BREXIT AND INTERNATIONAL TRADE

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EXPORTS

Exporting British business post-Brexit

As the UK economy looks to bounce back from Brexit and Covid-19, global exports may hold the key to growth

Peter Archer

In the wake of Brexit and the pandemic, exports present a global opportunity for UK companies that want to widen their horizons beyond the EU.

UK businesses with open growth strategies can now explore previously untapped international markets, though this depends on the government's success in striking free trade deals with other countries. Further progress is essential, building on existing agreements such as those with Australia and Japan.

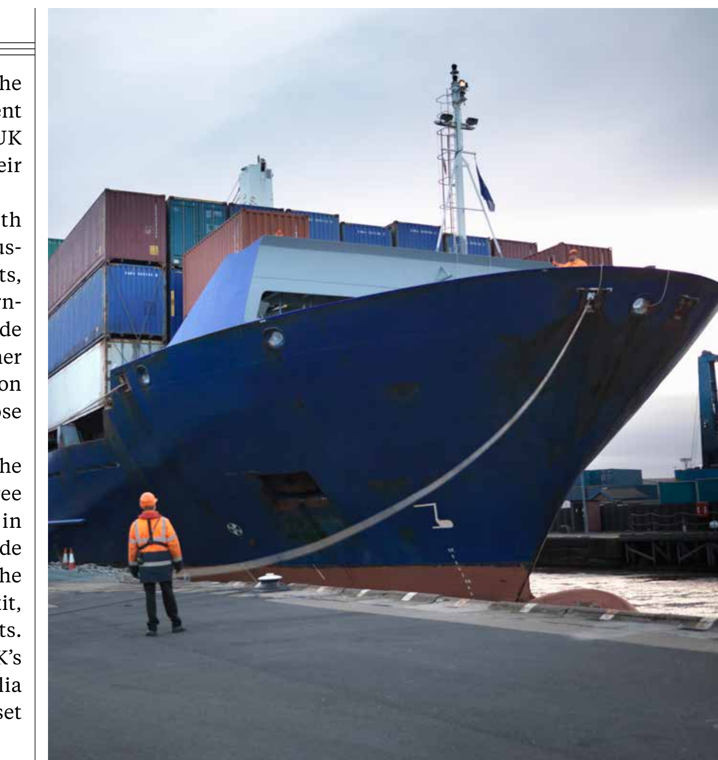
These deals offer pointers for the path ahead. The UK-Australia Free Trade Agreement, now agreed in principle, is the first major trade deal negotiated from scratch by the British government since Brexit, eliminating tariffs on all UK exports. This could be significant: the UK's trade relationship with Australia was worth £13.9bn in 2020 and is set to grow under the new deal.

Likewise, the free trade agreement with Japan could offer opportunities to ambitious exporters, going far beyond the existing EU deal, according to the Department for International Trade (DIT). The government estimates the agreement will increase British trade with Japan by £15.2bn, with UK businesses benefiting from tariff-free trade on 99% of exports to the country.

Additionally, so-called EU rollover deals, which extend pre-Brexit arrangements, have been negotiated with more than 60 important markets, including Canada, Iceland, Norway, Mexico, South Korea, Switzerland, Turkey and Vietnam.

But there are bigger trade prizes on the horizon. The top target is the United States, with China and India close behind, notably in the automotive, consumer, healthcare and technology sectors. Negotiations with President Joe Biden's US administration appear to have stalled amid outstanding issues in areas such as food safety, animal welfare and pharmaceuticals. Financial services, investment, ecommerce and regulation may be among other points of contention.

According to the DIT, free trade will grow the economy in every part of the UK and deliver jobs, better living standards and higher wages. "As an independent trading nation, we are striking ambitious deals to suit our key industries, going further than before with major partners such as Japan and Australia," the DIT says.



Monty Rakusen via Getty image

Since Brexit, the UK has aimed to retain and strengthen its global trade links. It has negotiated and submitted to the World Trade Organization (WTO) certification of its own WTO schedules of commitments on goods, services and agriculture, all of which were previously under the EU.

However, there are a number of challenges ahead, with all eyes on the continuing international trade negotiations.

With such a range of countries on offer, making the best choice about where to expand a business can seem like a daunting task.

Companies must weigh up issues around geography, culture, consumer behaviour, cost and competition, plus legal and tax considerations.

Chris Southworth, secretary general of the UK International Chamber of Commerce, says a company's export journey starts by identifying the market opportunities for its products or services.

"It begins with a strategic plan and market analysis of what is required to launch the product or service," he says. "The company has to decide whether to sell through a distribution agent or set up an office on the ground. Help is available through the local British embassy and chamber of commerce."

The process of deciding target locations will differ from business to business and from sector to sector, notes Institute of Export & International Trade director general Marco Forgione. Companies will usually know where their competitors have been successful, or perhaps they're seeing unsolicited inquiries from a particular country.

"There are web analytics that businesses can use which might tell them particular territories and countries where their products are being searched. All this data can give a picture of the people who are looking at your product and might be interested in buying it."

When introducing a product to a new location, a company's top priority is assessing the level of demand. They will then need to think very carefully about the legal framework, Forgione says, including the legal requirements they must meet and the requirements expected of them.

Beyond this, they must consider the ease of doing business in the country, he says. That includes "thinking about how far away it is, the language skills they might need and cultural issues that arise from doing business".

Another important aspect, particularly for the UK's small and medium-sized enterprises, is ensuring their staff are properly trained. There are reputable courses and qualifications available, while professional membership bodies can also provide other resources, expert help and advice.

Latest export opportunities are listed on the DIT great.gov.uk website, which may provide introductions or leads for would-be exporters.

Additionally, there's help available through DIT online support, including virtual trade missions, export academies and trade shows. Smaller businesses are backed by the Internationalisation Fund offered by the government, while there are advisersin every region who are often well-placed to assist businesses that are thinking about exporting.

As well as political, social, cultural and infrastructure considerations, there may be trade barriers through prohibitive tariffs or quotas, not to mention bureaucratic red tape, cautions Tracy Ruff, Business West International Trade Centre manager, who is based in Bristol.

"It is also important to carry out a competitor analysis: who they are, how many there are, their offer compared with your own, their relative strengths, pricing strategies, who the market leaders are and where your company would fit in," she

£910.9bn
Value of trade deals signed since Brexit

Department for International Trade, 2021

96
Number of countries or territories the UK applies trade deals with

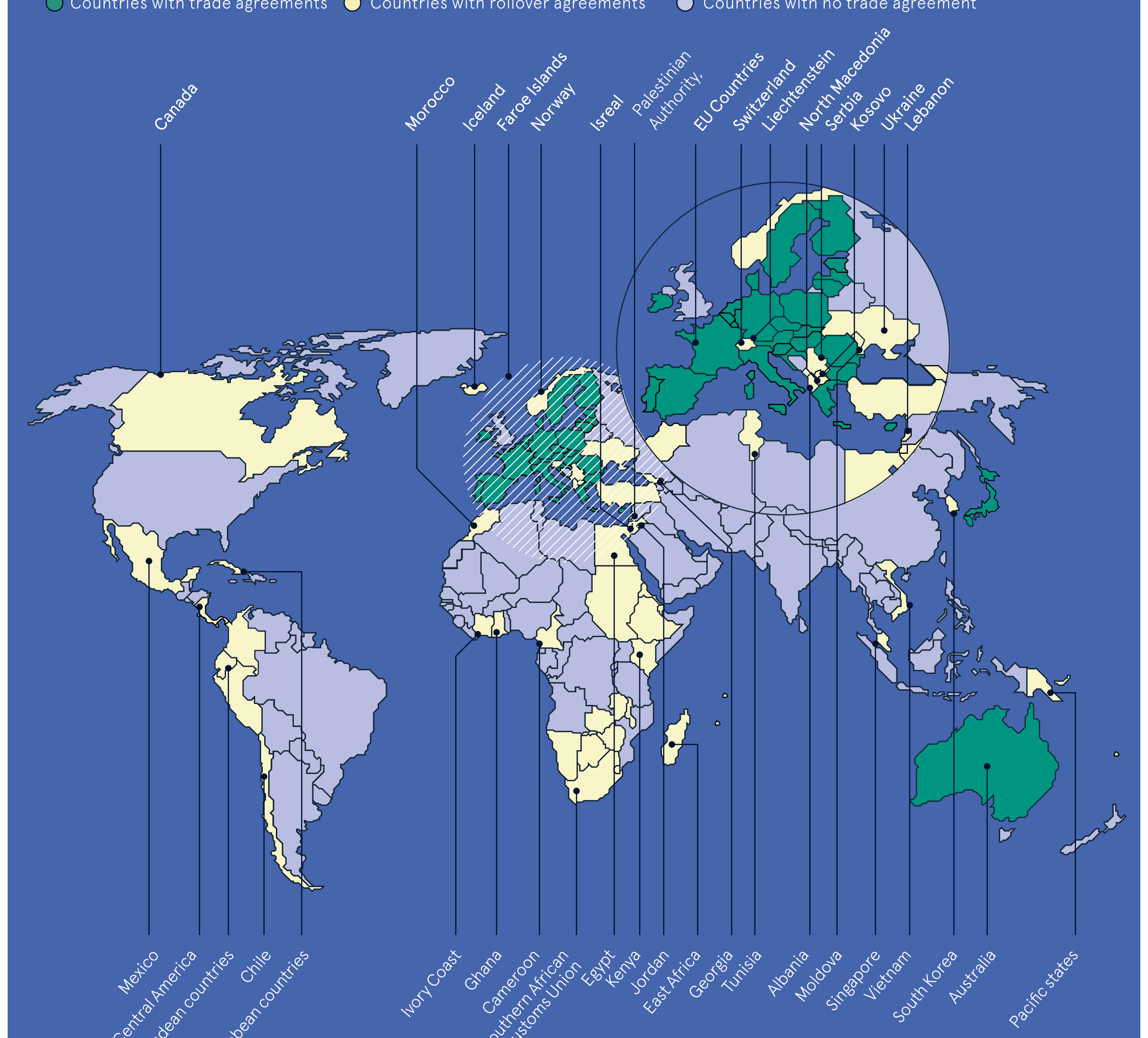
48.4%
the share of UK exports to countries outside the EU as of April 2020

ONS, 2020

HOW THE UK CAN TRADE POST-BREXIT

The status of the UK's trade agreements

● Countries with trade agreements ● Countries with rollover agreements ● Countries with no trade agreement



Department for International Trade, 2021

says. "Can you identify a gap that none of the competitors can fill but you can?"

It's important to also try to understand cultural differences. Japan, for example, is a country founded on tradition and relationships; building strong ties over the longer term is crucial to success there. And while countries such as Australia and the US might have a similar business culture to the UK, companies should not assume operating there will be the same simply because they are English-speaking countries.

Turning to particular examples, Ruff says that exporters looking to Australia must get to grips with the country's taxation system.

"You'll need to consider things like the superannuation levy, which requires you to pay towards local employees' retirement. You should also make sure you register at the Australian Taxation Office when you incorporate."

While tariffs should be part of the initial market assessment, "the bigger issue may be non-tariff barriers", notes Southworth. These include regulations, rules of origin, quotas and large amounts of bureaucracy and paperwork. Dealing with federal countries like the US and Brazil can be difficult, because there individual states are likely to have their own requirements.

"Perhaps a bigger consideration is shipping costs as these have gone through the roof. A container has gone from £2,000 to £10,000 or even more," says Southworth. "Also, different labelling requirements may have to be built into factory processing, which could add up to quite a lot of money."

DIT advisers can also offer technical information and help businesses by offering a step-by-step guide to exporting. Experienced exporters also act as export champions and share their expertise.

Companies should check the duties, rules and restrictions for their goods or services in the destination country. They need to apply for any necessary licences or certificates and must get an EORI (Economic Operators Regulation and Identification) number.

There are a number of declarations necessary, including for customs, temporary storage and entry or exit summaries. Also, companies must register for VAT if their VAT taxable income exceeds £85,000. They must then check that whoever is receiving the goods or services can import them, as the importers may need a licence or certificate and to make an import declaration.

New exporters must decide who will make export declarations and transport products; they may decide to hire someone to deal with customs and move the goods for them.

Finally, though of no less importance, UK exporters must find the right commodity code to classify the exports, prepare an invoice and other documentation – certificates, licences, and proof of origin – which must travel with the goods.

Companies already exporting beyond the EU before Brexit will be familiar with the various requirements and paperwork, giving them an advantage over those starting from square one. ●

> "As an independent trading nation, we are striking ambitious deals to suit our key industries, going further than before with major partners such as Japan and Australia

Exporting to Australia

British Corner Shop specialises in delivering iconic British food and drink brands worldwide. The 1.3 million expats living in Australia were previously a largely untapped export market.

The company found that high delivery costs were the biggest barrier to exporting Down Under. But as the main elements of a UK-Australia free trade deal were being finalised, managing director Mark Callaghan and his team set about addressing the issue.

"The main challenge for the direct-to-consumer channel was getting the delivery rate and time down to a reasonable level," he says.

In June, it was able to cut the delivery rate for a 10kg box to £25.99, from £39.99. This led to a July sales surge of more than 200% compared to the previous year.

British Corner Shop was also able to cut delivery times post-dispatch from between seven to 12 working days down to between one to three.

"If we can get our proposition correct – reasonable delivery rates, no issues at customs, a good range – then this market really opens up for us," says Callaghan. As well as D2C, the company trades business to business and through online marketplaces.

Sales to Australia were further boosted when the company launched a partnership with Marks & Spencer on 17 August, with initial revenue up 186% week on week.

"With the Department for International Trade securing trade agreements like the current Australia deal, this should remove some duties payable and make the customs process much smoother, removing some of the barriers that may still put people off ordering," Callaghan adds.

Along with the DIT's network of advisers, British Corner Shop also has a small but growing team in its compliance department who help navigate the company through the imports and customs challenges of different countries. This is fast becoming one of its strengths as an exporter, he says.

"Getting new free trade deals will only help us make our service even easier for customers around the world to use, so we hope to see more of these in the future."

Exporting to Japan

The Workers Club is a luxury menswear brand with an eye on expanding exports to Japan, where consumers favour luxury UK goods.

The company, founded by experienced designers Adam and Charlotte Cameron, had flirted with the Japanese market before Brexit. This included two fashion missions with the help of the Department for International Trade and the UK Fashion & Textile Association, when initial orders were secured. However, these then tapered off.

Post-Brexit, a DIT adviser introduced the Camerons to a Japanese consultant who helped them engage an agent in Tokyo. Despite the pandemic, this has resulted in six orders from retailers for delivery this autumn.

The company's exports to Japan are now forecast to be worth £36,000 in the first season and £261,000 over the next five years.

"We've always had a link with Japan and been inspired and influenced by Japanese style and brands," says Adam. "It's a tough market to penetrate unless you have an agent or representative on the ground. The Japanese put a lot of emphasis on trust and integrity, so you need someone locally with authority."

The Workers Club has a store in Oxfordshire and also retails through an ecommerce website, as well as key global online stockists, including Mr Porter, The Rake, Thread and Bombinate.

