BIS) and the Foreign & Commonwealth Office (FCO) – that supports UK-based businesses to export and encourages overseas companies to invest in the UK. In response to the Export Challenge, UKTI's five-year strategy placed an increased emphasis on supporting more high-growth and innovative SMEs to export by aiming to support 50,000 businesses annually by 2015.¹² Significant progress has been made: in 2012/13 UKTI supported 29,230 individual firms – an increase of 15 per cent on the previous year – and 18 per cent of the firms supported were new to exporting.¹³ Nevertheless, there is still some way to go towards meeting the Prime Minister's targets.

The current picture in London is certainly positive. An LCCI survey on international trade found that a greater proportion of London businesses of all sizes are involved in exporting than the rest in the UK, as **46 per cent of London companies currently export against a UK average of 39 per cent** (See Figure 1)¹⁴. This represents a growth of ten per cent in the proportion of London exporters since 2011. Accordingly, 59 per cent of London's existing exporters have increased their export sales and 50 per cent have increased their export profitability over the last 12 months.

Figure 1: London businesses' exporting profile



With domestic consumption falling during the recession, many businesses have turned to exporting for the first time or diversifying into new export markets to make up for the shortfall. Whereas in the past the decision to export might have been more reactive, i.e. companies were only supplying customers that approached them, many have now realised the need to be proactive in seeking out foreign business. The Chief Executive of a safety products company with a £12 million turnover has seen the benefits of such an approach: *"since starting to proactively sell abroad, our level of exports has gone to at least double or threefold of what it was. In the last three or four months alone, through concentrating on international customers, our exports have grown from around three per cent to around nine per cent."*

However, as more than half (54 per cent) of London companies are not currently engaging in international trade, there is a large amount of untapped exporting potential among London's businesses. Yet, just under half of non-exporters (26 per cent of all London

¹⁰ Driffield, N. et. Al. (2010): *A comparative evaluation of the Impact of UK Trade and Investment's R&D programme and other UKTI support that impacts R&D*, Aston Business School; and UKTI (2012): *Bringing home the benefits: how to grow through exporting*

¹¹ David Cameron speech on exporting and growth, November 2011, at <https://www.gov.uk/government/speeches/prime-ministers-speech-on-exporting-and-growth>; and HM Treasury (2012): *Budget 2012*, p. 43

¹² UKTI (2011): *Britain open for business: Growth through international trade and investment*

¹³ OMB Research (2013): *UKTI Performance and Impact Monitoring Survey (PIMS): PIMS Position at Q4 FY 12/13 - Summary Results (PIMS 27-30) Part 1 (March 2013)*, p. 4

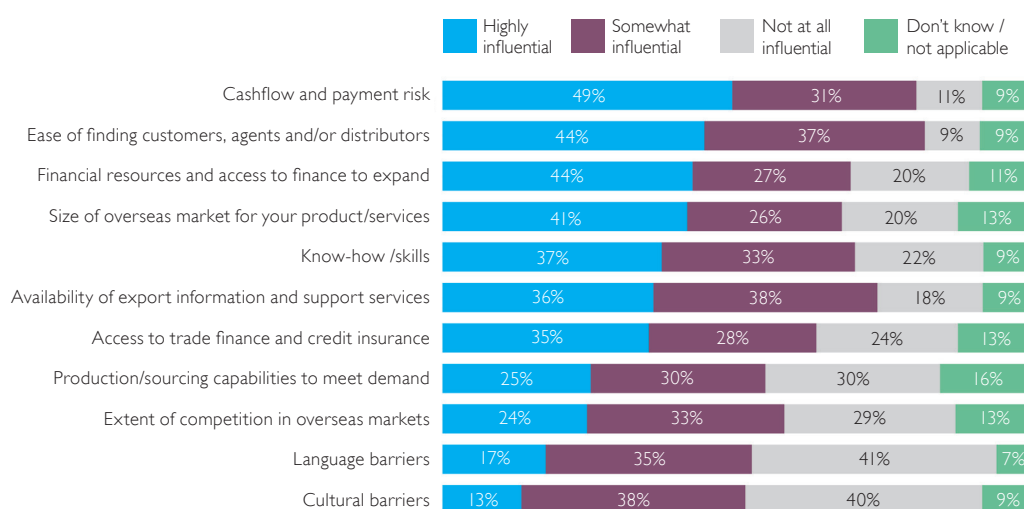
¹⁴ May 2013 LCCI international trade survey of 164 London businesses; the national figures are based on the same survey of the whole British Chambers of Commerce (BCC) network

businesses) have no intention of looking to export in the foreseeable future (See Figure 1) and the main reason given for this was the belief that they did not have a suitable product or service (55 per cent). However, this is frequently not the case and “*many companies do not realise that their products actually can be exported*” (Executive Chairman of a large technology outsourcing business).

Experienced exporters have told us that they never expected their products or services would be of interest to overseas customers until they started receiving overseas enquiries or unsolicited orders. Therefore, “*the biggest problem is demystifying the process as it really is not that difficult to start exporting and, once you get past that, it is a lucrative business. People often have the wrong pre-conceptions but when you start to visit overseas markets, you realise that you have a product you can sell and that you should have been there five years ago*” (Managing Director of a promotional merchandise company).

In addition, 28 per cent of all London businesses are not currently exporting but have either exported in the past or are considering exporting in the near future (See Figure 1). One third (33 per cent) of these potential exporters are taking active steps towards selling overseas by adapting their product or service range to specifically target international customers, while a further 48 per cent indicated they would supply overseas customers if unsolicited orders were received. London businesses open to the possibility of exporting faced a number of challenges when making decisions on whether and where to export: the ease of finding customers, agents or distributors was a highly or somewhat influential decision for 81 per cent, followed by cashflow and payment risk issues, which 80 per cent found highly or somewhat influential (See Figure 2).

Figure 2: Factors influencing potential exporters in deciding if, when and where to export¹⁵



This report examines a range of business support and policy areas that can have a significant impact on encouraging non-exporters to consider exporting as a way to grow their businesses and existing exporters to tap into new markets and customer bases.

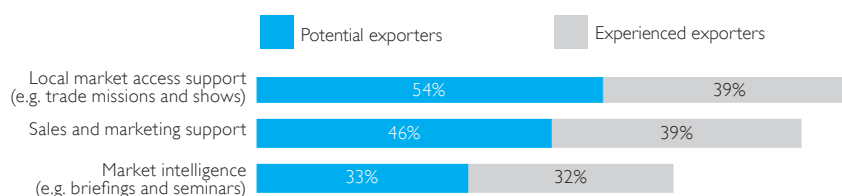
It first looks at trade missions as an export support tool. The prospect of travelling to a foreign market that businesses have little knowledge and experience of can be daunting and costly for many, and trade missions, which LCCI has extensive expertise on, can facilitate this process. They provide direct access to overseas markets that offer business opportunities for UK companies but are seen as hard to penetrate, such as Africa, South America and Southeast Asia, through a mixture of market briefings and facilitated introductions to potential

¹⁵ May 2013 LCCI international trade survey, op. cit.

customers and business partners. This makes them instrumental for overcoming potential exporters' top concern – finding customers, agents or distributors.

Although support methods, including market intelligence, market access and marketing support, work in a complementary way to guide exporters on their overseas journey, trade missions have been highlighted by London companies as the most valuable export support tool. LCCI figures revealed that 54 per cent of potential exporters and 39 per cent of experienced exporters found local market access support, such as organised trade missions and trade shows, as being helpful to entering new markets (see Figure 3). Section 3 therefore focuses on maximising the value that trade missions bring to businesses, while Section 4 examines the delivery of export support services by organisations including UKTI, chambers of commerce and private providers, and how their combined efforts can be optimised.

Figure 3: Types of support that are of most help to entering new markets for experienced and potential exporters¹⁶



"We set up the company ten years ago wanting to bring our brand of innovative kitchenware to the market. Initially, we had had a bit of a knock-back from UK retailers and the thought of broadening our horizons was what got us into exporting. Getting started meant getting in a car with some samples, attending European trade shows and making international contacts. Within 18 months, we had made enough headway to begin exporting abroad. We are now present in 100 markets worldwide and our export business is about a 75 per cent of our sales growth."

"There are always going to be some difficulties to begin with but, if you ensure you have the right products and prices for that market, your business can definitely see growth. It is important to go to any visit prepared – always think about the details beforehand: what the prices are, how you are going to ship the goods into the market, the terms and conditions, etc. We prepared well for the shows and saw a very tangible return. Do not be disheartened though if everything does not go to plan on your first visit. Sometimes you need to go a few times before you start to see benefits. Perseverance is key, you learn every time you go to trade shows or missions, so as long as you believe your product is right for that market, do not give up."

"I always tell businesses, find out about the market you want to export to first, talk to UKTI, then set up some meetings and go. Even if the people you meet are not quite right, you will learn from these meetings, and the next time you will have a better idea of what to do. Travel! You cannot do it sitting in an office in London, you have to visit the market."

