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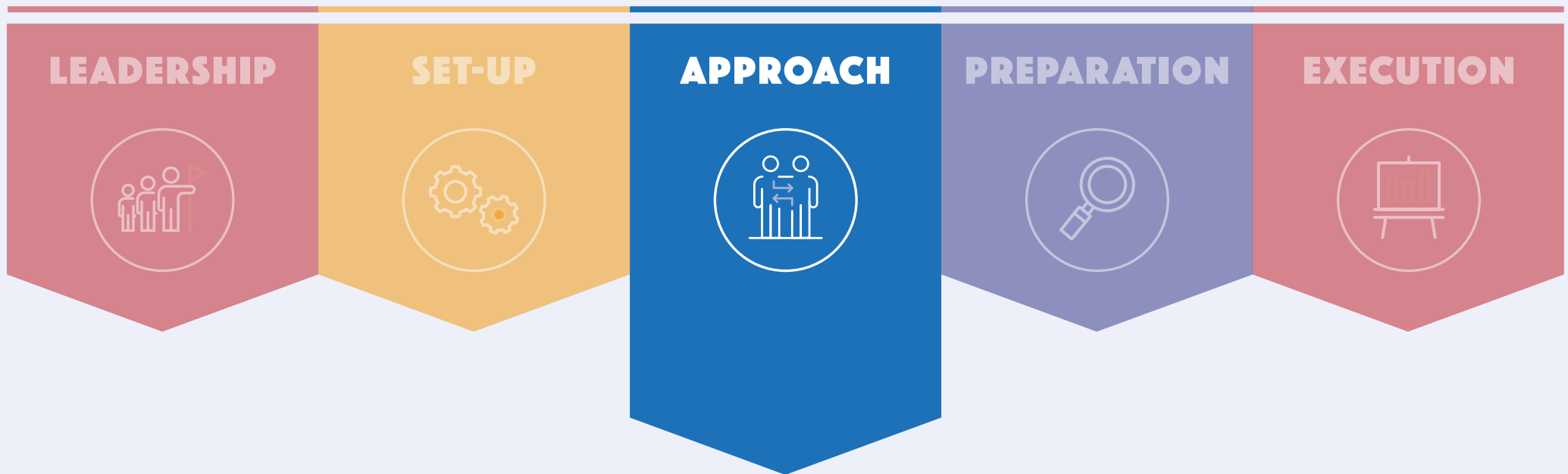
125 YEARS
BACKING
BRITAIN'S
MAKERS

EXPORTING A HOW-TO GUIDE APPROACH

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MAIN STEPS ON THE EXPORT JOURNEY



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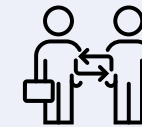
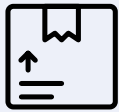
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STEP THREE APPROACH



Planning...



CUSTOMS: REGISTER & COMPLY

- Register with HMRC; get your GB EORI number
- Explore obligations in destination market
- Register with relevant authorities

KNOW YOUR PRODUCT

- Classify your export products and identify your commodity codes
- Work out the correct valuation of exports

EXPORTING YOUR PRODUCT

- Create an export file for each product
- Consider whether new or redesigned products might be needed

DIGITAL AND GREEN

- Map data flows and consider cross-border data-flow regulations
- Explore how going digital may help your export strategy
- Consider the environmental impact of your outputs and how your goods can contribute to green growth

KNOW YOUR CUSTOMER

- Establish regular contact
- Build customer specifications into product export files
- Vet new trading partners

KNOW THE COUNTRY

- Assess trade responsibilities, such as customs declaration and registration
- Understand the culture of the market; consider visiting the market regularly

APPROACH

You need to develop a dedicated export plan if this is going to form a core part of your business strategy.

That will include everything from marketing budget to market selection, costs and pricing, market-entry approach, and planning for different regulations. It is critical to research at an early stage the best legal set-up for your company in a new market. For example, an HSBC survey of 1,000 customers revealed that almost two-thirds of potential exporters cited regulation in the destination market as a worry. So an important decision you will need to make is how you will sell and distribute your products and remain compliant.



CUSTOMS: REGISTER & COMPLY

As an early step, you will need to register with the UK Government to be able to complete trade declarations. Most of these obligations relate to Customs and Border requirements which are generally managed by HMRC. However, you may need to register or submit additional information, such as applying for Export Health Certificates from Department for Environment, Food and Rural Affairs (Defra).

The first step would be to obtain your organisation's Economic Operators Registration and Identification (EORI) number from HMRC; this will be your VAT registration number appended with 00. This number is key in exporting and acts as your identifying code for UK reporting and payment of relevant charges.