The DIT guided the company through the cultural nuances and specifics of the Japanese market. It assisted with publicity and an export action plan, partly funded by the Internationalisation Fund offered by the UK government.

While the company has lost retail business in Europe since Brexit, the new UK-Japan free trade agreement also helps in other ways, as the company makes its jeans in Japan.

The trade deal has meant "no duty to pay and no nasty surprises", says Adam.

OPINION

'Brexit presents a chance to establish smarter, more intelligent ways of trading'

It's hard to think of any time in living memory that was as disruptive as right now. Brexit is only part of the picture, which makes it very difficult to decipher what its true impacts are.

Nevertheless, Brexit is a chance to establish smarter, more intelligent ways of trading, not least because we have to if we are going to succeed. It's not just about what we are doing, it's also how we are doing it. Each trade transaction requires up to 37 - mostly paper - documents, can take up to three months to complete and involves up to 35 different government agencies. That's on top of the tsunami of new paperwork required for EU trade.

It's a horribly slow, inefficient system that does little for the environment and urgently needs dragging into the 21st century. Part of the problem is that those who are in the system know how frustrating it is, but those who are not assume it works, with technology and systems that talk to each other. That could not be further from the truth. The opportunity is to remove or minimise the paperwork and red tape, and to make the system smarter and more connected.

Central to success in trade is the need for a coherent trade strategy with fewer inconsistencies, a clear connection to the management of foreign relations, details on what the government is doing to improve the international trading environment and how trade will contribute to level up and deliver on climate ambitions. Removing tariffs on green goods and building a new hydrogen economy are steps in the right direction, but for anyone outside government UK trade can often look and feel confusing with no obvious cross-government framework.

Trade deals are a tool to raise standards and promote open trade corridors with like-minded countries. They are a means to an end, however, not the end itself, and the more bilateral trade deals there are, the more complex and expensive it gets for businesses that have to navigate them all. Worldwide, there are around 3,000 trade deals, so the more we add, the more complex the landscape becomes.

If there is one lesson we have learnt from Covid it's that when businesses and governments work together the results can surprise us all. The speed at which the pharmaceutical industry, governments and national health services delivered vaccines has been a game changer. Securing a G7 commitment to harmonise laws and promote digital trade is likewise a major step forward. Both were achieved by working closely with industry, with plenty of scope for more improvement across other areas of trade.

The UK has one of the most centralised trade support systems in the developed world, yet the government can't do everything and excel in every area. Limited government resources could be better focused where they add greatest value to the taxpayer - namely in policy, reducing friction and delivering trade deals. Practical trade support is better left to businesses, which are the ones that actually trade and are better placed to advise how to do it. A simple levy system on business rates or corporation tax could fund such a system, as happens in other areas such as skills. Either way, it's an area of trade that needs attention and is ripe for innovation.

The UK would also benefit from more transparency and cooperation on trade deals. No one currently sees what is being negotiated until it is all agreed, by which time it is too late and opportunities are missed. It doesn't need to be that way. There are many myths about trade negotiation, the biggest being that text can't be shared as discussions progress. In reality, only a tiny proportion of the text is sensitive, with text regularly copied from existing trade agreements so it can be shared and improved upon. But this does not happen if industry is not engaged early and does not get sight of what is being negotiated. ●

Chris Southworth
Secretary general
International Chamber of Commerce UK

SMALL BUSINESSES

What Brexit has taught SMEs

Having gone through the pandemic and the early stages of Brexit, what survival advice would SMEs share from their experiences?

Andy Jones


insta_photos via Shutterstock

As business heads into phase two of life outside the EU, the survivors of Brexit's difficult birth may now view the crisis as a badly behaved toddler demanding constant attention. While many are blocked by piles of administration, unpredictable transport and customs costs and problems with suppliers, others have learned some fast ways of easing growing pains.

In the post-Brexit era, customer confidence comes as much from knowing how and when they will receive goods as it does their quality, says Dean Benson, the founder of Visualsoft, an ecommerce and digital marketing agency.

In response to Covid his firm introduced an option for customers to add emergency messaging to their website's basket pages that advised users about delays and provided any other pertinent information. This functionality also lends itself well to Brexit, Benson says, informing customers of any factors that might affect checkout and fulfilment.

"We also support a number of promotional spots around the site so that messaging can be delivered via banners, pop-ups and stock messaging," he adds.

If you are running a UK-based SME looking to serve EU-based clients, you should find import agents to cut paperwork and costs, says Sarah Gilchrist, co-founder of Cannafull, a Scottish-based company that makes cannabidiol-infused beauty items.

"Unless a business wants to complete technical customs paperwork themselves, they will need to engage an import agent. Typically, SMEs won't have established relationships or networks for this, as if they do import, it is likely to be from within the EU. Make life easy by making introductions to these import agents rather than leaving clients to figure it out for themselves."

The unhappy collision of the pandemic and Brexit means many staff are based at home and not kept in the loop on due processes, causing costly mistakes, says Clare Francis, partner and head of Brexit advisory at law firm Pinsent Masons.

"One member of staff incorrectly filling out one form can cause havoc, so training becomes essential," she says. Businesses should reach out to trade bodies, which offer a wealth of support, free courses and up-to-date knowledge, she notes, "as well as helping you spot holes in your infrastructure and supply chain".

Training is also key for navigating future issues in areas like data protection, says Francis.

"At the moment data can flow freely post EU membership, but UK and EU regulators could go in completely different directions, impacting not just management of customer data but also where you host that data." In the future, it may not be possible to host data in the EU and use it in the UK, she adds, with the potential for fines of as much as 10% of revenue for serious breaches.

Many firms are realising they no longer need to import or export at all. Noir Gallery sells canvases based on original photography and artworks by artists throughout the world. However, every time Noir sold a work, the business would be hit by unpredictable and expensive shipping costs.

Co-founder Jason Wharton then signed up to Gelato - a network of printers globally that print anything from T-shirts to art works - to print canvases at their destination, rather than print them at home and send them. The goods were then free of any customs fees, dropping their cost price from $65 to $25.

Elsewhere, many companies are, rather than processing costly refund goods across EU territories, simply arranging for secondary auction sites like John Pye Auctions or Trade Secret to pick them up, sell them and then split the profits as a revenue share. As more firms arrive in this space, competition will mean better deals for the refunding businesses.

Many companies are also buddying up to survive the crisis. Both James Metcalfe, CEO of Volt Bikes, and James Edwards, founder of Piece and Quiet jigsaw puzzles, have benefitted from asking other businesses for help, alerting one another of hidden charges, changes in rules or supply chain issues.

"We have accumulated a great network of fellow small businesses over that first 12 months," says Edwards. "This has been essential for flagging potential challenges with others before they happen. It's always reassuring when you understand you are not alone in trying to navigate the many unknowns of Brexit."

Having open conversations with logistics providers will also prove useful, says Francis. For example, businesses are now happier to share loads, so a lorry transporting items of furniture might also offer space to a fashion retailer.

"Previously people didn't want their products mixed, now they are happy to as it saves costs and is good for the environment."

With post-Brexit rules subject to constant change, many companies are moving certain aspects of their business before they are forced to. Honda, for example, recently said it was closing its plant in Swindon and leaving the UK because it needed a space as big as Amazon's largest warehouse to hold just nine days of automotive stock.

Metcalfe, on the other hand, has moved Volt Bikes from Europe to Milton Keynes after nine years of manufacturing abroad. That taught him a number of useful lessons.

"To get the new facility up and running, we hired and trained an entirely new team and invested heavily into things like production software. We built up extra stock that we could fall back on if anything went awry in the move. I'm very grateful we did this, as the extra stock meant that we could accommodate for the sudden surge in demand for e-bikes, caused by the pandemic."

Metcalfe is convinced the move was the right thing to do, despite some difficulties. "Our e-bike batteries are still serviced and repaired in Belgium, and what used to take one click is a three-week long process because of the paperwork involved, meaning some employees have had their roles change massively to accommodate this."

"It's always reassuring when you understand you are not alone in trying to navigate the many unknowns caused by Brexit

BREXIT IS IMPACTING SMALL BUSINESSES

Percentage of 1,400 small businesses that previously imported or exported to the EU

● For exporters ● For importers

Have temporarily halted sales to the EU	23%
Are considering halting sales to the EU permanently	11%
Have established or are considering establishing a present in the EU	11%
Have secured or are considering securing warehousing space in the EU	9%
Have stopped selling to the EU	4%
Have suffered shipment delays	70%
Have sought professional advice to help with new paperwork	55%
Have had goods held indefinitely at EU border crossings	34%
Have lost goods in transit	32%

Federation of Small Businesses, 2021

Commercial feature

Why partnering with an employer of record can help UK businesses beat Brexit

As Brexit visa and movement restrictions come into play, UK businesses risk facing barriers when it comes to EU trade and expansion. But an employer of record partnership can help companies navigate immigration, HR and payroll when expanding from the UK into the EU, paving a way for their post-Brexit futures

From McDonald's running out of milkshakes thanks to a shortage of lorry drivers with the right working visas, to a risk of our favourite Christmas produce not making it onto the shelves, the complexities of Brexit are transpiring into everyday challenges for both businesses and consumers - despite the UK's official withdrawal from the EU nearly two years ago.

According to research from the Institute of Directors, almost a third of businesses that deal with the EU have suffered a decline or loss of business since new barriers to trade were introduced, with over a quarter of companies saying Brexit has caused difficulties in hiring staff.

Yet there's a simple solution for UK businesses to navigate such an ever-shifting minefield. Establishing an 'employer of record' partnership with an international business expansion expert like Mauve Group can help UK businesses recruit and employ staff across all EU markets. An employer of record model simplifies cross-continental HR and payroll logistics against a backdrop of varying employment laws and conditions.

How does an employer of record work?

As chief executive and co-founder Ann Ellis explains, an employer of record involves three parties working together - a company, their worker and Mauve Group - in a contractual triumvirate.

"As the employer of record, we employ workers on a company's behalf, in countries where they don't have an entity. We're responsible for making sure the employee has a contract of employment which is compliant with the labour laws of that country. We also ensure they're registered on the payroll in the country of work, that they're paid correctly in the local currency, and the right taxes and social contributions are paid on behalf of that worker to the authorities," Ellis says.

She continues: "As far as the regular responsibilities of the worker's job, these are overseen by what we call the 'client', or the company managing that person on a day-to-day basis."

Ellis also likens it to an intermediate relationship, where Mauve Group bridges the gap between the company and employees it is representing, keeping in regular contact with all elements of the business.

"As the in-country employer, we also have to be made aware of any issues relating to the employee. For example, if there was a problem with their performance, then we need to be involved in the process of resolving that issue. So we work in parallel," says Ellis.

Employer of record as an in-demand post-Brexit solution

Demand for Mauve Group's employer of record services soared by over 124% from 2019 to 2020. It is set to grow by a further 30% in 2021, as UK businesses look for a streamlined way of tackling their Brexit challenges.

"Because of our global presence, Mauve's services can offer clients an alternative to setting up their own entity in a new location. For new businesses, or businesses that are perhaps testing potential markets, employer of record is a wonderful alternative that doesn't have to be mind-blowingly expensive," says Joanna Hart, Mauve Group's head of research and solutions.

"It's an all-encompassing service that gives companies everything they need to employ staff in a particular location. Although the initial set-up of a company can be relatively straightforward, when it comes to HR, there isn't a one-size-fits-all approach to employing international staff. Actioned incorrectly, it can be fraught with costs for businesses.

"Setting up in one country can also be easier than setting up in another. It's a misconception that neighbouring EU countries are similar in legislation and processes. Companies have to remember they're setting up in a country, not a whole union. Employer of record can be an antidote to that."

21%

of businesses that trade with the EU have had to relocate some operations or staff

27%

said Brexit had caused difficulties in hiring staff, with 17% in relation to high skilled staff, and 10% low skilled

66%

anticipated that new UK customs controls would have some negative effect on trade when they are implemented in January

IoD, Financial Times


Ming Jun Tan on Unsplash

Setting UK employers up to recruit and employ remote workers across the EU

The idea of employing workers remotely across different geographies had already been set in motion before Brexit was confirmed, but was obviously accelerated by pandemic restrictions. The remote work boom saw a surge in expats returning to their EU home countries, or deciding to work outside urban hubs, to increase their quality of life while potentially decreasing the cost of living.

As such, nearly 2 million people left the UK during the pandemic, and net migration from the EU to the UK was down 24% in January 2021. This has left UK businesses considering both a crisis and an opportunity - dealing with a talent gap on home shores that could be filled remotely, internationally.

Yet while remote work may sound like the answer to the problem, understanding how to recruit, hire and employ across 27 often disparate countries can present challenges in itself. This is where an employer of record partnership can help keep companies legally compliant.

"It's not easy trying to find people to hire in another country, then having to employ them, not knowing any of the labour laws of that country, or the complications of payroll, as this is different from one country to another, as is the costs of employing a person in terms of tax and contributions," says Ellis.

"Employer of record can help counter those complexities. This model allows companies to continue operating and employing staff in the EU, even where they're restricted by a lack of a local entity, reduced resources, or limited knowledge and experience in how to employ locally."

Brexit-impacted businesses can also access new global markets beyond the EU under an employer of record partnership, Ellis adds. Mauve Group, for example, is providing employer of record solutions to companies which enable their employees to test out new business opportunities in regions such as the USA, Africa, Asia and Latin America.

"It's an all-encompassing service that gives companies everything they need to employ staff in a particular location

Confidence in an uncertain situation

As the list of considerations racks up, hiring across the EU in this post-Brexit environment can certainly prove daunting for businesses. But Mauve Group's 61 international entities and 25 years of experience can give companies confidence in their partner, even in an unfolding situation where there is minimal government guidance to follow.

"We've had the experience of red tape in so many different scenarios, and our practices and experience have enabled us to overcome that - we always find a way to get things done. For UK SMEs expanding into the world, perhaps terrified that their EU prospects are going to disappear, we have sympathy and solutions for those challenges," says Hart.

For more information on navigating Brexit and other global challenges, visit www.mauvegroup.com

SUSTAINABILITY

The push to decarbonise international trade

As new regulations aim to cut global emissions, how should UK exporters adapt to the race to decarbonise international trade?

Mark Hillsdon

The European Commission, has proposed the world's first system of carbon tariffs. Called the Carbon Border Adjust Mechanism (CBAM), the new tax is part of a rapidly developing priority for businesses: the decarbonisation of international trade.

CBAM is a tax on carbon-intensive products such as steel, aluminium, cement and fertiliser, part of the EU's strategy to cut greenhouse gas emissions by at least 55% by 2030. The system is designed to level the playing field for European companies trading in a global market.

Currently, many EU manufacturers must buy permits to cover the carbon emissions they create from their operations. However, much of the rest of the world – including China, Russia, Turkey and the US – don't face the same emissions rules, allowing them to export to the EU at much lower costs. CBAM aims to change this by holding importers responsible for these greenhouse gas emissions, just like domestically produced products.