Co-founder of a kitchenware design company

Separately, we have looked at a number of policy areas whose impact on businesses' ability to trade is significant. As Figure 2 showed, cashflow and payment risk (cited by 80 per cent of London businesses) is the second highest concern when considering the possibility to exporting, while financial resources generally are an influential factor for 69 per cent of London businesses and access to specialist trade finance and insurance is a factor for 63 per cent. Securing export finance as a critical enabler of overseas trade and minimising payment risk are analysed in Section 5.

¹⁶ Ibid.

International connectivity is also crucial for businesses to access overseas markets. When asked about the main barriers to exporting, 37 and 20 per cent of London businesses identified the cost and quality of international transport connections respectively as barriers.¹⁷ Section 6 of this report looks at securing market access through increased connectivity, particularly aviation – which enables British business people to travel abroad in search of new business; and migration policy – which should facilitate their overseas partners to visit the UK in order to conclude business deals.

Finally, Section 7 examines the issue of skills, which is significant factor for 70 per cent of London's potential exporters when making exporting decisions. Language skills in particular are a concern to 52 per cent of potential exporters. Furthermore, 38 per cent of all London businesses identified access to labour with appropriate skills as a barrier to exporting. Addressing these skills gaps would have implications on education, as well as migration policy.

We conclude by arguing that, to face the export challenge, all these business support and policy areas need to be effectively coordinated through a coherent national export strategy, which would promote greater export activity and drive future economic growth.

3. THE VALUE OF TRADE MISSIONS AS AN AID TO EXPORTING

As the Government's trade promotion agency, UKTI is the main facilitator for UK trade missions. It organises a number of high-profile minister-led trade missions a year. Since taking office in May 2010, the Prime Minister David Cameron has led five overseas trade missions, including the largest ever British trade delegation to India in February 2013 accompanied by more than 100 companies (including LCCI), as well as four Government Ministers. Other high-profile delegations have been led by a number of Secretaries of State and Ministers to countries including China, Brazil, Russia, Turkey, Mexico and the Far East.¹⁸ This high level of engagement has certainly paid dividends in terms of improved relations with overseas markets.

"We believe that Turkey and Britain have entered a golden age of relations, politically and economically, as continuous interactions between the companies through official visits, trade missions and fairs has helped increase trade relations. In 2010 the Turkish and British Prime Ministers signed a Strategic Partnership and set a target of doubling the value of bilateral trade by 2015. The current value stands at over £9.1 billion a year, having increased by more than 35 per cent since 2009, which shows good progress towards achieving this target.

"A number of new mechanisms have been set up to increase UK-Turkish business interactions. Above all, however, high level Ministerial and Prime Ministerial-level visits, accompanied by business delegations, have been key to increasing business relations. Good relations at the Government level create a favourable environment for businesses to work in."

Chief Commercial Counsellor, Turkish Embassy in London

UKTI also supports the Mayor of London and the Lord Mayor of the City of London to take business delegations on overseas visits aimed at showcasing the capital's economic strengths. For example, the Mayor of London Boris Johnson led a November 2012 trade mission to India. Sir Edward Lister, Chief of Staff and Deputy Mayor for Policy and Planning, led a March 2013 trade mission to the United Arab Emirates (UAE) and Qatar run by the International Visual Communications Association, while Deputy Mayor for Business and Enterprise Kit Malthouse AM led a May 2013 trade mission to Turkey organised by LCCI.¹⁹ The Lord Mayor of the City of London makes approximately 10 overseas visits a year to 25-30 different countries, accompanied by up to 20 business representatives from sectors such as banking, accountancy

¹⁷ Ibid.

¹⁸ UKTI (2013): *Annual Report and Accounts 2012-13*, pp. 96-98; UKTI (2012): *Annual Report and Accounts 2011-12*, pp. 81-84; and UKTI (2011): *Annual Report and Accounts 2010-11*, pp. 116-118; all accessed at <http://www.ukti.gov.uk/uktihome/aboutukti/ourperformance/officialreports.html>

¹⁹ For more information please see <http://www.ivca.org/news/2013/middle-east-trade-mission-brings-work-to-ivca-members.html>

and legal services.²⁰ Such visits combine business promotion with high-level political engagement to highlight the strengths and capabilities of London businesses and to unlock barriers for companies looking to operate in those markets.

The majority of UKTI missions, however, are delivered through its regional offices across the UK in partnership with a range of 'multiplier' organisations who are contacted to recruit business delegates and organise the mission programme. UKTI has a wide network of staff, of whom 600 are based in the UK and 1,282 (including diplomats but mostly locally engaged trade advisers) are based in overseas posts within UK Embassies, High Commissions or Consulates in over 100 countries.²¹ UK-based staff includes a network of International Trade Advisors (ITAs) across 13 regional branches in the UK who advise businesses on any matters relating to exporting and usually accompany the trade missions to provide sector- or country-specific expertise. Specialist in-country knowledge and support is provided by UKTI's overseas staff who would usually host market briefings and receptions at the High Commission or Embassy for the British delegation.

In most instances, UKTI trade missions are open for companies of all sizes and from all industries, like the missions LCCI is partner in. In other cases UKTI support may focus on specific sectors – the Long Run Venture and the Co-Sponsorship Agency organised a trade mission to India in February 2013 for software technology companies with support from the Technology Strategy Board and UKTI – or on specific geographical regions – the Middle East Association for instance runs trade missions to countries in the Middle East and North Africa, some of which are UKTI-funded.²²

UKTI-supported trade missions, however, are one part of the total number of British trade missions, whether public or private, that take place every year and their number has continually grown as economic recovery has stabilised. As a major trade mission provider, LCCI has seen a significant increase in the number of trips undertaken. In the first nine months of 2013 alone LCCI ran ten trade missions attended by a total of 140 company delegates (with four more planned before the end of the year), while seven missions were ran in the whole of 2012 attracting 66 company delegates. **Since May 2010, LCCI has undertaken a total of 28 trade missions taking over 350 businessmen and women to 19 different countries** (see Appendix).

Apart from running trade missions with UKTI support, LCCI organises trade missions within the framework of the Enterprise Europe Network (EEN), the European Commission-funded business support network for which LCCI is a delivery partner for London, or within the European Commission's Mission for Growth initiative to enable SMEs to profit from fast-growing markets. Trade missions can be timed to coincide with major international trade fairs or conferences. For example, LCCI's January 2013 trade mission to Chile centred around the Community of Latin American and Caribbean States – European Union (CELAC-EU) international matchmaking event and political summit organised by the EEN partner in Chile.

“Trade missions are very beneficial to all SMEs to understand the new market and culture and to begin to undertake the new opportunity. A trade mission to Chile I attended in January 2013 was great for our company as the mining industry is of magnificent interest in our business portfolio. As a result of my visit, I decided to send our technical and marketing managers to attend the Exponor exhibition in Chile in June, which is a meeting point for the mining supplier companies and it is a business platform where relationship and strategic alliances become stronger to enable us to serve our current customers in the mining industry. I would certainly suggest such trade missions to be continued as there are always new windows of opportunity to trade internationally.”

Managing Director of a UK-based international energy services company, winner of two Queen's Awards for Enterprise in international trade

²⁰ For more information please see <http://www.cityoflondon.gov.uk/about-the-city/who-we-are/key-members/the-lord-mayor-of-the-city-of-london/Pages/overseas-business-visits.aspx>

²¹ UKTI (2013): *Annual Report and Accounts 2012-13*, p. 32

²² For more information please see <https://www.innovateuk.org/-/innovative-uk-technology-smes-chosen-for-web-mission-to-india> and <http://the-mea.co.uk/missions>

LCCI also runs privately-backed trade missions. For instance, a recruitment and technology outsourcing firm with presence in Vietnam has supported visits to the country with funding and market expertise, while a major UK-based airline has supported trade missions to long-haul markets like China, India and Brazil by offering complimentary or discounted tickets to SME mission delegates. High-level political backing of trade missions is also very beneficial to the businesses attending, as it raises the profile of the visit and contributes to a greater quantity and quality of links created.

“Increased UK exports must play an important part in our country’s much-needed economic growth, given the high trade deficit. This is why there is now a shared endeavour across all political parties and it is in the national interest to boost exports. I had the pleasure of leading a UKTI and LCCI trade mission to Nigeria and Ghana, both of which offer huge economic potential to British companies and have strong links to the UK. We must develop these relationships further or risk falling behind competitors such as China, India and even Brazil, whose energetic approach abroad risks trumping the strong historical and cultural ties we have. This is why trade missions are vital for raising the profile of British companies in growing markets and forging closer links between them and the UK.”

