



HM Government

Export Strategy

supporting and connecting businesses
to grow on the world stage

A stylized world map with glowing blue lines radiating from the United Kingdom, symbolizing global connectivity and trade. The map is set against a dark blue background.

**EXPORTING
IS
GREAT**
BRITAIN & NORTHERN IRELAND

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Prime Minister

Foreword

“We are setting a new national ambition to transform our export performance, raising exports as a proportion of GDP from 30% to 35%”



Theresa May
HM Prime Minister



One of my first actions as Prime Minister was to develop a modern Industrial Strategy, to help businesses create better, higher-paying jobs with investment in the skills, industries and infrastructure of the future, as part of a truly global Britain.

This Export Strategy builds on that work, seeking to unlock the great potential of UK business, and realising the prosperity, stability and security benefits of trade.

Exporting is vital to the UK economy and our strategy for a Global Britain. Businesses that export are more productive, create more jobs, and pay higher wages¹.

Our export success spans across sectors and regions of the UK, from aerospace in Northern Ireland to transport in Wales; oil extraction in Scotland and financial services in England. And these exporters employ millions of people.

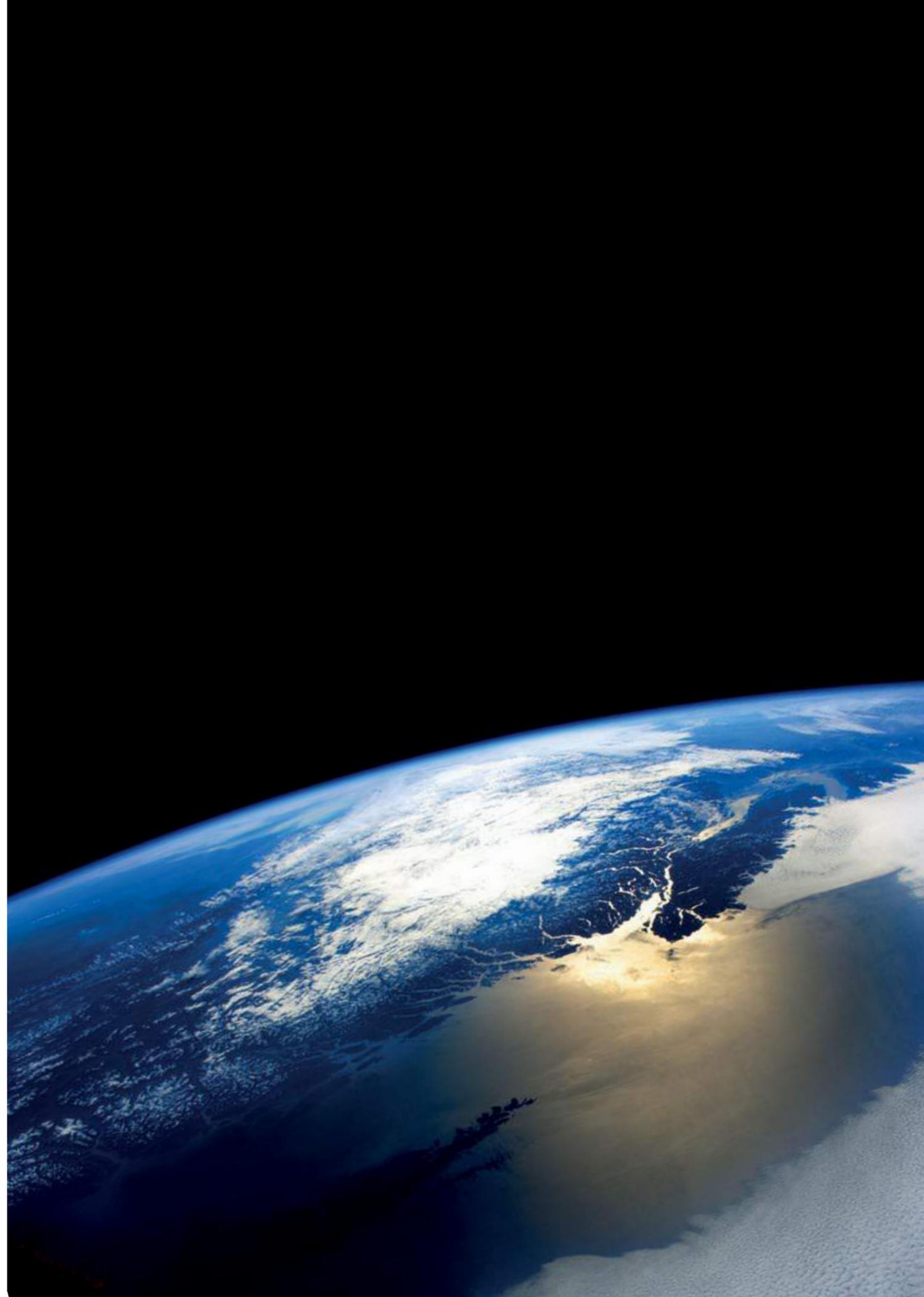
Trade is also an important part of our efforts to support countries out of poverty in a way that aid-spending alone cannot, whilst creating our trading partners of the future.

That is why we are setting a new national ambition to transform our export performance, raising exports as a proportion of GDP from 30% to 35%². This is a formidable challenge that reflects our desire for the UK to be at the forefront of global trade.

This Export Strategy sets out how government, working with the private sector, aims to put in place the right practical, promotional and financial support to help businesses to grow sustainably by exporting. But this is just the start. We now begin work across government aimed at making wider changes to our business environment, backing UK business to achieve this bold aspiration.

¹ BIS (2011), International trade and investment: the economic rationale for government intervention.

² ONS (2018), Quarterly National Accounts, January to March, released 29.06.18





Foreword

Dr Liam Fox MP

Secretary of State for International Trade and President of the Board of Trade

Global trade is growing and changing rapidly, representing a world of opportunity for UK exporters. Approximately 90% of global economic growth in the next 10 to 15 years is expected to be generated outside the EU³, while the growth of the digital economy and trade in services is making the world smaller than ever.

UK businesses are superbly placed to take advantage of these trends, and I see examples of the market and demand for British goods and services on every overseas visit I make.

This is hardly surprising. The United Kingdom is one of the world's largest and most successful economies. We are at record levels of employment while our legal system holds a reputation that is second to none. Home to some of the world's finest universities, our research and development capabilities sit at the forefront of global innovation, and our workforce is highly skilled.

We not only boast world-class, innovative companies, but also a highly capable export support market, offering high-quality business and export support to UK businesses. We are home to world-leading financial institutions and our knowledge economy is vibrant and growing.

But while the UK punches above our weight in exports, we also punch significantly below our potential. Exports represent 30% of our GDP, which is broadly similar to France, Italy and Canada, but substantially behind Germany. Given all the above strengths, we should be at the top of this pack, not in the middle.

This is the UK's export challenge: working together to access a greater proportion of world trade to drive growth, productivity and prosperity. It is a challenge for the whole of the UK, and I want organisations across the public and private sectors to address this challenge together.

We all have a part to play, so this paper sets out the government's role, taking a whole-of-government approach and working with partners in devolved and local governments as well as industry bodies and intermediaries to provide the support that exporters need.

From our large multinationals to micro-businesses, I want all of them to maximise their export potential.

³ DIT calculation based on IMF (2018), World Economic Outlook. Figures refer to growth in GDP Purchasing Power Parity (PPP).



Foreword

Baroness Fairhead

Minister of State for Trade and Export Promotion

This strategy is the first step towards achieving our national ambition for exports to represent 35% of our GDP.

It is developed through extensive engagement with businesses, business associations and key export support providers. We've consulted with companies right across the UK - from large, experienced world-leading exporters to micro start-ups who are taking their first export steps and we are enormously grateful for all their input.

We recognise that typically government doesn't export, businesses do. So our focus is on identifying where government can help companies to achieve the increased growth, productivity and job creation associated with export success.

We are not acting from a standing start. Businesses have confirmed that there are a significant number of current government services that they value. Our plan is to build on these, while also addressing areas of support which need improvement.

It is clear that too many businesses face barriers that prevent them from reaching their exporting potential. For some, the barrier is not having the right contacts in overseas markets; for others, it is concerns about payment risk or non-tariff barriers and for others still, it is a concern about not having the right skills or capabilities. This strategy aims to address these barriers.

Businesses have been clear that government has a vital role to play in overcoming these exporting barriers, but that our focus should be on providing those services that only government can supply. With this in mind, we have designed a strategy which focuses on the four core functions that government can perform in UK exports. We will:

- **Encourage** and inspire businesses that can export but have not started or are just beginning; placing a particular focus on peer-to-peer learning;
- **Inform** businesses by providing information, advice and practical assistance on exporting;
- **Connect** UK businesses to overseas buyers, markets and each other, using our sector expertise and our networks in the UK and overseas; and
- Place **finance** at the heart of our offer.

Critical to the delivery of the Export Strategy is the effective joining-up of government actions - not just across departments but also with trade associations and other export support providers. The strategy builds on the Industrial Strategy, coherently linking UK government support both domestically and internationally, to ensure that businesses will encounter no wrong door in asking government for export support.

Alongside this, government is strengthening its ties with the private sector so that UK exporters have a complete spectrum of services available to them both at home and overseas. We also recognise the vital need to promote the UK's world-class cultural, educational, and creative assets and institutions as we grow our brand and build trading relationships around the world.

We know there is more we can do across government to maximise our impact. Work is already underway as the government prioritises resources towards high-potential sectors, markets and opportunities. We are committed to seeking continual feedback and engagement from UK businesses and stakeholders to deliver the best services possible.

This strategy is the first step in a renewed national focus on improving our export performance and government and business will continue to work together to assess the new approach and develop further actions.

Raising our exports as a share of GDP from 30% to 35% is a formidable challenge, but the world is calling out for the quality goods and services the UK provides. It's an ideal time for us all to step up, work together, and answer that call.

HM Government Export Strategy | supporting and connecting businesses to grow on the world stage

1. The UK's Export Challenge

Our ambition is to grow exports as a share of GDP from 30% to 35%

- There is a world of opportunity for UK exporters
- The UK is punching above its weight but below its potential
- Our ambition is to strengthen our position as one of the 21st century's great trading nations
- The Industrial Strategy provides a platform for international success
- The government's trade policy initiatives are setting out a new framework for UK trade post-Brexit
- The UK Export Strategy builds on the government's trade and development agenda

Businesses have told us they face a range of practical barriers that prevent them from reaching their full export potential

- Access to finance (lack of working capital and cover for the financial risks of exporting and payment)

- Limited networks and contacts
- Market access issues and trade barriers

- Lack of capacity and capability
- Lack of knowledge

- Attitudinal barriers
- Limited global awareness of the UK's strengths & capabilities

2. The role of government

Building on private sector initiatives, our strategy is based on the four ways we can best make a difference, leveraging the following government resources

Finance

Ensure no viable UK export fails for lack of finance or insurance from the private sector

UKEF, as part of DIT, offer:

- Export credit facilities
- Direct lending facility
- Trade finance solutions
- Export insurance
- International Export Finance Executives

Connect

Connect UK businesses to overseas buyers, markets and each other

- Ministerial visits & missions
- HMG's International network - HMTCs, HM Ambassadors & High Commissioners
- Prime Ministerial Trade Envoys
- UKEF supplier fairs

Inform

Help businesses access the right information, advice and practical assistance

- great.gov.uk
- DIT Trade Advisers
- Intellectual Property Office
- UKEF Export Finance Managers
- UK-based sector teams

Encourage

Encourage and inspire businesses that can export but have not started or are just beginning

- GREAT Campaign
- UK Export Champions
- great.gov.uk

3. Maximising our impact

Five principles define how we will engage with exporters and what they can expect of us

1. A business-led approach
2. Doing what only government can do
3. Joining up across government, local partners and the private sector
4. Digital by design
5. Value for money

We will allocate the most effort to areas that will generate the largest or most strategic return, informed by three different perspectives

1. International demand trends
2. UK capacity & capability
3. HMG strategic priorities
 - Trade policy
 - Industrial Strategy
 - Security, stability and prosperity

The Export Strategy is just the first step in a larger programme of cross-governmental initiatives and policies aimed at boosting exports

- Assess any potential policy and regulatory changes that can be made to help achieve the step change in the UK's exporting performance
- Measure impact and gather feedback from business & our partners

Executive summary

The UK's export challenge

There is a world of opportunity for UK exporters. The global economy is changing fast. Despite the global financial crisis and other short-term factors, global exports were worth around two times more in 2017 than in 1997 in real terms⁴. Only by exporting can we tap into the trends that are transforming the world economy right now and take full advantage of the changing pattern of economic growth.

The UK is punching above our weight but below our potential. The UK is well placed to seize these opportunities. According to the latest provisional data from the IMF, we were the world's sixth largest exporter of goods and services in 2017⁵. We have a global reputation for innovation, a skilled workforce and a well-regulated economy.

Our ambition is to strengthen our position as one of the 21st century's great trading nations. We want to raise exports as a percentage of GDP from 30% to 35%, towards the top of the G7 by this measure⁶. This is challenging, but it is also achievable, and to achieve this we need businesses – the drivers of exports and growth – to expand their global footprint and take full advantage of our trading relationships in every part of the world.

The Industrial Strategy provides a platform for international success. In 2017 the government published its Industrial Strategy to make the UK economy fit for the future. It sets out the government's commitment to strengthening the foundations of productivity – ideas, people, infrastructure, business environment, and places – and to meeting the Grand Challenges that will position the UK to succeed in the face of world-changing economic trends. These

are Grand Challenges for the world, not just for the UK, and if we get them right the export potential will be huge.

The government's trade policy is setting out a new framework for UK trade. Leaving the European Union means we can pursue an independent trade policy for the first time in four decades, which we will use to maximise our trade opportunities across the world and deliver benefits for business, workers and consumers around the whole of the UK.

The Export Strategy builds on and supports the government's foreign policy and development agenda. Trade and investment and foreign policy mutually reinforce the government's agenda for Global Britain and its ambitions for prosperity, stability and security worldwide, and this is reflected in the priorities of each Embassy and High Commission. Trade with developing countries is one of the most cost-effective ways of reducing poverty⁷. The UK engages with developing countries to promote economic development. This not only alleviates poverty but also creates new markets and openings for UK businesses. We will help establish the conditions for inclusive growth and ensure our firms are well positioned to contribute to, and benefit from, such growth.

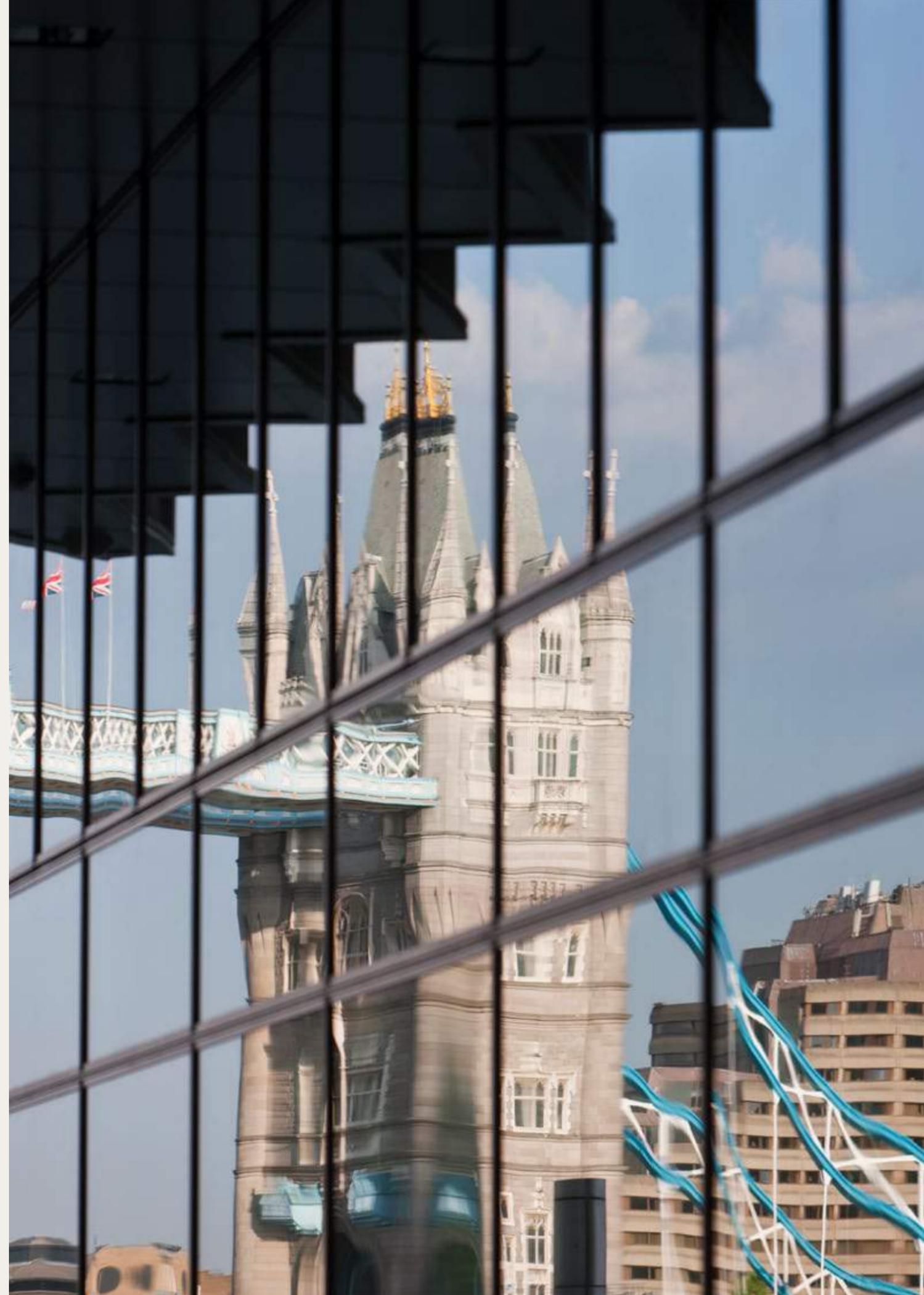
Businesses have told us they also face a range of practical barriers. These barriers include attitudinal barriers affecting some businesses that may not believe they are suited to overseas sales, or lack the confidence to pursue them; a lack of knowledge or capacity to pursue exporting opportunities; issues such as customs procedures, non-tariff barriers and local regulations; and access to trade and export finance.

