

# Managing risk and getting paid when trading internationally



**THE EXPORT DEPARTMENT**  
Empowering SMEs to expand overseas



**SEMLEP's Growth Hub**  
Connected Business Support



**CAMBRIDGESHIRE & PETERBOROUGH**  
COMBINED AUTHORITY



**NEW ANGLIA GROWTH HUB**  
for Norfolk and Suffolk



**BUCKINGHAMSHIRE BUSINESS FIRST**



# Agenda



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- ❑ What exporters say ...
- ❑ Risks in international trade (Country and political; Commercial; Regulatory; Ethics; Intellectual Property; Cargo; Currency; Credit)
- ❑ Making sure you get paid (Cash in advance; Documentary collection; Letter of credit; Open account; Consignment)
- ❑ Overseas expansion planning (Assessing economic risk; political risk; structural risk; additional considerations)
- ❑ Contracts and T&Cs
- ❑ Additional sources of support and information





## BENEFITS: What exporters say ...



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### Frequently cited benefits of exporting:

- ❑ Expanded customer base
- ❑ Increased revenues
- ❑ Profitable growth
- ❑ More consistent revenue
- ❑ Diversification and adaptation
- ❑ Reduced dependency on domestic market
- ❑ Longer product lifecycles
- ❑ Innovation
- ❑ Economies of scale
- ❑ Increased competitive advantage



***“BENEFITS!”***



## RISKS: What exporters say ...



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### Frequently cited barriers to export (fear factors):

- ❑ Foreign currency fluctuations
- ❑ Documentation
- ❑ Access to cash and funding
- ❑ Extended delivery
- ❑ Extended payment terms
- ❑ Local culture and legislation
- ❑ Country risks – political and economic
- ❑ Language barriers
- ❑ Retention and recruitment
- ❑ Seasonality
- ❑ Bad debts

*“What I  
fear the  
most ...”*





# Analysing the risks



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# Country and political risk



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- ❑ Economic stability
- ❑ Legal system
- ❑ Banking structure
- ❑ Tax implications
- ❑ Dispute resolution options
- ❑ Non-tariff barriers
- ❑ Trade embargoes and sanctions
- ❑ Political instability
- ❑ Expropriation of assets without compensation







# Commercial risk



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- ❑ Buyer insolvency
- ❑ Seller's inability to supply the mandatory quantity or top quality of goods
- ❑ Non-acceptance
- ❑ Credit rating risk
- ❑ Regulatory risk
- ❑ Intervention
- ❑ Political risk





# Regulatory risk



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- ❑ Tariffs and trade policies
- ❑ Trade compliance
- ❑ Export controls
- ❑ Sector specific regulation
- ❑ Environmental
- ❑ Tax policy reform
- ❑ Employment regulation
- ❑ Consumer rights and protection









# Intellectual Property risk considerations



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- ❑ Exclusivity
- ❑ IP Rights are territorial
- ❑ Secure 'Freedom to Operate'
- ❑ Respect deadlines
- ❑ Early disclosure
- ❑ Working with partners
- ❑ Choosing an appropriate Trademark
- ❑ IP Audits







# Cargo risk



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- ❑ Contamination
- ❑ Seizure
- ❑ Accident
- ❑ Vandalism
- ❑ Theft
- ❑ Loss
- ❑ Breakage



# Currency risk



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- ❑ Foreign currency issues
- ❑ Foreign exchange risks
- ❑ Forward foreign exchange contracts
- ❑ Banking overseas and UK-based foreign currency accounts
- ❑ Buying currency options
- ❑ Foreign currency transactions and bookkeeping







# Credit risk



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- ❑ Unable to assess creditworthiness
- ❑ Non-payment or default by customer
- ❑ Difficulty recovering debt
- ❑ Delayed shipments (LC/DC)
- ❑ Export credit insurance