The mechanism is also designed to staunch 'carbon leakage', which occurs when goods that could be bought locally are imported from countries that do not have the same regulations and so are cheaper. This leakage also occurs when local companies move their production to another country to avoid having to cut their emissions.

The UK has a similar carbon pricing mechanism to the EU, so the charge is unlikely to apply here, at least initially. However, the new tax is certainly cause for thought for UK businesses that trade with the bloc.

CBAM has already proved controversial. Critics argue the system is little more than economic protectionism in a green cloak, penalising developing countries that don't yet have the technologies to cut their industrial emissions.

However, it is part of a growing trend, joining schemes like the Task Force on Climate-related Financial Disclosures, which has a mission to improve the reporting of climate-related financial information. The EU also operates the Non-Financial Reporting Directive that can mandate companies examine their climate risks and opportunities, along with a range of other diktats aimed at strengthening due diligence in supply chains.

Jamie Pitcairn is a technical director at Ricardo Energy & Environment, an engineering and environmental consultancy that helps countries that want to develop their own carbon reduction plans.

Carbon taxes, he says, are one of the regulatory tools that most countries are using to create Nationally Determined Contributions, commitments made as part of the Paris Agreement on climate change. As a result, he says, taxes are only going to increase in number and cost.

Businesses must try to insulate themselves from these changes, Pitcairn advises. "There is going to be substantial change in the market driven by climate change. Exporters will need to be a lot more aware and informed."

In the push to make products as low carbon as possible, Pitcairn expects to see a reduction in the movement of goods and raw materials, as companies try to cut the carbon impact of travel. He also predicts there will be more on-shoring and a greater emphasis on local supply chains.

Businesses are also starting to look more closely at emissions, which are broken down into different 'Scopes'. Scopes 1 and 2 cover a company's direct and indirect emissions, and are relatively easy to calculate. But to have a valid strategy to achieve net-zero carbon emissions, businesses must also consider Scope 3: the emissions in their supply chain.

"What we are seeing is global manufacturing businesses looking at their suppliers all round the world, asking them for data on their carbon emissions and using this as a basis for procurement and future business," Pitcairn says. "It is no longer sufficient for that business to make a product, sell it and then forget about its environmental impact."

Another key legislative change across Europe are 'Right to Repair' laws, which require manufacturers of electrical goods to make their products repairable for at least 10 years. Europe also runs a programme of Environmental Product Declarations that show, effectively, a product's environmental footprint and are a sign of the manufacturer's commitment to reduce its environmental impact.

According to Nicolas Lockhart, a partner on global arbitration, trade and advocacy at the law firm Sidley Austin, regulations around the circular economy – especially what happens at end-of-life – are not far off, and could make a bigger contribution to green trade than mechanisms like carbon border taxes.

20%

The proportion of the EU's carbon emissions that are caused by imported goods

2030

The date by which the EU wants to cut carbon emissions to 55% below 1990 levels

2050

The date by which the EU wants to become carbon neutral

European Commission, 2021

"The day is coming when countries won't allow the importing of products that don't, for instance, come with a full lifecycle analysis," he says.

Laws that promote longer product life, clearer guidelines around product design and better infrastructure for recycling will create the incentives that companies need to invest in R&D.

This innovation can help to future-proof exports, says Lockhart. Last year, while working with the World Economic Forum, he came across companies, particularly in the electronics and plastics industries, whose targets were far more ambitious than those proposed by many governments.

Some of this was consumer-driven, with companies under pressure to meet customers' desire to know how products are made. But much of this R&D was also based on "perceptions about where the market is going", Lockhart says.

Companies are planning and looking ahead, he adds. Some will have seen the other side of the push for greener international trade: the development of markets for sustainable, premium products, sold at a premium price.

In August, for instance, the first batch of green steel left a factory in Sweden bound for the truck maker Volvo. It was forged using a mixture of renewable energy and hydrogen to create the intense temperatures needed. Traditional steel production uses coal and coke, and accounts for around 8% of all global greenhouse gas emissions.

Countries with stringent climate change targets need such innovation, says Pitcairn, and they're prepared to pay for it. As net-zero pledges grow, "markets will be much more climate-aligned. Trade is definitely going to be impacted but potentially in a good way."

> **Markets will be much more climate-aligned. Trade is definitely going to be impacted but potentially in a good way**

Commercial feature

Global demand for British services is growing

Britain's relative advantage in service exports plus growing markets outside the EU offer UK firms exciting opportunities, says **Andrew Allum**, a senior partner at global management consultancy L.E.K.

Britain's trade in goods with the EU was very prominent in the news at the start of 2021. Lorries queued and exporters complained of new regulatory burdens and the actions of French customs following the end of the Brexit transition period on 31 December 2020. Trade in goods with the EU declined by 14% year on year in the first quarter of 2021.

However, this decline related only to the EU, only to goods and only to one quarter. The UK's trade with the rest of the world (RoW) is growing, and this larger market is where exporters should now be focusing. In addition, the UK has a comparative advantage in services, and this has been boosted as businesses have adopted remote technology to deliver services as never before during the pandemic and lockdowns. At L.E.K., we're helping our clients in transport, logistics, healthcare, financial services, industrials and consumer goods to negotiate the new landscape of international trade in services.

Global opportunities: what British exporters need to think about now

The continued faster growth of RoW markets and potential for ongoing friction in EU-UK trade are leading to a rethink of export growth priorities.

The Covid pandemic has emphasised and expanded how tradable services are. Business leaders are revising their business models towards remote, international delivery of services by exploiting new technologies and newfound trust in remote delivery. This includes finding local partners and new international supply chains for the essentially face-to-face parts of service delivery.

Corporates are also engaging in M&A into the EU to smooth the local servicing of clients where that is needed.

As business and trade regulations evolve post-Brexit, hopefully towards more pro-competition policies, there is a window of opportunity for businesses to make the case to government for pro-competition changes. Several government departments are exploring pro-competition reforms and they are yet to finalise their post-Brexit regulatory strategies.

Let's put this in a historical perspective. The UK has a stronger history of free trade than most countries, and Brexit can be seen as the latest chapter in this story. The repeal of the Corn Laws (removing tariffs on imported grains) in 1846 led to a rapid improvement in living standards as food became cheaper. Then in 1906, with political alignments somewhat reversed from today, the Liberal party won a landslide general election victory based on free trade, defeating the protectionist Conservatives.

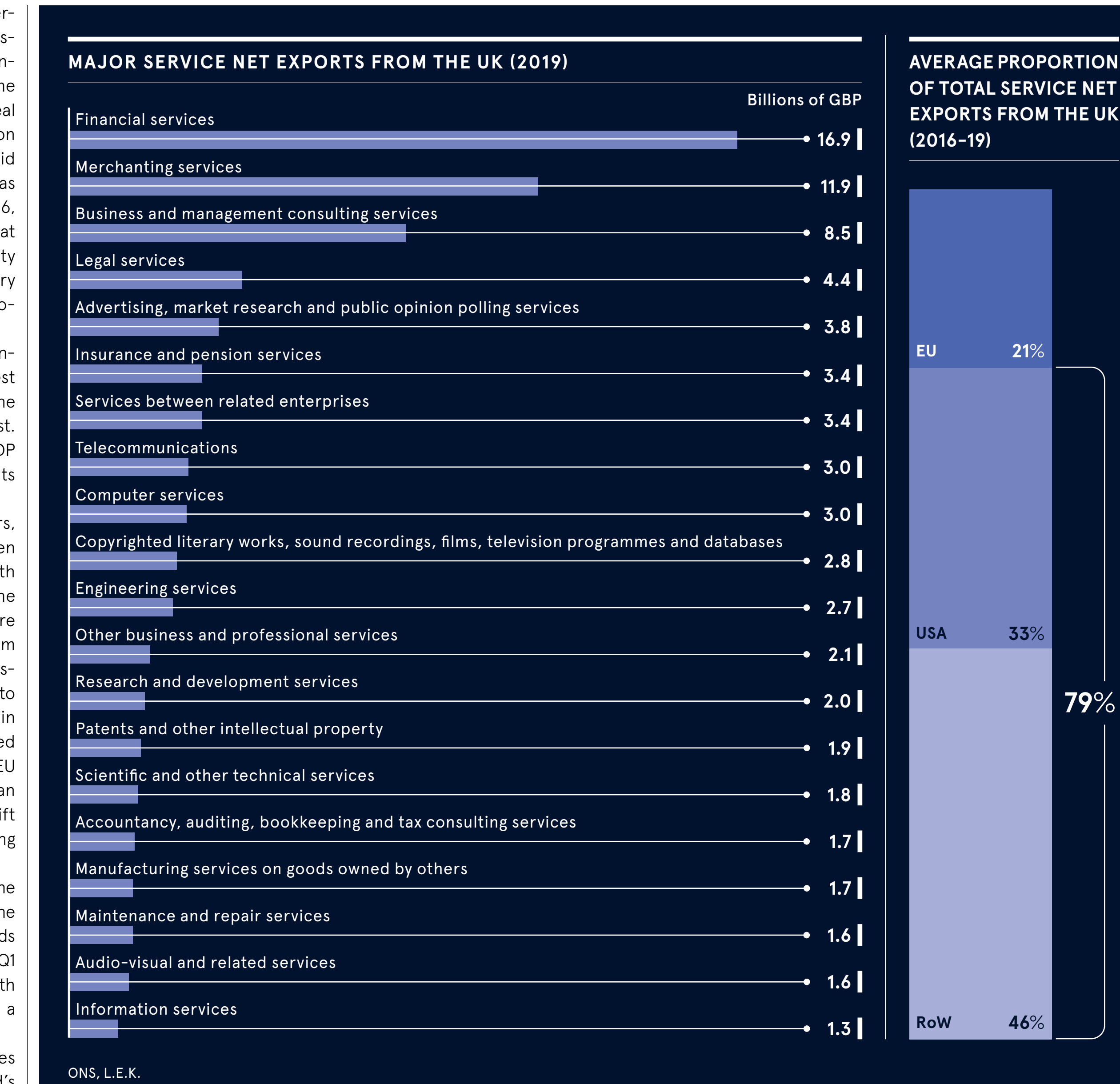
Throughout the 19th and 20th centuries, Europe was richer than the rest of the world. However, the rest of the world has been catching up – and fast. Since 2000, the EU's share of global GDP has fallen from 21% to 14% (it accounts for 6% of the global population).

Meanwhile, over the past 15 years, Britain's trade with the RoW has been growing faster than its trade with the EU, falling below 50% after the global financial crisis. The EU's share is inflated by the so-called Rotterdam effect, where cargo from RoW is transshipped via continental ports onto feeder ships to the UK and counted in EU trade figures. Brexit has accelerated this shift in UK trade away from the EU and towards non-EU markets, as can be seen with the beginnings of a shift to ports on the west of Britain gaining new vessel calls.

The friction observed earlier in the year was hopefully temporary. In the second quarter of 2021, trade in goods with the EU bounced up 18% to above Q1 2020 levels (pre-pandemic). Trade with RoW also recovered strongly and to a higher level than EU trade.

More significantly, this friction relates to goods. While the UK is the world's ninth biggest manufacturer, according to the World Bank, it is relatively much stronger in export of services. Again, a historical perspective is useful here. David Ricardo, the 18th century political economist, argued in his theory of competitive advantage that you should not focus on what you're best at in absolute terms. Instead, he said, look at where you're better in relative terms – in other words your relative advantage over the competition. This is where gains from trade are highest for both parties.

Today, the UK's relative advantage is in high-value-added services. Thanks to an educated workforce, respected legal system, widely used language and density of high-value-added workers creating cluster effects, the UK is number two worldwide in service exports, according to the World Bank. The UK's trade surplus in services is around £100bn a year, which is a very large annual benefit to the UK economy.



ONS, L.E.K.

This figure would be even larger – by up to £15bn a year – if the pre-Covid trade deficit in travel services (because Brits spent more abroad than visitors do in the UK) is reduced with less international travel in the future.

The surplus is driven in part by the strong performance of what the ONS calls 'other business services' such as education, recruitment and marketing. Much is intrinsically linked to high value-added goods, which increasingly contain a large service element in collaborative R&D, customisation, logistics, installation and servicing. Covid and lockdown have demonstrated how we can trade more services over long distances.

Our clients at L.E.K. who operate in these sectors have seen greater reach during the pandemic. They have served customers more effectively around the world remotely through rapid innovations in online models that facilitate everything from upfront qualification and sales, to negotiations, team selection, service delivery and project management.

The EU accounts for more than a quarter of the UK's trade surplus in services, even though the EU has no single market in services and the Trade and Cooperation Agreement (TCA), signed between the EU and the UK, does not include much detail on services. The other three-quarters of Britain's trade surplus in services derived from the RoW is growing faster. Service exports to RoW grew at 7% per year from 2000 to 2019.

Brexit may accelerate the trend in UK trade away from the EU and towards RoW. The pandemic and associated lockdowns have shown how more services can be delivered remotely using innovation and technology, launching greater opportunities to grow international trade in services, where the UK has strong comparative advantages. This may turn out to be an exciting phase for the UK's export industries.

> **Brexit may accelerate the trend in UK trade away from the EU and towards RoW**

For more information please visit info.lek.com/globaltrade

FINANCE

Financial reporting in the post-Brexit world

Michael Blann via Getty images

Brexit offers an opportunity for the UK to diverge from global standards in financial reporting. But is this in our long-term interests?

Clare Gascoigne

Businesses may be focused on the operational reality of Brexit, but there's one area of change that's received less publicity: financial reporting regulations. The UK now has the freedom to diverge from standards set by the International Accounting Standards Board (IASB). But is that a threat or an opportunity?

"It is a huge opportunity," says Iain Wright, the Institute for Chartered Accountants in England and Wales's (ICAEW) managing director of reputation and influence. "The UK is still a leading capital market - it has really strong professional bodies, advisers and technical experts. This is an opportunity to really extend the UK's influence."

The corporate world has seen little change in financial reporting so far. It is a complex and often long process to set International Financial Reporting Standards (IFRS) - the 'rules' that govern what and how companies report not just on the numerical detail of profit and loss, but also on issues such as payment policies, sustainability and the risks inherent in a business.

IFRS are set by the International Accounting Standards Board, an independent group of experts drawn from around the world; countries can choose to adopt or reject the standards. As a member of the EU, Britain had to abide by the EU's decisions, but is now free to make them for itself.

Existing IFRS were frozen in time at the end of December 2020, when Britain left the EU. The only change was the legal requirement to update the wording in financial statements from "EU-adopted" to "UK-adopted".

International reporting standards are important for global trade. Without a globally recognised way of comparing businesses in different jurisdictions, it's difficult for investors to make the kind of confident decisions that improve capital flows and promote capital markets.

That's why the ICAEW has been working on and lobbying for global standards for nearly half a century. Wright agrees that such standards are a huge part of the future of financial reporting. But, he adds: "Global is good but a national endorsement mechanism is key for our national interests. The EU process was slow; we can now be more agile in updating the international architecture. That could offer the UK an advantage as a first-mover."

