



# TRADING ACROSS NEW BORDERS

## What you should know when trading across new borders

More businesses than ever before are now trading internationally and expanding into new markets. This brings new challenges in understanding how best to explore the global opportunities and then make a success of trading in the chosen market. In hosting this panel discussion one message came through loud and clear: international trade involves collaboration, and businesses that seek support early and establish a strong network around them will be in the best position to succeed. Some of the takeaway comments are summarised below.

### PANEL 1: How to explore new markets

Introduction from Andrew Staunton, British Consul General in Atlanta

Panellists:

**Catherine Woo** – CEO, Australia-United Kingdom chamber of Commerce

**Mark Schaub** – Partner, King & Wood Mallesons

**Alan Rides** – Director, Hounslow Chambers

**Emanuel Adam** – Director of Policy & Trade, British American Business

**Jason Mariarathanam** – Board Member, HLB Van Daal

As a starting point for exploring new markets, it is recommended that you ask yourself some straight-forward operational and functional questions. Some of the early stage questions you may wish to consider include:

- How will you gain a good understanding of the local market?
- Who is your target audience and does it differ from your home market?
- Will you be able to invest time in the country to get under the skin before entering?
- What external support is required and who will you rely on?
- How do you go about creating a robust financial plan?
- Do you have the resources needed to enter the new market?

### Market specific considerations:

#### US Market

The US offers, no doubt, a great market for UK-based firms. Take the South East United States alone. Georgia, North and South Carolina, Mississippi and Tennessee combined have the 5th largest GDP in the world. Atlanta alone has doubled its population and is a Fintech hotspot; its payment industry processes 80% of all debit and credit card transactions, and it has 25% of all global cybersecurity revenue.

There is lots of information out there that help you navigate and execute tangible steps on your US expansion. But before you get active, ask yourself three key questions to angle your approach:

- Are you exporting to the market or looking to expand your operations into the market; or both?
- Do you know what your target audience is? Is it an anchor client or a specific audience? Where are they based?
- Are you an SME or larger firm and what resources can you commit to the process?

#### Australian Market

Many businesses make the mistake of viewing the Australian market as similar to the UK. There are similarities, but also clear differences, and to enter the Australian market you need to have the right talent mix on the ground who know the market well and blend this with HQ who understand the brand and business strategy. To enter Australia you should have a financial plan that is robust and scaled to around 24 Months or accept a light tough de-risked entry plan.

#### Chinese market:

The Chinese market is often misunderstood. No-one is setting up in China for cheap manufacturing. Manufacturers come to China for the integrated supply chain or to supply Chinese or Asia Pacific customers. UK companies are mostly interested in targeting the Chinese consumer i.e. not B2B). Interesting sectors in China include: Education, Healthcare, Creative; Big Data; AI; Immersive Technologies and entertainment, these are also very strong sectors for the UK. The timelines and cultural difference must be appreciated in advance. Many opportunities for British companies that do their homework and have the right planning.



#### **Middle East:**

The Middle East is not for the faint hearted but there are growth markets with potential that should not be overlooked. UK Export Finance has a line of credit that can help British businesses access these markets e.g. Iraq now has UKEF £10 billion line of credit. British businesses are being successful, for instance the UK is the second largest investor into Egypt behind the US. Local knowledge is a must, as the country regulations vary considerably, as is an understanding of the UK sanctions that may apply to some markets.

#### **Netherlands:**

Small things can make a difference and understanding how to approach the market can save considerable time and energy. For instance, setting up a bank account can hinder growth if not approached early and in the right manner, and it is better received if you look to open an account through a banker, lawyer or accountant than individually. The market is in general very welcoming of British businesses and is an obvious destination if you are looking to have a presence within the EU in mainland Europe.

#### **PANEL 2: How to trade across new borders**

**Mark Butler** – Managing Partner, HLB Sheehan Quinn  
**Miles Vartan** – Custom specialist, Vartan Consultancy  
**York-Alexander von Massenbach** – Head of London Office, Luther Law

**Dave Springsteen** – Tax Partner, Withum  
**Georgie Collins** – IP Partner, Irwin Mitchell  
**Christopher Ames** – Head of US Desk and Senior Vice President, HSBC

#### **Intellectual property:**

A common problem is that of cleared rights, this is when you have a trade registration or patent in one jurisdiction, but that does not mean you can use it freely in another. This is most common in branding, as a name may be available for registration but that does not mean you have the right to use it. IP issues shouldn't be left to the last minute, and certainly not dealt with after entering a market, as they can make or break the success of a market launch.

#### **Taxation:**

Cross border tax structuring and in-country analysis should be undertaken before setting up in a local market. All markets have their differences, and the layers and variety of taxes need to be carefully mapped against the proposed business model. The US is a good example of needing to dive deeper into the detail, as although the World Bank ranks it highly in terms of ease of doing business, and the federal rates are now a flat 21%, it is only when you look under the skin that you start to appreciate how the different state and city taxes (all with their own nexus rules) may apply to your business.

#### **Banking:**

All businesses will need to find a banking solution when entering a new market. Although challenging, early stage discussions with the existing home country bank will often show what international support is available. Having a bank with international reach can smooth the process, giving better coordinated platform visibility across different markets.

#### **Customs:**

Brexit is clearly going to affect the customs process, and SMEs may be eligible for financial support from the government to prepare for increased customs clearance and training. As we are currently members of a considerable number of EU institutes, Brexit could mean we have to set up our own versions of these, including safe drugs, safe food etc. Post Brexit, the UK is also considering creating various Free zones around the country, and these could create jobs and attract new businesses in and around the areas that are selected.

#### **Ireland:**

Trading in Ireland will have a reasonably familiar feel for many UK businesses, but there are of course local differences that cannot be ignored and need to be identified in advance. New businesses are coming into Ireland currently for three main reasons: to hold an EU license, to set up for distribution and due to high levels of private equity money coming in from the UK around social housing, care homes and dentistry.

#### **Germany:**

Germany is the UK's largest trading partner in the EU and understanding the local market can be of crucial importance. There are regional differences that need to be considered, and municipal trade taxes can vary depending on where you are located. If you are looking to enter the German market, the set-up of a GmbH should be considered, as local German people trust these entities given the required capital commitment of 25,000 euros to set up. In larger firms the employees usually establish working councils. These are not to be feared, as, respecting the relatively clear structured and straight forward employment law, they are to be heard on certain issues and will give advice but will not be able to enforce any decisions.