There may also be in-market obligations, such as import declarations, liabilities for duties and taxes, which means you should explore your requirement to register with the import, border and tax authorities of your destination market.

- Register with HMRC; get your GB EORI number
- Explore obligations in destination market
- Register with relevant authorities



KNOW YOUR PRODUCT

Choose the product that you think has the most export appeal. This might be your full range, but it is important to understand that not all products are suitable for all markets. Your export journey begins with the product, and almost all of your obligations will depend on and be specific to the product you are exporting. Each product type has an internationally defined Commodity Code. This is often referred to as the "classification" of the product and provides a description of the goods being exported.

It is also important to value your goods correctly and understand what needs to be included for the customs tariff values and valuation. Failure to provide accurate information and relevant documentation to the appropriate customs authorities can lead to investigation, retrospective payments and, in some cases, consequences for criminal actions.

- Classify your export products and identify your commodity codes
- Work out the correct valuation of exports

APPROACH



EXPORTING YOUR PRODUCT

If you are exporting to a country that has a trade agreement with the UK, there may be preferential tariff rates for your product. In order to assess whether your product is eligible for preferential treatment, you will need to be able to prove the origin of your goods, using the product-specific Rules of Origin in the agreement.

Other considerations include product regulations in the destination market. There may be additional procedures and processes that need to be applied.

When looking to export, it is essential to know your product supply journey and to ensure that you have the necessary origin information from your suppliers to meet your need to prove origin. Verifying proof of origin is a requirement in export and import documentation and the subject of inspection by customs authorities. Maintaining accurate records of proof of origin is necessary in the event of inspection by market-surveillance authorities. Failure to provide verification of a goods origin will lead to the imposition of tariffs. Failure to provide accurate records could lead to market surveillance authorities taking infringement and legal action.

- **Create an export file for each product, with Commodity Codes, valuation, duty rates, rules of origin information and export controls**
- **Consider whether new or redesigned products might be needed**



DIGITAL AND GREEN

Digitisation of trade is a catalyst for change and will create opportunities for businesses to bring new products to a larger number of digitally connected customers across the globe.

Technology is becoming more embedded in how businesses operate and is not only about automation, but also about using new and innovative digital tools to overcome barriers to growth, widening access to payments, enabling collaboration, and changing business models that will merge goods together.

Through services such as [HSBCnet](#) you can manage your trade requirements and access a complete suite of expert services via one simple log-on.

In addition, moving towards a greener and more sustainable planet, Environmental, Social, and Corporate Governance (ESG) is becoming an increasingly important trend in global trade, driving governments towards green recovery and growth as well as growing customer and consumer demand.

At HSBC we are proud to be providing advice and developing solutions that help our clients embed ESG in the way they operate.

- **Map data flows and consider cross-border data-flow regulations**
 - **Explore how going digital may help your export strategy**
- **Consider the environmental impact of your outputs and how your goods can contribute to green growth**

APPROACH

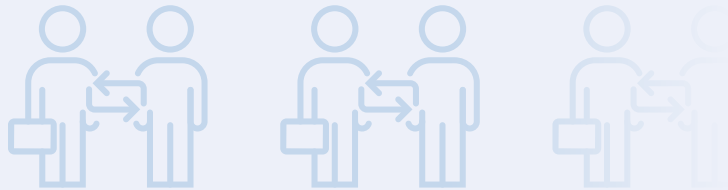


KNOW YOUR CUSTOMER

Knowing your customer is important when exporting, as this can offer a number of specific challenges. Important as face-to-face meetings are in supporting beneficial long-term relationships, there are alternative ways to get to know your customer.

There is always the possibility that a potential overseas partner is not viable. They may appear to offer a valuable relationship, but vigilance and careful scrutiny is advisable. Adequate due diligence is essential to avoid the possibility of financial loss, criminal proceedings and reputational damage.

- **Establish regular contact, consider physical/virtual site visits**
 - **Build customer specifications into product export files**
- **Fraud can be a risk in international trade, so vetting new trading partners is essential**



KNOW THE COUNTRY

Each country will have its own set of rules to manage trade formalities, from customs declaration requirements to a specific import environment for goods. It will be important to understand your responsibilities as well as the responsibilities of your customer. The country may have a trade deal or FTA with the UK, which may allow for greater preferential access.

However, it is also essential to consider the dynamics and culture of each potential market, as these will be distinct and differ greatly, not just across countries and continents but also at a regional level. Pairing up with a local agent, distributor, franchisee or licence holder, or selling and fulfilling orders directly from the UK, are all possible, but each avenue requires careful planning.