⁴ United Nations Conference on Trade Development (UNCTAD).

⁵ IMF BoP Data (2017)

⁶ In addition to exports as a percentage of GDP, we will continue to track a broad set of macroeconomic measures to assess the UK's trade performance in a changing global economy, including exports to our most important markets and the world's fast-growing economies.

⁷ Winters, McCulloch & McKay (2004), 'Trade Liberalisation and Poverty: The Evidence So Far', Journal of Economic Literature, volume 42, pages 72-115.



The role of government in export support

All businesses are different. Businesses that are less experienced exporters face different issues from those that are seasoned exporters. We want businesses of all sizes to overcome the barriers that are holding them back to help them achieve sustainable export growth.

So our strategy is based on the four ways the UK government can make a difference in partnership with other providers of export support in the public and private sector. These roles are focused directly on breaking down the barriers to export, and each is supported by a set of resources and initiatives.



We will ENCOURAGE and inspire businesses that can export but have not started or are just beginning.

To do this, we will invest in our digital platform, great.gov.uk, the award winning GREAT campaign and our UK networks to amplify the voices of existing exporters across the UK and raise awareness of the benefits of exporting. We will test how we can use **targeted messages to motivate small and medium enterprises**

(SMEs) to consider exporting at key points in their business lifecycle or when new trade agreements are introduced. We will also create **a network of Export Champions across the UK** who offer expertise and guidance to support other companies on their exporting journey.



We will INFORM businesses by providing information, advice and practical assistance on exporting from the public or private sector, or their peers.

We will develop **great.gov.uk into a single digital platform for all of government's business growth and export support**. We will ensure our trade support networks and International Trade Advisers in the UK and overseas are optimised to help businesses build their exporting knowledge and capability; and

encourage SMEs to access the specialist advice and support from the private sector including by assessing the potential for financial incentives such as vouchers, grants and loans, and by **improving signposting** to the relevant export support in the public and private sector.



We will CONNECT UK businesses to overseas buyers, international markets, and each other.

We will help them overcome trade barriers, especially in emerging and developing markets where barriers are likely to be greater, create international networks, and collaborate with other businesses as 'team UK'. We will strengthen our international trading relationships through our ministerial visits, Prime Minister's Trade Envoys, and **new government-to-government commercial models** to facilitate business introductions and improve market access through reducing non-tariff barriers. To facilitate this, we will **develop a digital service to enable business and trade associations to report non-tariff**

barriers from around the world. We have also already appointed a network of Her Britannic Majesty's Trade Commissioners (HMTCS) to lead the Department for International Trade (DIT) overseas network at a regional level. The HMTCS will cooperate closely with Ambassadors and High Commissioners. They are supported by UK-based teams with deep industry knowledge and enhanced collaboration across government. We will also **improve our commercially-minded relationship support for strategically important UK exporters and investors**, and work with industry to make it easier to access e-commerce markets.



We will put FINANCE at the heart of our offer.

In UKEF, we have one of the most innovative and flexible export credit agencies in the world, and a suite of products and services to support UK exporters to ensure that no viable UK export fails for lack of finance or insurance. We will **raise awareness** of how UKEF's trade and export finance and insurance products can

increase the global competitiveness of exporters, and **bring together the UK supply chain and consortia around large UK exporters** engaged in overseas opportunities. In addition, we will analyse the full range of UKEF's statutory powers to identify where we can consider creating new products and enhancing existing ones.

Encourage

Inform

Connect

Finance

Maximising our impact

We will adhere to five principles, developed through our consultation with businesses, which define how we will engage with exporters and what they can expect of us. These principles are:

1. **A business-led approach** - Businesses are the drivers of growth and exports, and so this strategy has been informed by engagement with a wide range of businesses and representative bodies across the UK. We will ensure our support is designed around the needs of businesses and we will continue to engage with businesses and use our intelligence on market access barriers as we implement the strategy and develop our future trade policy.
2. **Doing what only government can do** - Government has a vital role in helping UK businesses to export by using its unique assets such as its international and UK network, government-to-government relationships, and our ability to 'convene' and 'connect' businesses. With these, government can open markets and unlock opportunities for UK businesses, provide trade and export finance to viable UK exports where the private sector cannot, promote the UK's strengths and capabilities across the globe.
3. **Joining up across government, with local partners and the private sector** - There are a wide range of public and private sector organisations, such as Local Enterprise Partnerships, Growth Hubs, Chambers of Commerce, the Devolved Administrations, trusted advisers, and intermediaries, who support businesses to export or to grow. Businesses have told us that this marketplace can be difficult to navigate. We want to work in partnership with the private sector and wider stakeholders to complement and improve the support available for businesses. To facilitate this, **we will create an Export Strategy Partnership Group, led by the Minister of State for Trade and Export Promotion**, bringing together senior leaders from across the export support market ecosystem. In addition, we want to take a whole-of-government approach to support businesses in their growth ambitions. This will utilise the expertise of each public body to support exporters, and we will ensure that businesses encounter 'no wrong door' across government when they seek the available business or export support.
4. **Digital by design** - Maximising the potential of digital services and data science is essential if we are to provide both effective and scalable export support and a better customer experience for UK businesses. We will build digital services that make it as easy as possible for businesses to find, access and successfully navigate all export advice, support and information provided by government. In addition, we will invest in our ability to analyse and utilise data, to improve the services and products we provide and ensure they are tailored to the needs of businesses.
5. **Value for money** - To achieve the most impact and widen our reach, it is essential that we continually look to improve the value for money of our services. We will monitor and track the impact that we have in helping businesses export, and use feedback from businesses to ensure that we are allocating resources to the areas where we can make the biggest difference. We will consider harnessing cross-government funds and continue to share the costs or charge for our services, where appropriate, to allow us to reinvest in our capabilities and serve a larger number of clients.

We will prioritise our resources so that we allocate the most effort to areas that will generate the largest or most strategic return. The government's prioritisation approach will be informed by:

- ▶ international demand trends
- ▶ the UK's strengths and capabilities
- ▶ the government's wider priorities (our future trade policy, the Industrial Strategy, and our prosperity, stability and security objectives)

This will be implemented and communicated through DIT's overseas Regional Trade Plans, led by HMTCs and setting out trade priorities and plans for the region. They will be delivered in close cooperation with Ambassadors and High Commissioners. This will mean:

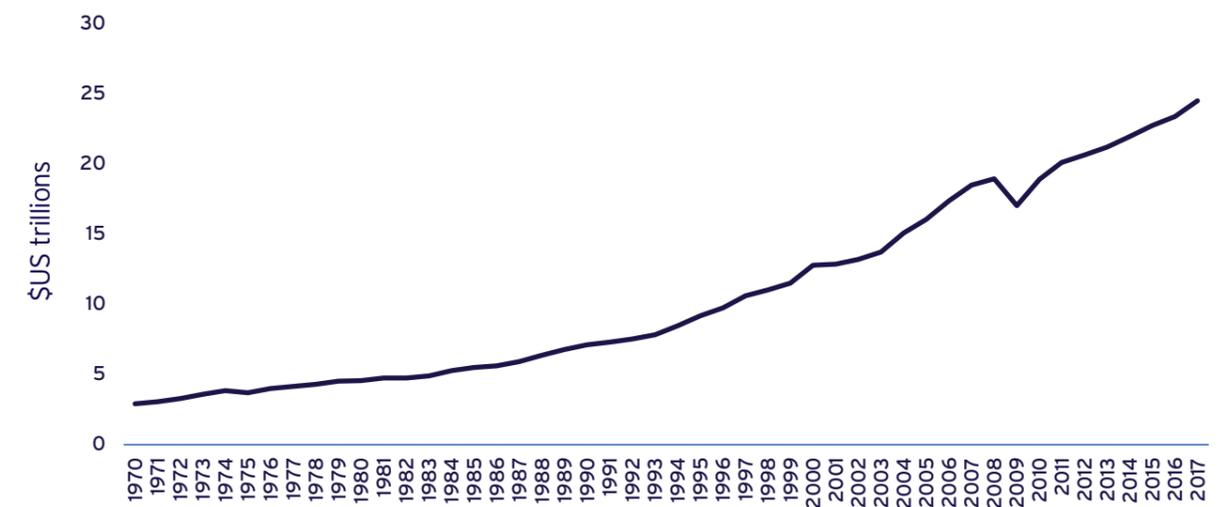
- ▶ Focusing our resources on fast growing and developing markets, where the majority of global growth will come and where government can have the greatest impact, while maintaining or deepening our trade relationships with existing trade partners
- ▶ Addressing market access issues which impact multiple businesses or sectors while remaining flexible to shorter term commercial opportunities where government can make a difference
- ▶ Reflecting the Industrial Strategy and its export potential via the Grand Challenges and Sector Deals, while remaining flexible to other opportunities
- ▶ Communicating and providing tailored support to maximise the opportunities created by our future Free Trade Agreements
- ▶ Supporting the government's prosperity agenda to harness trade's potential to boost economic prosperity, create jobs, support greater participation by women and under-represented groups in the economy, and lift communities out of poverty around the world

This is only the first step to address the UK's export challenge. This challenge is complex, but it will bring rewards to all of us if we get it right. We know there is always more we can do. We will continuously improve our support for business, and, over the coming months, departments across the UK government will assess the policy and regulatory changes necessary to achieve a step change in the UK's exporting performance.

There is a world of opportunity for UK exporters

The global economy is changing fast. Despite the global financial crisis and other short-term factors, the value of global exports was worth two times more in 2017 than in 1997⁸. Despite some uncertainty over future global trade growth, many new opportunities will still be generated. Only by exporting can we tap into the trends that are transforming the world economy right now and take full advantage of the changing pattern of economic growth for the future.

Figure 1: Global exports of goods and services 1970-2017 in constant 2010 \$US



Source: World Bank

Rise of emerging markets

There have been significant shifts in shares of world trade over recent years. Developed economies' share of global exports fell from 69% in 1980 to 55% in 2015, with the rise of China as a global power and exporter accounting for much of the change⁹. These trends are expected to continue and approximately 90% of global economic growth in the next 10 to 15 years is expected to be generated outside the EU¹⁰.

1. The UK's export challenge

⁸ UNCTAD.

⁹ UNCTAD.

¹⁰ DIT calculation based on IMF (2018), World Economic Outlook. Note that figures refer to growth in GDP Purchasing Power Parity (PPP).



“Strong growth in our export markets (Europe and the Middle East) has enabled us to continue to accelerate our brand on a corporate level”.

Peter van der Kolk, CEO,
John Cullen, lighting
designer, London

Established trade partners

While emerging markets, such as those in the Asia Pacific region, are going to be increasingly important for our exports in the future, our established trade partners will continue to be essential. For instance, the USA is the single largest export market for the UK¹¹, accounting for 18.2% of the UK's exports in 2017, while the EU accounted for 44.5% of the UK's exports¹².

As we leave the EU, we want the broadest and deepest possible partnership - covering more sectors and co-operating more fully than any free trade agreement (FTAs) in the world, while being able to negotiate our own trade agreements across the globe.

We have already established multiple working groups and high-level dialogues with established trade partners to strengthen bilateral and plurilateral trade and investment relationships. For instance, we have set up a UK-US Trade and Investment Working Group and, in September 2017, we signed the first ever UK-US science agreement to strengthen research collaboration which included £65 million of UK investment¹³.

¹¹ Ranking based on data for 2016 from Office for National Statistics (ONS) (2017), UK Balance and Payments, The Pink Book.

¹² ONS (2017), UK Balance of Payments, the Pink Book.

¹³ GOV.UK (2017), 'First-ever UK-US Science and Technology Agreement.'

Global value chains

As supply chains become more global, different stages of production are increasingly located across different countries. Approximately 80% of world trade is estimated to take place within the international production networks of multi-national companies¹⁴. For example, a fifth of exports from the UK consist of intermediate components that have been imported¹⁵.

This fragmentation of production in recent decades has been facilitated by trade liberalisation policies and a decline in the costs of transportation and Information Communication Technology. This has also contributed to a substantial rise in the trade of intermediate goods and services.

These complex and multi-dimensional global value chains are often not captured adequately in traditional international trade statistics, as the latter record the entire value of a product that is exported rather than the value a country adds to the production of goods and services it exports.

Global value chains provide a strong justification for deep FTAs that will help provide access to intermediate goods which in turn improve the quality of the UK's final goods - and equally allow the UK to export our best intermediate goods.

“Both importing and exporting are vital to our success. DIT has been instrumental in helping us operate in a global marketplace, through guidance and access to working capital with UK Export Finance support”.

Steve Edwards, Managing
Director, Flamgard Calidair,
manufacturers, Pontypool,
Wales

¹⁴ UNCTAD (2013), '80% of trade takes place in 'value chains' linked to transnational corporations.'

¹⁵ OECD (2015), 'Trade in Value Added (TiVA): UK.'

Trade in Services

Trade in services over the last 20 years has been the most dynamic segment of world trade, growing more quickly than trade in goods¹⁶. It already represents around a quarter of the value of world trade¹⁷, and in 2017 services accounted for 35% of the value of UK trade¹⁸.

Services are also a key intermediate input in global value chains, and when including the value of services embedded in manufacturing, services account for close to two thirds of the value added of UK exports¹⁹.

Currently, international trade architecture is dominated by goods and the evidence points strongly to barriers to trade in goods falling more than barriers to trade in services²⁰.

The evidence also suggests that gains from more open services sectors spill over to manufacturing. Business services are key manufacturing inputs, so an open services sector helps support manufacturing firms. It is estimated that manufacturing productivity could increase by 7-18% if some OECD countries were as open to services trade as the UK²¹.

“Exports are a key part of our business plan and we now export to over 50 countries. Competing in the global marketplace has made us innovate more – increasing our productivity and making us more profitable and resilient. The lessons learned from exporting abroad has even improved our performance at home.”

Irene McAlese, Co-founder & Chief Strategy Officer at See.Sense, Northern Ireland

¹⁶ WTO (2015), 'Trade in Services: the most dynamic segment of international trade.'

¹⁷ UNCTAD

¹⁸ ONS (2018), Balance of Payments January to March 2018

¹⁹ UNCTAD (2013), '80% of trade takes place in 'value chains' linked to transnational corporations.'

²⁰ It was found that world trade costs in goods fell by around 15% in the period 1995-2007, while trade costs in services remained stable. Miroudot, Sauvage and Sudreau (2010), 'Multilateralising Regionalism: How Preferential Are Services Commitments in Regional Trade Agreements?', OECD Trade Policy Papers, Number 106.

²¹ Beverelli, Matteo, and Hoekman (2017), "Services trade policy and manufacturing productivity: The role of institutions", Journal of International Economics, Volume 104, pages 166-182.

The Digital Economy

The Digital Economy, and e-commerce in particular, are an important driver to wider economic growth and trade. Virtually every type of cross-border transaction now has a digital component, and cross-border data flows added \$2.8tn to world GDP in 2014²². The UK is a strong supporter of modern and ambitious digital provisions in trade, including: e-commerce, data and telecommunications; while understanding the importance of ensuring personal data protections are not put at risk.

E-commerce has also already greatly helped many small and medium sized businesses (SMEs) access international markets and sell directly to overseas customers. It is estimated that cross-border e-commerce accounted for 12% of global goods traded in 2016 and is expected to grow at twice the rate of domestic e-commerce until 2020²³. The UK is one of the most advanced e-commerce markets in the world and has a reputation for creating and nurturing world-renowned retailers and brands.

The Commonwealth

The Commonwealth is home to almost a third of the world's population, half of the globe's top 20 emerging cities and 60% of its population is under 30²⁴. With its unparalleled network of common language and laws, trade costs between Commonwealth countries are also estimated to be 19% lower than between other trading partners²⁵. In 2016, total intra-Commonwealth trade in goods and services was estimated to be \$560bn and is projected to reach \$700bn by 2020²⁶.