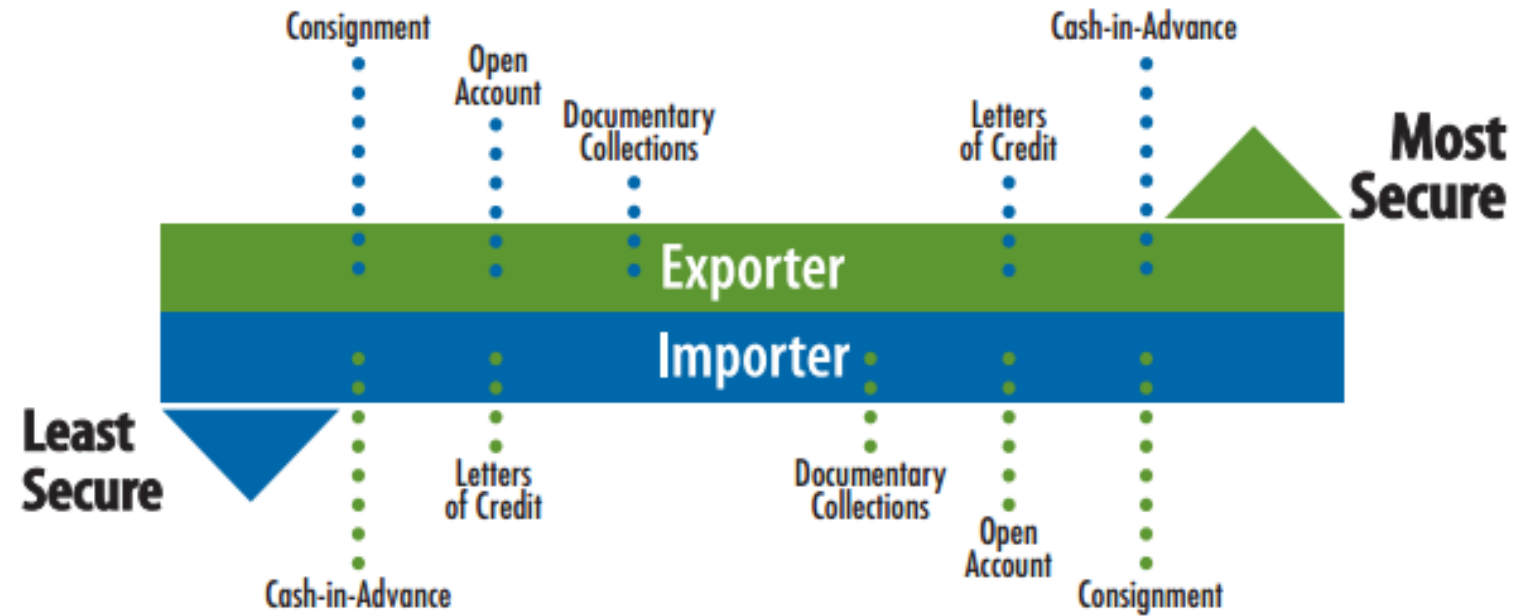


# Making sure you get paid



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## Payment risk diagram







## Cash in advance

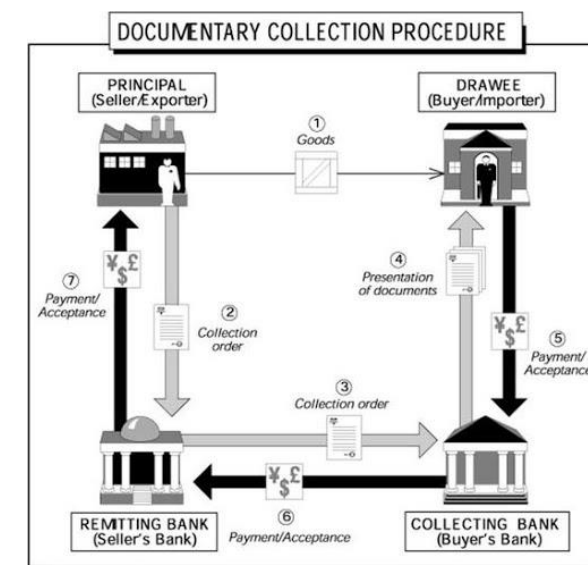
- ❑ Most secure for exporter
- ❑ Least attractive for importer
- ❑ Payment before shipping
- ❑ Payment before transfer of title
- ❑ Exposes exporter to competition
- ❑ Common in early-stage relationships