Pulling all this information together will allow you to compare markets and weigh up factors such as transport costs, import duties, market size, regulatory issues and cultural differences. Aim to reach a fully-informed and realistic consensus with senior colleagues about the benefits, the costs and the market you should target.

Make use of expert help, such as HSBC's [International Business Guides](#) and UK Government advice.

- **Assess trade responsibilities, such as customs declaration and registration**
 - **Understand the culture of the market; consider visiting the market regularly**

APPROACH

CASE STUDY – CRICKET BAT MAKER CHANGE TACTICS ON STICKY WICKET!

Nottingham based cricket bat manufacturer, B3 Cricket were entering their busiest period in what is a very 'seasonal' business, when the pandemic lockdown struck in March 2020. Like most businesses in the first lockdown, B3 had to shut completely and furlough their staff.

"Initially everyone was in shock and it took a few weeks for the full impact of the situation to sink in. With no cricket being played in the first half of the summer and the prospect of very few UK sales in the year, we started to worry about how the business would make it through 2020," explained Michael Blatherwick, B3's M.D.

It was then that Michael started to think about how he could use the time during lockdown to find new ways for the business to grow. "When the pandemic began, I was in Australia on holiday, and we managed to get home just before lockdown. I started to realise that the antipodean countries weren't as severely affected as the UK and started to think about how I could grow sales in Australia and New Zealand."

Before setting up B3, Blatherwick had built and sold several IT companies. He successfully used LinkedIn, the business social media tool, to develop his network of contacts and realised he could use the same tools and approach for B3 Cricket.

"I contacted people involved in cricket and set up video calls using Zoom and Microsoft Teams. It was a perfect storm in terms of getting hold of people because everyone was in the same boat, stuck at home. The pandemic also forced many people who had previously been resistant to video calls, to try the format and it became the new normal to meet virtually. It worked very well I developed some great contacts and grew our export business three-fold in the winter of 2020/21," explained Blatherwick.

During lockdown, Michael also documented the way he used LinkedIn to help other SME business owners. If anyone would like more information on this or indeed requires a beautiful English willow cricket bat, then contact him at [B3 Cricket](#).



GLOSSARY

Term	Meaning
Advance Payment	Advance Payment – paying for a good or service before it is received.
Authorised Economic Operator status (AEO)	<p>A compliance certification signifying secure and reliable exporter status and offering smoother customs flows and deferred payment of duties. Predominantly used across the EU but with WTO links.</p> <p>Your freight forwarder will likely be AEO approved and a known consignor.</p>
AWB	Air Waybill - a receipt issued by an international airline for goods and an evidence of the contract of carriage. This document sets out the routing of an exporter's cargo while it is in the hands of the air carrier.
BL	Bill of Lading - document of title, a receipt for shipped goods, and a contract between a carrier and shipper. This document must accompany the shipped goods
BoE	Bill of Exchange - is used in international trade to help importers and exporters fulfil transactions. While a bill of exchange is not a contract itself, the involved parties can use it to specify the terms of a transaction, such as the credit terms and the rate of accrued interest
Border Operating Model	Post Brexit, this is the UK Government's new border control system that will be introduced in three stages up until 1 July 2021.
Carnet	A document permitting the holder to temporarily send goods to certain foreign countries for display or demonstration purposes without having to pay duties
CHIEF/CDS	CHIEF (Customs Handling of Import and Export Freight) is the HMRC computer system used to make customs declarations. Mostly used by freight forwarders, it will be replaced by a new system called CDS (Customs Declaration System) in 2021.
Certificate of Origin (CO)	An international trade document that certifies that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country.
COD / OA	Cash on Delivery / Open Account - The sale of goods or services in which payment is made upon delivery rather than in advance
Commodity Code	A number allocated to goods to classify exports/imports. It dictates your duty rating, and alerts you to any import or export regulations. Department for International Trade UK Global Tariff Look Up
Consignor, consignee and declarant	Customs terminology referencing the person/organisation exporting, the person/organisation receiving the goods (taking ownership) and the person responsible for the import respectively.
Country of Origin (COO)	Countries use rules of origin to define the COO of goods – the COO determines how tariffs might apply. For example, to be 'made in the UK' a certain percentage of the ex-works value must be of UK origin.