Chuka Umunna MP, Shadow Secretary of State for Business, Innovation and Skills (who led a UKTI and LCCI trade mission to West Africa in May 2013)

There are also many trade missions that take place on an ad hoc basis. For instance, the British Chambers of Commerce organised a delegation of 12 companies for Easyjet’s inaugural flight to Moscow in March 2013; Richard Branson took five young tech and creative entrepreneurs on a Virgin Atlantic-sponsored business networking trip to India in October 2012 to celebrate its new London-Mumbai route; and the Royal Institute of British Architects London took a group of architects on a mission to China in June 2013.²³

With such a wide array of organisations running trade missions, LCCI believes that the message we are sending abroad on behalf of London businesses should be as coordinated and targeted as possible. **UKTI London should work closely with partners like LCCI, the City of London and the Mayor of London’s office, ensuring efficient timing of organised overseas visits and that all export support organisations speak with a unified voice when it comes to trade promotion overseas.**

The format of trade missions

Trade missions usually follow a tried and tested format. It starts with a pre-mission briefing around two or three weeks before the visit, which aims to give a general background on the business opportunities and culture in the country, to acquaint attendees with the mission organisers and fellow delegates, and to answer any questions about the programme and logistical arrangements.

Having arrived in-country, the delegates are usually welcomed by the overseas UKTI staff based at the British Embassy or High Commission with a market briefing. It aims to give more information on the political, economic and market conditions in the country and to elaborate on specific business opportunities for the delegation from the perspective of someone with indigenous local insight. This is followed by a networking reception at the British Embassy or High Commission, which provides delegates with the opportunity to meet potential local business partners.

²³ For more information please see <http://www.britishchambers.org.uk/press-office/press-releases/bcc-trade-mission-to-moscow-will-showcase-what-britain-has-to-offer.html#.UguZMqNwbc>; <http://www.virginmediapioneers.com/2012/10/winners-of-win-a-trip-to-india-with-richard-branson-competition/>; and <http://www.architecture.com/RegionsAndInternational/UKNationsAndRegions/England/RIBALondon/News/RIBALondonChinaTradeMission2012.aspx#.UguZaZnWbc>

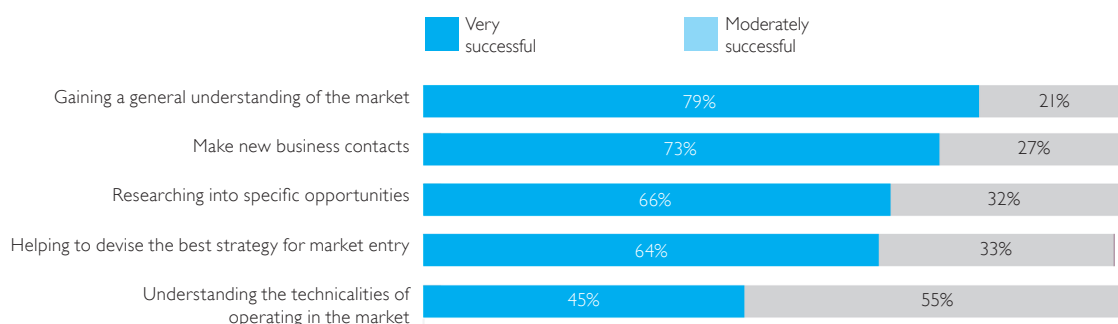
Some trade missions include facilitated business-to-business (B2B) meetings. These can either form part of a conference or exhibition that the trade mission has been organised around, or be organised by the overseas UKTI teams or partner organisations in the visited countries, for example local chambers of commerce and partners of the Enterprise Europe Network.

Through UKTI, B2B meetings can be part of the paid-for Overseas Market Introduction Service (widely known as OMIS), which UK companies frequently commission in advance of a trade mission to help them make the most of the visit. It is a bespoke market research report to identify potential opportunities and local customers or partners on the basis of a company's profile and objectives. Depending on funding and sponsorship available, mission organisers might also commission a 'group OMIS' whereby the overseas UKTI will arrange a B2B event for the UK delegation with a certain number of one-to-one meetings for each delegate with local companies they have identified as potential matches to the delegates' objectives.

Businesses join trade missions for different reasons, depending on the stage of penetrating the specific market that they are at. Many embark on trade missions early on in their journey into a new market, in order to learn about the market, to conduct market research and analysis, and to evaluate if the market is viable and, if so, how to take things further. As one mission delegate said, *"the mission was a good place to begin to explore the market and environment and see how we could do business there."* Others undertake a market visit later on in the process, having conducted a certain amount of market research and identified potential business opportunities, hoping to secure specific partnerships or sales. Regardless of the stage they are at however, businesses' top objective from trade missions is to meet potential business partners, clients, or distributors.

According to LCCI feedback questionnaires,²⁴ all trade mission attendees were very or moderately successful at achieving these objectives. Thus, 79 per cent were very successful at gaining a general understanding of the market and 45 per cent were very successful at understanding the technicalities of operating in the market, with the remainder being moderately successful in those areas (see Figure 4). Businesses gained the market knowledge from briefings at the High Commission, Embassy or other partner organisations. Interviewees found them most useful when they *"pulled in resources from the local expat community"* as case studies who *"gave a review of their experience in the country, the nature of the business you can find and what problems you might face"* (Director of an architecture and design consultancy) and would *"tell it like it really is on issues that really matter to you as a small business"* (Managing Director of a photographic products supplier). Furthermore, at the end of the mission, 64 per cent felt confident they would be able to devise the best strategy for market entry, as one participant remarked: *"we came with a view to gain market research. As a result of this visit we now feel inclined to open an operation in the area."*

Figure 4: Businesses' level of success in achieving their trade mission objectives²⁵



²⁴ Based on LCCI analysis of 104 pre- and post-mission questionnaires for LCCI missions between March 2012 and June 2013

²⁵ Ibid.

In addition, two thirds (66 per cent) of respondents were very successful at researching into specific opportunities existent to their business and 73 per cent at making new business contacts. Companies found the networking receptions very well attended and helpful in this regard. A UK delegate commented: *“during the networking receptions, not only did we manage to identify service providers which will be of help in our business, but we also met a few additional high-level prospects which we would otherwise not know had it not for the networking.”* Delegates were also able to invite their prospective and current clients to the reception, which many valued highly for the status and credibility it added to their business: *“you can go overseas as an individual but it is useful to be seen to be attached to a country delegation or to a Government. Our partners in the market were very impressed to be invited to the High Commission”* (Managing Director of an environmental technology company).

B2B events were also an opportunity to generate business leads and meet local companies that had been selected specifically to match delegates' objectives, so for many they were *“the main reason for coming”*. In addition to pre-arranged meetings, many delegates also contacted existing and potential business partners themselves to meet while on the trade mission. The Managing Director of an employability training company said: *“we had a full diary on the trade mission because we used our initiative and booked in our own contacts as much as we could”*.

The most successful trade missions are the ones that include facilitated B2B meetings. Although they can be time-consuming and costly to organise, LCCI believes that they should be an integral part of all trade missions.

To take full advantage of the networking reception opportunities, British delegates highlighted the importance of getting basic administrative elements right, including name badges and guest lists with a summary of company interests. This would allow them to identify potential partners in advance and target them at the event, which would then be much more productive. For B2B events too, delegates needed to be informed well in advance of the meetings that had been booked for them to give them time to research the companies and prepare for the meetings; otherwise they would be *“the business equivalent of blind dating”* (Principal of a data and IT consultancy). Mission attendees also asked for more free time to be allocated in the visit programme to allow them to *“hold more in-depth meetings with companies that are of specific interest”* (International Sales Manager of a security company) and to fit in their own meetings alongside. Getting such basic elements right would mean that UK businesses form a good impression of overseas export support teams, which would encourage them to take up other UKTI support services such as OMIS.

Interviewees also believed preparation to be *“absolutely critical”* to identifying well-suited potential partners ahead of the mission, as *“you cannot expect (UKTI) to arrange all meetings for you”* (Director of a software company). A certain amount of prior market research was vital to take full advantage of meetings arranged. The Managing Director of an export support company advised delegates to *“consider issues such as: whether the market requires a different approach to other markets; how much their product would cost delivered to the market; whether the product requires certification, etc. They should have some literature in the correct language. In this way, meetings with potential buyers or partners would be far more meaningful.”*

A specialist lighting supply company, with over three decades of exporting experience, now supplies a range of lighting products to over 90 countries worldwide. Its International Sales Area Manager, who attended a trade mission to Kenya in March 2012, highlighted the extensive preparation he had done for the trip: *“my research into Kenya started around two years before the trip, looking into GDP growth, political stability, logistics, energy costs, competition, willingness to buy from the UK, and import costs. I also made many cold calls leading up to the mission to find out whether local companies were using LED and were satisfied with their suppliers and how ready the market was for a new supplier or product. In this way I identified three local import and wholesale companies.”*

The extensive preparation certainly paid off: “the meeting with our preferred distributor went really well and they have been stocking our products ever since, supplying around 70 per cent of the hotels in Nairobi with energy saving LED lighting solutions. The LED sales paid for the trip plus a return visit on the first order (worth £30,000) which was received within a month of the mission. Another contact I met during the mission has also now become a customer and I am still speaking to several others. Kenya is pivotal for the development of our East African business and developing profitable business there would allow us to add on visits to neighbouring countries with relatively little additional cost. So the trade mission really was hugely successful as a first step of our medium and long-term plans for the region.”

