



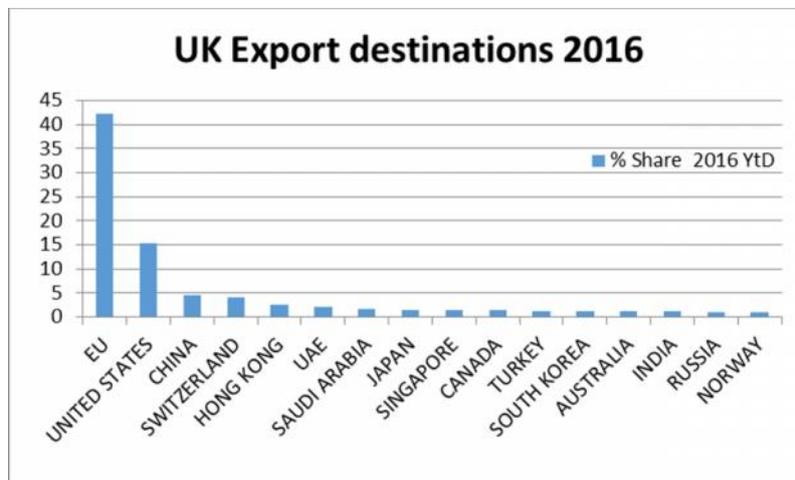
BRITISH EXPORTERS ASSOCIATION

MANIFESTO FOR EXPORTERS 'Meeting the Brexit challenge'

Launch Date 1st August 2016

The British Exporters Association (BExA) has produced this Manifesto to highlight where Government needs to act to ensure that UK exporters are not disadvantaged by the UK's referendum result to leave the European Union.

Our balance of payments deficit is an ongoing feature of our economy, and the potential of reduced access to European markets – which in May 2016 comprised 49% of our goods exports¹ - could have a significant impact on our economy unless Brexit is managed well.



HMRC National Statistics – Top 25 trading partners - year to date May 2016– goods²

Services exports – from financial, insurance and legal services through to advertising, engineering, project management, media and the arts – have benefitted hugely from freedom of access across all territories of the EU and comprise a substantial proportion of our economy. It is essential to maintain access to EU markets, and without undue adverse entry conditions.

Uncertainty has resulted in a sharp fall in the value of sterling. This has the potential to make our exports more affordable however UK exporters will only benefit if their inputs are wholly denominated in sterling: where components, energy and commodities are priced in euros and dollars, UK exporters will need to raise prices. Capital goods exports involving multi-year credits will have become more expensive with the loss of the UK's 'AAA' rating³.

Government⁴ will need to simultaneously negotiate access to EU markets, maintain UK exporter support and improve the terms of trade with non-EU countries.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535964/OTS_Release_0516.pdf

²<https://www.uktradeinfo.com/statistics/pages/monthly-tables.aspx>

³<http://www.bloomberg.com/news/articles/2016-06-27/s-p-cuts-u-k-top-credit-rating-by-two-notchess-after-brexit-vote>

⁴Specifically; The Foreign and Commonwealth Office (FCO), Department for Business, Energy and Industrial Strategy (BEIS), Department for International Trade (DIT), Department for Exiting the European Union (DEEU) and Department for International Development (DfID)

DEEU and DIT – Negotiating exit from EU

Once the UK's exit from the EU has been concluded, our terms of trade will likely revert to WTO terms⁵. We will not automatically have free trade access to the EU or to the preference trade arrangements negotiated by the EU. We therefore need to negotiate deals with a large number of countries even to retain the market access we have today.

- *Delay invocation of Article 50 until strategy is established and trade teams are in place.*
- *Recruit and arrange secondment of trade negotiators from the private sector and from Commonwealth countries, from legal firms and from both goods and services exporters, to negotiate with the EU for free trade access and in parallel negotiate non-EU trade agreements.*
- *Retain free movement of people for skilled workers to ensure UK exporters retain the ability to choose from the best talent.*

Improved trade ties can provide opportunities to enhance our relationships with countries outside of the influence of the EU.

BEIS, DIT, DEEU, UKTI, UKEF, DfID, BBB & FCO – “Whole-Government approach to exports”

BEIS and DIT must support and accelerate the Whole-Government approach to exports⁶ which is a critical tool in broadening the UK's export potential and for meeting the ambitious targets of £1trn of exports and 100,000 new exporters by 2020.

- *Accelerate the integration of DfID and British Business Bank (BBB) alongside BEIS, UKTI, UKEF & FCO in the Whole-Government approach.*
- *Ensure key departments understand the link between investment in the UK and the potential for export opportunities and encourage continued inward investment into the UK, through tax or other incentives.*
- *Encourage an understanding of ‘first mover advantage’ when markets open up. Understand the value of large projects, whether aid sponsored or commercial, in terms of follow-on orders for the same exporters which in turn draw in products and services from supply chains, many constituents of which are innovative SMEs.*
- *Continue to develop the Exporting is GREAT initiative and develop the exporter portal as a one-stop shop for UK companies looking to develop export capability.*
- *Greater transparency of government initiatives, such as “Exports Implementation Taskforce”*
- *Better promotion of, and access to, the UK's network of overseas Trade Ambassadors and Envoys.*
- *Adopt the Dutch model⁷ on integration of trade and development objectives.*
- *Facilitate easier access to grants for exporters and their service providers to ensure no viable UK export fails due to cash-flow constraints.*
- *Provide financial encouragement for smaller specialist export houses to grow and draw more exports from UK SMEs who do not have the resource or knowledge to access overseas markets profitably.*
- *BBB to provide clearing services to SMEs where there is market failure.*
- *Ensure that R&D partnerships with UK and EU universities and institutions are unaffected by the UK's exit from the EU.*
- *Develop and maintain export supply chains through a range of R&D incentives.*

It is critical for government to work collaboratively through this process - the priorities of individual departments must be aligned and communicated at all levels to ensure that the solution works for all stakeholders.