Following the 2018 Commonwealth Heads of Government Meeting (CHOGM) in the UK, during which Leaders agreed concrete actions towards a more prosperous, fair, secure and sustainable future, the UK is now the Chair-in-Office of the Commonwealth until 2020. We will, as Chair-in-Office, continue to work with the other 52 members of the Commonwealth to promote free trade in a transparent, inclusive, fair, and open rules-based multilateral trading system, which takes into account the special requirements of least developed countries and small and vulnerable economies. We will also continue to strengthen our existing trade links and deliver our programmes launched at CHOGM, which aim to boost open and inclusive trade across the Commonwealth, and address systemic barriers to the full and equal participation of women in the economy.

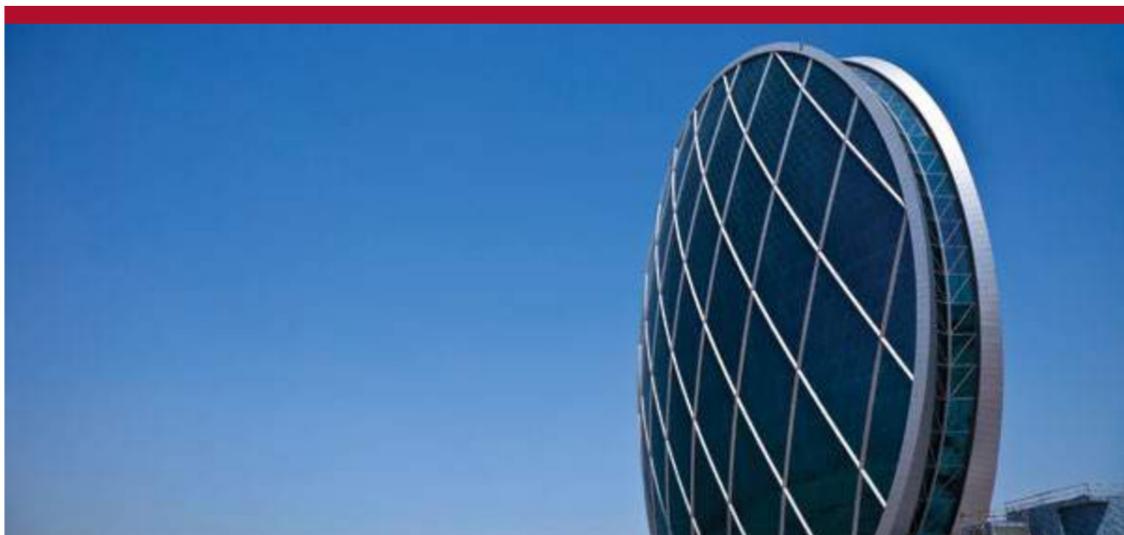
²² Manyika, Lund, Bughin, Woetzel, Stamenov, and Dhingr (2016), 'Digital globalization: The new era of global flows', McKinsey Global Institute.

²³ International Trade Centre (2017), 'New Pathways to E-commerce: a global MSME competitiveness survey', ITC, page 1.

²⁴ <http://thecommonwealth.org/fastfacts>

²⁵ Commonwealth Secretariat, Strengthening the Commonwealth Advantage, Commonwealth Trade Review 2018

²⁶ Commonwealth Secretariat, Strengthening the Commonwealth Advantage, Commonwealth Trade Review 2018



Overseas Regional Initiatives

There are also investment initiatives led by overseas governments to boost regional prosperity where the UK government is an important partner to unlock mutual benefits. Examples include China's Belt and Road Initiative (BRI) and the GCC States' economic diversification plans.

Belt and Road Initiative

The UK is well positioned to benefit from the BRI which was launched in 2013. This initiative will provide significant investment across Asia (and further into Africa and Europe) in new infrastructure, including seaports, airports, rail freight, highways, telecoms, oil/gas pipelines and power generation. This investment will offer opportunities for UK exporters, particularly in terms of:

1. Project design, implementation and governance
2. Financial design and legal services
3. Equipment, clean energy, and other innovative technologies
4. Construction and related services

Working with the new HM Treasury's BRI Envoy, the Minister of State for Trade and Export Promotion will give strong leadership and focus to BRI, through a London coordinating team and new staff in selected

markets. The government will focus on trilateral working with China (government departments, company headquarters, and their subsidiaries overseas) and third countries (project owners and their governments) to develop a pipeline of BRI opportunities.

GCC states' economic diversification plans

The Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), have embarked upon major programmes to improve their economic resilience through diversifying their revenue streams. They aspire to build knowledge-based economies, reduce public expenditure, grow their private sectors, and upskill their people to work in these restructured economies.

The UK is a natural strategic partner for them in realising their ambition. For example, there are huge new opportunities in sectors that are strengths for the UK - like technology, cyber, life sciences, creative services, renewables, and vocational training. At the same time, we will continue to focus on our traditional areas of strength in these regions - oil and gas, aerospace, defence, and infrastructure. Diversification also provides a regional opportunity in education and healthcare as the GCC governments seek to upskill their people.



The UK is punching above its weight but below its potential

The UK business environment

The UK is known for its excellent legal system, a skilled workforce, a competitive tax regime, and a well-regulated economy. The UK also has a global reputation for innovation – we are home to some of the world's finest universities, our research and development (R&D) capabilities are cutting-edge, and our intellectual property (IP) framework is numbered among the best in the world²⁷.

The economy has grown for eight consecutive years, exceeding expectations in 2017, and is now 16.7% larger than it was in 2010 and 10.4% above its pre-crisis peak²⁸. Employment has increased by over 3 million since 2010, which is the equivalent to an average of 1,000 people finding work every day²⁹.

Raising productivity is one of the government's key priorities and is core to the UK's Industrial Strategy. While the UK has some of the most productive companies in the world, there is a large proportion of businesses that perform less well in terms of productivity; these are the long tail of low productivity businesses. By improving productivity while simultaneously keeping employment high, we can boost our earning power – raising living standards, providing funds to support our public services and improving the quality of life for all our citizens.

We have already taken significant action to boost productivity, including important investments in R&D through the Industrial Strategy Challenge Fund, in infrastructure

through the £31bn National Productivity Investment Fund, and in skills through our work to establish a world class technical education system. To complement these measures, we have also launched the Business Productivity Review, led by the Department of Business, Energy and Industrial Strategy (BEIS) and HM Treasury, to build our understanding of how firm-level interventions, by public and private sector actors, can support growth and productivity for the long tail of low productivity businesses.

Greater participation by women in the UK economy is also a great opportunity. There are huge gains to be made from closing the gender pay gap and supporting women to participate equally in the economy – both for women's empowerment and for the economy³⁰.

To help businesses connect with buyers, markets, and each other, the UK government is driving strategic investment across transport, telecommunication and digital infrastructure through the Industrial Strategy. The National Infrastructure Commission has undertaken work to assess the issues faced by freight, and will recommend solutions to support its continued success in the UK. An interim 'Freight fit for the Future' report will be published in Autumn 2018, with a final report by Spring 2019.

27 The UK was ranked as 3rd in the 5th Global Intellectual Property Index Report. Taylor Wessing (2016), '5th Global Intellectual Property Index'.

28 ONS (2018), Quarterly National Accounts.

29 ONS (2018), 'UK labour market: May 2018', Statistical Bulletin.

30 McKinsey Global Institute (2015), 'How advancing women's equality can add \$12 trillion to global growth', McKinsey and Company.



Innovate UK

Innovate UK is the business-facing part of UK Research and Innovation (UKRI), the new body overseeing science and innovation funding in the UK. Innovate UK supports high potential UK businesses, especially SMEs, to find partners, investors and knowledge to drive new products and services from concept to commercialisation. Its Global Business Innovation Programme helps UK SMEs develop international partnerships on research and development as a first step towards international business activity. Innovate UK and DIT will establish a framework to build on supporting the most innovative UK businesses so that they are ready to export and participate in global supply chains.

For more information on Innovate UK's global offering to UK businesses, please see:

www.gov.uk/guidance/global-innovation-what-support-is-available



World-class sectors

The UK has a significant number of large, internationally competitive sectors. We are relatively specialised in areas as diverse as financial services, insurance and pensions services, cultural and recreational services, chemicals (including pharmaceutical products), other business services (which includes R&D, consultancy and trade-related services), transportation (including vehicles, aircraft and spacecraft), food products and defence equipment³¹.

As detailed in the Industrial Strategy, through specific Sector Deals, the government has set an open challenge to all sectors of the economy to come forward with a clear, long-term set of proposals to establish a partnership with government to transform the productivity of their sector. Sector Deals are strategic, long-term partnerships between industry and government, backed by sizeable private sector co-investment. Construction, life sciences, artificial intelligence, creative industries and automotive will be the first to benefit, and we are also setting out a process for the next phase of deals.

Leading destination for international investment



The UK's competitive business environment is a significant incentive for businesses to invest and grow. It supports efforts to attract innovative businesses in the manufacturing and technology sectors to invest in the UK and develop high quality UK goods and services that are attractive to both global and domestic consumers. Attracting foreign direct investment (FDI) into the

UK supports the economy, increases the capability of UK businesses, strengthens the UK's supply chains, and can generate export opportunities³².

To ensure that we continue to be a global leader in attracting FDI, DIT has launched a new FDI Strategy that will deliver new ways to target support for the FDI projects that create the most value for investors and national wealth, and make DIT the world's most sophisticated investment promotion organisation.

The strategy has a three-part approach that will make use of data in new ways to measure the economic impact of projects, identify opportunities across the UK with the greatest potential for international investment, and target government support precisely where it will make the biggest difference for the economy.

³¹ DIT analysis: for goods, World Integrated Trade Solution; and for services, International Trade Centre, Trade Map.

³² ONS (2016), Annual Business Survey, Great Britain non-financial business economy: 2016 exporters and importers.

Sector Deals

We have already published six Sector Deals and we are committed to extending these successful partnerships to other parts of the economy:



- 1. Artificial Intelligence (AI) Sector Deal:** A partnership between government and the AI sector to make the UK a global leader for AI innovation and investment. We are committing to working together to build and maintain the leading AI workforce in Europe.



- 2. Automotive Sector Deal:** Co-investment in the next generation of electric and connected and autonomous vehicles including an ambition for 50% UK suppliers as part of a programme to improve the competitiveness of the UK supply chain.



- 3. Construction Sector Deal:** Government and industry will co-invest to create an integrated innovation hub to develop and commercialise digital and manufacturing technologies for the construction sector.



- 4. Creative Industries Sector Deal:** Unlocking growth for creative businesses and investing more than £150m across the lifecycle of creative businesses, including in augmented and virtual reality and a Cultural Development Fund to support creative clusters across the UK, and in the creative skills of the future via a careers programme that will open up creative jobs to people of every background.



- 5. Life Sciences Sector Deal:** Developing a Health Advanced Research Programme where charities, industry, government and the NHS jointly collaborate on ambitious, long-term projects to develop transformative healthcare technologies and create new UK industries.



- 6. Nuclear Sector Deal:** An ambitious programme to invest in emerging nuclear technologies and commit to increasing gender diversity in the civil nuclear workforce with a target of 40% women in nuclear by 2030.

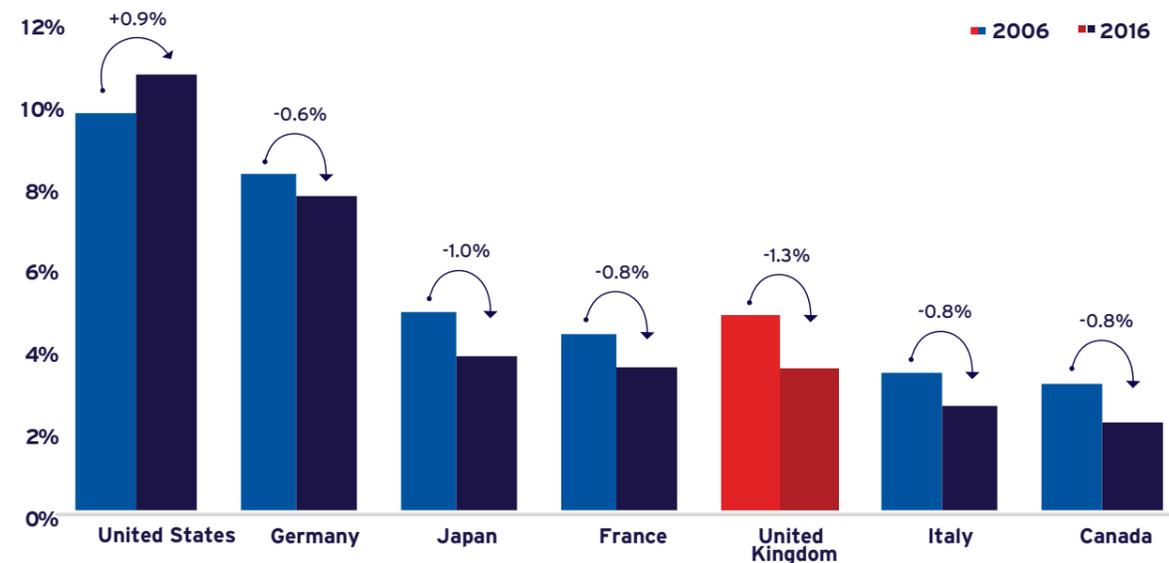
However, the UK is not fulfilling its exporting potential

In terms of the value of exports according to provisional IMF data in 2017 the UK ranked³³:

- ▶ Sixth in the world for exports of goods and services
- ▶ Third in Europe for exports of goods and services

However, the UK can do more to achieve its full exporting potential. Although most G7 economies have witnessed a fall in their share of global exports over the past ten years, there is evidence that the UK's share has fallen faster than other major advanced economies.

Figure 2: Share in world exports 2006-2016



Source: OECD

This has especially been the case with the UK's share of goods trade with developing countries which has fallen from 6% in 2002 to 2% of the market in 2016. In the same period, the average rate of growth of UK exports to developing countries was 4%, which is half of that of Germany's (8%) and almost a fourth of Turkey's (15%)³⁴.

This is partially due to the nature of the UK's exports, since they are often of high value and based around services, whereas consumers in developing markets tend to be more price-sensitive and goods-driven. As incomes in emerging markets continue to grow, this offers an opportunity for UK business to raise their ambition beyond established export markets.

33 IMF BoP Data (2017)

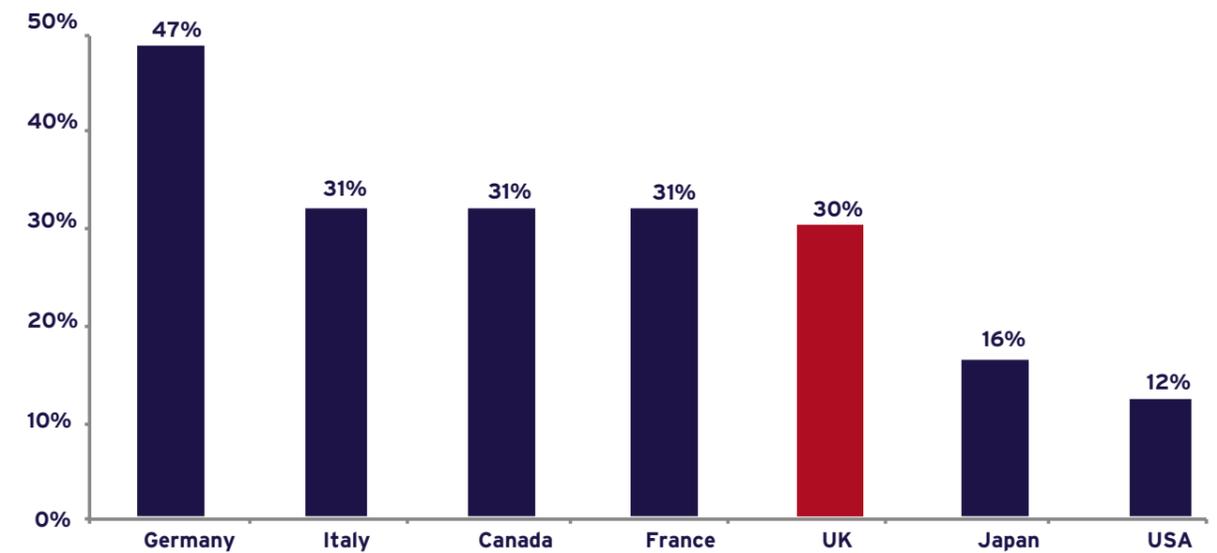
34 Analysis of UN Comtrade Database (2016). Trade in goods only. 'Developing countries' here is defined as all African, Caribbean and Pacific countries, Least Developed Countries (as defined by the UN) and lower middle-income countries (World Bank groupings), excluding India."

Our ambition is to strengthen our position as one of the 21st century's great trading nations

When taken as a percentage of GDP the UK's level of exports ranks mid-table in the G7. Our long-term aspiration is to increase exports as a percent of GDP to 35% from 30%.

This is a challenging ambition. It could be met if every existing exporting business exported 16% more³⁵. This will require government working in partnership with industry to establish the conditions for businesses to thrive. While there are a number of ways to set an ambition for exports, this approach more accurately reflects changes in the UK's underlying export performance, is less affected by short-term economic fluctuations in the business cycle, and is not fixed to a specific timeframe. This strategy is the first step on this journey.

Figure 3: Exports of goods and services as a % of GDP for G7 nations³⁶



Source: UNCTAD

Note: Figures for Canada, Japan and the USA are from 2016 as 2017 figures are not yet available

Since 2010, the UK's exports have grown by nearly 40%, totalling £616bn in 2017, and exports as a percentage of GDP has also risen from 28% to 30% over the same period³⁷. Nevertheless, as a great trading nation with a wide range of world-class sectors, there is more we can do to reach our potential.