Proper follow-up with contacts after the trade mission was as significant to the final outcome as good preparation. The International Trade Director at a major UK bank said: “the companies that follow up after a trade mission are the most successful. Most trade missions need to be followed up with around three return visits, especially in countries in Latin America. They want regular contact in order to build up trust. If you send an experienced person on a mission to a market they are familiar with, they typically will cover their cost by 50 times.” The Managing Director of an export support company added: “follow-up is crucial; if you make a promise, you get one chance to deliver it”. Indeed, the vast majority of businesses said they were likely or very likely to return to the country to further explore the contacts made and the business opportunities discovered during this mission, and a number of delegates were already planning their next trip.

Interviewees were split on whether trade missions should be sector-focused or not. Those that were in more specialised industries believed that it would be better if visits focused on their specific sector, as they struggled to identify any useful contacts at general networking events. As the Managing Director of a company exporting photographic products remarked, “because our industry is very niche, any group networking or B2B events are unlikely to include any potential customers of ours. In any market there are probably no more than six or eight companies that we want to work with, so the chances of organisers finding them are pretty slim.”

On the other hand, companies that offer business services for example can target contacts from a wide range of sectors. “Embassy receptions are a great opportunity for us, in particular because we are multi-sector. If you have a table showing what you offer, you get a lot of people realising it could be interesting for them and we find ourselves getting a lot of new contacts,” said the Managing Director of a company offering management training courses for foreign companies. **Mission organisers therefore should aim to offer a mixture of sector-focused trade missions and missions open to a range of industries.**

If all these essential elements of trade missions' organisation, preparation and follow-up are present, they can pay off vastly in terms of contracts signed and new business generated. The majority of delegates we interviewed did not expect to sign contracts during a trade mission, as it usually took between 6-18 months for new contacts to develop into actual business and for deals to be struck. As one delegate said, “I was not really expecting to win business through just the mission. I was more keen that the mission and the momentum that it generated would enable us to work in parallel and setup gains.” Nevertheless, according to LCCI feedback questionnaires,²⁶ **almost a tenth (nine per cent) of businesses signed contracts while on the mission, with contract values ranging from tens of thousands to millions of pounds.**

The majority of new business, however, materialised in the months after the trade mission, once contacts had been followed up and developed. **According to LCCI trade mission questionnaires, as a direct result of the trade missions, delegates expected to generate an average of £826,000 of new business over three years, ranging from £10,000 to £7 million,** and one business owner expecting as much as £50 million in new business. This compares favourably to UKTI's national figures, which revealed that a total of 1,256 UK companies attended UKTI (outward) trade missions in 2012/13, generating a total estimated additional profit of £623 million (an average of £496,000 per company).²⁷

²⁶ LCCI pre- and post-mission questionnaires, op. cit.

²⁷ OMB Research (2013): *PIMS Position at Q1 FY 13/14 - Summary Results (PIMS 28-31) Part 3 (June 2013)*, pp. 11, 64

Businesses interviewed for this report also shared many examples of contracts won as a result of the missions they attended. The Divisional Director of Sales of an electronic security equipment company that has been exporting for over 35 years said that in the 15 months since their last trade mission, the company *“have sold in the region of a quarter of a million pounds of new business and identified new trading partners”* as a result of the contacts made on the mission. The Managing Director of a training company, which operates almost exclusively in overseas markets, added: *“around two thirds of our business comes fundamentally as a result of trade missions”*. The Chief Executive of a safety products company remarked that a recent trade mission has already been followed up by a visit to their factory from the overseas partners and expected the amount of new business could reach *“the half a million pound mark within the next 12-18 months”*. The Managing Director of a security equipment company remarked: *“if a trade mission does not bring between £50-100,000 in business I would be disappointed. One particular customer I met a couple of years ago has now ordered around £50,000 of goods from me.”*

Asked about the advantages of joining trade missions, the most frequently mentioned factor was that they provide the opportunity to learn about the market and explore potential opportunities within a supported setting. Businesses believed trade missions provided the *“perfect introduction to doing business in a new market with invaluable insider knowledge”*. The trade mission programme of briefings, networking receptions and events also allowed delegates to gain information and meet a wide range of companies, organisations and high-profile decision-makers that they may not be able to contact on their own, especially within such a short period of time. As one UK company said, *“trade missions do open doors and offer opportunities that individual companies would struggle to get”*.

The support of fellow mission delegates was also an advantage for many, especially less experienced exporters. As one participant remarked, *“travelling with a group of like-minded individuals has been particularly helpful from my perspective of visiting this market for the first time as others share both their past experience and the on-going understanding of these markets”*. Businesses *“could also build relationships with the other delegates that could be potentially useful in the future”*. The Chief Executive of a safety products company added: *“you spend time with fellow delegates and talk to them about your business and I have now started to work with some of them”*.²⁸ Finally, a significant proportion of respondents quoted having the logistics of an overseas visit arranged for them as an advantage. Busy running their businesses, they found that the efficient booking of flights, airport transfers and hotels removed the stress of organisation for them and freed them up to concentrate on their jobs.

The Managing Director of a company selling photographic products and involved in exports since 1976 said: *“in exports, I decided to follow the same principles that I had in the UK, that is to go and see customers in their home premises and home countries – get to know them and build up a rapport. It is important to be the best armed as possible when visiting other markets and the best way to do that is to go to seminars about the market and then go to on a trade mission.”*

He has attended many UKTI, LCCI and Middle East Association trade missions but explained that it could take years to convert contacts into business: *“our industry is all about trust and confidence, and it takes a while for the customer to believe they will get at least as good service from us as they will from our competitors.”* So after being *“unable to crack the market”* in a country in East Africa for several years, on a recent trade mission the company's Managing Director secured a new customer who went on to place a £90,000 first order. He said: *“I would not have done that if I had not been on a trade mission. Now that I have an order from them, it is quite possible that our business could be worth four or five containers a year.”*

²⁸ Trade mission delegations with approximately 12 businesses seemed to optimise their ability to help and learn from one another

Since the company concentrated on exports four years ago, the business has expanded from four markets to more than 20 markets and turnover has increased from £1.6 million to £4 million. Its Managing Director's advice to new exporters is: *"anybody can make a start with exporting. Just attend market briefings on countries that may have potential and then go to that market with a trade mission. What have you got to lose? If you want to go abroad for the first time to try and sell your product or services, a trade mission is the only thing I would do because of the support."*

Trade missions clearly open doors into new market opportunities for businesses wanting to start exporting for the first time or to grow their trade activities. With the ability to generate thousands, and even millions, of pounds of new business per company, UKTI should work closely with partner organisations to encourage more companies to take part in trade missions.

4. IMPROVING EXPORT SUPPORT STRUCTURES

London businesses value trade missions highly as a tool for entering new markets but no two companies' international journey is the same, so businesses need effective support structures to help them along the way. While many organisations deliver export support services, UKTI is the Government's official export support provider. Its independent evaluation found that the level of overall satisfaction among firms UKTI had provided with high intensity support was 79 per cent, and 89 per cent were satisfied with the quality of support (against a target of 90 per cent for both).²⁹ This means that, although the support received from UKTI is of a predominantly high quality, there is scope for improvement.

Businesses' first point of contact are UKTI's local teams. International Trade Advisors (ITAs) are posted to specific regions across the UK and assigned a specialist sector to advise new and existing exporters on. Because there are a limited number of ITAs in each region, however, ensuring there is sufficient staff with sector-specific knowledge in niche areas can be challenging: *"we are very niche sector and it is hard to find somebody in UKTI who really understands software in our region"* (Director of a software company). The Managing Director of a training company added: *"under such decentralisation the expertise is diluted as it is not under one roof, so the service is not as strong and effective as it used to or as it could be"*. In addition, ITAs develop specialisms in certain overseas markets as well as sectors, and *"may guide companies toward markets that they know, which can lead to missed opportunities elsewhere"* (Managing Director of an export consultancy).

Overseas UKTI staff also deliver valuable support for businesses looking to penetrate specific markets but interviewees highlighted a degree of disparity in the support received in different countries. The Managing Director of a photographic products remarked: *"the UKTI team in one capital really had their finger on the pulse and was prepared to help, but in another they lacked the commercial expertise and could not answer questions about key areas the Government were targeting for investment."* Furthermore, some mission delegates found that interest from the overseas UKTI teams waned as their visit to the country came to an end: *"they are keen to support you for the three or four days you are there but rarely maintain support for companies beyond that, including answering simple follow-up questions"* (Director of a UK-based engineering services company).

To be able to assist British businesses seeking to tap into overseas markets, there should be sustained investment in training for both UK-based and overseas UKTI staff in specific sectors and the local business and political environment. UKTI's regional offices should also work in close cooperation with one another so that ITAs are able to tap into the expertise of colleagues from other regions, where they have specialisms relevant to their clients' needs.