> We have the opportunity to be on the side of micro-businesses, to make sure the UK tweaks the standards to be encouraging to entrepreneurs

He points to two potential changes, at opposite ends of the corporate spectrum. The first is standards to encourage micro-entities (perhaps with a simplified reporting regime); the second is a focus on how companies report sustainability efforts.

"We have the opportunity to be on the side of micro-businesses, to make sure the UK tweaks the standards to be encouraging to entrepreneurs," he says. "At the other end of the spectrum, we are looking at how we are going to account for and report on sustainability issues that could be a major source of new jobs and new business models."

There are existing points of difference, albeit more for accountancy experts than the layman. FRS 102, for example, (currently under review by the Financial Reporting Council, the UK's independent regulator) is based on IFRS for SMEs. This is a simplified IFRS that makes use of the proportionate share method for calculating goodwill rather than the fair value method. It's a level of technical detail that seems a world away from the headline Brexit issues of labour market supply or food rotting at borders for want of the right paperwork. But such differences set a precedent for a level of UK independence from IFRS.

However, there are warnings not to underestimate the effect of Brexit. Tom Stock, technical director at accountancy firm HaysMacintyre, explains: "It's more than an issue of detail. There is a lot of judgment in financial reporting, such as in asset valuations."

From stock valuations and goodwill calculations to financial instruments and onerous contracts, many accounting areas require estimations that have become trickier due to Brexit. With the current level of 'unknown unknowns' and further complexity caused by the pandemic, financial reporting on overarching areas such as the inherent viability of a business is likely to be difficult.

Says Stock: "We've long been talking theoretically about the risks but we are starting to see some impacts, such as the lack of labour, in the numbers. It is a bit blurred by Covid, but there's still more to come."

The UK has, as part of the EU, been closely involved in international standard setting. That is one reason why the standards are unlikely to change materially, at least in the short term.

"It's always been about alignment," says Steve Collings, partner at chartered accountants LWA. "I would be very surprised if we experience significant divergence between EU-adopted and UK-adopted IFRS. The whole point is to be consistent. But we have to be very careful not to conflict with the requirements of company law."

The broader question of the UK's position in the international standard setting process is still playing out. As part of the EU, Britain automatically had a seat at the table on bodies such as the IFRS Foundation Monitoring Board; that has now disappeared, with a consequent dilution of UK influence. Many commentators argue that that dilution is only likely to be short term; history counts for a lot, and the UK has a long and honourable tradition of professional and technical expertise. It may even be possible for the UK to return to the table with a seat of its own.

Globally respected bodies within the accounting profession and the world of academia are still extant, and government desire to maintain foreign investment and facilitate alternative trade links is likely to drive the continued involvement of the UK in global standard setting.

Indeed, one of the stated objectives of the UK Endorsement Board, the body created by the governmnet to decide on the adoption of new or amended international accounting standards, is to influence the standards for the UK's benefit.

"Global accounting standards are a good thing," says Wright. "It's a slow burner as to how we will deviate. But we are very strong, and the whole ecosystem of advisers and experts is really fertile."

Commercial feature

Winning the war on talent in a post-Brexit world

Brexit and Covid have created both opportunities and challenges for companies, especially when it comes to hiring and retaining talent. But with the right mindset and support from a global Employer of Record, UK firms can hire employees in other countries without the legal, tax, and HR burdens, says **Nick Adams**, vice-president EMEA, Globalization Partners

Q How has Brexit changed life for UK businesses that rely on global talent?

A After Brexit, the UK government has made it clear it wants to build a more global economy, and a lot of that is about fostering better connections, especially with former Commonwealth countries, and Asia.

But we must remember it has also complicated relations with our biggest trading partner, the EU. The end of freedom of movement and the introduction of a new points-based immigration system have made hiring skilled talent from the EU more complicated, increasing the cost and red tape for UK employers who do business in Europe.

Q How is Covid affecting these dynamics?

A During the pandemic, a significant number of workers who were not domiciled in the UK relocated back to their home countries to be closer to family. And in a lot of cases, they have decided not to return, exacerbating the problems around skills shortages.

According to PwC's UK Economic Output report, it looks like this year there may be a negative figure for net migration for the first time since 1993 – there are more people leaving the UK than coming to settle. This is having a huge impact on companies and their hiring initiatives.

With that said, during the pandemic, employees have shown they can work successfully remotely and don't need to be in an office daily, or even must be in the same country for that matter to effectively complete their work. As a result, we are seeing an interesting trend where, especially for skilled workers, UK firms are looking to hire the talent they need outside of their own geography and moving towards a more global talent pool.

About Globalization Partners:

- We are the **Employer of Record** industry leader (NelsonHall, 2020)
- We help companies hire in **187** countries in minutes
- We work with **180** currencies worldwide, including crypto and Venmo
- Our Global Employment Platform has **tens of thousands** of active users daily

Q How can UK companies manage workforce mobility in the post-Brexit world?

A There have always been a lot of HR, tax, and legal requirements that employers must comply with to transfer talent to a different country or hire them internationally, and it's different everywhere. But Globalization Partners is at the forefront of the transformation underway for global workforce and hiring practices.

We are creating a stronger global workforce and unlocking new markets. Global compliance, intuitive technology and tailored expertise are combined in our global employment platform to overcome these issues, making it easier and faster for UK companies to grow their global remote teams while reducing the risks involved.

Through its global employment platform, Globalization Partners simplifies and automates payroll, time and expense management, benefits, data and reporting, performance management, and ensures employees are fully tax compliant wherever they are based. Meanwhile, our in-country global HR experts across the world are on hand to provide world class support to customers and their employees whenever needed.

> Globalization Partners is creating a stronger global workforce and unlocking new markets. Our global employment platform makes it easier and quicker for UK companies to grow global teams

Q Can you give some practical examples of how Globalization Partners has helped companies?

A With the global pandemic putting digital transformation on steroids, Snyk - a cloud native application security leader - saw demand skyrocket in 2020 and into 2021. Amid this major growth opportunity, it was imperative for Snyk to identify and onboard the right talent quickly.

"Our product is developer-led, and with many developer outreach programs and conferences temporarily on hold, we had to find new ways to tap into the market and find the right talent to ultimately be able to hire and onboard them quickly," said Nathan Jeune-Manning, lead people partner at Snyk.

However, onboarding international talent comes with complex hurdles such as vastly different employment laws and compliance standards from country to country, which can be difficult to navigate as well as time consuming. Globalization Partners was able to give Snyk the flexibility to move fast and effectively.

Another one of our customers is the UK financial services firm Mount Street. Any time they wanted to hire someone in a new country they faced a laborious entity setup. Our platform enabled them to avoid the complicated process of having to establish a legal entity so they could hire internationally quickly and easily, scaling at their desired rate, with no entity setup necessary.

Q What trends will shape global recruitment in the next five years?

A Firms will employ the best talent wherever they reside with growing confidence. Employers will see the benefits as they get to pick from a far wider range of talent.

Tapping into the global talent pool will allow firms to create a more culturally diverse workforce, which is already known to be key to business success.

Skills shortages have been an ongoing challenge for recruiters, and it has prompted some companies to look further afield for the talent they need. Countries that businesses may have previously overlooked are producing more valuable talent pools that can help recruiters solve their talent shortage problems. Tapping into emerging markets can give a company a competitive edge. For example, tech companies may want to look to unexpected places like Uruguay and Ukraine for the future of global talent in the technology sector.

In addition, global expansion used to be a goal for large companies, while small to mid-sized companies maintained a more local focus – this is changing. Even small companies are broadening their focus. Today, businesses of any size can work with us to hire international employees without having to establish a business entity of their own in the country where they hire.

58%
of UK companies will make remote work a permanent fixture following the global pandemic

20%
of UK respondents have relocated internationally or plan to

46%
of UK respondents are happier about work since working remotely

50%
of UK respondents cite team diversity as a key benefit of working in a global team

Globalization Partners, 2021

Nick Adams is vice-president, EMEA, for Globalization Partners, based in London, UK, where he leads the company's international expansion into Europe. Nick's wealth of experience includes scaling high growth businesses. He is a firm believer in customer focus, integrity, and teamwork - values that the company enshrines across the organization in everything we do.

To grow your global team today visit us at: www.globalization-partners.com

GLOBALIZATION PARTNERS

Office for National Statistics, 2021
All data refers to the first half of 2020 unless otherwise stated

HOW THE UK TRADES

WITH ITS BIGGEST PARTNERS

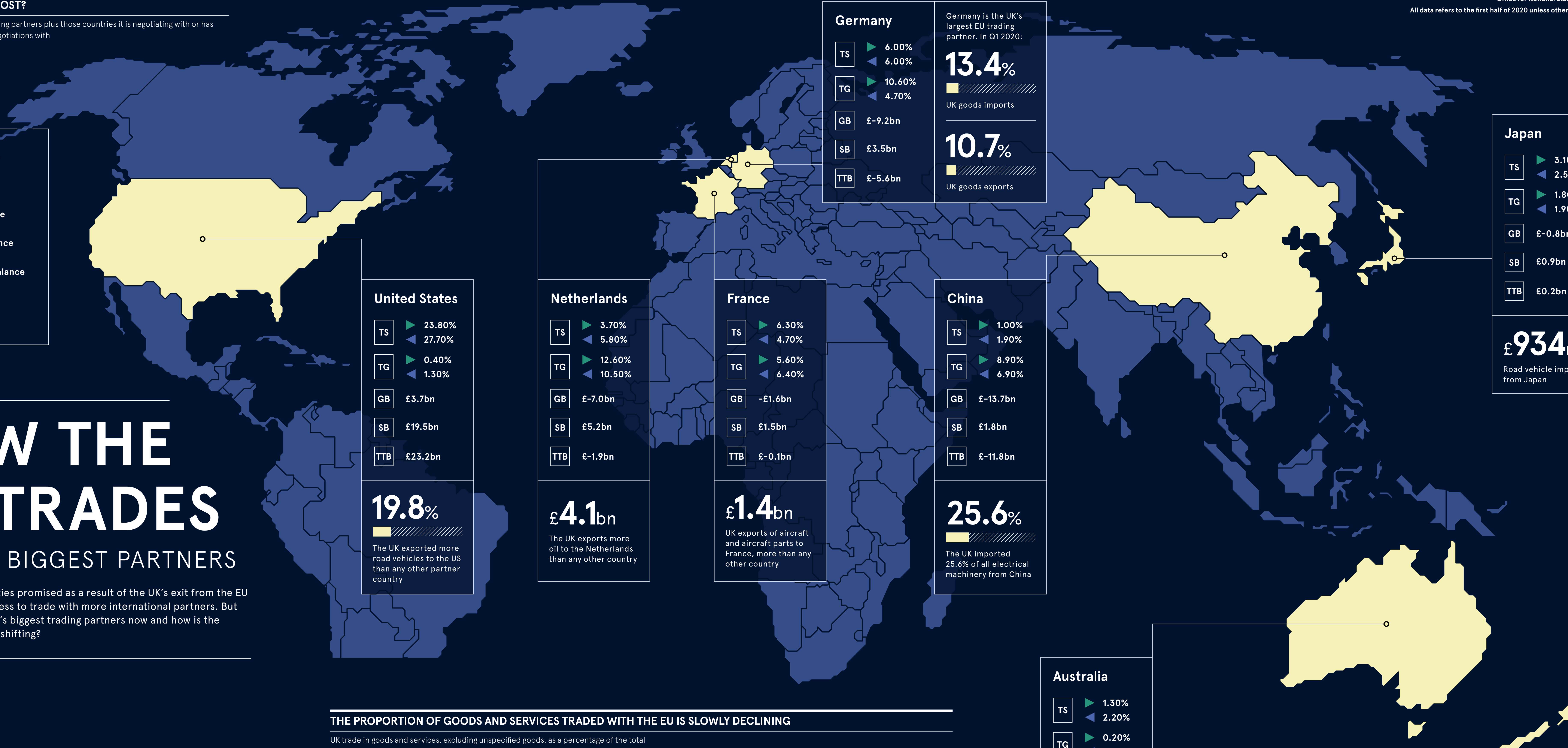
One of the opportunities promised as a result of the UK's exit from the EU is the ability for business to trade with more international partners. But which countries are it's biggest trading partners now and how is the importance of the EU shifting?

WHO TRADES THE MOST?

UK trade with its top five trading partners plus those countries it is negotiating with or has recently completed trade negotiations with

Key

- TS Total Services
- TG Total Goods
- GB Goods Balance
- SB Services Balance
- TTB Total Trade Balance
- ▶ Imports
- ◀ Exports



United States

TS	▶ 23.80%	◀ 27.70%
TG	▶ 0.40%	◀ 1.30%
GB	£3.7bn	
SB	£19.5bn	
TTB	£23.2bn	

19.8%
The UK exported more road vehicles to the US than any other partner country

Netherlands

TS	▶ 3.70%	◀ 5.80%
TG	▶ 12.60%	◀ 10.50%
GB	£-7.0bn	
SB	£5.2bn	
TTB	£-1.9bn	

£4.1bn
The UK exports more oil to the Netherlands than any other country

France

TS	▶ 6.30%	◀ 4.70%
TG	▶ 5.60%	◀ 6.40%
GB	-£1.6bn	
SB	£1.5bn	
TTB	£-0.1bn	

£1.4bn
UK exports of aircraft and aircraft parts to France, more than any other country

Germany

TS	▶ 6.00%	◀ 6.00%
TG	▶ 10.60%	◀ 4.70%
GB	£-9.2bn	
SB	£3.5bn	
TTB	£-5.6bn	

Germany is the UK's largest EU trading partner. In Q1 2020:

13.4%
UK goods imports

10.7%
UK goods exports

China

TS	▶ 1.00%	◀ 1.90%
TG	▶ 8.90%	◀ 6.90%
GB	£-13.7bn	
SB	£1.8bn	
TTB	£-11.8bn	

25.6%
The UK imported 25.6% of all electrical machinery from China

Japan

TS	▶ 3.10%	◀ 2.50%
TG	▶ 1.80%	◀ 1.90%
GB	£-0.8bn	
SB	£0.9bn	
TTB	£0.2bn	

£934m
Road vehicle imports from Japan

Australia

TS	▶ 1.30%	◀ 2.20%
TG	▶ 0.20%	◀ 0.20%
GB	£1.2bn	
SB	£2.0bn	
TTB	£3.1bn	

15.9%
Non-ferrous metals were the top commodity group imported from Australia

New Zealand

TS	▶ 0.10%	◀ 0.20%
TG	▶ 9.70%	◀ 15.50%
GB	£-0.08bn	
SB	£0.2bn	
TTB	£0.2bn	

4.8%
The proportion of meat and meat preparation imports that come from New Zealand, of which