The UK starts from a position of strength. The government launched the Industrial Strategy in November 2017 setting out our long-term plan to boost the UK's productivity and earning power. In addition, as we leave the EU, we will be able pursue an independent trade policy to maximise opportunities around the world.

35 DIT analysis of ONS (2018) Quarterly National Accounts, January to March, revision 29.06.18.

36 OECD stats Estimates for Canada, Japan, and the USA are for 2016, as data for 2017 is not yet available, Organisation for Economic Co-operation and Development (OECD). Stat. Estimates for the UK is taken from ONS (2018) Quarterly National Accounts, January to March, revision 29.06.18.

37 ONS (2018) Quarterly National Accounts, January to March, revision 29.06.18.

The Industrial Strategy provides a platform for international success

In 2017 the government published its Industrial Strategy to make the UK economy fit for the future. It sets out the government's vision for a strategic state that will create the right conditions to allow us to thrive in the long term by making a difference to productivity and the economy. The Strategy outlines the government's commitment to strengthening the foundations of productivity – ideas, people, infrastructure, business environment, and places – and to meeting the Grand Challenges that will position the UK to succeed in the face of world-changing economic trends.

The Industrial Strategy announced measures to build on the foundations of productivity including:

1. A clear ambition to raise total investment in R&D to 2.4% of UK GDP by 2027 and 3% in the longer term, placing us in the top quartile of OECD countries
2. Investing an additional £725m in new Industrial Strategy Challenge Fund programmes that make the most of new technologies and capture the value of innovation
3. Investment in high-quality infrastructure, increasing the National Productivity Investment Fund to £31bn
4. Boosting our digital infrastructure with over £1bn of public investment, including £176m for 5G and £200m for local areas to encourage roll out of full-fibre networks
5. Driving over £20bn of investment in innovative and high potential businesses, including by establishing a new £2.5bn Investment Fund, incubated in the British Business Bank
6. A tax regime that supports exports and investment; since 2010 the UK corporation tax rate has been reduced from 28% to 19% – the lowest overall rate among G20 countries – and government has increased the R&D tax credit to 12%
7. Developing our skills base to support innovation and participation in global supply chains, including investing an additional £406m in maths, digital and technical education, helping to address the shortage of science, technology, engineering and maths (STEM) skills. We do not want to miss talent from underrepresented groups and this focused action will support the take-up of STEM subjects amongst women as well as men

The Grand Challenges

The Industrial Strategy set out four Grand Challenges, focused on long-term global trends which will shape our future: Artificial Intelligence and the Data-Driven Economy, the Future of Mobility, the Ageing Society, and Clean Growth. These challenges will direct the focus of government and engage the private sector, academics and civil society to ensure we take advantage of major global trends, improving people's lives and the country's long-term competitiveness and productivity.

Growing the Artificial Intelligence and Data-Driven Economy

We will make the UK a global centre for AI and data-driven innovation. Artificial Intelligence (AI) and data-driven technologies are general purpose technologies, that are already starting to transform the global economy. These technologies have the potential to significantly improve productivity in the UK – the calculated equivalent of an additional £232bn by 2030³⁸. Globally, AI could contribute up to \$15.7tn to the economy by 2030³⁹.

The UK's digital sector has been a strong contributor to the country's exports, and exported a record £46.4bn worth of services in 2016, accounting for 18.9% of UK service exports. Of this, £20.8bn worth of services were sold to the EU while £25.6bn were sold to the rest of the world⁴⁰.

The UK is well placed to take advantage of global opportunities in this area and we are investing £9m in a new Centre for Data Ethics and Innovation, and will invest £45m to support additional doctoral studentships in AI and related disciplines by 2020-21.

Future of Mobility

We are on the cusp of a profound change in how we move people, goods and services around our towns, cities and countryside. Significant investments are being made in the electrification and automation of road vehicles; in the modernisation of rail services to deliver higher capacity, speed and connectivity; and in the development of autonomous aerial and marine transport.

The automotive industry has been a core strength for UK manufacturing in the past few decades. In 2017, the UK exported automobile products worth £44bn representing 13% of total UK goods exports⁴¹.

In 2016, around 15% of the total UK R&D spend was generated by UK automotive companies⁴². This has been supported by major investments from the UK government such as the £246m Faraday Challenge designed to boost the development of battery technology, £250m for connected and autonomous vehicle research and the development and testing infrastructure, and £200m in electric vehicle charging infrastructure.

Further government actions, including a Future of Urban Mobility Strategy and a thorough regulatory review, will help address barriers to innovation and continue the UK's long tradition of bringing transport solutions to the world.

38 PWC (2017), 'Artificial Intelligence could add £232bn to UK GDP by 2030.'

39 PWC (2017), 'Sizing the Prize: What's the real value of AI for your business and how can you capitalise?.'

40 DCMS (2018), Sectors Economic Estimates 2017: Trade report.

41 ONS (2018), UK trade in goods by Classification of Product Activity (CPA) (08), released 15.06.18.

42 ONS (2017), Business enterprise research and development, UK: 2016, Statistical Bulletin, released 21.11.17.

► A range of YASA-powered cars

Originally founded as a spin-out from Oxford University in 2009, YASA is now a leading manufacturer of axial-flux electric motors and controllers for automotive and aerospace applications. YASA motors and controllers are designed and manufactured at YASA's new 100,000 unit capacity production facility, which was opened in February 2018 by the Secretary of State for Business, Energy and Industrial Strategy.

YASA's electric motors are designed and manufactured in Oxford, bringing 150 jobs to the

area across design, engineering, manufacturing and other disciplines. 80% of the company's products are destined for international export to Europe, America and China.

Since its foundation, YASA has benefited from significant support from UK Government initiatives and grants targeted at high-tech start-ups and high-growth SMEs, including from Innovate UK. The funds have supported YASA's R&D, product development, production capability and growth plans.



“Automotive and aerospace manufacturers are embracing the growing opportunity of electric power, announcing accelerated timescales for the launch of hybrid and pure electric vehicles and aircraft. With continued support from our customers, investors and government initiatives such as Innovate UK, YASA is well positioned to capitalise on the global opportunities of this electric revolution and become the world-leading manufacturer of electric motors and controllers.”

Chris Harris, YASA's CEO

Ageing Society



“We are very proud to be working with international partners and governments to address some of the most critical population health challenges by helping to provide a more efficient, personalised health experience for patients with rare and chronic conditions.”

Dan Vahdat, co-founder, Medopad, healthcare technology company, London

Globally, there are likely to be 1.4bn people over the age of 60 by 2030⁴³. It is estimated that between 2008 and 2030, over 55s will be responsible for 50% (USA), 67% (Japan) and 86% (Germany) of the growth in consumer spending⁴⁴. This will result in increased global demand for health and social care and related technologies.

The UK has unique strengths including powerful health datasets in the NHS, world-leading design institutes, and strong life sciences, healthcare, and MedTech sectors. We have invested over £300m to develop innovations and technologies to help meet the diverse needs of an ageing society.

Clean Growth

Whole new industries will be created, and existing industries transformed, as we move towards a low-carbon, more resource-efficient economy. Global trade in a selection of low-carbon goods and services could increase from around £150 billion in 2015 to £1.0-£1.8tn in 2030⁴⁵. In addition, according to one estimate, the UK's clean economy could grow at up to 11% per annum between 2015 and 2030⁴⁶.

The UK has been at the forefront of international efforts to tackle climate change, leading the G7 in growing our economy while reducing emissions. We have cut emissions by over 43% since 1990⁴⁷. To continue this progress, we are investing over £2.5bn in low-carbon innovation by 2021.

We have already set up a Green Finance Taskforce to both accelerate investment into the UK's clean economy and extend the UK's global leadership in setting standards in this area. Our recently published Clean Growth Strategy sets out our ambitious proposals for continuing this progress through the 2020s.

43 UN (2017), World Population Prospects, Key Findings & Advance Tables, 2017 Revision.

44 Boston Consulting Group (2011), Global Aging: How companies can adapt to the new reality.

45 Carvalho & Fankhauser (2017), 'UK export opportunities in the low carbon economy', Grantham Research Institute on Climate Change and the Environment.

46 Ricardo Energy and Environment for the Committee on Climate Change (2017), 'UK business opportunities of moving to a low carbon economy.'

47 BEIS (2018), '2017 UK Greenhouse gas emissions: provisional figures.'

The government's trade policy initiatives are setting out a new framework for UK trade

Trade policy work provides the context in which businesses can engage in trade and promote UK and global prosperity, and for UK exporters, trade policy secures access to and breaks down barriers in markets around the world. Within that context, trade promotion addresses key market failures, such as the lack of information on the benefits of exporting or on international commercial opportunities, that deter UK business from engaging in or developing their export activities.

The UK's exit from the European Union will give us the opportunity to pursue an independent trade policy for the first time in over four decades, and create new opportunities for our exporters. As published in our White Paper, 'Preparing for our future UK trade policy', the overarching objective of our new trade policy is enhanced economic prosperity for the UK, through the development and delivery of a trade policy that delivers benefits for business, workers and consumers across the whole of the UK. In doing this, the government commits to the following underlying principles. The UK will:

- ▶ Pursue economic prosperity for the UK and lead by example through our liberal economy and pursuit of free trade
- ▶ Develop, support and enforce a fair and proportionate rules-based system for trade, domestically and internationally
- ▶ Develop a trading framework which supports foreign and domestic policy, sustainability, security, environmental and development goals
- ▶ Develop a trade agenda that is inclusive and transparent

However, increasingly, free and open trade cannot be taken for granted. While the UK is a champion for global free trade, openness and economic cooperation, research by the OECD shows that the number of trade barriers operated by the biggest economies

in the world has risen by almost 400 between 2012 and 2016⁴⁸.

We want to maximise our trade opportunities globally and across all countries – both by boosting our trading relationships with old friends and new allies, and by seeking a deep and special partnership with the EU. The UK will look to secure greater access to overseas markets for UK goods exports as well as push for greater liberalisation of global services, investment and procurement markets.

We are already talking to a number of countries on a variety of future trading options, exploring the best ways of progressing our trade and investment relationships, which could include new Free Trade Agreements (FTAs). We have announced 14 working groups and high-level dialogues with 21 trade partners countries, to explore the best ways of progressing our trade and investment relationships, which includes potential new FTAs and trade continuity agreements.

To ensure that we are transparent and inclusive when developing our trade policy priorities, we will engage with businesses and stakeholders across the UK. This will also deepen our understanding of the opportunities and barriers to international trade. For example, DIT have recently launched public consultations on future free trade agreement negotiations. These consultations are one of a number of means by which Parliament, the Devolved Administrations, the public, businesses, civil society and trade unions can have their say on the government's approach to new trade agreements.

48 WTO, OECD and UNCTAD, 18th Report on G20 Trade and Investment Measures (2017).

The Export Strategy builds on and supports the government's foreign policy, and trade and development agenda

Trade and investment and foreign policy mutually reinforce the government's agenda for Global Britain and its ambitions for prosperity, stability and security worldwide, and will be critical to making new partnerships and strengthening existing ones.

DIT, the FCO and DFID will work together overseas to ensure that all our priorities reinforce one another and that our existing policies are used to support the UK's new independent trade policy objectives, gaining better market access for British business in line with the Industrial Strategy.

Trade with developing countries is one of the most cost-effective ways of reducing poverty⁴⁹. Economic growth is fundamental for sustained poverty reduction, and opening up to trade increases a country's GDP because it allows a country to use its resources more efficiently through specialisation, incentivises innovation, and creates new employment opportunities. As a result, it will help build more prosperous economies to the mutual benefit of all our citizens and businesses⁵⁰.

Targeted interventions can also help ensure that developing markets industrialise at pace with well-regulated and open economies. This is at the heart of the Department for International Development's (DFID) new Economic Development Strategy.

DFID now has ambitious economic support programmes in the majority of countries where it operates. Through the UK shareholding in the World Bank Group and other Regional Banks, we have driven

an ambitious package of support for economic transformation, infrastructure investment and trade openness. Innovative programmes, such as TradeMark East Africa, Invest Africa and new programmes to drive urban and city growth, are targeting specific trade and investment barriers and helping to improve the business environment.

We are also working to harness the world-class expertise of the City of London as the finance hub of choice for developing countries. Many firms in these countries do not have access to bank loans or lines of credit and two billion people globally are excluded from the formal financial system. We want to ensure access to finance for investment is sustainable, inclusive and more affordable.

By creating the conditions for increased trade and investment, it will open up opportunities for UK businesses to expand into, and access, new markets, and build the UK's trading partners of the future. We will work to ensure our firms are well positioned to fully take advantage of these opportunities.

DFID, the Foreign and Commonwealth Office (FCO), DIT and UKEF have also enhanced their collaboration to ensure development and global prosperity are at the heart of UK trade policy. The government is trialling new ways to strengthen existing, and establish new, trading partnerships. To support this aim, UKEF's increase in risk appetite limit has facilitated a greater capacity to support DFID priority markets in 40 developing countries within the parameters of the OECD Sustainable Lending Principles.

49 Winters, McCulloch & McKay (2004), 'Trade Liberalisation and Poverty: The Evidence So Far', Journal of Economic Literature, vol. 42, pages 72-115.

50 Bartley, Brenton, Cali, Hoppe & Piermartini (2015), 'The Role of Trade in Ending Poverty', World Trade Organization

► **Case Study: Government support for trade and development**

As a result of UKEF, DIT, DFID, and FCO collaboration, UKEF is providing a £235m direct loan to the Ugandan government to help finance the construction of a new international airport in Kabale - a top priority for the Ugandan government.

By opening access for the delivery of equipment, materials and services, which had previously been a challenge in the region, Kabale airport will enable vital work to be carried out on large-scale infrastructure and energy projects planned in the area. This will result in significant long-term benefits for the country's developing economy and energy independence. A second phase of development is planned to improve the

airport's capacity to support tourism and international trade.

A number of HMG departments worked together to help Sussex-based, Colas UK, as a member of the UK-based joint venture SBC (Uganda) Ltd, win this important order. DIT and FCO provided support to Colas in country, while UKEF worked to establish this as a priority and fully budgeted project and DFID sought to ensure it was debt sustainable, appropriately appraised by the Ugandan government, which would provide long-term economic benefit for the country. On completion this was the largest ever UKEF direct loan to an African government.



Businesses have told us they face a range of practical barriers

Many businesses already do export successfully. In 2016, it was estimated that there were 206,800 registered businesses in Great Britain who were exporting goods and/or services, 8.8% of the total number

of businesses in the non-financial business economy in Great Britain⁵¹. This has been broken down by business size in the table below:

Table 1: Profile of UK exporters⁵²

Business size	Count of business	Number of Exporters	% of number of businesses
Micro (1-9 employees)	2,106,800	151,400	7.3%
Small (10-49 employees)	208,500	39,800	20.2%
Medium (50-249 employees)	35,500	12,300	35.3%
Large (250 or more employees)	8,300	3,300	40.4%
Total	2,359,100	206,800	8.8%

Supporting our exporters means understanding the challenges they face. In developing this strategy, government has engaged closely with businesses and representative bodies, and analysed existing empirical data, to identify where government help is most needed.

From this engagement and research, we know that businesses of all sizes can face a range of barriers when looking to export because of the higher costs, especially those associated with transport, and other difficulties associated with exporting. These barriers can impact those businesses looking to export for the first time, or those seeking to expand or restart their exporting activity. The barriers also vary in frequency, intensity and importance according to a business's size, its export history, sector, and the market in which it operates or is planning to enter.

Our offer of support is shaped by these barriers and designed to help businesses overcome them.

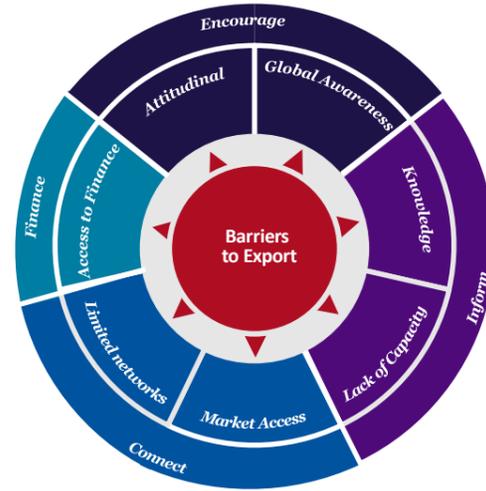


“Our network has helped us to share experiences and opportunities with fellow professionals, complementary companies and our ‘in market’ DIT representatives.”

Adrian Hall, Managing Director, Brandon Medical, medical supplier, Leeds

⁵¹ These estimates do not cover all businesses. They cover registered businesses (for VAT and/or PAYE) in the Great Britain non-financial business economy which accounts for around two-thirds of the economy in terms of Gross Value Added. ONS (2017), 'Annual Business Survey, Great Britain Non-Financial Business Economy 2016: Exporters and Importers', released 8.11.17.
⁵² ONS (2017), Annual Business Survey, summary tables, released 9.11.18

Figure 4: Barriers to exporting for UK businesses



Attitudinal barriers affect some companies which may believe their business is not suited to overseas sales based on a misperception about the relative costs and benefits of exporting, or those companies who believe their business is suited to overseas sales but may not have the confidence to pursue them, or who do not think there is a demand for their products. A fifth (19%) of all UK registered businesses said they have never exported but believe they have goods or services which could potentially be exported or developed for export. This translates to more than 400,000 UK firms⁵³.