²⁹ OMB Research (2013): *UKTI Performance and Impact Monitoring Survey (PIMS): PIMS Position at Q4 FY 12/13 - Summary Results (PIMS 27-30) Part I (March 2013)*, p. 4

The paid-for bespoke Overseas Market Introduction Service (OMIS) for identifying potential opportunities and local partners for companies is another crucial part of UKTI's support for British exporters and can contribute towards businesses' success at overseas visits. It has been estimated that, over a two year period, businesses that have used OMIS grow by an average of £611,000 additional turnover and three additional jobs.³⁰ However, the quality of the OMIS reports and the prices charged can vary from post to post. This is reflected in the service's most recent evaluation – it received a 75 per cent quality rating and 70 per cent overall satisfaction rating.³¹ The Managing Director of a training company said: *"I had a superb one done in one place some years ago with 20 meetings over five days for about £1,700. On the other hand, we had an appalling one in another place for two and half days of meetings for £3,500."* It was also noted that the commercial focus on selling OMIS services to businesses has led to *"an emphasis on quantity over quality"*.³² The Director of an engineering services company observed: *"OMIS reports used to be free before but after they started charging for this, the main focus changed from helping the companies penetrate the countries to just making money on the OMIS."*

While LCCI's feedback questionnaire found that the main reason for not commissioning an OMIS report was sufficient prior knowledge of the country, the cost of OMIS reports was clearly an issue, particularly for smaller companies: *"inexperienced exporters like myself would find it difficult to justify the huge capital expenditure of travelling regularly on market visits."* As a result, when asked how they can best be supported to export, many interviewees called for more financial incentives, from travel grants to tax encouragements, as a way of reducing the risk associated with exporting. Some called for OMIS reports to be offered as part of UKTI's financial support package for overseas visits. In the 2012 Autumn Statement, UKTI was awarded an additional £70 million for each of the years 2013/14 and 2014/15, which it planned to spend on more ITAs, an increased number of trade missions and showcases of opportunities in emerging markets, and the expansion of services like OMIS.³³ In response to concerns about the cost of OMIS, in August 2012 UKTI also launched a scheme offering a 50 per cent discount (up to £750) to 2,500 companies who were new to high-growth markets and had not used OMIS before. This would be increased to £1,000 per order in 2013/14, with the potential to make the scheme permanent.³⁴

UKTI should utilise the additional funding to support more businesses looking to penetrate new markets through travel grants and offering subsidised OMIS for SMEs and for new exporters on a permanent basis. To increase confidence however, UKTI needs to ensure effective quality control of all its services, and especially the OMIS, by making the head of each overseas post responsible for customer level of satisfaction.

While more could be done to improve its overall effectiveness,³⁵ UKTI endeavours to execute its duties diligently and it has made a number of positive developments in the last two years. Yet, UKTI cannot be expected to deliver every possible aspect of export support to UK businesses on its own. LCCI is frequently told by businesses that they prefer to seek advice from their peers rather than Government bodies. One interviewee said: *"SMEs trust most other SMEs, so the experienced exporter is the best person to hold the hand of the novice exporter."*

Many large organisations were eager to pass on their knowledge to less experienced exporters and make a positive contribution to export support. The Executive Chairman of a large technology outsourcing company said: *"I am frustrated that so many SMEs do not know how to go about exporting, how to find out information and what to do when they get into the country, and therefore fear getting on the plane on their own. We support trade missions because it enables us to introduce SMEs into the country as a group in a very controlled way with a lot of resource behind it. We can pass on our expertise and capability and give back to UK business."*

³⁰ The mean effect was £1.5 million additional turnover and seven additional jobs. Breinlich, H. et. al. (2012): *Intellectual Property, Overseas Sales, and the Impact of UKTI Assistance in Entering New Overseas Markets*, p. 4

³¹ OMB Research (2013): *UKTI Performance and Impact Monitoring Survey (PIMS): PIMS Position at Q1 FY 13/14 - Summary Results (PIMS 28-31) Part 1* (June 2013), p. 10

³² See for example House of Lords Select Committee on SMEs (2013): *The Roads to Success: SME Exports*, p. 24; and Daniel Kawczynski MP (2013): *UKTI: Scrutinising Efficiency and Effectiveness*, p. 15

³³ UKTI Press Release: *Trade boost sought in fast growing export markets*, 16 July 2013

³⁴ BIS (2013): *Government Response to the House of Lords Select Committee on SMEs report "The Roads to Success – SME Exports"*, pp. 1, 7

³⁵ See for example Office of Daniel Kawczynski MP (2013), op. cit.

UKTI already uses private sector partnerships in service delivery, which has led improved quality of services.³⁶ However, some interviewees believed UKTI should work with the private sector much more: “UKTI needs help. We do not compete with UKTI – we are trying to help. We each have things we can do better than one another, so why not recognise that?” (Managing Director of an export support company). In the past, UKTI established a network of private-sector business support companies to work alongside UKTI advisers,³⁷ but this never reached a critical mass and was gradually phased out.

Partly in recognition of this gap, in March 2012 the Government commissioned Lord Heseltine to conduct a review into ways to increase local growth, including an examination of the role of chambers of commerce. The Heseltine review identified that competitor countries like Germany foster overseas business-to-business support structures to a much greater extent than the UK.³⁸ The German equivalent of UKTI is *Germany Trade & Invest* (GTAI) – the federal department for trade and investment promotion.³⁹ Unlike UKTI, it has a much smaller number of direct employees. The majority of practical export support services are delivered by German chambers of commerce, both at home and overseas, which are the central point of export advice and services.⁴⁰

Responding to the Heseltine review's recommendation to enhance business-to-business support, in November 2012 Prime Minister David Cameron announced an £8 million pilot project over a two-year period to increase the overseas role of UK business groups.⁴¹ As a result, UKTI has in recent months, been liaising with the British Chambers of Commerce (BCC) and accredited local chambers in the UK to develop a model to deliver BCC-accredited support services to British exporters via overseas chambers of commerce in high-growth markets. The overseas chambers pilot covers 21 markets and, if successful, will be rolled out further.⁴²

LCCI welcomes the development of a Government-supported network of UK-based and overseas business support organisations as a step in the right direction to delivering the peer support businesses desire. The Government needs to ensure that the project is not delayed by bureaucratic obstacles and enough funding is provided for the programme to be rolled out as widely as possible to growth markets. To effectively harness their experience and energies, there needs to be a coordinated strategy outlining the roles that business organisations and private providers could play, alongside UKTI, in supporting businesses to export.

5. EXPORT FINANCE AND PAYMENT RISK

As well as export support services, there are a range of policy areas, which have a direct impact on businesses' ability to export and grow, that need to be closely monitored and coordinated. One of them is access to finance. As mentioned in Section 2, cashflow and payment risk (80 per cent), financial resources (69 per cent), and access to specialist trade finance and insurance (63 per cent) are major factors for London businesses considering the possibility of exporting.

Fulfilling overseas orders can frequently be a challenge for businesses, as customers usually pay for the goods or services on receipt, affecting their cashflow. Banks therefore play a key role in supporting exporters with finance to enable them to produce the goods ahead of delivery. Businesses however need to contact their bank early on. As the International Trade Director of a major UK bank said, “when businesses are well-prepared for an overseas visit and

³⁶ Office of Daniel Kawczynski MP (2013), op. cit., p. 25

³⁷ For more details please see <http://www.ukti.gov.uk/investintheuk/ukadvisorynetwork.html>

³⁸ The Rt Hon the Lord Heseltine of Thenford CH (2012): *No stone unturned: in pursuit of growth*; and *No stone unturned: chamber of commerce international comparisons*, at <https://www.gov.uk/government/publications/no-stone-unturned-in-pursuit-of-growth>

³⁹ For more information please see <http://www.gtai.de/>

⁴⁰ There is a network of 80 chambers of commerce (*Industrie- und Handelskammern*, IHKs) in Germany, and 120 German chambers of commerce (*Deutsche Auslandshandelskammern*, AHKs) in 80 countries. For more information please see <http://www.dihk.de/> and <http://ahk.de/>

⁴¹ UKTI Press Release: *Enhancing overseas business networks*, 5 December 2012

⁴² The pilot covers 21 markets: Brazil, China, Colombia, Hong Kong, India, Indonesia, Malaysia, Mexico, Nigeria, Poland, Qatar, Romania, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Thailand, Turkey, UAE and Vietnam – the plan is to roll the programme out to all markets

they meet the right contacts, they can come away with the biggest order they have ever done but if they cannot finance it, the deal can fall through. Businesses will sometimes leave the bank until almost when the containers are at the dock and it is too late. You should go to the bank early on to make sure you can get the support or to find an alternative if they cannot."