# Documentary collection

- ❑ Involvement of banks as facilitators
- ❑ Importer pays:
  - ❑ Document against payment
  - ❑ Document against acceptance
- ❑ No verification process
- ❑ Limited recourse in event on non-payment
- ❑ Less expensive than Letter of Credit



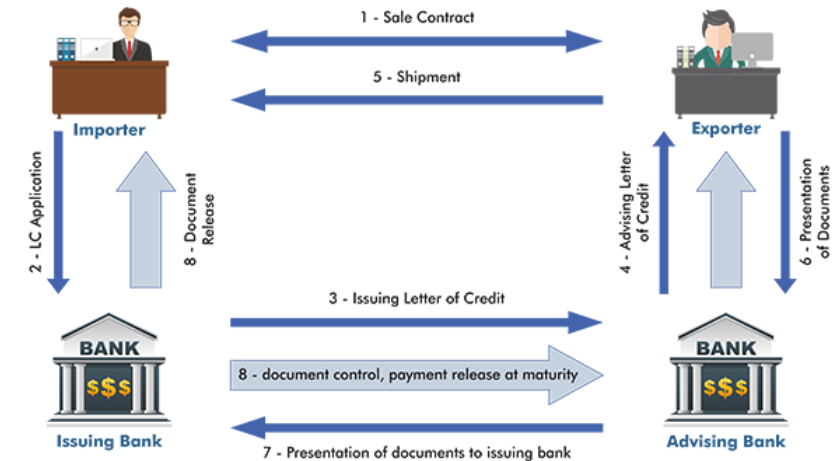


# Letter of credit



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- ❑ Highly secure payment method
- ❑ Bank guarantees payment
- ❑ Costs covered by importer
- ❑ Protects both parties
- ❑ Used in riskier trading environments
- ❑ Used where creditworthiness of buyer is unknown





# Open account



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- ❑ Much risk for exporter
- ❑ Advantageous to importer
- ❑ Pressure on exporters in competitive markets
- ❑ Commercial terms must be robust
- ❑ Credit insurance is beneficial







# Consignment

- ❑ Most risk for exporter
- ❑ Most advantageous to importer
- ❑ Payment due upon sale of goods by importer
- ❑ Exporter retains title of goods until sold
- ❑ Increases competitiveness of exporter
- ❑ Reduces costs for exporter (storage, managing inventory, etc.)





# Overseas expansion planning



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# Assessing economic risk



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- ❑ Stability and solvency of banks
- ❑ GDP forecasts
- ❑ Debt-to-GDP ratio
- ❑ Unemployment rate
- ❑ Disposable income
- ❑ Overall government finances
- ❑ Monetary policy and currency stability
- ❑ Currency exchange rates
- ❑ Access to affordable capital





# Assessing political risk



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- ❑ Government stability
- ❑ Information access and transparency
- ❑ Terrorism, violence and crime
- ❑ Regulatory and policy environment
- ❑ Workforce freedom and mobility
- ❑ Government assistance programs
- ❑ Immigration and employment laws
- ❑ Attitudes toward foreign investment







# Assessing structural risk



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- ❑ Demographics
- ❑ Physical infrastructure
- ❑ Social infrastructure
- ❑ Labour force
- ❑ Competitors
- ❑ Treaty participation
- ❑ Export regulations
- ❑ Import acceptance from other countries
- ❑ Co-production opportunities with other nations



# Other factors to consider



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transparency.org/en/cpi/2019/index/nzl

**TRANSPARENCY INTERNATIONAL**  
the global coalition against corruption

## CORRUPTION PERCEPTIONS INDEX

2019

**Index 2019** Results table

Score	Country	Rank
87	New Zealand	1
87	Denmark	1
86	Finland	3
85	Switzerland	4
85	Singapore	4
85	Sweden	4
84	Norway	7
82	Netherlands	8

ASIA PACIFIC  
**NEW ZEALAND**

<https://www.transparency.org/en>

<https://www.doingbusiness.org/en/rankings>

**THE WORLD BANK** **DOING BUSINESS**  
Measuring Business Regulations

ENGLISH

### Economy rankings

Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to May 2019. Read the methodology, explaining how the ease of doing business rankings and the ease of doing business scores are calculated (PDF), or download the ranking table (PDF).