Global awareness of the UK's strengths and capabilities is low in some sectors among international buyers which can mean that the UK is not considered by overseas buyers when looking for suppliers or businesses to enter their value chains.

Lack of knowledge means businesses may not know how to go about exporting, what they need to consider when entering a new market, and where they can access the support they need. 24% of businesses, for whom exporting is possible, reported a low level of knowledge on how to export in general, with 52% indicating their knowledge was only moderate. Moreover, 21% reported a low level of knowledge on where to go for information about exporting, with 51% reporting moderate knowledge⁵⁴.

Lack of capacity within businesses can constrain their ability to export. 52% of businesses who believe their products and/or services could be exported reported that lack of capacity was a strong or moderate barrier to exporting. Among businesses that identify lack of capacity as a barrier, the most cited reasons were a lack of managerial time to focus on internationalisation, not having enough staff to expand their operation, and not having the capacity to assess the cost of internationalisation⁵⁵.

Limited networks and contacts often act as a barrier to exporting because communication problems and distance makes it difficult for businesses to establish relationships with their customers or distributors, and collaborate with other businesses on international opportunities. 61% of businesses, for whom exporting is possible, reported that lack of access to contacts, customers and networks was a strong or moderate barrier to exporting⁵⁶.

Market access issues create a range of systemic barriers that can impact a businesses' exports, including tariff and non-tariff barriers, such as differing IP frameworks and local regulations, which differ across markets and countries. Many of these can be addressed through trade policy and sometimes through Trade Agreements and other trade measures. However, there is also an important role, outside these formal agreements, for government to address market access barriers, including regulatory issues.

Access to finance is important in ensuring that businesses have the capacity to deliver on export contracts. These requirements can include access to trade and export finance such as for working capital or contract bonds, or insurance against not being paid for export contracts. Among all the firms for whom exporting is possible and who mentioned costs (in general) as a barrier, roughly a quarter (23%) mentioned an inability to access finance or a lack of working capital as a specific issue⁵⁷.

⁵³ DIT (2018), National Survey of Registered Businesses' Exporting Behaviours, attitudes and needs 2017 Not sure which they are referencing, assuming not annex so. DIT (2018), National Survey of Registered Businesses' Exporting Behaviours, attitudes and needs 2017: Exporting is great campaign evaluation report.

⁵⁴ DIT (2018), National Survey of Registered Businesses' Exporting Behaviours, attitudes and needs 2017

⁵⁵ DIT (2018), National Survey of Registered Businesses' Exporting Behaviours, attitudes and needs 2017

⁵⁶ DIT (2018), National Survey of Registered Businesses' Exporting Behaviours, attitudes and needs 2017

⁵⁷ DIT (2018), National Survey of Registered Businesses' Exporting Behaviours, attitudes and needs 2017

2. The role of government in export support

All businesses are different. Businesses that are less experienced exporters face different issues from those that are seasoned exporters. We want to help businesses export for the first time, as well as help existing exporters be even more successful.

We will do this through the four ways the UK government can make a difference in partnership with other providers of export in the public and private sector: encouraging, informing, connecting, and providing finance. These roles are focused directly on breaking down the barriers to export, and each is supported by a set of resources and initiatives. We also want to align better our export support with the wider business growth support provided by government as both have fundamentally the same objective of helping businesses to growth whether through domestic or non-domestic sales.

ENCOURAGE

We will ENCOURAGE and inspire those businesses that can export but have not started or are just beginning

Exporting can be an essential step in a business realising its growth potential.

Changing attitudes towards exporting

While there can be real barriers and costs to exporting, there are many misconceptions about the risks. Our ambition is to make exporting 'business as usual' for firms looking to expand and reach new customers by working with the private sector to dispel myths around exporting.

Businesses have told us that they want to learn from the experience of their peers. As a result, we want to amplify the voice of existing exporters and share their stories.

International awareness of the UK's strengths and capabilities

We want to ensure that all international buyers are aware of the UK's strengths and capabilities. Insight from our international network suggests that international buyers may not have the time or capacity to undertake sufficient analysis to assess all their options. In addition, buying decisions can be influenced by information that is familiar or easy to recall, and by positive or negative associations with a national brand.

As a result, overseas companies may rely on traditional suppliers at the expense of better suppliers. We will champion the UK's high-quality services and goods, and our world-renowned innovations, creativity and scientific research to demonstrate that Britain is open for business.

The GREAT Britain Campaign

The GREAT Britain Campaign is the government's most ambitious international marketing campaign ever and showcases the very best of what our whole nation has to offer. The GREAT Campaign delivers jobs and growth for the UK by encouraging the world to visit, study and do business with us.

For every pound we spend on the GREAT Campaign, over £20 is returned to the UK economy and the campaign has already secured confirmed economic returns of £3.4bn for the UK with a further £3.3bn currently being validated. Hundreds of UK businesses use the brand overseas because they see real value in aligning themselves to the UK's story and strengths through the GREAT brand which is valued at £271m.

The Exporting is GREAT campaign aims to inspire and engage with businesses across the country, encouraging them to seize global export opportunities. We support companies at every stage of their exporting journey - from getting export ready, identifying opportunities and winning contracts overseas.

The GREAT International Trade campaign promotes the strength of UK industries to overseas buyers, both businesses and governments, opening doors for British businesses overseas by raising awareness of and ultimately increasing the propensity to buy, goods and services from the UK. The campaign creates a high impact presence which promotes exceptional UK companies on a global stage, showing the world what the UK has to offer.



LUXURY IS GREAT
BRITAIN & NORTHERN IRELAND

Roja Dove Great Britain perfume

ROJA PARFUMS
GREAT BRITAIN
PARFUM

Creator of the Harrods 'Haute Parfumerie', perfumer Roja Dove took inspiration from British creativity for his latest creation, the Great Britain perfume. For authentic luxury, choose the UK.

www.great.gov.uk

We will implement the following new initiatives:

- ▶ Promote peer-to-peer learning by forging a community of thousands of UK Export Champions as part of the new phase of the award-winning Exporting is GREAT campaign. Export Champions are successful UK exporters who offer expertise and guidance to support other companies on their exporting journey. This builds on existing programmes in the Northern Powerhouse and Midlands Engine. We will achieve this with our private sector partners to maximise our reach, and empower the Export Champions to:
 - Communicate, frankly and credibly, the challenges exporters face and how to overcome them
 - Demonstrate that many similar companies have achieved sustainable growth by exporting successfully
 - Raise awareness of the help and support provided by government and the private sector, to the help businesses to export with confidence
- ▶ Test how we can motivate SMEs to consider exporting at significant moments of change in the external environment, such as the implementation of new FTAs, or at milestones moments in their business lifecycle, for example, when first setting up a company or scaling up
- ▶ Share best practice, tools and advice on exporting by working with the 'Be the Business' initiative to create place-based peer-to-peer communities across particular sectors and regions in the UK. We will also pilot different approaches to enable businesses to learn from their peers, and support businesses to build more connections through events and trade missions

Building on the success of existing measures, we will:

- ▶ Champion UK businesses and showcase the UK's strengths and our Industrial Strategy priorities, through overseas Ministerial visits, the Prime Minister's Trade Envoys, our International network including HM Trade Commissioners, Ambassadors and High Commissioners, trade missions with the support of our private sector partners and trade associations, the GREAT Campaign, and at international forums
- ▶ Continue to promote the best of British, by highlighting the strength and innovation capabilities of UK industries and technology to buyers from overseas businesses and governments through the award winning GREAT International Trade campaign. The campaign creates a regular high impact presence on a global stage through which exceptional UK companies are celebrated
- ▶ Incentivise businesses to export by celebrating excellence and innovation in trade and investment across the whole of the UK, and recognise those delivering prosperity to their local communities through the recently launched Board of Trade Awards
- ▶ Promote the strength and diversity of UK businesses through great.gov.uk, which is currently available in eight languages - English, French, German, Spanish, Portuguese, Chinese, Japanese and Arabic


Be the Business

Be the Business is building a movement of businesses across the UK that want to improve their own performance and share their advice and experiences to help others do the same. Be the Business, which is chaired by Sir Charlie Mayfield and backed by some of Britain's most high-profile business leaders, focuses on identifying practical steps to raise productivity among British businesses through the adoption of best practice.

Based on their research capability and building on the Industrial Strategy, Be the Business helps SMEs better understand the simple changes they can make to super-charge their earning power and raise their productivity by utilising proven management techniques and making use of practical digital technologies.

Be the Business engages and enables businesses from across the UK to improve their performance by helping them benchmark their current levels of productivity on its national digital platform and through peer-to-peer workshops, access best practice advice, and improve through structured management training. It offers the inspiration, tools and resources for businesses to identify improvement opportunities and develop tried and tested approaches to boost their productivity through expert analysis and advice from businesses.



“When we launched the business, we had only worked in the USA and Japan but now we are looking to discover international opportunities in countries such as Korea, Taiwan and Brazil”

Melinda Darbyshire and Clive Grinyer, co-founders, Tangerine, design consultants, London

 **INFORM**

We will INFORM businesses by providing information, advice and practical assistance

We know that some businesses do not have the relevant information about how to export, or the capability and capacity to export or export more.

Advice and information on exporting

Some businesses have told us that they do not know how to undertake the initial steps of exporting, such as developing an export business plan, access trade and export finance, or comply with local regulations and administrations. In addition, they may not have the local insight or knowledge to enter an international market.

We want to ensure that all businesses are able and know how to access the information they need to export from either the private sector or government.

Exporting capability and capacity

Firms may have insufficient time or funds to invest in exporting and lack staff with the right skills to 'internationalise' their products. The private sector and other public bodies already provide a range of support services for businesses who are seeking to export. However, businesses have told us the market for export support is difficult to navigate because of its opacity, and many prefer to rely on peer-to-peer networks and existing trusted business advisers, in particular their accountant, to access the support they need.

We want to encourage firms to build their exporting capability, and make it easier for them to access the support they need from the private sector or government. The Business Productivity Review is looking at the effectiveness of the broader public and private market for business support, which includes export support, and the ability for businesses to navigate this market. We also want to better integrate export support into general business support provided by Growth Hubs, as both have the same objective of helping businesses to grow sustainably. Growth Hubs are local public/private sector partnerships led by Local Enterprise Partnerships (LEPs) which join-up national and local business support to make it easier for businesses to find the help they need.

“Exporting has been a huge learning curve for us and the support we received from ITAs was invaluable.

“Initially we didn’t have an understanding of market culture and we soon realised that not every market works the same way as the UK – we received important strategic advice on ways of working and local differences – it saved us a lot of time and money.”

Chris Brooke, Global Sales Engineer, BlueMAC, manufacturer, Northern Ireland

HMG: Guidance and information on exporting

Government already provides a wide range of guidance and information on exporting through:

- **Great.gov.uk:** Launched in November 2016, it is an important tool for businesses seeking information and guidance on exporting as well as access to DIT's services. Since its launch it has been visited by around 3.6 million users. It offers a range of services and tools to help businesses increase their knowledge and capacity to export, and connect with overseas buyers.
- **DIT's UK-based sector teams:** Teams of civil servants and sector specialists working with industry and the international network to understand the exporting capabilities of their sector, tailor DIT's services to the needs of the sector, co-ordinate government-to-government engagement, and represent exporters to improve the policy environment domestically and overseas.
- **HMG's international network:** The network of HM Trade Commissioners, Ambassadors and High Commissioners and their teams utilise their government-to-government relationships and local insight to open new markets, reduce market access barriers, provide market insight, and support UK businesses to reach new customers. This network includes: International Export Finance Executives, who support the unlocking of opportunities where availability of finance generally, and UKEF's support specifically, is key to securing export wins.
- **UKEF's Export Finance Managers:** Located across the UK as a first point of contact for UK exporters, they offer guidance on trade and export finance and insurance from UKEF. The network also provides information on where the private sector may be able to offer trade finance solutions for a local business.
- **DIT's International Trade and E-commerce advisers:** Located across England, they provide face-to-face support to help SMEs develop their export plan and online strategies to access overseas markets, in partnership with local businesses, Local Enterprise Partnerships, Growth Hubs, trade associations, and Chambers of Commerce.
- **The Intellectual Property Office:** Offers advice and information to help exporters realise value from their IP and mitigate potential IP-related risks when moving into new markets. In key markets they have on-the-ground support available through their IP attaché network who also work to improve the IP protection and enforcement environment.

We will implement the following new initiatives:

- ▶ Support and encourage SMEs to access new markets and invest in export support from the private sector by assessing financial incentives (such as vouchers, grants and loans), and reviewing the role of International Trade Advisers. Support is currently provided to meet local needs (according to Local Enterprise Partnership's priorities) and the nature of support is inconsistent
- ▶ Enable businesses to access government services more easily by developing great.gov.uk into a single digital platform for both domestic business growth and export support. This will include information about export tariffs and licenses, market access issues, and trade and export finance, and we will consider how to provide tailored guidance for different sectors on entering new markets. In addition, we will provide information on great.gov.uk on the new trading environment as we leave the EU
- ▶ Build the capability and capacity of supply chains in the UK to export by piloting new ways of working with large companies, to share best practice on how to grow the export footprint of others, including their supply chains
- ▶ Investigate how the public and private sector export support market can be better signposted and simplified for business, and how data could be shared to provide better customer experiences. DIT and BEIS will explore the potential for customer feedback and online ratings to help businesses assess the availability and quality of business advice, including on export support
- ▶ Support businesses to trade and invest in developing countries by strengthening business partnerships and finding mutually beneficial commercial opportunities which are aligned with our development objectives and promote inclusive economic growth

Building on the success of existing measures, we will:

- ▶ Provide guidance, through our UK and international networks, to businesses on developing their export plan and online export strategies, accessing trade and export finance and insurance, entering new markets, and signpost them to the relevant public or private sector export support
- ▶ Upskill and engage businesses and students about international trade through the recently launched Board of Trade National Trade Academy Programme. The programme helps our future exporters turn their ideas and ambitions into reality through a variety of initiatives including the prestigious International Trade Summer School
- ▶ Building on the success of the Tradeshow Access Programme, consider how we can improve our offer to help SMEs, who are new to exporting, attend overseas trade exhibitions
- ▶ Raise awareness among business advisers and at business events of the issues that exporters need to consider when trading their IP overseas and provide support through the IP attaché network
- ▶ Support businesses to establish new trading relationships in developing markets, while promoting high standards of integrity and ethical behaviour in line with the UK Bribery Act 2010, through the Business Integrity Initiative

▶ E-commerce case study: Red Herring Games

Launched ten years ago in Founder Jo Smedley's spare room, Grimsby based Murder mystery company Red Herring Games has been transformed through e-commerce and international sales. In 2017, Amazon predicted orders totalling over £200,000 just from the US for the next five years, and the company is also looking to set up offices in Australia and the US.

When Jo approached UK Trade and Investment (UKTI), now DIT, four years ago, she already had her own website, and was submitting small orders through Amazon, but for the next stage of her exporting journey, she needed expert help. With the support of a DIT International Trade Adviser and an E-commerce adviser, she customised her international websites to suit the cultural differences of her target markets.



“Sales of our products have increased astronomically” says Jo. “Products that we sell five to seven of in the UK, over there (Illinois), they’re selling 480. Around 50% of our sales comes from exporting.”

“We had support from our DIT International Trade Adviser, looking at exporting and how to expand the business in different ways. I really do not think we’d be where we are now without DIT’s help”.

Jo Smedley, founder, Red Herring Games, Grimsby

► Case Study: Sybarite

Sybarite are a London based practice of architects and designers that hail from all over the globe to create immersive, multi-sensory and seductive environments for global brands in the worlds of retail, lifestyle and hospitality.

Exporting has been essential for the firm's success. Simon Mitchell, the co-founder, said "exporting has seen us through domestic market turbulence and created a sustainable income for the practice which has allowed us to grow to 40 people and counting... we have developed our skills

as architects and designers and fostered a truly international team."

DIT provided guidance to support Sybarite enter international markets and communicate their innovative ideas to overseas buyers, without losing the nuance of their designs. Sybarite's exporting success was also recognised as they received the Queen's Award for 'Enterprise for Innovation & Export' and were given the keys to Xi'an by its mayor for their contribution to architecture in the city.



Torquil McIntosh and Simon Mitchell, co-founders, Sybarite, architectural practice, London

CONNECT

We will CONNECT UK businesses to overseas buyers, international markets and each other

Businesses have told us that we can add value by leveraging our networks, relationships and influence to help UK businesses come together to connect more successfully with international companies, customers, markets, and each other.

International networks

Businesses often have difficulty exporting because they lack the right contacts and networks. Communication problems and large distances make it difficult for firms to establish a relationship with other firms, customers or distributors.

This barrier, of course, varies according to the nature of the product and the market. It is likely to be greater in emerging markets or where the cultural and geographical distances are greater.

We already have a range of mechanisms to help businesses network and collaborate with each other, and connect with international buyers including trade missions, our consortia support, our international network, domestic and international events, and great.gov.uk. We also want to support UK and international businesses to pull through and connect their UK supply chains with international opportunities.