⁵ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news-parliament-2015/future-economic-relationship-with-eu-evidence-16-17/>

⁶ <https://www.gov.uk/government/news/cross-government-approach-at-heart-of-new-drive-to-boost-exports>

⁷ <https://www.government.nl/documents/reports/2013/04/30/a-world-to-gain>

BEIS and HM Treasury - Bank regulations

Successive revisions of banking regulations have placed increasing pressure on banks' competitiveness on trade and export finance. Banking regulation needs to be structured to proactively encourage and support trade and export finance through improved liquidity ratio treatment and the ability to use ECA backed loan facilities as High Quality Liquid Assets for their Liquidity Coverage ratios.

- *Commitment that no further bank regulation is introduced without thorough consideration of its impact on trade and export finance.*
- *Consideration should be given for ECA (and similar quality) backed loans to be treated on an exceptional basis for leverage ratio calculations under the Capital Requirements Regulation (CRR) to ensure a continuing source of liquidity for exports.*

UK Trade and Investment (UKTI)

Companies will need information, encouragement and incentives to gear up their export potential.

- *Focus trade delegations and support on richer nations outside the EU*
- *Take advantage of our Commonwealth ties*
- *Charge Overseas Market Information Service (OMIS) fees when orders are won*
- *Provide access to UKTI's database of potential target buyers free of charge as a 'Mini OMIS'*
- *Consider replicating France's 'Market Survey Insurance'⁸, underwriting the exporter's export marketing budget until orders are won*
- *Extend funded support to existing exporters wishing to enter new export markets*
- *Share in advance the details of companies invited to receptions and meetings, enabling exporters to research opportunities and plan offers with appropriate contract terms in advance of engagement.*

UK Export Finance (UKEF)

Our Export Credit Agency has a huge role in providing credit and political risk insurance and finance support complementing private market solutions. UKEF will be released from EU restrictions post Brexit.

- *Continue to streamline, improve reaction times and innovate.*
- *The downgrade of the UK's credit rating puts pressure on the pricing of any bank funded Medium and Long Term Buyer Credits and so UKEF must allow more flexible use of the Direct Lending facility.*
- *Improve working capital finance through allowing access to the Direct Lending Facility*
- *Re-introduce Fixed Rate Export Finance support for capital goods exports*
- *Provide Tender to Contract foreign exchange rate risk cover for exporters.*
- *Adopt the principles of regulation including 'Treating Customers Fairly' and comply with the new Insurance Law.*
- *Premium rates should be commensurate with risk.*
- *Policies should be flexible to allow, for example, multiple shipments.*
- *Deliver capacity via the private market through reinsurance.*
- *Provide export credit insurance cover for SMEs selling to the EU and North America.*

Department for International Development (DfID)

DfID has the potential to provide a real boost to UK exports by promoting closer ties for UK companies with overseas markets and accelerated implementation of their pilot scheme will help achieve this, along with:

- *Encourage bids for its projects by UK contractors and promote UK products where appropriate.*
- *Follow the lead of Sandhurst Military Academy in developing trade ties by delivering education: provide fully sponsored placements at UK universities for students from developing countries which in the medium term will assist the destination nation and in the longer term develop improved trading ties with the UK.*

⁸ <https://ec.europa.eu/growth/tools-databases/smeip/service/market-survey-insurance>

Conclusion

The targets set out in the 2011 National Export Challenge look increasingly challenging. However, exports are vital for our balance of payments and provide the UK with an opportunity to grow following this momentous decision.

Negotiating the UK's exit from the EU is extraordinarily complex and will take a significant amount of resource and time. BExA believes it is vital that the UK's exit from the EU is managed with the needs of UK exporters firmly in mind to ensure that UK business can grow and thrive in a post-EU environment. We must ensure uncertainty is kept to a minimum post Brexit.

Notes

1. BExA is a membership organisation representing over 100 corporates. Our membership is drawn from across the exporting community, including capital goods manufacturers and international traders (large corporates, MSBs, SMEs and Micro exporters), and their bank, credit insurance and other service providers. BExA takes a particular interest in trade finance and export credit insurance. BExA contact: Michelle Treasure, Secretariat, office@bexa.co.uk
Tel.: 020 7222 5419 www.bexa.co.uk
2. BExA successfully lobbied for the following changes and improvements to UKEF products and remit:
 - a. UKEF Bond Support Scheme (2011) – Now the most accessed UKEF product
 - b. Export Credit Insurance support for goods and services generally (2011)
 - c. UK content 20% minimum (2007)
 - d. Changes to UKEF Business Principles (2010)
 - e. Improvements to UKEF policy wordings (2011 - ongoing)
 - f. Direct Lending Facility (2013)
 - g. Re-introduction of CIR under Direct Lending Facility (2014)
 - h. Export Refinancing Facility (2014)
 - i. Marketing of UKEF through brokers (2011), appointment of regional export finance advisers (2012), number doubled (2014), 3 overseas advisers (2014)
 - j. Consultation on UKEF Act – support the 'exporter' not the 'export' (2014)
 - k. Call for whole government approach to exports. (2015)
 - l. Consultation on DfID Concessional Finance and involvement in DfID's more proactive approach to supporting UK exporters. (2016)
3. BExA's 2015 benchmarking of ECAs: <http://www.bexa.co.uk/wp-content/uploads/2015/10/bexa-2015-UKEF-ECA-151007-ECA-Comparison-Paper-2015-v-9-Final.pdf>