96.2%
are lamb

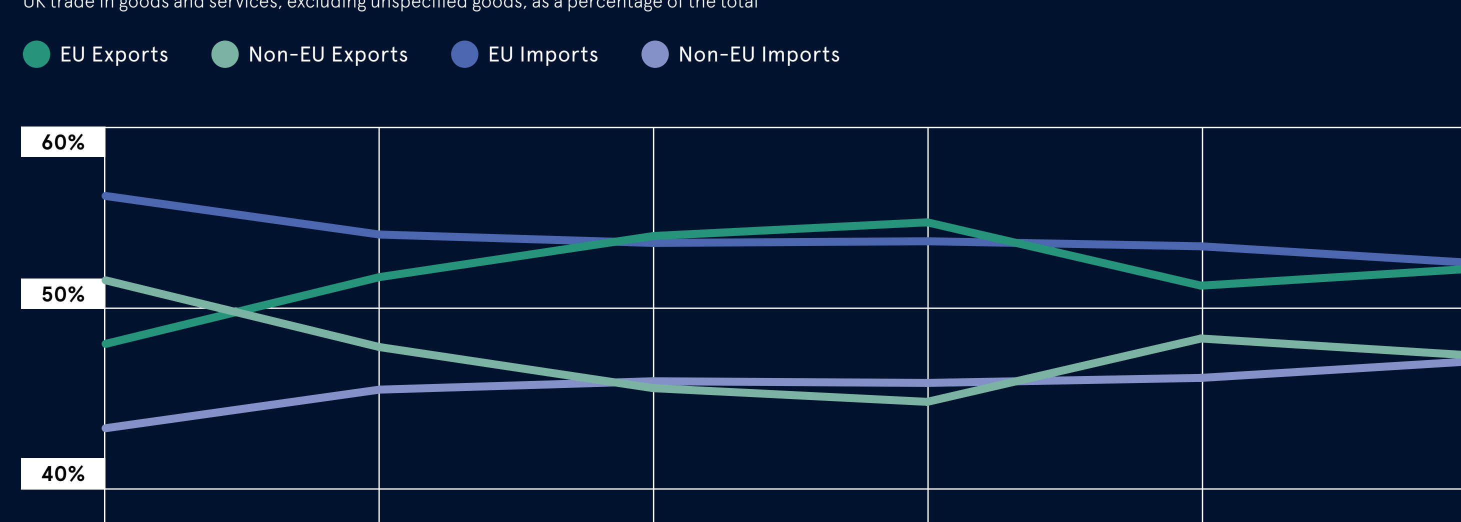
46%
The proportion of trade accounted for by the UK's top five trading partners - the US, Germany, China, the Netherlands and France

£39bn
The US's positive impact on the UK's underlying trade balance, the largest of any market

£13.6bn
China's contribution to the UK's underlying total trade deficit, more than any other country

THE PROPORTION OF GOODS AND SERVICES TRADED WITH THE EU IS SLOWLY DECLINING

UK trade in goods and services, excluding unspecified goods, as a percentage of the total



Outsourced hiring: the secret weapon for competing in the talent market

Bjorn Reynolds, CEO of Safeguard Global, explains the company's view of the future of work – and it's not 'work from anywhere' anymore

Q What has changed in the future of work?

A More than ever before, power is in the hands of employees. The global hiring shortage and the rise of remote work are two big contributing factors. We are seeing an evolution happening, and happening quickly. Workers are in demand and they're in the position to make demands of their employers.

Adjusting to the pandemic allowed employees to learn to flex their work around their lives and that change is becoming a basic expectation when considering a new role. We've found that, more than anything, they want flexibility—flexibility to work where they want, work the hours that best suit their lives, get paid in the currency they want, choose to be direct hire or contract, and sometimes even transition between part-time and full-time.

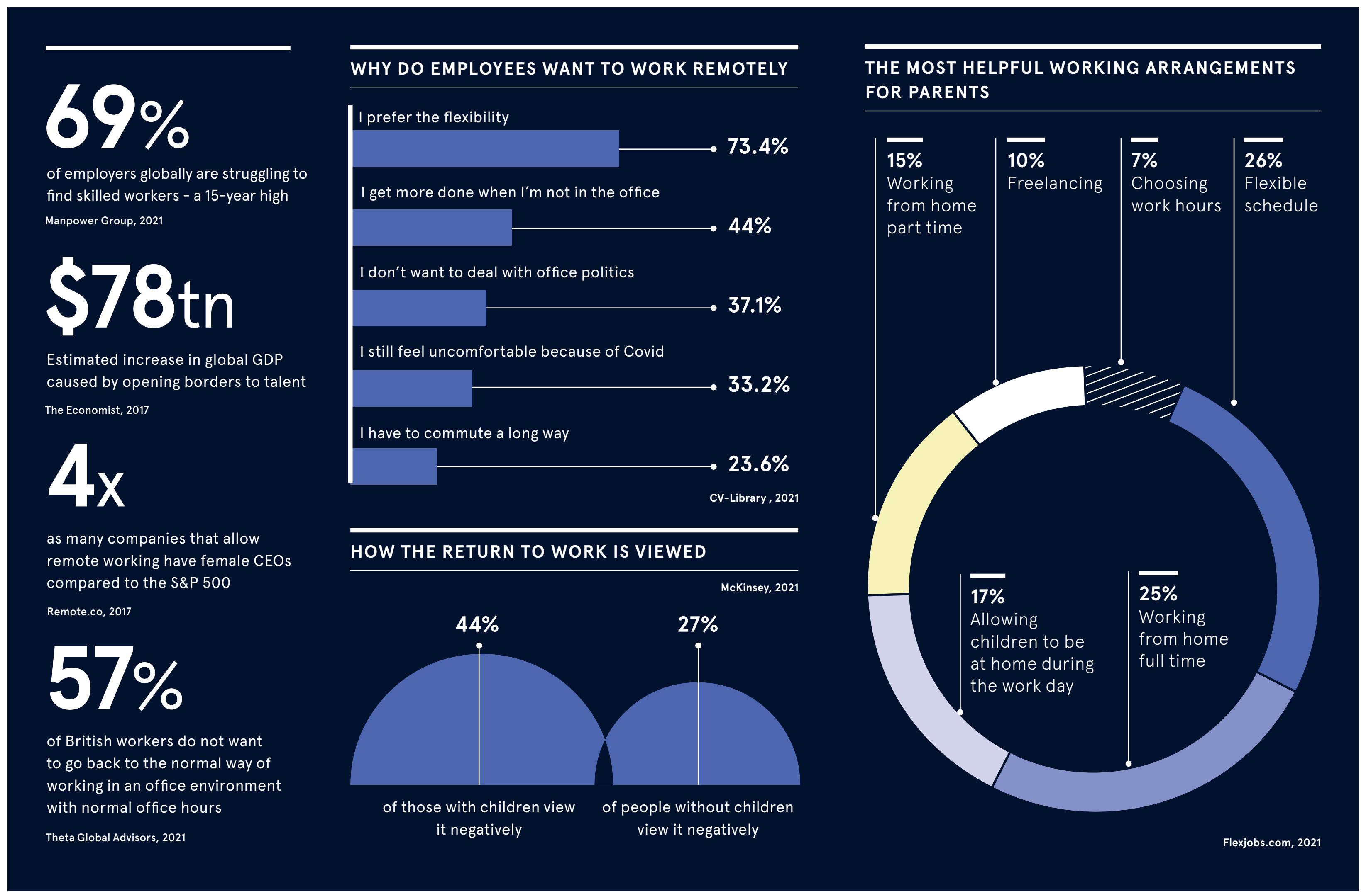
Companies that want the best talent must think globally and offer the flexibility for talent to work in any way they choose. The market is shifting quickly in this direction, that is the future of work at this point.

That's where Safeguard Global comes in. A company might want a brilliant coder in Estonia but that person may not be interested in uprooting their lives to move to the UK. However, the paperwork involved in hiring an overseas employee can be a nightmare. It involves setting up legal entities in each jurisdiction, which is slow, expensive and involves a lot of risk. Whether it's setting up entities, paying in multiple currencies or regulatory compliance, Safeguard Global handles everything for clients, with expertise and technology that make workforce management easy and seamless.

Q How do companies adapt to this new reality?

A It starts with trusting specialists who know local markets and understand both the demands of the talent and the operational requirements. For example, our Global Employment Outsourcing solution has legal entities established all over the world and we're experts on everything from cultural nuances to regulatory compliance requirements.

That frees up companies to structure their contracts in ways that make sense for their employees' preferences, while we handle all the leg work. We manage onboarding, HR, reporting time, expenses, taxes and contract law. By outsourcing all of this work, our clients are free to focus on the most important aspect of the business: their people.



Q Why is the ability to hire anywhere becoming critical?

A It allows you to find the candidate you want, hire them and retain them by providing the flexibility they seek. It doesn't matter where in the world you are or how your talent wants to work; what matters is that they are the right hire. Just tell us the contract details and we handle the rest.

Now, companies can access a global talent pool and forget about the complexities of location, payment, taxes and compliance risk. We can help you hire someone in Bucharest or Beijing in a day. The speed, cost, value and convenience make our clients' lives easier and their businesses more competitive. The work in any way future is full of as many exciting opportunities for employers as for employees. Companies just need the right partner.

Q How will this change business models?

A First, it's about hiring. Right now, 69% of global employers are struggling to find the right skilled labour, according to research by Manpower Group. The demand for talent has never been higher and companies need to meet people where they are.

Companies must build flexibility into their business models, whether allowing talent to work from home or even another country, giving them the option of full-time, part time, direct hire or contingent, paying them in a different currency, or even in crypto - which we're seeing. It's about flexibility and being people-centric.

The bottom line is that workers say when they're given the flexibility to live where they want and work how they want, not only are they happier but they find they are more productive.

Secondly, it's about cost reduction and efficiency. Large-scale remote work can lower bureaucracy and office costs. Chasing and hiring talent around the world can be incredibly costly and time consuming. Partnering with us drastically reduces these burdens.

We have an advantage over others in our ability to see workforce trends well before they become the norm. With what we're seeing and hearing today, this work-in-any-way approach is going to become a critical strategy for success. Companies that are flexible, agile and put people at the center of their business models and work environments are going to win.

Q What's your vision for employers and employees?

A I want to help more people and companies work in any way! I want people to live in the city of their choice, working for their dream employer. And I want physical location to not be a barrier to their career path and their career not to be a barrier to their lifestyle.

I want companies to know they can search the world for their next hire, knowing legal paperwork and risk is taken care of. Our model is fantastic for workers, especially in developing economies. It's efficient for companies and provides a competitive advantage.

Overall, solutions like we offer at Safeguard Global are heralding a new era in employment, where people can make their own decisions on how and where we choose to work. We're incredibly excited about the future of work, which we know is to work in any way.

OPERATIONS

What Brexit means for business operations in Europe

When dealing with the EU, British companies must adhere to an updated rulebook. How are they adapting?

Peter Yeung


Christian Lue via Unsplash

The UK's trade agreement with the EU allows businesses to trade with the bloc tariff-free. But many companies still need to rethink their operation and distribution models post-Brexit.

Under the UK-EU Trade and Cooperation Agreement, a key treaty presented to parliament in April, businesses can trade goods between the UK and the EU on a tariff-free and quota-free basis, as they did before the transition period ended.

But there are significant challenges. For example, according to the "rules of origin" protocol, for British companies to benefit from tariff-free trade, about 50% of a product's value must now come from the UK alone to reach the value-added threshold to export to the EU without tariffs. This refers to the location where the goods were wholly grown or produced or where the last substantial manufacturing work took place.

This has significant implications. Many British manufacturers and retailers, including the clothing, food and automobile industries, source materials and components for their products from outside of the EU.

As a result, some companies have seen exports to the continent collapse thanks to increased transport costs and customs duties, surprise VAT charges, tariffs on exports to the EU and supply chain delays. Conversely, some UK customers will have to pay import duties on products they buy in Europe, adding considerable cost and waiting time.

According to an Institute of Directors survey, published in June, 17% of businesses that previously traded with the EU have stopped, either temporarily or permanently, since January 1 and nearly a quarter have had to relocate operations or staff.

To adapt, some companies have introduced Europe-only websites or opened distribution centres on the continent to supply their customers within the bloc. Brie Read, CEO and founder of fashion brand Snag, based in Livingstone, Scotland, opened a warehouse in Venlo, Netherlands. The firm sends 1,000 parcels, or 30% of its orders, to Europe every day.

"With the uncertainty surrounding Brexit we just knew we had to find a solution in order to continue to deliver our products," says Read. "We felt confident that expanding our distribution facilities was the best way to meet growing international demand."

Read says that following "chaos" in January – with Snag's first shipment of goods from the UK to the Netherlands taking three weeks – it now takes about three days on average. "As freight companies and customs agents get more familiar with the new customs processes, we expect things to gradually get more efficient and hopefully cheaper over time."

By opening the Venlo facility, Read says Snag has continued to fulfil EU orders with no disruption. "We've been able to avoid extra red tape when selling into the single market if it comes from our Dutch base."

For other firms, the UK-only distribution model may have worked in the short term. However, the impact on customer service means that, in the longer term, it is likely to be highly detrimental.

Paul Jayson, who runs the Totnes-based vehicle trader Motorcycle Broker, says since Brexit his company has stopped serving the EU, which accounted for about 15% of the company's sales, despite previously buying all its bikes from the region. "We're a global company," he says. "We're growing. But we're struggling to get motorcycle parts."

The company is now sourcing parts from non-EU countries, such as Australia, Japan and the US. But this can take up to six months, whereas before parts from the EU would take just a week. "I'm going to have to put prices up," he adds. "It's cost me jobs and it is more difficult."

While Brexit has led to more investment in high-value motorcycles, Jayson says the long-term future of the company now lies on the continent. "The lionshare of the company will move to Belgium," he says. "We have to do it."

But the move to operate from Europe could cause various issues for businesses and their customers.

Simon Spurrell runs specialist cheesemaker The Cheshire Cheese Company. He decided to stop selling to the EU – which made up about 20% of sales in 2020 – on a bulk wholesale basis. The cost to ship a consignment to the EU rose from £300 to £1300.

"We had no other choice," says Spurrell. "Unless we were shipping very large amounts, it was utterly impossible for us."