The Prime Minister's Trade Envoys in 10 Downing Street with the Secretary of State for International Trade and the President of the Board of Trade.

► The Prime Minister's Trade Envoys: Opening doors for UK businesses

The Prime Minister's Trade Envoys support the UK government and businesses by developing long-term relationships with international governments and overseas stakeholders. As a result, they open doors for UK businesses and act as representatives of the UK government when abroad and during inward visits from other countries.

There are currently 31 Trade Envoys who cover 61 countries. Over the last 12 months, the Trade Envoys, overseen by DIT and working closely with the overseas network including DFID and FCO, have helped a range of UK companies around the world including: supporting Rwanda to open an airline route to Gatwick Airport, lobbying the Egyptian government to unlock UK medical services exports worth £100m, and connecting the UK supply chain with a Turkish contractor on a major rail project worth up to £100m for the UK.

► Case Study: UKEF Supplier Fairs

UKEF and DIT have developed a successful Supplier Fair programme which matches overseas demand with UK supply through the organisation of high-profile, procurement-led events. These events provide a 'safe channel' for the UK supply chain to pursue opportunities with overseas buyers, backed by UKEF's attractive trade and export finance and insurance offer.

One such event, which sought to connect General Electric and ENKA with UK businesses for the construction of the Dhi Qar & Samawa Combined Cycle Power Plants in Iraq generated interest from over 200 UK exporters, 187 of whom attended on the day. Four out of five of these exporters were SMEs.

The 104 meetings held led to the potential inclusion of an additional £250m of UK content in the project from a very low base.

A central benefit of the Supplier Fair model is that it provides a channel for the exporters and their suppliers or potential suppliers to consider exporting knowing that the government, through UKEF, can provide trade and export finance and insurance support directly to the successful exporters and suppliers. It also makes bidding processes easier, providing UK businesses with direct contact to buyers' procurement teams, as well as networking opportunities with other UK suppliers.



UKEF Supplier Fair, maximising opportunities for UK exporters.

International markets

We also have an important role to play in providing direct support to UK businesses to help them resolve ad-hoc market access issues and discriminatory local regulations. We know that in many markets and countries around the world, especially in developing or fast-growing countries, where the free market is limited, resolving market access barriers is vital to ensure a level playing field for UK businesses and resolve problems before, during and after an exporting contract is signed. For instance, the FCO's Prosperity Fund Global Trade Programme is designed to help tackle barriers to trade in Middle Income Countries, with the primary aim of reducing poverty and boosting economic growth in those markets whilst also increasing market access, including for UK businesses.

As a result, we want to make it easy for UK businesses to inform us of market access barriers they face so that we can help resolve these issues and be the voice of UK exporters. Government support to reduce these market access barriers is likely to have a greater impact as it will often have a systemic and longer-term impact for all UK businesses. We also want to support UK businesses to undertake Overseas Direct Investment (ODI) to set up a presence overseas and expand into new markets. Access to new resources, technology and knowledge increases the productivity and competitiveness of UK firms and can integrate the UK supply chain into large international projects, creating new export opportunities and high-quality jobs in the UK.

We will implement the following new initiatives:

- Unlock new opportunities for UK businesses by exploring for government-to-government agreements that provide a state-level commitment to support the export of UK goods, equipment, and/or services. For example, HMG would help other countries procure goods and services, or share the UK's experience and learnings in support of a particular project. This would provide UK businesses with greater confidence to enter new markets and respond to overseas demand
- Support businesses looking to invest overseas with the aim of increasing UK exports and jobs by removing the market access barriers they face. Depending on the market, they include:
 - providing political, regulatory and economic reports and digital content on market-entry and doing business in select markets focusing on tax, immigration, legislation, marketing, and business culture information where this is not available from the private sector
 - providing in-market account management and structured support for the largest British businesses operating overseas
 - connecting UK businesses with peers by developing in-market professional networks for UK companies, delivered jointly by DIT and British Chambers or other delivery partners
 - supporting ODI-focused promotion events that will showcase prospective ODI opportunities to UK companies where this will be beneficial to the UK economy
- Focus on reducing market access and tariff barriers by leveraging our government-to-government relationships, including our Intellectual Property attaché network, utilising the Prime Minister's Trade Envoy programme, and negotiating, ratifying and signing new trade agreements. These include FTAs as well as other tools such as Bilateral Investment Treaties, Economic Partnership Agreements, Mutual Recognition Agreements and Joint Trade Reviews
- Invite businesses of all sizes and industry sectors to submit non-tariff barriers they may encounter when exporting overseas via an online platform for market access we are launching in the coming months. This digital service will enable us to build a comprehensive picture of market access barriers facing businesses exporting from the UK, taking a whole-of-government approach to resolving non-tariff barriers effectively

► Case Study: Outward Direct Investment

In 2017, the British Embassy in Buenos Aires helped Diageo establish a new bottling plant in the Argentine Province of Mendoza. This will allow the company to supply blended whisky, gin and Pimms across the Latin American region, resulting in significant exports from the UK.

Since the company landed in Argentina, the Embassy provided account management services to Diageo, the company also requested support to understand Argentina's political and economic situation to open the new bottling site.

Diageo was invited to attend the UK Subsidiaries Business Breakfasts with the Ambassador where a briefing was provided. Additionally, the company was helped to lobby the Argentine government on import and excise duties. Diageo also participated in the Embassy's promotional events during the Queen's Birthday Party in April 2017 and a whisky tasting event in September during the visit of the Secretary of State for Scotland.

Gonzalo Aguirre, Director of Diageo Argentina, said: "This extensive range of support has helped us to export more products... and given us the confidence to invest in a new manufacturing site in Argentina."



Diageo's newly established bottling plant in Mendoza, Argentina

Building on the success of existing measures, we will continue to:

- Support businesses to reach overseas customers more easily through:
 - Tailored events and trade missions organised with the private sector and trade associations, which support the Industrial Strategy and our prosperity agenda and utilise UKEF's trade and export finance and insurance offer
 - Overhauling Export Opportunities on great.gov.uk and presenting UK businesses with tens of thousands of opportunities gathered by our international network, partners and international stakeholders
 - Trade profiles which enables registered businesses on great.gov.uk to present themselves and connect with overseas buyers and partners (over 6,000 companies are already registered)
 - Selling online overseas on great.gov.uk which allows UK companies to connect, prepare and sell on 41 global e-marketplaces with exclusive deals negotiated by DIT (more than 1,100 UK businesses have already applied to access these online marketplaces)
- Maximise the opportunity for UK exporters and suppliers in UKEF-backed international projects through the expansion of our successful high-profile, procurement and finance-led Supplier Fairs
- Convene businesses of all sizes to build consortia and collaborate for large and innovative international contracts and help to promote the UK's offer abroad (see next page for more info)
- Improve the way we collaborate and share intelligence with the most significant exporters and trade associations, especially as we develop and negotiate new trade agreements, through better relationship management
- Promote the UK's unique heritage, educational, and cultural assets, through the GREAT campaign, global events and Royal visits, to deepen our international relationships, raise the profile of the UK, and showcase its strengths
- Support UK businesses to enter overseas markets by assessing how DIT and FCO can work better with DIT's Overseas Delivery Partners (ODPs) to deliver better value for money and embed best practice. ODPs are British Chambers of Commerce and private sector providers funded by DIT to help UK businesses enter international markets through practical advice, market research, and introductions to local buyers
- Work with, and support, overseas governments to develop IP enforcement frameworks which are effective, proportionate and, where possible, in line with the high standards the UK has set, as outlined in our Intellectual Property enforcement strategy
- Boost trade across the Commonwealth by promoting the use of international standards through a Commonwealth Standards Network, implemented by the British Standards Institution, and technical assistance programmes to support their use

Government consortia support

1. **Infrastructure Exports:UK (IE:UK).** Launched in 2017, in partnership with UK businesses, government will, when invited, engage earlier with overseas clients to help shape the infrastructure solutions they require to support their economic growth agenda. In addition, where overseas clients seek a UK offer, IE:UK will, through formation of consortia, deliver a workplan that brings together an end-to-end industry solution with government support.
2. **Defence Growth Partnership (DGP).** A collaboration between government and the Defence industry in the UK which is jointly led by BEIS and the Defence industry, with the support of the Ministry of Defence and DIT. With the aim of securing a competitive, sustainable and globally successful UK defence sector, the DGP is encouraging a more joined up approach to exporting through development of 'Team UK' offers; bringing relevant companies together to offer overseas customers the best of UK capability.
3. **UK International Healthcare Management Association (UKIHMA).** Formed in 2015 by UKTI (now DIT) to facilitate the formation of consortia to respond to complex overseas projects in the healthcare sector, it is now incorporated as a trade association and owned by its members. UKIHMA now has 45 members and has put together expressions of interest, consortia or bids on around 25 projects.
4. **Crossrail International.** A new government-owned company, to build on the strength and knowledge of the Crossrail experience to advise international cities on their upcoming metro projects and to increase opportunities for the UK supply chain.
5. **The Africa Infrastructure Board.** Launched in September 2017, the board brings together DIT with UKEF, DFID and UK infrastructure companies. Together, government and industry will create and identify major infrastructure projects across Africa and collaborate to build British consortia and support the UK supply chain to enter new markets. This coordinated approach gives the UK the best possible chance of securing the contracts to deliver the critical infrastructure required throughout the continent.

► Building long-term relationship through the UK's cultural and educational institutions

Business and trade revolves around personal, institutional and national relationships. Our cultural, educational, and creative sectors are important assets that both support the UK's brand as a world-class destination for trade, investment, and innovation, and create long-term relationships across the world.

We have world-class museums, cutting-edge art, and vibrant cultural festivals such as the Edinburgh Fringe Festival, the Globe Theatre, and the British Museum. We have an extraordinary film history, with Harry Potter, the latest James Bond and Star Wars all shot in the UK. We also have a global reputation for excellence in the field of education and skills. 38% of Nobel Laureates who studied abroad did so in the UK, according to research from the British Council⁵⁸, and four of the top eight spots

in this year's QS World University rankings went to UK universities⁵⁹.

We want to support and promote these institutions and sectors to build international relationships through the GREAT campaign and our UK and international networks. For instance, DIT this year organised a successful inward mission to the Museums and Heritage Show which included over 120 one-to-one meetings between UK companies and members of the hand-picked international delegation. The delegation also undertook site visits to Britain's world-famous national museums- the Natural History Museum, Science Museum and Victoria and Albert Museum- to learn about their respective international engagement programmes and build international partnerships.



58 British Council (2015), 'UK Universities Top Destination for Nobel winners.'
59 QS World University Rankings (2018).

FINANCE

We will put FINANCE at the heart of our offer

Access to trade and export finance and insurance can increase the competitiveness of an exporter⁶⁰. Businesses have told us how UKEF, as the UK's official export credit agency, can be a 'game-changer' for their ability to be internationally competitive. Furthermore, UKEF's attractive trade and export finance offer can be used as a lever to bring together the UK supply chain and consortia around overseas opportunities, enhancing the competitiveness of the UK offer.

UKEF has a range of flexible support available, which includes guarantees to banks and the provision of insurance to UK exporters and overseas investors. In recent years, this support has been significantly enhanced by the introduction of a Direct Lending Facility, which has helped to level the playing field for UK exporters bidding for overseas projects, particularly in fast growing markets where liquidity is tight. This has resulted in notable export wins for UK companies and consortia, including UKEF's largest ever loan to an African government in 2017.

UKEF exists to complement, not compete with, the private sector. UKEF helps UK companies, whatever their size and type of export, to:

- ▶ Win export contracts by providing attractive financing terms to their buyers;
- ▶ Fulfil export contracts by supporting bonds and working capital loans; and
- ▶ Get paid by insuring against the risk of non-payment.

UKEF has already made some innovative changes to enhance its offering, including:

- ▶ An increase in capacity for support in individual markets by up to 100%, within its overall exposure limit of £50bn
- ▶ An increase in the number of pre-approved local currencies in which UKEF can offer guarantees from 10 to over 60, enabling overseas buyers of UK exports to pay in their own currency - 'buying British, paying local'
- ▶ A new partnership with five major high street banks to help smaller exporting businesses and suppliers to exporters access government-backed financial support directly from their bank. For eligible transactions, customers of these banks no longer need to apply to UKEF separately, thus gaining speedy access to working capital and bond support

Figure 5: UK Export Finance overview

What exporters need	How UKEF can help	Products UKEF offers
 Export credit solutions Win contracts	We offer long-term financing to overseas buyers that makes UK companies' offerings more competitive, allowing buyers to spread their capital costs while exporters receive earlier payment.	Direct Lending Facility Buyer Credit Facility Export Refinancing Facility Supplier Credit Finance Facility Lines of Credit
 Trade finance solutions Fulfil contracts	We help exporters and their direct suppliers access the working capital needed to fulfil export contracts, or reduce cash deposits required for contract bonds, giving them the ability to take on more contracts and increase turnover.	Export Working Capital Scheme Bond Support Scheme Letter of Credit Guarantee Scheme
 Insurance Solutions Get paid	We help exporters and investors manage risks in challenging markets with our insurance products, where the private market is not able to offer cover.	Bond Insurance Policy Export Insurance Policy Overseas Investment Insurance



“UKEF’s support has been really vital to the success of our international contracts, and now we know the help is there, we can be confident in seeking more business abroad.”

Anne Roumajon, Practice Manager, Barker Langham, cultural heritage specialists, London

60 British Business Bank (2017), "2016 Business Finance Survey: SMEs"

We will implement the following new initiatives:

- ▶ Develop enhancements to UKEF's existing products and consider the potential for new ones by reviewing the existing range to make sure UKEF is operating a suite of products that reflects the full breadth of our capability and the needs of business
- ▶ Further develop UKEF's digital capability to increase accessibility and drive process efficiencies for our customers
- ▶ Deploy a dedicated UKEF awareness campaign under the wider GREAT strategy to target the UK exporters and suppliers most likely to benefit from UKEF support and promote UKEF in overseas markets

Building on the success of existing measures, we will:

- ▶ Develop our International Export Finance Executive network based in overseas markets offering guidance and support where availability of finance is key to securing UK export wins
- ▶ Introduce companies in export supply chains to UKEF's support through its Export Working Capital and Bond Support Schemes, which are now available for businesses that supply exporters, although they might not export in their own right
- ▶ Maximise the opportunity for UK exporters and suppliers in international projects and procurement opportunities through the expansion of our successful high-profile, procurement and finance-led Supplier Fairs
- ▶ Continue to increase awareness of trade and export finance and insurance support, including that provided by UKEF, by:
 - building on engagement with private sector intermediaries (banks, trade finance providers, non-bank funders, insurance brokers, trade associations, chambers of commerce and others)
 - identifying and engaging with those business segments and sectors which would benefit from UKEF's guidance and offer, through our regionally based network of Export Finance Managers
 - scaling up current uptake of UKEF's trade and export finance products available through our partnership with high-street banks

3. Maximising our impact

Five guiding principles will govern how we engage with exporters

As we look to deliver a step-change in the UK's export performance, it is important that UK companies know what to expect from us and how we can work together to address the export challenge.

Improving our export performance is one of the biggest opportunities for our business community. To realise the UK's export potential and create the right framework for businesses to thrive, the implementation of the strategy will be guided by the following principles:

Figure 6: Export Strategy guiding principles



A business-led approach

We will put businesses first, as they are the drivers of the UK's export performance, and we will design our products and services around their needs rather than our internal performance targets. In addition, we will communicate what we do clearly and in a way that makes sense for businesses.