🌐 = Subnational Doing Business data available.

Select Rankings by Region | Select Rankings by Income

Economy	Ease of Doing Business Rank	Rank within group	Starting a Business	Dealing with Construction Permits
New Zealand	1	1	1	7
Singapore	2	2	4	5
Hong Kong SAR, China	3	3	5	1
Denmark	4	4	45	4
Korea, Rep.	5	5	33	12





# Contracts and T&Cs



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- ❑ Details of principal and agent
- ❑ Clear definition of products or services to be provided
- ❑ Incoterms
- ❑ Payment terms and retention of title
- ❑ Any guarantees or waivers offered
- ❑ Timelines for delivery
- ❑ Specifying what happens if either party fails to deliver or pay, or want to end the relationship
- ❑ Term of the agreement and notice period required
- ❑ Law governing the contract





# Additional support and information





# Sources of information

- ❑ GOV.UK 'Where would you like to export to?' - [https://www.check-duties-customs-exporting-goods.service.gov.uk/selectdest?\\_ga=2.264102348.1740002981.1612122875-1106257082.1607977832](https://www.check-duties-customs-exporting-goods.service.gov.uk/selectdest?_ga=2.264102348.1740002981.1612122875-1106257082.1607977832)
- ❑ Overseas risk guides - <https://www.gov.uk/government/collections/overseas-business-risk>
- ❑ The World Bank 'Ease of doing business' rankings - <https://www.doingbusiness.org/en/rankings>
- ❑ Transparency Org's 'Corruption Perceptions Index' - <https://www.transparency.org/en/cpi/2019/index/nzl>
- ❑ International Monetary Fund country information - <https://www.imf.org/en/Countries>
- ❑ Overseas embassies - <https://www.gov.uk/world>
- ❑ Trade missions - <https://www.events.trade.gov.uk/>
- ❑ Bilateral Business Councils
  - ❑ China-Britain Business Council - <http://www.cbcb.org/>
  - ❑ UK India Business Council - <https://www.ukibc.com/>
  - ❑ UK-ASIAN Business Council - <http://www.ukabc.org.uk/>
- ❑ Training and qualifications - <http://www.export.org.uk/default.asp?>
- ❑ Freight forwarders - <https://www.bifa.org/members>
- ❑ Translation services - <http://www.atc.org.uk/>



# Sources of information

- ❑ UK Export Finance - <https://www.gov.uk/government/organisations/uk-export-finance>
- ❑ Bibby Financial Services - <https://www.bibbyfinancialservices.com/>
- ❑ Regulation - Trade associations - <http://www.taforum.org/Members>
- ❑ Protecting intellectual property - <https://www.gov.uk/intellectual-property-an-overview>
- ❑ UK overseas intellectual property attaché network - <https://www.gov.uk/government/news/uk-overseas-intellectual-property-attache-network>
- ❑ Incoterms - <https://iccwbo.org/>
- ❑ Oxford to Cambridge Arc Growth Hubs:
  - SEMLEP Growth Hub - <https://www.semlepgrowthhub.com/>
  - OxLEP Growth Hub – <https://www.oxlepbusiness.co.uk/>
  - New Anglia Growth Hub - <https://www.newangliagrowthhub.co.uk/>
  - Buckinghamshire First - <https://bbf.uk.com/>
  - Cambridge & Peterborough - <https://cambridgeshirepeterborough-ca.gov.uk/>
- ❑ The Export Department <https://www.exportdept.co.uk>
- ❑ Department for International Trade <https://www.gov.uk/government/organisations/department-for-international-trade>
- ❑ Local Chambers of Commerce - <https://www.britishchambers.org.uk/page/join-a-chamber>
- ❑ Export market information - <https://opentoexport.com/>
- ❑ Training – Institute of Export – <https://www.export.org.uk>



# Thank you for your time!

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