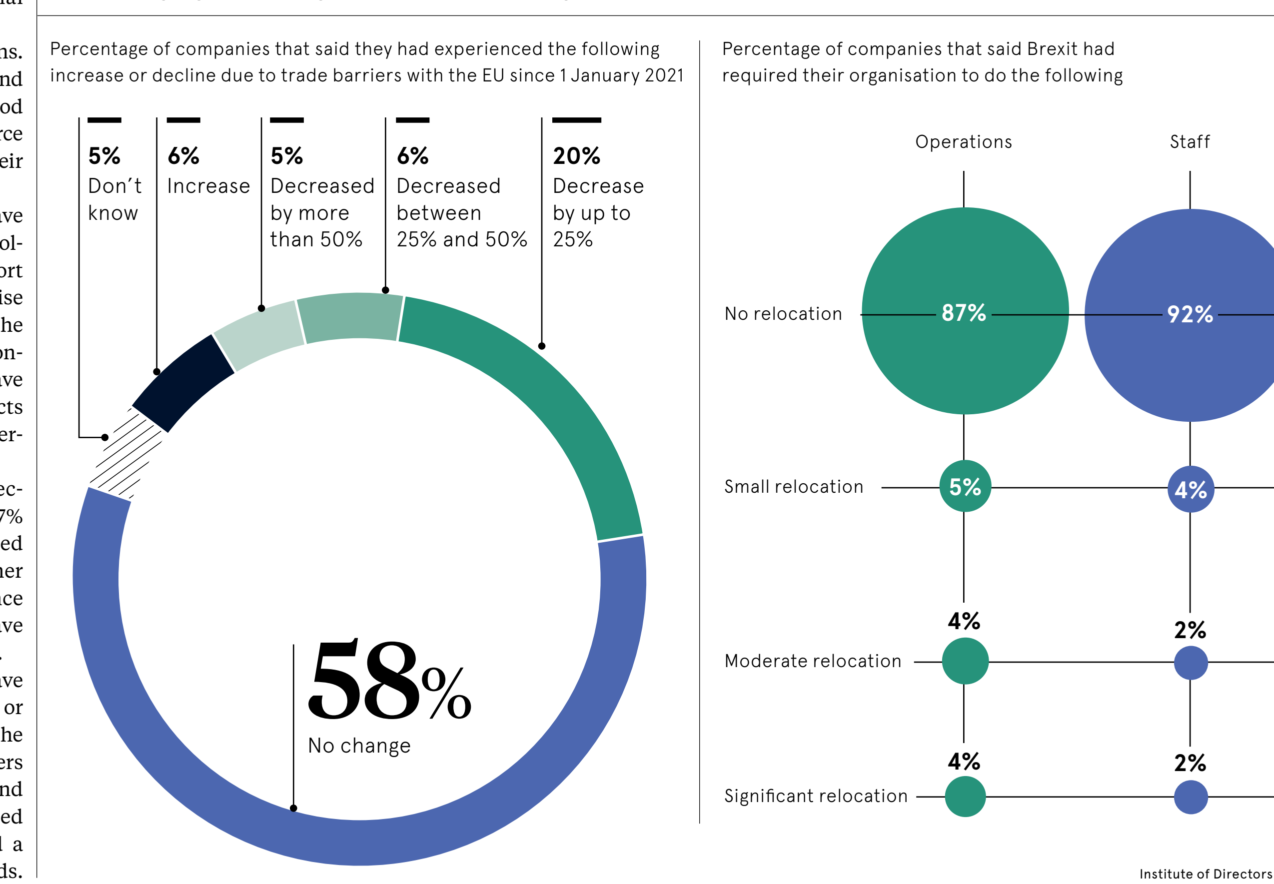
But while the company had many options to build a warehouse on the continent, Spurrell believes that it did not make sense as a business. "As a small company, we can't take that risk or afford it," he says.

Laura Rudoe, who runs Evolve Beauty, an eco-friendly cosmetics company in Hertfordshire, said she had set up a warehouse in Ireland in July to export to the EU, which represents about half of its business.

But while the Brexit logistical requirements haven't affected demand much, she says it is "not a uniform picture" across Europe, which could worsen customer experience and loyalty. For example, countries such as Portugal, Spain and Greece are demanding EU-certified licences for cosmetics, which do not yet exist in the UK post-Brexit, forcing them to instead send exports through Ireland.

That leads to extra costs and a greater carbon footprint, which may put eco-conscious customers off, says Rudoe. What's more, orders processed through Ireland can currently only be paid via PayPal as the company wades through paperwork. "It makes the situation a little bit more complicated," she says.

THE IMPACT OF BREXIT ON TRADE WITH THE EU



OPINION

‘The brave new world of cities and regions doing digital business with each other shows a brighter trading future’

Whatever the pros and cons of Brexit, leaving the EU has super-charged opportunities for global trade. This has been accelerated as businesses become digital, agile, borderless and virtual, allowing many tech-savvy SMEs to land and expand into any global market successfully.

In past decades, international expansion was a cumbersome process that involved finding an office, hiring staff, checking legal and tax obligations, and throwing a lot of cash at sales and marketing talent. In this new digital world, global trade is moving seamlessly across borders at pace.

For the right tech companies, while the landscape is complex, there are vast opportunities if they can get the right guidance. Take BC Remit and Inavya Ventures, two London-based fintech and artificial intelligence (AI) healthcare platforms that have cited Phoenix, Arizona, rather than New York, California or Boston as the critical start point for US expansion. Look as well at Collectiv and Total Processing, two fintech brands from Manchester expanding to Dublin, Barcelona, Prague, Amsterdam, Germany, and the United Arab Emirates.

There is a growing recognition that specific cities and regions are becoming hubs for innovation. This is through a mix of investment in technology, support for entrepreneurs and development of the talent pool through universities, business groups and regional economic development bodies such as the Greater Phoenix Economic Council (GPEC).

In the case of Greater Phoenix, it is its investment in the first US regulatory fintech sandbox and the region’s strong alignment of academia, industry and municipality leadership that drives innovation and an advantageous operating environment. The new ecosystem in Greater Phoenix is multi-layered, fast-paced, tech-savvy, green and ambitious.

Other regional hubs are flexing similar new digital trade muscles too. This is the case in established centres such as Singapore, which is a pivot point for the Asia-Pacific area in sectors including smart manufacturing, logistics, supply chain, the Internet of Things and fintech. Or take Fairfax County, Northern Virginia, that is linked to Washington D.C. but provides powerful regional innovation in cyber, cloud, AI, defense, aerospace, financial services and life sciences.

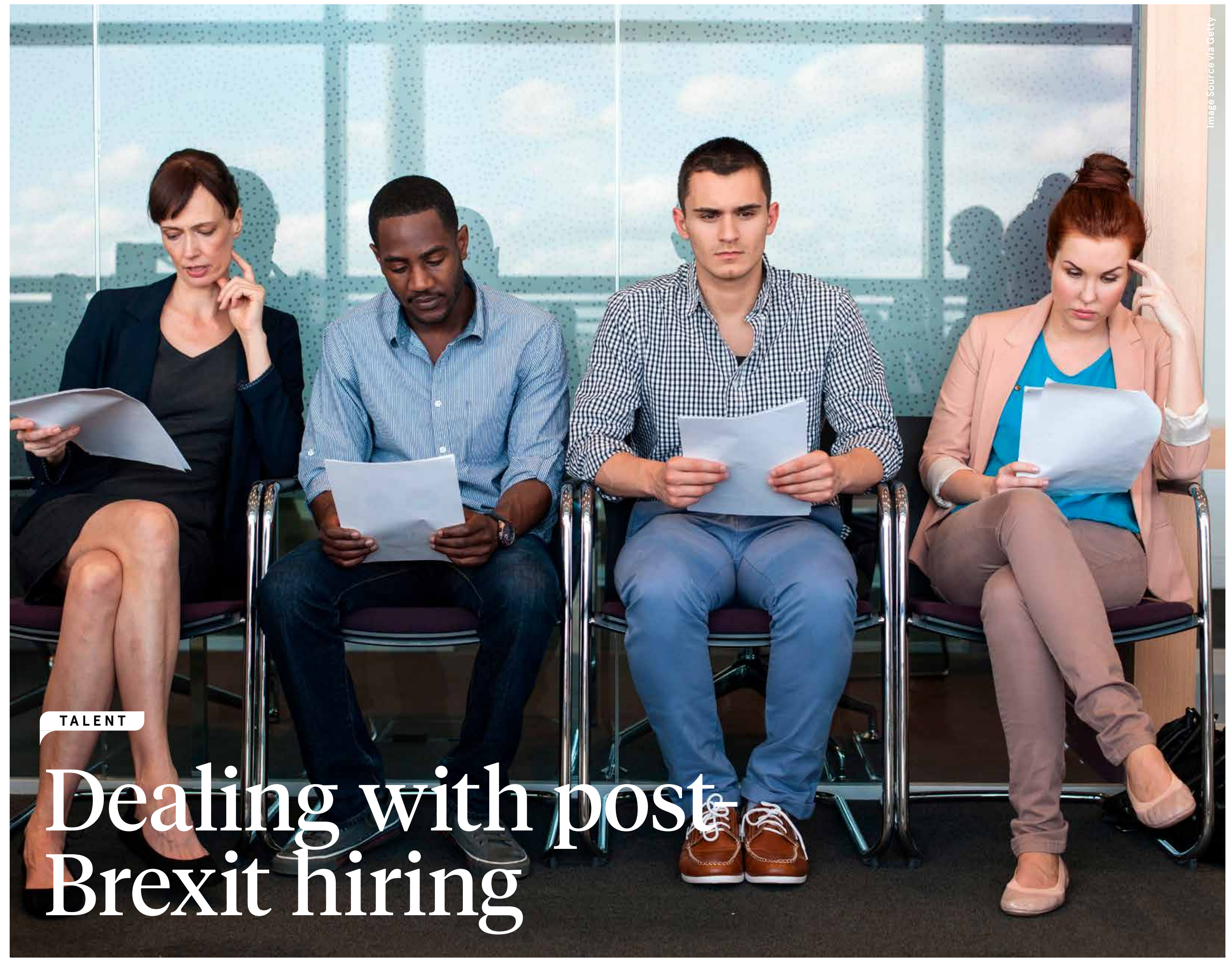
Greater Manchester is currently developing global partnerships too, with hubs in Ireland, Ruhr Metropole and North Rhine Westphalia in Germany, Osaka in Japan, Maharashtra in India and Lyon in France, as well as North America. This is based on the diversity of Greater Manchester’s business landscape, which includes fintech, digital health and social care, ecommerce, cyber and a huge, tech-savvy industrial base to drive bilateral trade.

The challenge is working out a resonant go-to-market strategy to successfully engage with the right body, in the right location and to get the right advice. Over the past five years GTM Global has done just that, connecting 4,500 tech and digital SMEs to a network of global experts from government, trade, academic and commercial bodies to effectively access key city hubs and regions.

A company might need help to get boots on the ground in sales, to understand banking, to hire staff, to protect IP, to localise supply chains, to find grants, funders, investors, distributors or access the right regional and national governmental and business networks. GTM has a tried and tested ecosystem of appropriate partners for ambitious businesses to engage and roadmap their international expansion.

There will always be problems around trade deals, climate change, healthcare, poverty and political insecurity. But the brave new world of cities and regions doing digital business with each other is a palpable renaissance of our past that looks to a brighter trading future. ●

Mark Stimpfig
Co-founder
GTM Global



TALENT

Dealing with post-Brexit hiring

Businesses are struggling to attract UK talent, while work visa criteria are blocking access to overseas workers

Clare Bettelley

Almost half of all UK businesses are experiencing staff shortages, according to new research. For many executives, the problems stem from Brexit.

According to a recent survey by the Institute of Directors, 44% of UK businesses are encountering such problems. Four in 10 attribute the shortages to a lack of a talent pipeline from the EU following the UK’s exit from the union.

Since 1 January 2021, employers that want to hire someone from outside the UK must acquire a sponsor licence, which can cost from £364 to £1,820 for a small company or charitable organisation and £1,000 to £5,000 for a medium- to large-sized business, depending on the employee’s length of stay.

Fees for sponsorship licence applications and certificates of sponsorship issuance also apply, as does a minimum salary of £25,600 per year or £10.10 per hour, whichever is higher. An employee must speak English and fill an eligible occupation. Minimum salaries and skills demands may be lower for “shortage occupations” or if an applicant has a PhD.

Stonegate Pub Company is the UK’s largest pub owner, with 4,600 venues in its portfolio, of which it manages 820. The new criteria – which preclude pub and bar staff – are “ridiculously prescriptive”, says Tim Painter, the company’s HR director.

> We need to think about the way we sell jobs to British workers, the terms and conditions of those jobs and the training pathways

“I’ve looked at this in detail with my team and unfortunately I’ve come to the conclusion that it’s just not going to be an avenue for us,” he says. “It’s frustrating for us. I think it’s both economically and socially bad for the country. It’s a huge shame that we’ve effectively closed our doors to so many people who can come and contribute economically and culturally.”

Stonegate employs around 15,000 people. Before Brexit, 10% were from the EU and the remainder were UK nationals, although there were regional differences across the country, particularly in London, where EU nationals represented 35% of the workforce. The group currently has 1,000 vacancies.

“We can’t run away from the fact that we’ve got a disconnect whereby the government is saying that’s it all about retraining people and the reality is that at this point in time, with the pathway to the European Union closed, there are not the people to train,” adds Painter.

Andy Dodwell, chairman of Corbetts The Galvanizers, one of the UK’s oldest galvanizing businesses, says the government has to listen. “The employment pool in the UK will not satisfy the majority of manual labour-driven businesses.”

Corbetts has increased its proportion of UK workers from 3% to 45% over the past year. “We’ve followed the guidelines of the government; we’ve done everything we can, but it’s not enough,” Dodwell says.

Corbetts currently employs 105 workers and has around 20 vacancies. Filling these jobs will merely help the business to fulfill its existing contracts, not meet its growth expectations and increased demand from customers, Dodwell says. “The government wants us to grow and wants us to use UK labour, clearly, but the reality is very much different,” he adds.

In response, Corbetts is providing transport to help employees get to work and creating initiatives – such as seasonal work and flexible work patterns – to attract workers from markets it hasn’t previously considered, including students and working mothers. Similarly, Stonegate has put in place referral programmes that incentivise existing employees to recommend the business to friends and family, along with recruitment campaigns in its bars and pubs and social media campaigns promoting development opportunities on offer throughout the group.

Rob Hollyman, a director at Youngs Transportation and Logistics, has focused on increased pay deals and hopes that a starting annual salary of £40,000 will help to attract applicants to fill its 30 HGV driver vacancies. “It’s killing us. But what’s killing us more is trucks parked up. These trucks are £100,000 each, so if you’ve got six of them parked up because you haven’t got enough drivers, it’s a crisis.”

Youngs, which has three depots in Purfleet, Southampton and Warrington, employs 200 staff. Around 15 are non-UK workers, down from 20 prior to Brexit.

Some employers are hopeful that the end of the government’s furlough scheme on 30 September 2021 will increase the number of people looking for work. Research by the British Chambers of Commerce reveals that nearly one in five companies are considering staff redundancies post-furlough.

But Painter isn’t optimistic. “I don’t anticipate a return to the workforce for millions of people,” he says. While his company prioritises training to help develop workers, “even if you’re training people to progress through the business, at some point you’ve still got to pull in the people who are going to work at the bar level”.

Some areas of the economy simply don’t have the people to train, he adds.

“The government can keep saying, ‘train people’, or ‘retrain people’, but you have to have people to train. And that is a systemic issue. I don’t think that the end of furlough is going to alleviate that systemic issue.”

Neil Carberry, chief executive officer at the Recruitment and Employment Confederation, thinks the solution lies in a new employee proposition from UK employers.

“In the long term there are answers here. We need to think about the way that we sell jobs to British workers, we need to think about the terms and conditions of those jobs and we need to think about the training pathways.”