Specifically:

- ▶ Government will tailor promotion of its services according to businesses' specific characteristics. An outline of this approach is illustrated in figure 7
- ▶ DIT will engage with a wide variety of stakeholders from across the UK, from businesses to civil society groups, to seek a broad range of views and support the government's trade policy development
- ▶ DIT will continue to publish a forward look of Ministerial travel to make good a pledge made to business and of our trade missions to enable businesses to plan ahead better
- ▶ DIT will develop a new Client Survey to better understand the quality of the government's service offer and the impact of our services on exporting outcomes
- ▶ DIT will develop its understanding of sectoral and supply chain strengths in the UK to promote these on a global level

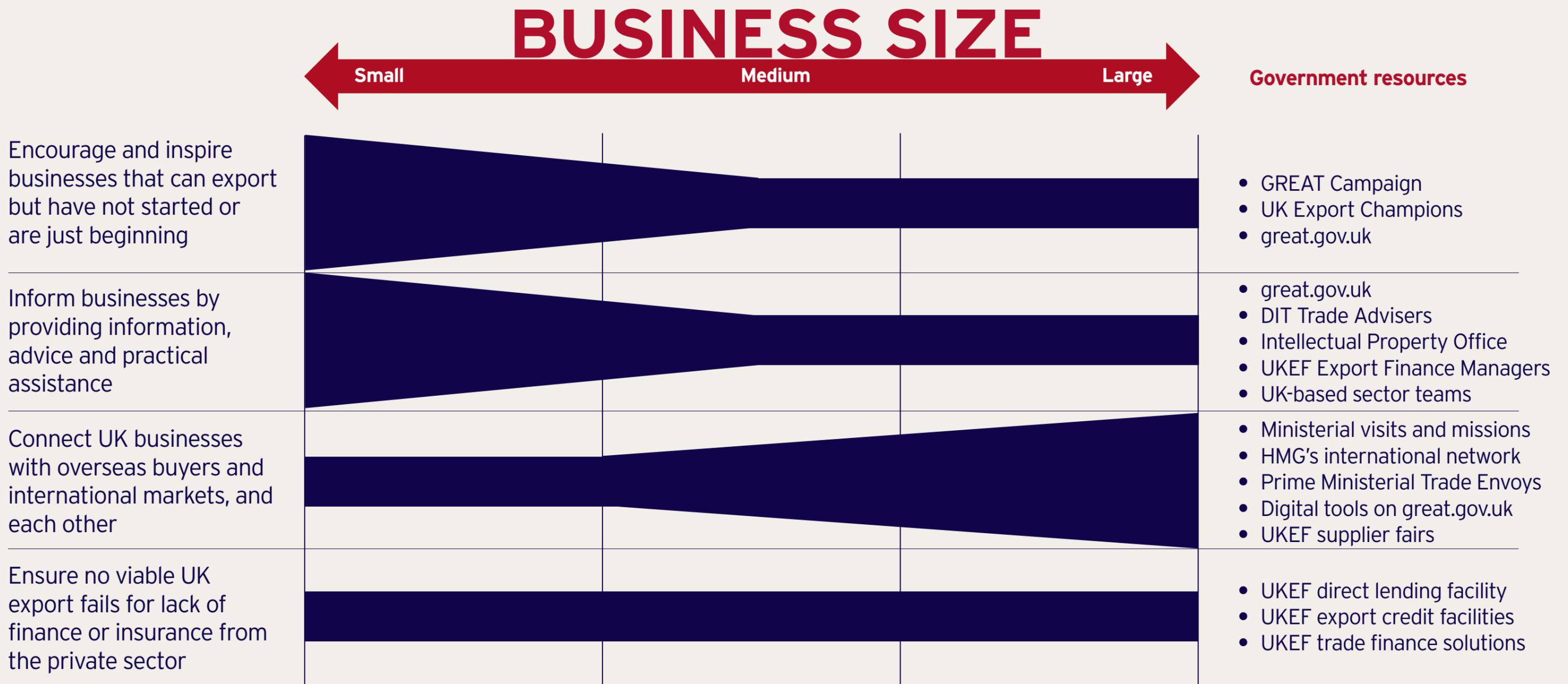
Doing what only government can do

Throughout our stakeholder engagement, businesses told us that the government plays an important role in supporting UK businesses to export since there are barriers and markets where only government has the influence, networks and assets to provide the necessary support. However, this assistance, when not sufficiently focused, can cut across other providers of export support.

Specifically:

- ▶ Government will focus increasingly on government-to-government engagement, on securing market access and reducing market access barriers, and improving the policy environment and IP frameworks for exporters
- ▶ Government will make better use of Ministerial travel and inward visits from overseas governments to open markets for UK businesses, and provide longer-term support as part of our relationship management offer so that businesses can take better advantage of these opportunities
- ▶ Government will utilise our government-to-government relationships and our international networks to 'convene' and 'connect' UK businesses with international customers, new markets, and with each other

Figure 7: Tailoring promotion of government services





Joining up across government, with local partners and the private sector

Businesses consider exporting a part of business growth more generally and do not always seek specific export advice. They often interact with multiple public and private sector organisations to access a range of support and information.

There are many business and export support providers outside of the UK government in the private and public sector who are often the first point of call for businesses. At a local level, business support is delivered by Local Authorities, British Chambers of Commerce, LEPs, Growth Hubs, and bodies such as the Northern Powerhouse and the Midlands Engine. In the devolved nations, Scottish Development International, Invest Northern Ireland, and the Welsh Government provide additional export support. The private sector, exporting intermediaries, and business representative organisations also play a vital role in helping businesses to export. We want to join-up better with other providers of export support to ensure we are complementary and to signpost businesses to the right support at the right time.

We also want to adopt a 'no-wrong door' approach across government so that businesses do not need prior knowledge of the 'right' public body to access the available export or business support. This will mean better data and knowledge sharing across government in our interactions with businesses and working in partnership with other providers of export support. This will also make accessing services much easier for businesses.

Specifically:

- ▶ DIT will bring together senior leaders from the export support market, including trade associations, chambers of commerce, accountants, lawyers, banks, consultancies, and LEPs to discuss how the export support market can be improved and simplified by establishing an Export Strategy Partnership Group, led by the Minister of State for Trade and Export Promotion. This will take into account the recommendations from the Business Productivity Review
- ▶ Government will enhance the sharing of business intelligence and improve business account management across different departments through digital technology and data visualisation tools which will inform service design and policy
- ▶ DIT, UKEF and BEIS will work with Growth Hubs, LEPs, Chambers of Commerce and other regional bodies to further bring together the national and sub-national offer on export and business support so that businesses can move more easily around the system. This will be done through data sharing, co-location of DIT staff with local partners where possible, and regional coordination of export and business support
- ▶ DIT will incentivise partnership working with the private sector and cross-government collaboration through its performance framework
- ▶ DIT will also explore extending its Selling Online Overseas digital service to business-to-business marketplaces and for key intermediaries, such as logistics companies and overseas distributors, to make it easier for exporters to access support from intermediaries

Figure 8: Export support ecosystem



Digital by design

As we predominantly turn to digital sources of information as a first step, we will put user-centered digital services at the heart of our offer, making it as easy as possible for businesses to find, access and successfully navigate all export advice, support and information provided by government. For those services that are best delivered face to face, we will make sure that businesses are able to access them via digital channels. We will also use data to better tailor our online and offline services and proactively identify businesses that could benefit most from export support.

Specifically:

- ▶ DIT will provide effective and scalable digital services that provide businesses with the advice, support and information they need at different stages of the export process, and help them to navigate the UK trading environment
- ▶ Government will make greater use of data; and share data more intelligently, to provide a better customer experience for businesses
- ▶ Government will explore how advanced data science techniques can be used, through cross-government collaboration, to identify businesses with the highest potential to export so that they can be approached with targeted support. This will include analysis to understand the overlap between high export potential, high growth firms and scale-ups
- ▶ DIT will consider with the Behavioural Insights Team how incorporating behavioural principles into the design of support can improve effectiveness and take-up, and how to work better with the private sector and exporting intermediaries, such as banks, accountants and logistics companies
- ▶ DIT will conduct gender-focused trade analysis to understand the barriers that women and women-owned businesses face, and develop strategies to help all people achieve their full economic potential

We will deliver services that are value for public money

To have the greatest impact on sustainable export growth, government needs to refine and develop its approach to keep delivering value for money.

Specifically:

- ▶ Government will continue to improve how we assess value for money in the services we provide, and improve, change or stop services accordingly. In particular, we will focus on where interventions are genuinely additional and drive new activity rather than subsidising activity which would happen anyway. Getting feedback from the businesses we serve is essential for us to measure our performance
- ▶ Government will continue to ask businesses to contribute towards the costs of support. Charging businesses for some services has been - and will continue to be - part of our approach. We will review our processes for this to ensure they are consistently applied, and explore where charging is appropriate for additional programmes and services
- ▶ DIT, the FCO, BEIS, and DFID will work to ensure UK businesses are aware of and ready to compete for the opportunities created by the £1.2bn Prosperity Fund, international research funds, and wider Official Development Assistance (ODA) spend and we are combining efforts in-country, including through the use of these funds, to maximise outward trade and investment, build markets and deliver mutual prosperity. DIT also has the ambition to become an ODA spending department.

Joined up export support in Scotland



Speyside Distillery, Kingussie, Scotland

With origins dating back to the 1700's, and nestled in the Cairngorm Mountains, Speyside Distillery produces local single malt Scotch whisky and now exports to 34 countries globally.

Speyside Distillery has seen phenomenal growth overseas in 2017, adding eight new markets in the last 12 months, most recently securing a win in Taiwan and signing a deal with the Bank of China to host VIP tasting sessions for personal banking managers from across 25 Chinese provinces.

DIT and FCO, in conjunction with Scottish Development International and Highland

and Islands Enterprise, supported the company by providing relevant market research, making introductions to key international suppliers and distributors and organising trade missions, most recently to Gulfood 2018 in the Middle East.

At the Board of Trade, held in Stirling by the Secretary of State for International Trade, Dr Liam Fox, the company were awarded a Board of Trade Award (BOFTA) to add to their growing collection. The award recognises the company's excellence in international trade, championing of UK enterprise and their export achievements.

The Prosperity Fund

The cross-government Prosperity Fund is a £1.2 billion programme to promote economic reform and development over six years (2015-2021). It is primarily Official Development Assistance (ODA) funding with a focus on ODA eligible, high opportunity countries where the UK can have a real impact by reducing long-term barriers to economic growth, including poverty reduction, which if not addressed can hold back a country for generations.

The UK has world-leading expertise in key sectors, such as education, healthcare, infrastructure, financial services and effective regulation, required to promote the development of emerging market

economies and inclusive growth. By removing barriers in these sectors, the Fund will benefit partner countries and their economic partners, including the UK.

The Prosperity Fund is being allocated across large scale, multi-year initiatives, developed by UK government Departments. Business will be key to the Fund's success in opening new markets and creating new business opportunities, and so we will continue our existing business engagement to listen to businesses and build awareness of the opportunities created by the Prosperity Fund. As opportunities emerge we will actively promote them via great.gov.uk.

Export Support in Scotland, Wales and Northern Ireland

Almost all export support provided by the UK government is available to companies throughout the UK. Services such as the overseas network, UKEF's trade and export finance and insurance offer, missions, and the UK government's wider support are accessible to firms across the UK on an equal basis, wherever they are based.

As the UK government and the Devolved Administrations have concurrent powers to promote international trade and investment, face-to-face support is provided in England by DIT through a network of International Trade Advisers while similar services are operated by Scottish Development International, Welsh Government and Invest Northern Ireland in the devolved nations. UKEF's Export Finance Managers offer guidance on trade and export finance and insurance across the whole of the UK. The devolved administrations' trade and

investment agencies are also responsible for devising and implementing programmes to meet the particular needs of companies in those nations, and for promoting those nations to foreign investors.

UK government will continue to work closely with these agencies and administrations by collaborating on joint events and activities to maximise the benefit to UK businesses, sharing information, avoiding duplication and directing companies to the most relevant support. UK government resources are also directly available to firms, trade associations and representative bodies in Scotland, Wales and Northern Ireland as well as England, to ensure firms from across the UK are able to join UK-led missions, events, access HMG's overseas network, and benefit from all the support available, including that of HMTCs, Ambassadors, High Commissioners and their teams.

Co-funding for the government's export support services

Charging for services is not a new concept. Charging allows for reinvestment in our capabilities and the expansion of our capacity to service a large and growing number of businesses. It is also a good indicator of the value of services provided, helps to identify government additionality and business demand, and provides a mechanism for us to deliver more at a lower taxpayer cost.

DIT currently charge for a range of services, which help UK companies maximise their ability and opportunities to trade. These services include contacts and introductions, missions, bid response support and training and market research.

DIT is already introducing standardised and consistent charging across all services, in all regions and sectors. However, direct contributions from businesses currently represent only a very small part of DIT's

budget (1.9% of UKTI's annual budget in 2015/16). In contrast, international comparators generate a much higher income from their export support services. Direct contributions from business represent 45% of Business France's budget (France's trade promotion agency). DIT's counterpart in Germany (AHK) receives 70% of its funding directly from businesses, although this is a result of compulsory membership of Chambers of Commerce.

Therefore, DIT will engage with businesses and explore if there is potential for users of its services to make a greater contribution to the cost of providing them to develop a sustainable and long-term approach to funding its export support offer. This could include assessing different co-funding models, such as fees for specific services and payment in-kind options (for instance when a UK firm supports their supply chain to internationalise).

We will prioritise our resources

Businesses have access to an extensive government support network, both overseas, in the form of trade specialists across 11 offices in 108 countries and HMG's wider international network including 270 diplomatic posts in 168 countries, and in the UK, with both local and sectoral expertise available. It is important that this resource is deployed in a way that delivers maximum value to both business and the taxpayer and is aligned to the principle of doing only what government can do. We have set out how we will prioritise this resource in order to achieve this.

The government's prioritisation will be driven by three factors:

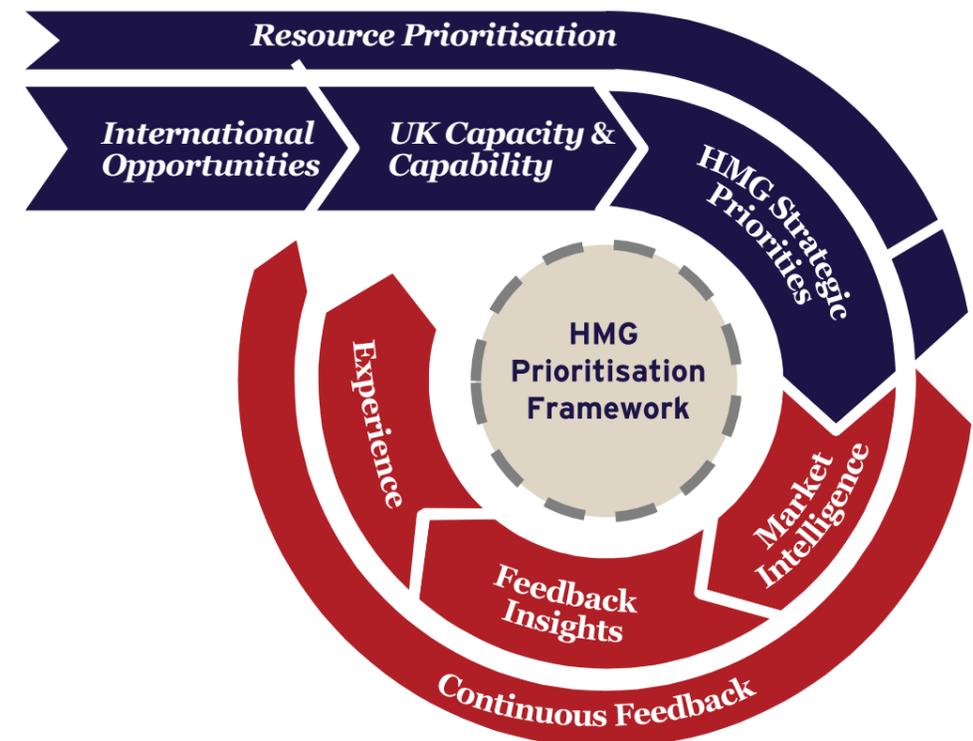
International opportunities - focusing on markets with the biggest value potential, so that the UK captures a share in large and growing markets

UK capability and capacity to supply - recognising the UK's strengths and capabilities, and aligning resources behind them

Government's strategic **stability, prosperity and security objectives**

This will be a dynamic prioritisation approach as we want to balance long-term strategic impact with being responsive to business needs and shorter-term commercial opportunities. The figure below illustrates how this process will work:

Figure 9: Government resources prioritisation framework



International opportunities

As set out in Chapter 1, we know some of the main trends shaping global trade. These will inform where government focuses its resources to support UK businesses to export, and will be complemented by analysing the UK's relative export performance to identify potential opportunities as evidenced by the 'value gap'. This is the difference between the value of the UK's current exports to a country, and the potential value if the UK were to operate with the same market share as our global competitors. As a result, we will be able to identify those sectors where the UK is globally competitive yet shows poorer performance in a specific market.

This will mean balancing resources towards developing and fast-growing markets, where market access barriers are likely to be highest and where government can have the most additionality. There will also be specific growth opportunities, requiring government support, such as the Belt and Road Initiative, and opportunities with our established trading partners, which are likely to be at the forefront of technological change and innovation.



"We never dreamed of exporting to China as everyone warned us against it. In 2016 it was our biggest market"

Barry Leahey, Playdale, playground makers, Cumbria

UK capability and capacity: the Industrial Strategy

While government can identify sources of future trade growth, it is important that this is calibrated to where the UK economy has the capability and capacity to meet this demand. Global demand will always outstrip the UK's ability to supply.

This strategy is an integral part of the Industrial Strategy's objective to boost the UK's underlying competitiveness and capacity to export, and the prioritisation framework will reflect this. Specifically, we will align resources in the UK and abroad to support the ambitions of the Industrial Strategy, particularly in relation to the Grand Challenges and Sector Deals, and reduce the relevant market access barriers. In addition, DIT with BEIS will support the international events and trade missions that best promote the Industrial Strategy Grand Challenges and Sector Deals.

HM government strategic priorities

As well as being an important source of wealth creation and productivity, trade also plays an important part in the UK's relationships around the world. It is therefore important that export support is brought together with the UK's trade policy, foreign policy and trade and development agenda.

DIT will balance its export support resources in response to the trade policy priorities and provide tailored and dedicated support around the new agreements to ensure that UK businesses are able to take advantage of these opportunities.

Building the conditions for trade and investment in developing countries will support economic development, and help drive growth and job creation. As a secondary benefit, it will open opportunities for UK businesses and so we want to enhance collaboration between DFID, FCO, DIT and UKEF to ensure UK firms are well positioned to take advantage of this.