As the International Trade Director of a major international bank providing a range of services for exporters explained, many businesses rely on overdraft facilities or short-term loans to finance export orders. However, short-term finance options frequently require company security or personal guarantees that most businesses are unwilling to provide for overseas orders. Instead, the bank provides an export loan guarantee system against the order documentation whereby the goods are used as a guarantee if company security is required. *"So if we are financing an export order for coffee, we would take charge over the coffee and if the company does not get paid, the coffee would be under the bank's ownership, not some man's house. This enables us to provide roughly five times the amount in export loan than an overdraft facility would."*

Where banks cannot provide export finance, the Government should be able to step in. UK Export Finance (UKEF), formerly known as the Export Credits Guarantee Department (ECGD), is the UK's export credit agency, which helps exporters by providing bank loan guarantees and insurance against non-payment by overseas buyers.⁴³ If banks find it difficult to provide the finance and businesses do not have sufficient balance sheet security or the track record, the banks might refer them to UKEF. To this end, the Government established the Export Enterprise Finance Guarantee Scheme (ExEFG), a successor of the Enterprise Finance Guarantee Scheme, whereby the Government would guarantee short-term bank loans and other trade finance facilities of up to £1 million for exporting SMEs with an annual turnover of up to £25 million.⁴⁴

The Government can also support UK exporters by providing finance directly to their overseas customers. In the 2012 Autumn Statement the Chancellor announced a £1.5 billion direct lending facility by UKEF to provide loans of between £5 million and £50 million to overseas buyers purchasing capital and semi-capital goods and services from British exporters where loan funds cannot be obtained from commercial banks. It was meant to become available from 1 April 2013 but its launch was delayed until September 2013.⁴⁵

UKEF and associated schemes have suffered from low levels of awareness among businesses and LCCI's international trade survey showed only four per cent of London companies have used UKEF (in comparison with 48 per cent who have used UKTI). This is slowly beginning to change as the Government's latest figures showed that UKEF provided nearly 4,300 businesses with £4.3 billion worth of support in 2012/13, up from £2.3 billion in the previous year and the highest in its 12 years of existence.⁴⁶

However, this still does not compare favourably with UK competitor countries like Germany, where the Hermes scheme offered €29 billion of guarantees in 2012.⁴⁷ As the Executive Chairman of a technology outsourcing company warned, *"a company on a trade mission I led came away with a £4 million order but the MD found that he could not finance it. The only way he could do it was to put all his assets on the line and he was not prepared to risk everything on one deal. By the time he came back, he lost it to the Germans because they came in with finance underwritten by the German government."*

UKEF finance guarantees are not a silver bullet either and *"sometimes UKEF will not be able to provide the loan for the same reason the banks cannot. Recently we had five deals that we could*

⁴³ For more information please see <https://www.gov.uk/government/organisations/uk-export-finance/about>

⁴⁴ BIS (2011): *Trade and Investment for Growth*, pp. 56-57

⁴⁵ UK Export Finance Press Release: *Direct lending facility announced*, 5 December 2012; and UK Export Finance Press Release: *Direct Lending Scheme launched to support UK exporters*, 2 September 2013

⁴⁶ UK Export Finance Press Release: *UK Export Finance support to British exporters at 12-year high*, 20 June 2013

⁴⁷ Euler Hermes (2013): *Export Credit Guarantees of the Federal Republic of Germany: Annual Report 2012*, at http://www.agaportal.de/pdf/berichte/e_jb_2012.pdf

not do and out of those UKEF could only do one” (International Trade Director at a major UK bank). The Executive Chairman of a technology outsourcing company added: “there is a lot of money available for the scheme but it can be extremely difficult to get it.”

In addition to financing the export order, safely receiving payment from their overseas buyers is another major concern for businesses. Export documentation has an important role to play in ensuring timely payment, especially where the payment method is a documentary letter of credit. There are many organisations that can assist businesses with avoiding costly mistakes in export documentation: *“many companies exporting for the first time find the paperwork quite complex. In my experience, payments are delayed in 75 per cent of cases because of mistakes in the documentation but when (bodies like) the chamber of commerce are involved (in export documentation), the correctness increases to 97 per cent”* (International Trade Director at a major UK bank).

To compete on a stronger footing with competitor countries, UK businesses need ready access to export finance. UKTI should also identify the importance of arranging export finance and correct export documentation early on to companies that contact them for export advice. If the UK is to meet the challenging £1 trillion export target, the Government needs to ensure that UKEF is putting in maximum effort in marketing its services and products to businesses, especially SMEs.

6. SECURING MARKET ACCESS: AVIATION AND VISAS

International connectivity is crucial for businesses' ability to export, and accessibility has a major impact on which export markets they select. When asked about the main barriers to exporting, 37 and 20 per cent of London businesses identified the cost and quality of international transport connections respectively as barriers.⁴⁸ Given the geographical proximity and the existence of a free trade area, it is probably not surprising that **the EU continues to be London businesses' main destination for exports**. LCCI's international trade survey found that 72 per cent of London's current exporters trade with EU member states, and 84 per cent of those looking to begin exporting are targeting the EU, followed by the rest of Europe (59 per cent).

The overseas markets that hold the greatest growth potential over the coming decades however are in more distant regions of the globe. London businesses recognise this, as 57 per cent of potential exporters are looking to target North America, while 64 per cent of current exporters trade with the Middle East and Africa, and 61 per cent with Asia.

LCCI has heard comments from representatives of emerging markets that the UK can be too focused on traditional export markets like the EU and Commonwealth countries or popular developing markets like the BRICs (Brazil, Russia, India, China), while falling behind direct competitors like Germany and the USA in key growth markets where the UK's position should be strengthened. LCCI's findings however point to businesses with exporting experience targeting specific non-European growth markets to enter rather adopting a scattergun approach. **When asked about the fast-growing countries they target, London companies currently export most to the UAE, Hong Kong, India and Singapore; while Brazil, Russia, Turkey and South Africa top the list of countries being considered over the next five years.**⁴⁹

⁴⁸ May 2013 LCCI international trade survey, op.cit.

⁴⁹ 35 per cent of existing exporters currently export to the UAE, 32 per cent to Hong Kong, 31 per cent to India and 31 per cent to Singapore; while 37 would consider exporting to Brazil, 29 per cent to Russia, 29 per cent to Turkey and 28 per cent to South Africa. The list of growth markets respondents could choose from included: Poland, Romania, Russia, Turkey, Brazil, Colombia, Mexico, China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea, Thailand, Vietnam, Qatar, Saudi Arabia, UAE, Nigeria and South Africa.

“The UK is beginning to recognise Indonesia as an attractive market. With a population of 240 million and steady economic growth, Indonesia has emerged as a competitive force in the Southeast Asian region. In April 2012 the British Prime Minister and the President of the Republic of Indonesia made a shared commitment to double bilateral trade in goods and services from £2.2 billion in 2010 to £4.4 billion in 2015. Although trade between the two countries has been increasing, this target remains challenging.

“We hope that the UK, which has traditionally favoured the Commonwealth markets, may accelerate trade with Indonesia. We would welcome UK businesses to Indonesia for trade missions and plenty of networking opportunities.”

Official spokesperson, Embassy of the Republic of Indonesia in London

UKTI has rightly identified the 20 priority high growth and emerging markets that export support efforts should be focused on: the BRIC countries, the CIVETS (Colombia, Indonesia, Vietnam, Egypt,⁵⁰ Turkey and South Africa), as well as Mexico, Malaysia, Thailand, Singapore, South Korea, Hong Kong, Taiwan, Qatar, Saudi Arabia and the UAE.⁵¹ LCCI welcomes this strategic direction, as over the coming decades, the key global markets that London will increasingly trade with are located in South Asia, Africa and South America.

Yet, despite the growing use of video and teleconferencing facilities, many interviewees highlighted the importance of visiting export markets and meeting potential business partners in person. As the Business Development Manager of a major airline said, *“it is better to do business face to face, particularly in certain countries and cultures, as it shows how serious you are about doing business in that market”*. International transport connections therefore are vital for businesses' ability to tap into fast-growing but far away markets, yet a fifth (20 per cent) of London businesses identified their quality as a barrier to exporting.

“We work with different partners in promoting new routes to British businesses. For example, last year we partnered with Vietnam Airlines to launch the first direct flights from the UK to Hanoi and Ho Chi Minh City and to further strengthen economic ties between both countries we hosted the send-off for a trade mission to Vietnam in November 2012. We also ran a seminar with UKTI and Visit Britain when we opened the new route to Beijing. We are planning on doing similar initiatives in Indonesia and Vietnam in 2014”.