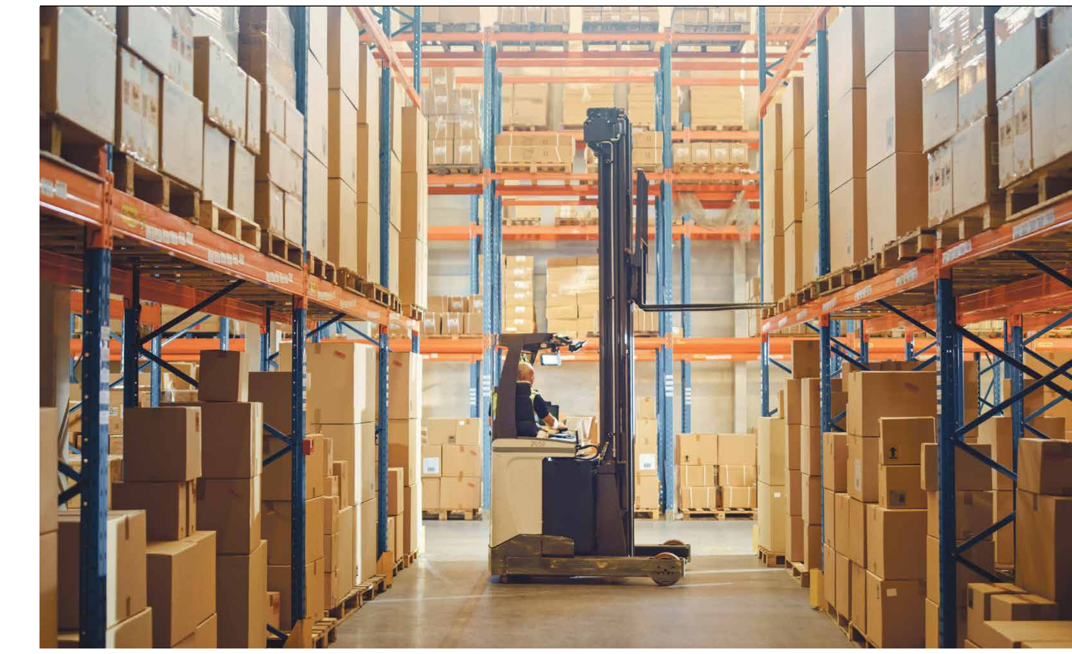
Employers need to be mindful that the domestic labour force is likely to get smaller, says Carberry. This is not just because of Brexit the life-changing decisions people have made during the coronavirus pandemic, but also because baby boomers are retiring and being replaced by a smaller generation. This, Carberry says, is likely to result in a recruitment market driven by candidates. ●

3 in 5
organisations reporting ‘hard-to-fill’ vacancies

59%
private sector employers that raised salaries to offset recruitment problems
CIPD, 2019

3%
drop in employment of EU nationals in the UK from Q1 to Q4 2020
ONS, 2021

Commercial feature



Taking a bird’s eye view of Brexit

Leaving the EU has, for many businesses, been seen as a source of anxiety or negativity but there are opportunities in the post-Brexit landscape

While there is still the need for agility and for best practice to be fine-tuned when it comes to Brexit, volatility is easing and businesses need to be careful not to use the hysteria of the word itself to detract from proactive change.

From a supply and trade standpoint, there needs to be a recognition that disruptive change is nothing new. And when filtering through the anxiety, solutions that would lead to ultimate supply chain best practices can actually be found on a more stable Brexit platform in 2021.

“It is all still quite new, and there are nuances and question marks to remain agile. The general landscape is quite settled now – we know what we’re dealing with from a general regulation, residency and tax standpoint. It’s now a case of establishing respective best practices within those guidelines for each company and their own supply chains.”

This is the view of Sam Mikles, president and CEO at Flash Global, a US-based organisation that operates in the service supply chain space. The global logistics provider’s value-added services assist customers in all areas of post-sales service supply chain support, including distribution and forward stocking services, last-mile mission critical logistics, international reach, and import and export of record services, as well as transportation, order, and inventory management.

It does so from more than 600 warehouse locations in over 140 countries around the globe, giving Flash the perfect bird’s eye view of what can be achieved, regardless of each nation’s changing regulations or trade conditions.

“For companies – both resident and non-resident – in the UK, Brexit obviously was a step change, with a need to duplicate or replicate inventory support levels locally, rather than in mainland Europe (usually the Netherlands) as was the case before,” says Mikles.

“Companies now have to take into account trade regulations, time constraints and lead times, just as they would if they were doing business in, say, Argentina or South Africa.”

And while the 2018 to 2021 period inevitably created huge amounts of confusion or uncertainty around what the respective stipulations would be in these areas, Mikles’ rallying cry is that there is a template for all of them.

The best practices that companies should be seeking is not necessarily to get their heads around a now entrenched Brexit environment. Rather, they should work out what best practice means to them within this new dynamic.

Mikles says: “There are still challenges, of course, in relation to tax and duty payments or reclamation without a unifying EU solution and Amsterdam as that central hub. But you can still try and reclaim import duties and taxes when going into the UK, and the challenges around that are more related to each company’s respective partnerships and customer agreements, rather than the wider framework itself. And that’s where we at Flash can really help.”

Every specific link in the supply chain, individual business partnership or border crossing incurs slight nuances and differences in terms of regulations, rules, legislation, and agreements. Expecting a business to keep on top of each of those is an understandable cause for anxiety and negativity.

What Flash Global can do is apply its bird’s eye view of the entire landscape, alongside its experience of these exact same nuances from more than 140 countries, to handle this level of agility on the behalf of businesses.

“It’s a single source solution, where you don’t need a separate third-party customs broker or transportation provider. We look after all segments and attributes of the supply chain, and facilitate not only the movement, but the management, of all relevant importation and exportation,” Mikles says. “There is still flexibility within that, to allow for any additional partners our customers want to retain, and indeed to remain agile to any future changes in the Brexit situation.

“But the overriding point is that we can see the stability that is now shining through after so many years of uncertainty. We don’t want companies to miss out on those more favourable conditions by associating the difficult process of Brexit with the actual post-Brexit landscape in front of them.”

> We can see the stability that is now shining through after so many years of uncertainty

For more information please visit www.flashglobal.com/brexit-international-trade-continued

FlashGlobal

PROTECTIONISM

An appetite for protection

Brexit could have threatened British food and drink icons, but manufacturers and government are protecting the sector at home and abroad

David Craik

For those of us who enjoy a hearty summer picnic, Brexit threatened to bring rain clouds to the party, with fears over vital geographical indication (GI) protection for some of our most treasured staples.

GIs were created as part of a 1992 EU scheme. They designate products that originate from a specific area and possess certain qualities, characteristics or reputation due to their place of origin. In the UK, this covered iconic names like Melton Mowbray Pork Pies, Stilton cheese, and that cheeky Scotch Whisky hidden in a hip flask.

This meant that Blue Stilton could only be produced within the counties of Leicestershire, Derbyshire and Nottinghamshire and must take the form of a "blue veined moulded cheese made in cylindrical form from full cream cow's milk". Likewise, a Cornish pasty must be made locally, have a "D" shape and contain a certain proportion of potato and meat.

The scheme, which all UK and European manufacturers had to apply for before being registered, meant that no other producer could make a pasty and call it Cornish or describe their sparkling alcoholic drink as Champagne if it wasn't made in the French region. It also prohibited, say, an Argentinian meat firm making a Melton Mowbray pork pie and selling in the UK.

GIs were incorporated into EU trade agreements preventing manufacturers in Japan, for example, from making and selling the protected products in their domestic and export markets.

As of November 2019, there were 1,457 registered EU GIs, of which 73 were UK registrations. After Brexit there were concerns that the law would no longer apply to UK brands, with no legal provision for domestic GIs under UK law. This led to scare stories of fake products flying onto UK supermarket shelves, lowering the quality of our picnics and tea times and hitting manufacturers' revenue and reputation.

Fortunately, the UK/EU trade deal agreed that UK-registered GIs would continue to be protected under the EU scheme. GIs with EU origin were also granted protection under a new UK GI scheme. This protects GIs sold in Great Britain but does not apply to Northern Ireland, which will continue to use the EU system. UK brands wanting GI registration post-Brexit must now apply to both the UK scheme and the EU if they want protection there.

According to the Melton Mowbray Pork Pie Association, the GIs of Stilton and the iconic pies help bring £100m of food tourism cash into Leicestershire every year. "People come on Pork Pie pilgrimages," says Matthew O'Callaghan, who is chairman. "The GIs are important for local jobs and investment, but Brexit has brought uncertainty."

O'Callaghan contacted the government after the EU referendum and was told that pork pie producers' best option would be to take out certification marks, another form of intellectual property protection.

"We felt it was too expensive to do this in each country and then legally police it ourselves," he says.

The Scotch Whisky Association (SWA), which represents manufacturers that contribute more than £5.5bn to the UK economy, does have that power. It decided to proactively seek extra GI protection in countries around the world, such as Laos. It's currently seeking certification marks in the US, as well as Hong Kong.

"We didn't really see Brexit as a serious threat. GIs protect not just producers but also consumers, so if the EU took away Scotch Whisky protection it would have been an own goal," explains Lindesay Low, the deputy director of legal affairs at the SWA.

The new UK scheme is important because historically most GI litigation has focused on domestic manufacturers and supermarkets faking brands, says Jeremy Dickerson, partner at law firm Burges Salmon.

"There is now a real opportunity for the less blockbuster UK food brands to register their own GIs under the new dedicated UK scheme," he says. "A Kent cider maker, for example, may not have registered under the EU scheme as their main market is the UK. Now they have a better regime and should get protected."

UK GIs in existing EU bilateral deals were also rolled over in last year's agreement. "There is no country where we were protected pre-Brexit that we've now lost," states Low. "It is vital that GIs continue to be incorporated in new UK Free Trade Agreements (FTAs). We're currently protected in countries such as New Zealand but there are a lot of UK products that are not."

> There is now a real opportunity for the less blockbuster UK food brands to register their own geographical indications under the new dedicated UK scheme

The government seems to be listening. In the UK-Japan FTA signed last October it increased the number of UK GIs from the seven covered in the EU-Japan deal to potentially more than 70, including English sparkling wine. And in the UK-Australia FTA in June it was stated that the UK will be able to put forward GIs for potential protection.

David Henig, director of the UK Trade Policy Project at the European Centre for International Political Economy, says this is a huge change. "Prior to Brexit the government didn't see GIs as a priority," he says. "It was seen as something Europeans worried about, not us."

Indeed, O'Callaghan says that in the EU-Canada trade deal of 2016 the UK offered no preferred GI products to the EU for potential protection. "GIs were never automatically put in a trade deal. Each country had to provide a list for consideration. We just didn't choose to put any up," he explains. "There seems to be a recognition now that our products should be included in trade deals. We have certainly lobbied that they should be."

Despite the very best intentions, negotiating GIs in trade agreements can be challenging. For example, it can be dificult to agree on product definitions or to avoid clashes with governments seeking to protect their domestic manufacturers. There must also be clear enforcement procedures enshrined in the documents.

UK manufacturers are helping in the process. "We put a lot of effort into briefing the government," explains Low. "For example, the SWA would like to see a whisky definition in its important markets requiring that it be made from grain and aged in wooden barrels; it sees FTAs as one key tool to achieving this goal.

> People come on Pork Pie pilgrimages. The GIs are important for local jobs and investment, but Brexit has brought uncertainty

"There are always going to be fake goods out there, but GIs can keep them to a level where customers can be guaranteed authenticity," he says, adding that GIs can also be a great ambassador for often much-maligned British food, opening doors to new markets.

Melton Mowbray Pork Pies are not exported to any country apart from Ireland, but O'Callaghan certainly sees the potential. "Having a GI abroad leaves the market open in case we want to export and removes any potential competitors," he explains. "I can see them going down a bomb in pork-loving China."

One day, there could even be demand internationally for UK regional fare, such as Liverpool scouse, which is a form of stew, or a Birmingham Balti.

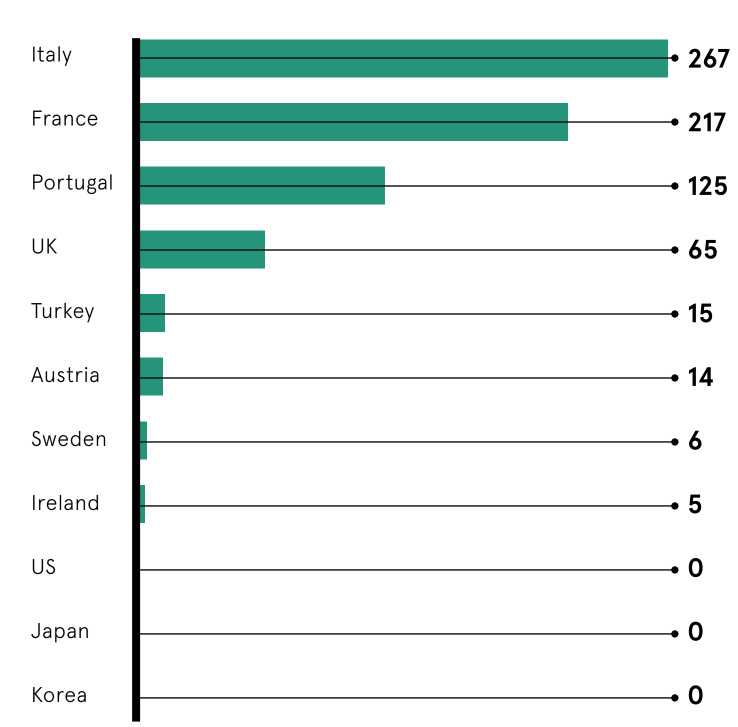
O'Callaghan is keen to see meals such as these incorporated into the UK's GI scheme.

"It would help local cafes and boost regional food reputations," he says. "It's all about customers getting the genuine article."

A Balti at a picnic, or perhaps a Christmas fair? Whatever the occasion, the status of British food post-Brexit looks healthy.

WHICH COUNTRIES HAVE THE MOST FOOD AND DRINK PRODUCTS WITH PROTECTED STATUS?

A selection of countries and their total number of products with protected status in the EU



European Commission, 2021

Commercial feature

CUSTOMS MANAGEMENT COST COMPARISON

Cost components (annual)	*Self-filing with AEB import filing and export filing cloud software*	*Traditional (non-integrated) customs broker services*	*Integrated customs broker collaboration on AEB platform*
Staff costs	£80,000 (2 FTE)	£20,000 (1/2 FTE)	£20,000 (1/2 FTE)
AEB customs broker integration	–	–	£8,247
AEB export filing UK	£4,272	–	–
AEB import filing UK	£7,512	–	–
Implementation and training	£10,800	–	£5,400
Customs broker fee – export	–	£75,000	£57,500
Customs broker fee – import	–	£162,500	£57,500
Total costs per year	**£102,584**	**£257,500**	**£148,647**
Total costs per declaration	**£20.52**	**£51.50**	**£29.73**

How the right customs strategy pays off for UK cross-border trade

Geoff Taylor, managing director at AEB (International), offers some advice on how to pick the right customs strategy

At the peak of Brexit negotiations, around 55% of UK CEOs cited Brexit uncertainty as one of their top three concerns. This uncertainty led to widespread unpreparedness, so when new customs rules took effect on 1 January 2021, UK supply chains suffered great disruptions. Amid the following scramble, many organisations implemented rushed rather than reflected customs strategies.