For instance, Multilateral Development Banks (MDBs) spend billions of pounds each year on shared prosperity and poverty alleviation projects, towards which the UK makes a substantial financial contribution. However, UK firms currently punch well below their weight in delivering contracts for MDBs⁶¹. This means that we are missing opportunities for some of the UK's most innovative firms to deploy their expertise in support of global development, and to access new, fast growing markets. To address this, we will seek to raise awareness among UK firms of these commercial opportunities by expanding DIT promotion of appropriate, high-value contracts and providing links to staff working overseas with development banks.

Implementing our new prioritisation approach in DIT

DIT is creating a network of nine Her Britannic Majesty's Trade Commissioners (HMTCs) to set a clear vision, champion free trade and the UK's strengths and capabilities, and lead DIT's overseas trade teams.

The HMTCs will work with partners in the UK and overseas, including Ambassadors and High Commissioners, to develop and deliver DIT's overseas Regional Trade Plans that set out the priorities to be delivered across export promotion, investment and trade policy, along with DIT's contribution to wider government objectives. This will be a step change in how DIT delivers overseas, focusing on regional expertise, ground level

knowledge, and enhanced collaboration across government.

DIT will also pilot the development of Sector Plans that assess the long-term strengths and global opportunities of UK sectors. These will set out the trade and investment support that DIT will provide for the sector, building on the Industrial Strategy and its Grand Challenges and Sector Deals.

DIT will develop their co-ordination methodology to connect the sector plans, the RTPs, and the relevant support across government to provide the most effective support and focus for UK businesses around major global opportunities.

⁶¹ World Bank (2017), Major Contracts Award, UK firms won US\$64m of contracts funded by the World Bank group, less than 0.6% of the group's spend. This compares to US\$600m won annually by Spanish firms 2013 to 2017, or the US\$209m won by French firms in 2017.



This is only the first step

This strategy establishes our ambition for the UK to be a great trading nation in the 21st century and raise exports as a percentage of GDP from 30% to 35%. This is vital because businesses that export are more productive, create more jobs, and pay higher wages⁶². It also explains how we will be smarter in providing the support to exporters that only government can provide in response to business need, and work more collaboratively with our partners in the private and public sector.

Nevertheless, we know there is more we can do to meet our ambition, and that this strategy is only a first step of many. To ensure we are continuously improving our support for businesses to export, we will:

- Monitor and track the impact that we have in helping businesses export, and ensure that we are allocating resources to the areas where we can make the biggest difference
- Encourage businesses and our partners to keep telling us what they value so that we can make continuous improvements to our support

We will also broaden our scope to assess the policy and regulatory changes across government that will have a systemic and long-term effect on the UK's export performance. This work will align with the ongoing Business Productivity Review which will build the government's understanding of how firm-level interventions, by public and private sector actors, can support business to grow both in the UK and internationally. In addition, we are continuing to develop Sector Deals which will further drive up productivity through partnerships between the government and industry to boost investment and skills.

The UK is an open, liberal and modern economy, and we want to create the right conditions and support for UK businesses to succeed and thrive on the world stage. This will help to ensure that we build a Britain fit for the future, able to embrace new opportunities and innovations in the global economy.

⁶² BIS (2011), International trade and investment: the economic rationale for government intervention.

Annexes

Annex A: Record of views expressed by stakeholders at consultation events held across UK

To ensure that the Export Strategy is informed and led by businesses, DIT has sought the views of businesses, business representative organisations, and providers of export support across the country. This engagement has been both quantitative, in the form of user surveys, and qualitative, in the form of a series of meetings, workshops and roundtables across the UK.

DIT has been supported in this engagement process by Ministers across government, who have chaired a series of roundtables. DIT has also worked closely with business groups, such as the Federation of Small Business, Confederation of British Industry, British Exporters Association, and the British Chambers of Commerce, to ensure that the insights of businesses of all sizes were considered. DIT held sectoral roundtables to further understand the specific needs and challenges of different sectors.

The findings from this engagement are reflected throughout the strategy, ensuring a truly business-led approach. This chapter represents a summary of the insight and information obtained through our stakeholder engagement, day-to-day work with businesses, and business surveys.

Attitudinal barriers to exporting and HMG's role in motivating businesses to export

Many firms raised attitude as the most significant barrier to exporting, principally the belief that the risks or difficulties of exporting outweighed the benefits. This contrasted with the views of many of the existing exporters consulted, particularly those in the East Midlands and North West, who argued that exporting is easier than often perceived.

Subsequently, the role that other businesses played in inspiring or encouraging them to think about exporting as a means of achieving sustainable growth was often raised. When asked to cite what source of

export support is most valued, businesses overwhelmingly cited support or motivation from peers.

Several valued the detailed nature of advice that peers can provide, particularly on exporting to a specific market or within a specific sub-sector, and identified peer-to-peer support as significant in enabling the sharing of best practice and lessons learnt. There were a range of opinions, depending on the size of firm, on how best to leverage this resource, ranging from sector and region-specific fora, to supporting existing private-sector and local providers.

To ensure this support is targeted at firms that would most benefit and be most receptive to motivation and encouragement to export, several firms and partners argued that information should be better shared across national and local government, and other partners, such as trade associations and the private-sector.

Accessing export support

While some businesses reported export success from acting independently, others reported that they had wasted time going into difficult markets and would have benefited from more knowledge around the relative merits and challenges of exporting to various countries. Furthermore, several, predominantly smaller, firms noted their limited time and capacity to explore export opportunities or make use of some of the export support products on offer.

The most common finding from the engagement concerned a lack of awareness of the business and export support currently available. Many businesses reported that they found the support offered by national and local government and the private sector unclear and hard to navigate. Firms cited Growth Hubs, LEPs, Councils, and Chambers of Commerce, plus banks and accountants, as providers of local export support, and some firms felt that the multitude of providers made it difficult to

engage with support in a structured way.

The firms consulted were often unaware of government services that would directly meet their exporting needs, and many businesses did not know who to go to for support. The British Chambers of Commerce reported that this is particularly pronounced outside of the UK's major cities, and while some regions are successful in signposting regional support, this is not uniform across the UK.

Referring to DIT support specifically, several firms referenced a lack of clarity on what support is available and to whom. DIT was often described as a 'well-kept secret', particularly the support provided via the overseas network, and there was agreement that DIT should work more closely with firms' existing business advisers to cascade the support and advice available.

There was also a perception amongst some firms that government export support was not sufficiently focused on areas where only government could intervene, such as regulatory and market access support.

Connecting firms with opportunities and peers

Several firms identified limited networks and contacts as a key barrier. Connecting and convening firms with opportunities and peers was also raised as an area in which government is often uniquely placed to provide support. Government's convening power was described as uniquely valuable in leveraging government-to-government relationships to support exporters in regulated markets and to provide introductions to key buyers and decision makers.

Likewise, there was a perception that government had a role to play in convening firms to share knowledge, pool resources, build supply chains and bid for opportunities through a consortia approach.

Trade missions allowed firms to realise this benefit and the feedback indicated that they were often transformative. For example, one firm talked of their first mission to Thailand, which changed their opinion around

exporting to developing markets.

There was feedback that such services should be highly sub-sector focused, to ensure that firms are connected with relevant opportunities and peers, which can help facilitate the sharing of insights with fellow companies.

Some firms noted that the quality of government products to connect firms with contacts in market could vary across markets. Some firms reported that they received good results here when very specific with their requirements.

Feedback also recognised the importance of leveraging the UK's cultural heritage when promoting UK businesses. For example, one firm cited their partnership with the Edinburgh Military Tattoo as instrumental in helping them establish a foothold in the Chinese market, and several firms felt that government had a significant role in showcasing UK firms on the back of this soft power.

There was also feedback that the UK government could do more to help UK firms exhibit their products to a national audience. As with several services, the feedback was that government could do this through publicising details further in advance and collaborate more closely with partners, such as banks and trade associations.

Several smaller firms reported lacking the necessary time to properly use great.gov.uk and argued that the information should be more easily accessible for time-poor firms.

Accessing trade and export finance

Cost and access to finance was often identified as a barrier, with some firms highlighting the difficulty or cost of unlocking export finance from their bank or alternate finance provider. Others complained about the time taken to access finance, and some firms noted that they had missed opportunities due to this.

There was frustration amongst some firms around the difficulty in accessing finance when exporting to certain markets, whilst small businesses in particular raised financing their export activities as a key challenge. This was particularly true for those businesses that export through a series of small orders rather than in bulk.

There was also a low level of awareness amongst firms around the products and services they could access from UKEF, although several firms that had used UKEF services noted a recent upturn in the quality of support provided. There was feedback that this offer could be better promoted and explained to the business community.

Strategic priority sectors and markets

As well as sharing data on specific opportunities, several firms argued that government should work more closely with businesses and partners to identify and understand emerging trends and opportunities in world trade. This was particularly true of sector specific trade associations, who noted that it was often their modus operandi to identify these trends on behalf of their members. Some businesses also saw themselves as well placed to inform government on trade trends, due to their role as exporters 'on the ground'. These businesses reported that they do not currently believe government sufficiently utilises this resource.

Several firms also felt that more could be done to ensure that government's prosperity agenda was well communicated to UK businesses, to allow them to play a role in delivering it. Firms shared that they wanted DIT to work more closely with OGDs, such as DfID and FCO, to ensure that this could be achieved.

Annex B: Glossary of terms and abbreviations

B

BCC: British Chambers of Commerce is the national representative body of 52 Accredited Chambers of Commerce across the UK and abroad, representing 75,000 businesses, which employ over 5m people.

Behavioural Insights Team: A social purpose company, jointly owned by the UK government, Nesta (the innovation charity) and its employees. Its objectives are to make public services more cost-effective and easier for citizens to use; to improve outcomes by introducing a more realistic model of human behaviour to policy; and wherever possible, to enable people to make 'better choices for themselves'.

Board of Trade: The Board of Trade was convened to meet the modern needs of businesses, exporters and inward investors across the country. Its purpose is to ensure the benefits of trade and investment are spread across the whole of the UK. The Board of Trade Awards celebrate businesses who show excellence in international trade, demonstrating innovation, creativity and entrepreneurship, and delivering prosperity to local communities.

Bond Insurance Policy: UKEF provides up to 100% insurance against a demand for payment under a bond, which is either unfair or caused by political events.

Bond Support Scheme: UKEF provides a partial guarantee of up to 80% of the value of a contract bond to enable a bank to issue the bond on behalf of the exporter, or the supplier to an exporter, without requiring as much cash as collateral.

BRI: The Belt and Road Initiative, a strategy launched in 2013 in China to expand maritime and land networks, will provide significant opportunities for investment across Asia and further into Africa and Europe.

British Standards Institution: The national standards body in the UK which produces

and maintains technical standards on a wide range of products and services, and also supplies certification and standards-related services to businesses.

Buyer Credit Guarantee: UKEF provides up to 100% unconditional guarantee to a bank, enabling the bank to provide financing of up to 85% of the contract value to an overseas buyer to pay for goods and/or services sourced from the UK. The loan is typically repaid over a period of two years or longer while the exporter receives payment via the credit facility as amounts fall due under the export contract. This facility is suitable for amounts over £5m.

C

Commonwealth Heads of Government Meeting: A biennial summit of the heads of government from all Commonwealth nations. Each meeting is held in a different member state and chaired by that nation's respective Prime Minister or President.

Commonwealth Standards Network: A platform for Commonwealth countries to exchange ideas, share best practice and impart knowledge. Its key aim will be to facilitate trade and foster innovation across the Commonwealth through the increased use of international standards. A series of programmes will build the capacity of Commonwealth states to adopt international standards, while also increasing their role in international standards development

D

Direct Lending Facility: UKEF provides loans directly to overseas buyers to finance the purchase of capital goods and/or services. Because UKEF does not offer a full range of banking services, a member of UKEF's bank panel will arrange and administer the loan.

E

Export Insurance Policy: UKEF provides up to 95% insurance against risks, such as a customer failing to pay or specified

political, economic or administrative events. This product is not available for contracts in countries that are part of the OECD.

Export Refinancing Facility: An add-on to UKEF's Buyer Credit Guarantee which means in the event that commercial refinancing of debt capital market transactions is unavailable, UKEF provides certainty to the borrower and the banks that it will fund the loan until such time as markets reopen.

Export Working Capital Schemes: UKEF provides a partial guarantee of up to 80% to the bank in order to increase the capacity to lend working capital to an exporter, or to a supplier to an exporter.

F

FDI: Foreign Direct Investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.

Free trade agreements: Agreements between at least two countries to reduce trade barriers, import quotas and tariffs, and to increase trade of goods and service with each other.

G

G7: Also known as the Group of Seven, is a group of seven countries with the 7 largest advanced economies in the world, the group consists of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

G20: The G20 is an international forum for the governments and central bank governors of 19 countries plus the European Union and aims to discuss policy pertaining to the promotion of international financial stability. The countries are: Argentina, Australia, Brazil, Canada, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Republic of Korea, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union. Spain also attends as a permanent guest member.

GCC: The Cooperation Council for the Arab States of the Gulf (originally known as the Gulf Cooperation Council) is a regional intergovernmental political and economic union consisting of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

GDP: Gross domestic product - measures a country's economy. It is the total value of everything produced by all the people and companies in the country.

Growth Hubs: Growth Hubs work across the country with local and national, public and private sector partners, such as Chambers of Commerce, the Federation of Small Businesses, universities, Enterprise Zones, and banks. Co-ordinating local business support and connecting businesses to the right help for their needs, they are locally driven, locally owned and at the heart of the government's plan to ensure business support is simpler, more joined up and easier to access.

H

HMTc: Her Britannic Majesty's Trade Commissioners are a regional network set up to lead DIT's overseas teams, and work with partners in London to develop DIT's plans for the region.

I

Industrial Strategy Challenge Fund: This aims to bring together the UK's world-leading research with business to meet the major industrial and societal challenges of our time. It provides funding and support to UK businesses and researchers. The fund is part of the government's £4.7bn increase in research and development over four years.

Intermediaries: These are organisations and businesses which provide specific services that facilitate exports. These organisations include distributors, logistics firms, and online marketplaces

Invest Africa: Invest Africa is a DFID programme that seeks to increase investment into the African manufacturing sector by linking key players (private sector

investors, buyers, financiers and African governments) to overcome the binding constraints to Africa, attracting FDI.

L

LEPs: There are 38 Local Enterprise Partnerships - set up in 2011 by the Department for Business, Innovation and Skills. They are voluntary partnerships set up between local authorities and businesses to help determine local economic priorities and lead economic growth and job creation within a local area.

M

MDBs: Multilateral Development Banks are institutions, created by a group of countries, that provide financing and professional advice for the purposes of development.

N

National Infrastructure Commission: The National Infrastructure Commission provides the government with impartial, expert advice on major long-term infrastructure challenges.

National Productivity Investment Fund: The National Productivity Investment Fund was established to provide £31bn of additional capital spending to areas critical for improving productivity - transport, digital infrastructure, housing and R&D.

National Trade Academy Programme: The National Trade Academy Programme offers a variety of new learning opportunities to upskill and engage students, businesses and academics. Building international trade and investment related skills and knowledge across the UK, the programme helps foster a culture of exporting through a broad range of initiatives

O

ODA: Official Development Assistance is used by the Foreign and Commonwealth Office to support and deliver the four strategic objectives of the government's 2015 Aid Strategy, which aligns the government's global efforts to defeat poverty, tackle instability and create prosperity in developing countries.

ODI: An outward direct investment (ODI) is a business strategy in which a domestic firm expands its operations to a foreign country

OECD: The Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 35 member countries to stimulate economic progress and world trade.

OII: Overseas Investment Insurance, UKEF provides up to 90% political risk insurance for UK overseas investors against specified political, economic or administrative events

ONS: The Office for National Statistics is the UK's largest independent producer of official statistics and the recognised national statistical institute of the UK. It is responsible for collecting and publishing statistics related to the economy, population and society at national, regional and local levels.

S

Supplier Credit Guarantee: A UKEF facility that operates in two forms. The first is similar to a Buyer Credit Guarantee but is typically used for contracts below £5m. Under the second, a bank can buy the receivables from the exporter, underpinned by a UKEF guarantee. This means the exporter receives payment upfront, while the bank is repaid by the buyer as set out in the terms of the contract.

T

Trademark East Africa: An East African not-for-profit company limited by guarantee established in 2010 to support the growth of trade – both regional and international. It is funded by a range of development agencies including DFID.

Tradeshow Access Programme: The programme provides funding in the form of grants for eligible SME's to attend overseas trade shows. The grant helps businesses gain market knowledge; experience in attending and getting the most from overseas trade shows and advice and support from trade experts.

U

UNCTAD: UNCTAD: United Nations Conference on Trade and Development is the principal organ of the United Nations General Assembly dealing with trade, investment, and development issues. The organisation's goals are to: "maximise the trade, investment and development opportunities of developing countries and assist them in their efforts to integrate into the world economy on an equitable basis".

W

WTO: The World Trade Organization deals with the global rules of trade between nations. Its main function is to ensure that trade flows smoothly, predictably and freely as possible.



HM Government



Department for International Trade

The UK's Department for International Trade (DIT) has overall responsibility for promoting UK trade across the world and attracting foreign investment to our economy. We are a specialised government body with responsibility for negotiating international trade policy, supporting business, as well as delivering an outward-looking trade diplomacy strategy.

The Industrial Strategy sets out the government's plan to create an economy that boosts productivity and earning power throughout the UK.

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