Customs procedure code (CPC)	Tells customs what will happen to the goods.
Customs simplified procedures	Customs special and simplified procedures deal with customs treatment of goods transiting a country or held in storage – also known as bonded storage or warehouses.
Customs declaration	An electronic export declaration.
Customs union	Members apply a common external tariff (e.g. the European Union)
DIT	The Department for International Trade (DIT) is the UK Government department tasked with promoting and financing international trade and investment, as well as championing free trade.
Documentary Collection	Documentary Collection - A simple alternative payment method to Export Letters of Credit that protects the sellers interests over documents and payment collections via banks.
Duty	A duty or tariff is a tax imposed on goods when transported across international borders. The term duty could include import tariffs, VAT (or equivalent) and/or an excise duty.
Economic Operators Registration and Identification (EORI) number	A UK EORI number is issued by HMRC to identify an organisation for the purposes of customs and import/export.
EU Common External Tariff	The EU's external tariff regime, or MFN tariffs. See MFN Tariff
Free circulation	Free circulation refers to goods entering the European Union and, once cleared by customs, are free to circulate within the EU.
Freight forwarder	An agent who organises shipments and transport and can manage certain related customs procedures on behalf of the exporter. British International Freight Association
Generalized System of Preferences	The Generalized System of Preferences (GSP), is required to validate claims for preferential duty treatment (a reduced or duty-free entry). This form is granted by certain developed countries for certain manufactured goods exported by least developed countries to boost exports.
Incoterms®	Created by the International Chamber of Commerce (ICC) and used universally Incoterms are a set of internationally recognised three-letter trade terms that describe the practical arrangements for the delivery of goods from sellers to buyers and allocate the obligations, costs and risks between the two parties. Link to ICC

LC / DC	Letter of Credit (Documentary Credit) - A letter of credit, also known as a documentary credit is a commitment given by the buyer's bank that they will make payment when a pre-agreed, specified set of documents are presented to a nominated bank by the seller (video link)
MFN (Most Favoured Nation) tariff	Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
Open Account	Shipping goods to your buyer before you get paid.
Rules of origin	Rules of Origin (ROO) allow an importing country to identify and classify the origin of a product and therefore whether it should be subject to preferential treatment, such as tariff reductions. See also Country of Origin.
SWOT Analysis	SWOT is an acronym for a method of analysis looking at Strengths, Weaknesses, Opportunities, and Threats
Tariffs	A duty or tariff is a tax imposed on goods when transported across international borders. Often an import tax applied at a rate specific to the product. These can be applied at either MFN or at preferential rate through trade agreements.
TCI	Trade Credit Insurance (TCI) provides cover for businesses if customers who owe money for products or services do not pay their debts, or pay them later than the payment terms dictate.
UK Export Finance	UKEF is the UK's export credit agency
UK Global Tariff (UKGT)	The UK's external tariff regime, or MFN tariffs. The tariff or duty that applies to all goods imported into the UK unless the country you're importing from has a trade agreement with the UK or another exception applies.





Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK’s economic engine and the world’s workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world’s biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

www.makeuk.org

For more information, please contact:

Fergus McReynolds

Director of EU & International Affairs
fmcreynolds@makeuk.org

Richard Rumbelow

Dir. International Affairs and Export Services
rrumbelow@makeuk.org





HSBC is one of the world's largest banks. We support around 1 million UK businesses, among 37 million customers worldwide. Our international banking network covers 64 international markets and territories and gives us access to around 90% of world trade flows.

Our aim is be acknowledged as the UK's leading bank for national and international trade, and in Euromoney's Trade Finance Survey 2021 we were recognised as the UK's best bank in trade finance for the fifth consecutive year. Globally, we were voted the world's #1 Global Trade Finance bank for the fourth year running, demonstrating our delivery of safe, fast and simple trade transactions.

These awards reflect our commitment to British businesses and our support in helping them realise their growth ambitions. With trade solutions ranging from paper-based documentary credits to sophisticated upstream supply chain financing we can help companies of all sizes trade with confidence.

For businesses with international ambitions, our global network provides unique access to global trade flows and means we can connect businesses to opportunities worldwide.

A strong balance sheet, advanced technology and an extensive network of dedicated trade and supply chain teams worldwide – including 800 specialist UK trade staff – puts us in an excellent position to support UK businesses as they expand overseas.

We understand that growing businesses want more than finance and products from their bank, they want a partner and expert guidance. To this end, we run a series of initiatives to meet the needs of companies across the country at every stage of their growth journey.

We also recognise the value of access to up-to-date information and insight on building a successful business. Our recently launched Tomorrow Ready hub contains a wide range tools and resources to help businesses prepare for the future and there is a section on the hub dedicated to exporting and Brexit preparedness.

To find out more, visit:

www.business.hsbc.uk/en-gb/tomorrow-ready-programme/prepare-for-exporting-and-brexit



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