Commercial Manager, Gatwick Airport

Existing research has demonstrated a clear correlation between trade levels and connectivity. A 2011 paper, for example, found that UK businesses trade twenty times as much with cities and regions in emerging market countries that have direct daily flights to the UK than with those with less frequent or no direct services.⁵² Similarly, a 2013 report found that UK trade with the eight largest high-growth economies has grown in line with connectivity, as a 266 per cent increase in flights spurred a 362 per cent increase in trade with these markets between 1993 and 2011. The report projected that a new daily flight to each one of these high-growth markets could generate as much as £1 billion of additional trade a year.⁵³

London businesses are unequivocal on the importance of connectivity as 80 per cent believe that a hub airport is needed for them to trade successfully in international markets.⁵⁴ A 2012

⁵⁰ In response to the increasing levels of violence in Egypt, in August 2013 the Department for Business, Innovation & Skills suspended 49 export licences for equipment which might be used for internal repression. BIS Press Release: *Business Secretary suspends 49 export licences to Egypt*, 28 August 2013

⁵¹ UKTI (2011): *Britain open for business: Growth through international trade and investment*

⁵² Frontier Economics (2011): *Connecting for growth: the role of Britain's hub airport in economic recovery*, p. 36, at <http://mediacentre.heathrowairport.com/ImageLibrary/downloadmedia.ashx?MediaDetailsID=886&SizeID=1>

⁵³ The eight largest high-growth economies are China, India, Brazil, Russia, Indonesia, Mexico, Turkey and South Korea. CBI (2013): *Trading places: Unlocking exporting opportunities through better air links to new markets*, pp. 4, 8

⁵⁴ December 2012 LCCI survey of 187 businesses

survey of company directors in Brazil, India, China, Mexico and South Korea found that 92 per cent were influenced by the availability of direct flights in their inward investment decisions, while 80 per cent said they would trade more with the UK if flight connections to their home markets were improved.⁵⁵

The UK's only hub airport, Heathrow, serves 184 destinations in 80 countries. In 2012, it handled 20.7 million business travellers (30 per cent of all passengers) and 1.46 million metric tonnes of cargo,⁵⁶ in comparison to other London airports that serve a greater proportion of leisure travel. However, Heathrow is operating at over 98 per cent capacity in contrast to between 62 and 71 per cent at competitor hub airports in Paris, Frankfurt and Amsterdam, which gives them much greater capacity to grow the number of destinations they serve. Currently there are 26 emerging market destinations with daily flights from other European hubs that are not served daily from Heathrow and, with constrained runway capacity, the UK faces falling even further behind its competitors. Some UK-based airlines have made it clear that if there were more capacity at Heathrow they would introduce more direct flights to cities in China and other emerging markets.

LCCI has long been involved in export-orientated activity as an accredited export documentation provider and organiser of several trade missions every year – all departing from major London airports. Our international objective is simple: to motivate and encourage greater numbers of British businesses to forge trade relationships with new overseas partners and for those partners to see the UK as a receptive marketplace. However, London's limited airport capacity is already shaping perceptions and slowly damaging the capital's international reputation as a competitive business centre. If this situation continues, it will impact upon the ability of some London businesses to compete, trade and export globally.

London's competitiveness is reliant on direct, frequent flights to Asia, South America and Africa as our business people seek to initiate or sustain trade and commerce with these important marketplaces. LCCI believes that London's air connectivity must be sustainable over the long-term. This means having air links that are year-round, not periodic or seasonal. **It is vital that the Government arrives at a coherent position on aviation that details how the UK will create the capacity and connectivity to make London and the UK the most competitive place to do business.**

We acknowledge that the Government, through its establishment of the Airports Commission is aware of the aviation capacity challenge. However, rather than waiting passively for Sir Howard Davies and his fellow commissioners to produce their final report on long-term options in summer 2015, Ministers should now be actively focusing on what capacity gains could be made in the short term – gains that could benefit international trade and UK exports.

To alleviate capacity constraints and enhance London's connectivity, LCCI believes that the Airports Commission should consider increasing the number of early morning arriving flights at the UK's hub airport as a short-term temporary measure.

The perceived additional cost of seeking to do business overseas is another inhibitor to SMEs considering exporting, as 37 per cent of London businesses identified the cost of international transport connections as a barrier to exporting. A major part of overseas travel costs consists of Air Passenger Duty (APD) – another aviation related matter, but one that is policy jurisdiction of the Treasury. Indeed, 59 per cent of London businesses believed that increasing APD levels were a barrier to their future exporting activities.⁵⁷ Furthermore, a recent report found that, given access to cheaper airfares on departures from UK airports, companies would spend more time with key overseas customers.⁵⁸ **This demonstrates the impact that the high level of APD applied to air travellers flying from UK airports has upon British business opportunities overseas and the Government should look into reducing the rate of APD.**

⁵⁵ BCC survey of 350 business directors. BCC Press Release: "UK will miss out on investment because of poor air connections" say emerging market business leaders, 26 January 2012

⁵⁶ Heathrow Airport (2013): *Facts and figures*, at <http://www.heathrowairport.com/about-us/company-news-and-information/company-information/facts-and-figures>. Last accessed 15 August 2013

⁵⁷ December 2012 LCCI survey of 187 businesses

⁵⁸ PwC (2013): *The Economic Impact of Air Passenger Duty*

Being able to travel overseas to do business and to conclude deals face-to-face is paramount not only for UK businesses but also for their overseas partners. However, citizens of some of the UK's key trading partner countries face immigration difficulties when attempting to come to the UK for short business visits.

For example, citizens from countries such as China, Russia, India, Vietnam, Indonesia, Turkey, Nigeria, Ghana, UAE and Qatar need to apply for a business visitor visa before they can come to the UK.⁵⁹ LCCI members continually express frustration at the administrative burden faced by business visitors, particularly from countries like China and Russia. In contrast to 26 other European countries, which have a single visa regime under the Schengen agreement, Chinese visitors to the UK need to apply for a separate visa and have their biometric data taken at one of 13 visa processing centres (in Russia there are only five centres), although an improved online application process and translated forms were introduced from April 2013.⁶⁰ The current UKBA business visitor visa form is 11 pages long, includes over 100 questions and costs £80, while a Schengen visa is two pages long, includes less than 35 questions and costs €60.⁶¹

The Managing Director of a company providing training for clients from more than 50 countries noted he was *"well aware of the delays, difficulties and general dissatisfaction engendered by the process of applying for a British visa"*. The Chief Commercial Counsellor at the Turkish Embassy in London added: *"the only barrier for Turkish companies is that Turkish citizens have to get a visa to visit the UK, even for short business visits like participating in a trade fair or show in London. The application process demands too many documents, including personal information from bank accounts, level of education and so on. In contrast, Turkey makes it very easy for British nationals to visit – they can get a visa at the airport for £10. If we eliminate the visa procedures for businessmen, bilateral trade will increase tremendously."*

Furthermore, in cases when business visitors are refused a UK visa, this can lead to unnecessary delays or even falling through of bilateral business deals: *"the British embassy introduced us to a good potential partner on one trade mission and we continued working with them, preparing a joint tender submission. We did our work and the Managing Director of the company was supposed to come over for a meeting but his UK visa was rejected, although issuing a visa for someone actually nominated by the embassy to work with British companies should have been straightforward. He is finally coming but it took almost a year"* (Director of an oil and gas engineering services company).

Brazil is among the few non-EEA countries, along with countries such as the United States, Australia and Japan, whose citizens do not require a visitor visa for up to six months.⁶² However, in March 2013 it was reported that the Home Office was looking into removing visa-free short-term visits for Brazilian nationals in contrast to other UK competitor countries like the USA and Australia easing visa restrictions and simplifying application procedures for Brazilians.⁶³ Although the plans were eventually put on hold,⁶⁴ reports about new visa restrictions for an important trading partner country and a growing economy can undermine the efforts of other Government departments and organisations working to foster trade and exports.

The Home Office's approach to visa regulations for key trade target markets like China and Brazil has demonstrated an apparent limited understanding of, or indifference to, the impact that decisions could have on UK export promotion.

While keeping the UK border safe is paramount, some decisions restricting immigration could have negative impacts on the UK's attractiveness for investors but also, with potential for retaliatory action by overseas states, that could lead to delays or denials of visas for UK business people visiting their countries. The Government should ensure that immigration policies do not obstruct UK businesses' efforts to trade internationally.

⁵⁹ For more information please see <http://www.ukba.homeoffice.gov.uk/visas-immigration/visiting/business/visa/>

⁶⁰ UK Border Agency Press Release: *Home Secretary announces visa service improvements*, 12 December 2012, at <http://www.ukba.homeoffice.gov.uk/sitecontent/newsarticles/2012/december/15-china>

⁶¹ For more information please see <http://www.ukba.homeoffice.gov.uk/visas-immigration/visiting/business/> and <http://www.immihelp.com/visas/schengenvisa/>

⁶² For more information please see <http://www.ukba.homeoffice.gov.uk/visas-immigration/do-you-need-a-visa/>

⁶³ Warrell, H. and Parker, G. (2013): "UK set to tighten Brazilian visa rules", *Financial Times*, at <http://www.ft.com/cms/s/0/ac4340e0-84f9-11e2-891d-00144feabdc0.html#axzz2d9jRgOWL>

⁶⁴ BBC (2013): "UK puts Brazil visitor visa crackdown on hold", *BBC News Online*, at <http://www.bbc.co.uk/news/uk-politics-21759744>

7. UPSKILLING FOR INTERNATIONALISATION

According to LCCI's international trade survey, **38 per cent of all London businesses identified access to labour with appropriate skills as a barrier to exporting.**⁶⁵

Language skills in particular were a significant factor for 51 per cent of London's potential exporters when considering exporting to specific international markets. Although English is universally recognised as the lingua franca of business, it is often said that the language of business is the language of the buyer. The major shortfall in foreign language skills within the business community is therefore worrying and, even when business owners claim some knowledge, few speak well enough to be able to do business in it. LCCI figures showed that French remains the most widely spoken language, although only 11 per cent are confident enough to converse fluently, in comparison with six per cent for Italian, five per cent for German and four per cent for Spanish. The gaps are even more striking for fast-growing non-European markets, as only two per cent of London business owners speak Russian, and the same for Chinese, well enough to conduct business. The UK thus lags behind many of our competitor countries, where having a second or third language is the norm.