But customs management is an area of cross-border trade with strategic relevance and significant financial impact on supply chains. It is only efficient when the right strategy and partners are chosen, and processes are properly integrated into supply chain networks and systems.

The remaining two phases of the HMRC Border Operating Model will go into effect in October 2021 and January 2022, and fresh import requirements will apply. So, now is the time for business leaders to review their strategies and optimise operations.

There is one key question that needs answering: what is the best customs strategy for your business? Is it self-filing, traditional customs broker services or integrated broker collaboration?

Unfortunately, there is no one-size-fits-all solution; an exporter's benefit is determined by a combination of factors. First, consider what operational and financial impact Brexit has had on profit margin, supply chain and customer service to date.

Then a business needs to run some calculations based on its actual trade volumes, product specifics and individual requirements. The customs strategy that is best suited to any business depends on the number of import and export declarations, the nature of the goods, the countries it trades with and the type of customs clearances that need managing.

Outsourcing: traditional versus integrated

One of the key benefits of outsourcing to a customs broker lies in the expertise of engaging true professionals that focus on customs as their core business. Customs brokers' pricing is typically based on the number and type of customs declarations and line-items per declaration. Extra costs apply when goods require special handling, such as excise goods, foodstuff or dual-use goods.

Traditional services are usually based on passing information and customs-relevant documentation back and forth via email and PDF documents. This requires a lot of manual data entry and comes with a corresponding price tag: brokers typically charge £25 to £40 for an export declaration and £55 to £70 for an import declaration.

Automated customs broker collaboration via an integrated broker network, on the other hand, offers CEOs many advantages. This method is based on automated data transfer from an ERP system to a digital broker platform, including data enrichment for the creation of customs declarations and direct IT connections to customs brokers and relevant customs authorities.

This accelerates processes and lowers costs per declaration. It also mitigates risks because just one set of data is used and complemented without the need for manual data entry. Changing or adding brokers for existing and new trade lanes is much easier when working with an integrated broker platform, too.

Self-filing: the benefits of taking control

When a business opts to manage customs declarations itself, it will need an IT solution as well as in-house staff to manage administrative customs tasks. Keep in mind that shippers are always responsible for their customs declarations – even if they outsource. This means some in-house resources to manage customs broker services will also be needed.

The customs self-filing option gives companies full control over customs management. Efficiency relies on a powerful IT solution, one that offers speed, flexibility, scalability, good ERP-integration options and up to 100% automation. Look for a cloud-based solution because this saves on in-house IT resources for operation and maintenance, and ensures compliance with up-to-date customs law as regulations change frequently.

The question remains, though, as to which of these three customs strategy options is most cost-effective for a particular business? Take a look at the above cost comparison chart based on average charges for 5,000 standard customs declarations per year.

500px Asia via Getty Images

POLITICAL TENSION

Trading through the tensions of the Yellow Sea

As the UK seeks more trade with Asia-Pacific, businesses may have to navigate the challenges and risks of the Yellow Sea

Sophia Akram

This summer, HMS Queen Elizabeth made its maiden voyage to the Asia-Pacific. While the aircraft carrier conducted military exercises with British allies, its journey said just as much about the UK's evolving commercial ambitions as it did about the country's defence strategy.

With new trade agreements locked down with key players including Australia and Japan, political tensions in the area are not lost on the British government. The sea is still the dominant way of transporting goods and commodities, so what happens in these waters is important to businesses and the economy.

Tensions are rife in the Yellow Sea, an area of water between China and the Korean Peninsula. The region is the focus of a maritime boundary dispute between North and South Korea. It's also increasingly important to China, which is seeking to boost its naval presence to secure an exit from the Pacific in the wake of any future US-led trade blockade. On top of this, there's Japan's long-standing rivalries with China and South Korea, Chinese claims over Taiwan, and deteriorating relations between Beijing and Canberra.

Businesses that rely on safe and easy trade in one of the busiest areas in the world, therefore, must potentially mitigate such tensions, which could rebound in the form of official and unofficial bans on goods, duties, customs delays and ship rerouting. All of this could ultimately slow down production, hit their bottom line or force them to pass costs on to the consumer.

And according to a report last year from strategic advisory firm Sibylline, there's also an increased risk of state-sponsored cyber espionage and intellectual property theft, which could force organisations to pick sides or even turn them into pawns.

"The lesson is to develop a contingency plan," says Guo Yu, lead analyst on Asia Pacific at Sibylline. "Shorten the supply chain or diversify so you don't rely on a single or few routes from the same region where there has been a theme of political turmoil, natural disaster or diseases like Covid."

Andrew Ferguson's seafood company Ferguson Australia Group is familiar with the disruption that can be caused by political spats. Last year, after Australia's prime minister Scott Morrison led calls for a coronavirus inquiry, Beijing targeted Australian imports. Despite decades of rich trade in live lobster to China, Ferguson's exports took a hit; four of his containers were held for four days for supposed testing last October, leading to all the live product dying and a loss of around A$320,000 (about £170,000).

"Due to customer relationships, half was recovered in good faith," explains Ferguson. Building relationships and having an on-the-ground presence to understand the context of operations is hugely important, he says, particularly when the supply chain is vulnerable to unpredictability, including geopolitical risks. So when produce like Ferguson's live lobsters perish, it's not a reflection on the company or quality of product but is understood to be due to factors beyond the company's control.

The US-China trade war also led to tightened regulations around access to Chinese technology, which in turn led to semiconductor shortages, causing ripple effects for other industries such as the automotive sector.

> It's a moving jigsaw, so you've just got to react or spread your risk. You can't suddenly change your strategies overnight

The response has involved shifting business models, including a reduction in production hours and, in some cases, companies having to invest in their own research and development.

For example, Aiways, the Chinese Electric car manufacturer, has considered shifting battery manufacturing, which uses semiconductors, from China to Europe to help cushion the fallout from political feuding and high duties. However, the benefit of building that operation will not make sense until demand increases, explains Alex Klose, its head of overseas operations.

"The tipping point will be a certain volume for us, which is several hundreds of thousands of units. If we could do that, we would probably have a plant location [in Europe] as well," he says. Until then, it makes more sense to absorb the duties.

In addition to creating trade leverage, military escalation in the region could impact businesses in numerous ways.

"I think about [geopolitics] all the time," says Ian Hatton, founder and CEO of renewable energy startup Enterprize Energy. "A lot of effort goes into risk assessment. The general approach is 'don't make a fuss over it, but don't ignore it', so you always end up with contingency planning around scenarios [in case] something does go completely off-piste."

China asserting its claims over Taiwan is a less abstract notion to Hatton, who is based in Taipei, than say an import company in the UK that relies on goods from China.

"Planning for if North and South Koreas have a war? That's just so far away from my thinking — there's too many other more immediate things to deal with," says Nick Glynne, CEO of Buy It Direct, a large retailer of electronics, appliances and furniture.

When things go awry and unprecedented events occur, Glynne says business continuity planning only takes you so far. This was highlighted by the shipping crisis of the past few months, with Covid outbreaks causing Chinese ports to close amid increased demand. "It's a moving jigsaw, so you've just got to react or spread your risk. You can't suddenly change your strategies overnight," he says.

Glynne says he is now trying to relieve the business's dependency on China, which dominates manufacturing of raw materials or components, in part by sourcing from across factories in Europe, North Africa and Mexico.

You've got to reduce single points of failure, explains Glynne. "Whether it's a pandemic, policy change in China, or a shift in government strategy around pollution, it has a knock-on impact for UK imports and exports, and therefore consumers in the UK."

Some ecommerce companies have also been building or renting warehouse space near customers in Europe for goods to be shipped in advance, so that they have less distance to travel.

However much businesses plan, there are some contingencies you can't prepare for. For instance, while Aiways was ready to use alternative and more expensive transportation like air freight during the shipping crisis, it would not necessarily plan to replace shipping from the beginning, Klose says.

And if all businesses reroute their trade via land transportation, a solution touted by some thinkers, that would mean congestion on the railways or roads, presenting new problems for businesses.

At the end of the day, the sea is big enough, points out Yu. If transporting goods through the Yellow Sea proves problematic over the longer term, there are other maritime solutions. The Northern Sea Route through the Arctic is one intriguing possibility as climate change and melting ice sheets make it available for more of the year. It could also be quicker.

However, with this route running along the Russian coastline in the unpredictable environment of the Arctic, it might present its own set of challenges, ones that Britain has not yet anticipated.

THE YELLOW SEA BY THE NUMBERS

Average depth
44 metres

Length
960km

Width
700km

Surface area
380,000km²

Volume
17,000km³

57% of China's total trade volume emanates from within the Yellow Sea

CNA, 2012

LOGISTICS

Navigating a shortage of supplies

Covid and Brexit have disrupted supply chains. The smart companies are building visibility into their systems, improving inventory management

Rich McEachran

What do McDonald's milkshakes, Haribo sweets and Nando's peri-peri chicken have in common? Supplies have all been hit by a shortage of ingredients and heavy goods vehicle (HGV) drivers caused by the Covid crisis and worsened by Brexit.

Food and drink manufacturing is focused on short order lead times and a lean stock management system. The retail and hospitality industry uses sales data to forecast future demand and only order what should be needed. Stock is then delivered on a regular basis according to consumer buying patterns.

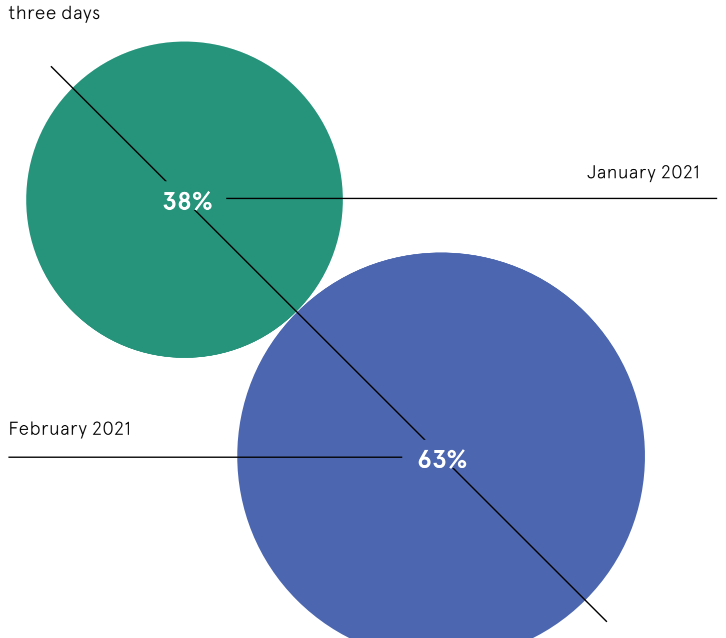
This just-in-time approach can be highly efficient, reducing food waste and associated costs. However, the smooth delivery of ingredients and products from Europe to the UK – or vice versa – depends on frictionless trade across the English Channel. This hasn't been possible since the UK exited the EU.

Such is the problem, retailers have warned that supermarket shelves could be empty of fruit, vegetables and chicken this Christmas. The problem could last well into 2022.

"Over the past 30 years, supply chains have increasingly become just-in-time. The result is that we now have a chain of activities, each reliant on others, with limited resilience. This has become very visible recently through a series of independent failures," says Emile Naus, partner at consulting firm BearingPoint and previously head of logistics strategy at Marks and Spencer.

BREXIT BORDER DELAYS ARE 'GETTING LONGER'

Percentage of importers that say they are experiencing border delays of two to three days



CIPS, 2021

By Flyby Photography via Shutterstock

> There is no easy, quick fix. There are some sticking plaster options, such as increasing driver wages, but the real solution is to fundamentally rethink supply chain designs

These shortages of ingredients, products and HGV drivers has given the retail and hospitality industry food for thought. Should it rethink how supermarket shelves are stocked? And should eating establishments stock up on the ingredients and products that are more at risk of running out to avoid future disruptions?

The answer depends on perishability. Switching from a just-in-time supply chain wouldn't be much of a problem for food and drink that has a long shelf-life and can be stored for months. But for perishable products that can't sit in storage for long periods, a move away from a just-in-time supply chain wouldn't make sense.

In a bid to reduce the HGV driver shortage and relieve the pressure on supply chains, retailers and lorry firms have joined forces to call for temporary visas for drivers from the EU. The plea has been rejected by the government.

Analysis of the ONS Labour Force Survey for the second quarter for Logistics UK indicates that 14,000 EU HGV drivers left the UK in the year to June 2020 and only 600 returned in the following 12 months. As of the end of July, the UK's HGV driver shortage stood at 100,000, according to the Road Haulage Association.

Rising Brexit-related costs and other complexities have driven up product prices, causing stock management and forecasting to become extremely difficult for fulfilment providers such as Fulfilmentcrowd.

"It has become more challenging to narrow down a small window of time to get goods in and then straight back out. This affects just-in-time for both UK imports and exports," says Chris White, the company's head of delivery.

47%

cite an increase in customs paperwork as the main reason behind the border delays

CIPS, 2021

Food and drink aside, such problems are forcing other industries to address their reliance on just-in-time supply chains and instead consider keeping spare stock, as well as seeking alternative suppliers.

"It's not easy to build up stock at a time of shortages, quite apart from the inventory costs involved. There is also a shortage of warehousing space. So many producers are being forced, in the short term, to carry on relying on prompt deliveries," says Ana Nicholls, director of industry operations at the Economist Intelligence Unit.

Automakers and high-end fashion brands, in particular, "rely on long-term partnerships with suppliers that make products to their exact specifications, so switching is more difficult", she adds. The industries that will have the most success making the switch "are those that are more reliant on generic, rather than bespoke, supplies".

Although just-in-time strategies will remain challenging in the months ahead amid uncertainties around the post-Brexit UK-EU trade relationship, the concept of just-in-time isn't dead yet, argues White.

"Supply chain tech is evolving at pace and supply chains are becoming increasingly integrated. This technology has the ability to quickly draw and analyse data to better understand uncertainty and create inventory models to keep moving goods efficiently and effectively," he says.

> Over the past 30 years, supply chains have increasingly become just-in-time. The result is that we now have a chain of activities, each reliant on others, with limited resilience

Matthew Woodcock is regional vice-president at Coupa, a procurement software provider that has customers including Adidas and BMW. "The more forward thinking [companies] will use this opportunity to review the visibility of their supply chains and the exposure to key components."

Building visibility and awareness of supply chain risks allows for better inventory management. On the other hand, "stockpiles – if built in panic mode – can lead to increased costs, as well as obsolescence risk", Woodcock adds.

With no end in sight to the supply chain disruptions, "there is no easy, quick fix", says Naus. "There are some sticking plaster options, such as increasing driver wages, but the real solution is to fundamentally rethink supply chain designs."