Exam results reveal mixed messages on young people's take-up of languages. In 2004 the Labour Government made the study of languages optional for 14 to 16-year-olds and their take-up has been steadily falling since. The 2013 results saw a reversal in this trend with an increase in the number of students gaining GCSE passes in languages, including Chinese and Arabic (French increased by 16 per cent, Spanish by 26 per cent and German by nine per cent), following the Education Secretary's introduction of the English Baccalaureate ranking in exam leagues.⁶⁶ Yet, there was a drop in the number of post-16 students taking languages at A-level (German and French fell by 11 and 10 per cent respectively on last year and almost 18 per cent since 2008).⁶⁷

Broader exporting know-how was also a concern for 70 per cent of London's potential exporters, pointing to a gap in employees' knowledge of overseas markets, as well as managerial skills to expand the business internationally.⁶⁸ At GCSE level, for example, international trade features only as a small part of the Economics curriculum.

There needs to be a renewed focus on foreign language skills at all educational levels and the study of languages should be made compulsory not only for secondary school students but post-16 as well. In the long term, the Government should introduce additional international trade modules into the curriculum, while incentivising language and management training for SMEs looking to export.

In the shorter term however businesses need to be able to fill the gaps in their workforce and many businesses rely on skilled foreign employees to support their exporting activity. According to LCCI figures, 28 per cent of London businesses have recruited or would consider recruiting non-EU migrant workers for their language skills, while 26 per cent have done so with a view to developing export markets outside the EU.⁶⁹

To undertake a paid long-term position in the UK, non-EEA citizens (including those that do not require short-term visitor visas) must obtain a visa under Tier 2 of the Points Based System and their employer needs to hold a Tier 2 sponsor licence. However, the process for businesses to apply for sponsor licence and the employee to then apply for visa can take up to six months. In this time, the business may have missed a growth opportunity or the individual may have looked for work elsewhere. SMEs in particular may find gathering documents to support a licence application challenging.

Simplifying non-EU worker visa application procedures is vital for allowing businesses to fill the gaps in their workforce and should be given higher priority in the Government's agenda. The Government should consider a mechanism to allow SMEs to employ workers through an intermediate sponsor while they wait for their Tier 2 sponsor licence to be processed.

⁶⁵ LCCI international trade survey, op. cit.

⁶⁶ Garner, R. (2013): "GCSE results: At least foreign languages provided a bright spot", *The Independent*, at <http://www.independent.co.uk/news/education/education-news/gcse-results-at-least-foreign-languages-provided-a-bright-spot-8780445.html>

⁶⁷ Paton, G. (2013): "A-level results 2013: foreign language courses in 'freefall'", *The Telegraph*, at <http://www.telegraph.co.uk/education/educationnews/10245143/A-level-results-2013-foreign-language-courses-in-freefall.html>

⁶⁸ LCCI international trade survey, op. cit.

⁶⁹ May 2013 LCCI survey of 213 businesses

8. CONCLUSION

International trade plays a vital role in the economic health of this country. The Government has been very clear in its rhetoric on the importance of an 'export-led' recovery but there has yet to be any real sign of this rhetoric turning into results. Catching up with, and overtaking competitor countries with strong export performance needs to become a national priority or the UK risks falling even further behind.

While London is ahead of the rest of the UK in terms of the proportion of businesses exporting, more than half of companies in the capital are not currently engaged in any type of exporting activity. Many do not realise that their products and services can be sold abroad, while others are concerned about finding overseas business partners, access to finance and payment risk, connectivity and skills. These barriers can be overcome through targeted support.

Out of a range of export support tools, London businesses found trade missions to be the most help for trading overseas. They open up vast opportunities in markets that are difficult to penetrate by providing companies with direct access to potential customers and business partners, and bringing together a mix of new and established exporters to share experiences.

Official export support through UKTI is frequently businesses' first port of call and there are some aspects of its services that need to be improved to ensure existing and potential exporters can rely on a consistent level of support across high-growth markets. Targeted practical and financial assistance is particularly important to SMEs that might struggle with the costs of exploring new export markets.

UKTI is not alone in delivering export support services, and business organisations and private sector providers have an important role to play in this. The work that UKTI is already doing with chambers of commerce is a vital stage in this process, but we are yet to see if this develops into a coherent vision of how the energies of all those supporting exporters can be effectively harnessed.

Across the entire governmental interface, there are various departments, directorates, units and agencies with an international dimension to their work that have obvious linkage to trade and investment activities. Apart from the Department for Business, Innovation & Skills and the Foreign & Commonwealth Office that jointly oversee UKTI, others also have a significant bearing on the UK's capability to compete and to export overseas. This includes but is not limited to the areas analysed in this report: HM Treasury's remit in export finance, the Department for Transport's remit in infrastructure connectivity, the Home Office's remit in immigration policies and the Department for Education's remit in skills.

LCCI believes there is a need to create a coordinating mechanism to ensure relevant activities and initiatives are brought together in a coherent and cohesive approach. The Government's 2011 Trade and Investment White Paper pledged to "adopt a 'Whole of Government' approach" to examine how departments could support trade and investment and a Cabinet sub-Committee under the chairmanship of the Minister for Trade & Investment was created for this purpose.⁷⁰ However, with little or no detail of meetings disclosed, it is difficult to assess if this cross-department approach is being applied in practice.

The Government should proactively drive greater exporting activity by creating a National Strategy for Exports and Growth (NSEG). It should outline the roles that business organisations and private sector providers can play, alongside UKTI, to deliver appropriately resourced and relevant support to greater numbers of UK businesses, particularly SMEs, looking to export.

The NSEG should also coordinate policies across Government departments that have an impact on businesses' ability to export. It should be driven and overseen at Cabinet sub-Committee level, possibly the existing sub-Committee on Trade and Investment taking a higher public profile. This would ensure some positive steps are taken in an integrated effort towards an export-led recovery and trading our way back to growth.

⁷⁰ BIS (2011): *Trade and Investment for Growth*, p. 48, at <http://www.official-documents.gov.uk/document/cm80/8015/8015.pdf>

APPENDIX: LCCI TRADE MISSIONS SINCE 2010

The findings in this report are based on a survey of 164 LCCI members on export priorities and support; analysis of 104 pre- and post-mission questionnaires of mission delegates over the last 18 months; and 30 interviews with past and current mission participants, organisers and sponsors, as well as other relevant stakeholders, including foreign embassies.

The report also draws on LCCI's long history of supporting businesses' international activity through seminars, trade missions and export documentation. Since the Government came to power in May 2010, LCCI has run the following trade missions.

Trade mission	Date	Number of participants
Indonesia and the Philippines	December 2013	Recruiting
China: Chengdu	October 2013	Recruiting
Switzerland: Geneva (UN)	October 2013	7
Brazil: Sao Paulo and Rio De Janeiro	October 2013	20
Vietnam: Hanoi and Ho Chi Minh	September 2013	20
Belgium: Brussels	September 2013	8
Russia: Moscow	June 2013	10
Spain: La Rioja	May 2013	4
Turkey: Istanbul	May 2013	20
West Africa: Nigeria and Ghana	May 2013	15
Qatar: Doha	April 2013	14
East Africa: Uganda and Tanzania	March 2013	17
Greece: Athens	March 2013	6
Chile: Santiago	January 2013	4
Tunisia	November 2012	4
India: Chennai and Hyderabad	November 2012	14
Vietnam: Hanoi and Ho Chi Minh	November 2012	7
Switzerland: Geneva (UN)	June 2012	6
China: Beijing and Chongqing	May 2012	8
Indonesia: Jakarta	April 2012	8
East Africa: Kenya, Uganda and Ethiopia	March 2012	19
Vietnam: Hanoi and Ho Chi Minh	November 2011	13
Brazil: Sao Paulo and Rio	August 2011	12
Switzerland: Geneva (UN)	June 2011	11
Saudi Arabia: Jeddah	March 2011	7
East Africa: Kenya, Uganda, Ethiopia	March 2011	20
India: Hyderabad, Pune, Mumbai	February 2011	23
Poland: Warsaw	February 2011	18
Malaysia: Kuala Lumpur	December 2010	8
China: Shanghai and Hangzhou	October 2010	9
West Africa: Nigeria and Ghana	October 2010	14
Switzerland: Geneva (UN)	June 2010	10

London Chamber of Commerce and Industry

33 Queen Street, London EC4R 1AP

T: +44 (0)20 7248 4444

F: +44 (0)20 7203 0391

E: research@londonchamber.co.uk

W: londonchamber.co.uk/research



MIX
Paper from
responsible sources
FSC® C105395

This brochure is printed on Forest Stewardship Council (FSC) certified paper. FSC is a non-profit international organisation promoting responsible forest management. FSC has developed principles for forest management which may be used for certifying the management of forest holdings, and a system of tracing, verifying and labelling timber and wood products which originate from FSC certified forests (Chain of Custody).