NEW WORLD ORDER

The first six months of the UK's new trading relationship with the European Union has not been without its challenges. But while many are having to rethink how they operate, there are plenty of opportunities around for small firms looking to engage in international trade

feature
international trade

SMALL BUSINESSES HAVE been thrust into a new world since Britain left the EU single market and customs union on 1 January. Many have struggled to get to grips with the increased costs, rules, paperwork and delays, particularly concerning the movement of goods across the Northern Ireland border. This is reflected in the fact that UK exports to the EU fell 40.7 per cent in January, while imports were down 28.8 per cent, according to the Office for National Statistics – before rebounding by 46.6 per cent and 7.3 per cent respectively in February.

More than half (58 per cent) of UK businesses have reported longer delays at the UK/EU border since 1 January, mainly because of the time it takes at customs to complete new paperwork, research by the Chartered Institute of Procurement and Supply has found. Manufacturing and fishing have been hardest hit.

But Brexit will also potentially open up opportunities for SMEs to trade with other markets. What are the main challenges for small businesses in this new environment? How can they navigate these rules and regulations, and take advantage of opportunities?

Coping with change

The biggest problem has been uncertainty, says Jack Semple, alliance secretary at the Engineering and Machinery Alliance of trade associations. "The challenges are confusion over the terms on which goods are being supplied, particularly with the Northern Ireland border," he says. "In terms of the overseas market, there's also more price volatility in materials and production inputs."

Britain's departure from the single market and customs union has brought added red tape, says Arne Mielken, founder of Customs Manager. That could cause delays and other problems. "There are two parts to the equation: getting your goods out and then into another market," he says. "You need to cut through the bureaucracy and paperwork, and make sure you are compliant with the latest regulations."

While the rules and regulations may seem overwhelming, help is at hand. A good starting point is to consult with an international trade adviser from the Government's Department for International Trade (DIT).

Another source of advice on funding, payment and performance bonds is UK Export Finance, the Government's credit agency. The DIT also provides grants through its Internationalisation Fund to help support export strategy development.

'Nothing short of a disaster'

Michael Bristow, of Michael's Bridal Fabrics in Northfleet, has suffered a catalogue of disruptions.

The firm, which does most of its business through trade fairs and client meetings in Europe, has encountered problems since 1 January. The first was having packages returned without having left the country. When Mr Bristow asked why they had been sent back, customs told him there was something wrong with them, without specifying what.

"Another time, we sent five substantial packages to a customer in Finland," he adds. "They were all returned because there were no copies of the invoice with it, despite the fact we attached them on the outside, gave a second copy to the courier and sent an electronic version."

Another consignment to Germany, which would normally take a matter of days, arrived six weeks later. Then, a delivery the company was expecting from a manufacturer in France was held up because customs said duty had to be paid on it, despite the carriers having been issued with a postponed VAT accounting number, so it was sent back.

"The experience has been a disaster," claims Mr Bristow. "It has caused massive disruption – I don't know how businesses are supposed to deal with it as well as the problems of Covid-19."

Businesses can apply to the Government's £20 million SME Brexit Support Fund for grants of up to £2,000 to help with training and advice on adjusting to the new rules when trading with the EU. Businesses in Scotland can access trade help from Scottish Enterprise at www.prepareforbrexit.scot

Trade associations and business support groups such as FSB are also invaluable. They can advise on and answer questions related to specific businesses or sectors, as well as campaigning and lobbying the Government on key issues.

Frequently asked questions

Most questions raised about the new rules are around travel, border procedures, customs and VAT, which is why it's key for companies to learn the Incoterms – the terms of delivery of goods between the buyer and seller. They also cover each party's roles and responsibilities.

It is also essential to understand the rules of origin, which determine where goods come from and how they are treated in terms of customs duty. The Lloyds Bank International Trade Portal is a useful resource on requirements for different markets and opportunities.

"Exporters thinking of taking advantage of a new free trade agreement should work with suppliers to understand where inputs came from, assess whether goods meet the rule of origin and obtain proof of this where needed," says Andrew Rose, associate in Baker McKenzie's EU, competition and trade practice. "Rules of origin differ between products and trade agreements, so make sure you are looking at the right rules for your supply."

Small businesses starting out need to register and obtain an Economic Operators Registration and Identification (EORI) number from HMRC to move goods between Britain and the EU. It's also worth considering whether to set up a deferment account for monthly payments for imports.

Looking further afield

Despite all the problems for businesses trying to bring goods into Northern Ireland from Great Britain, Northern Irish firm Burren Balsamics owners Susie Hamilton Stubber and Bob McDonald say they have had no such issues with sending merchandise the other way.

The producer of high-end black and white vinegar, based in Richill in County Armagh, has even received four orders in four months from Harrods. "We are quite lucky in that our products go across many sectors," said Mr McDonald. "We supply airlines, cruise lines, luxury fine-dining restaurants and hotels, farm shops and retail stores."

But now the two owners have set their sights further afield as they seek to take advantage of international trade. "The Far East and the US are well suited to this product," says Mr McDonald. "Irish food is renowned the world over, so it will always be sought-after."

Navigating the maze

Firms need to use the right commodity code on customs declarations to ensure they are paying the right tariff, which can be done in advance by applying to HMRC. In addition, they need to know the domestic value added to their products and be aware of supply chain changes.

"You have got to have good communication with suppliers and customers, and with HMRC to confirm you're completing paperwork correctly," says Paul Samrah, partner at Moore Kingston Smith.

Jane Willis, Quality Director at R W Freight Services, says that firms might want to appoint the prime carrier they use to move the shipment to oversee the whole customs clearance process, including export entry. They will also submit Declaration Unique Consignment Reference numbers for consignments to the shipping line, make Entry Summary Declarations and issue a Certificate of Shipment to the exporter for VAT purposes on your behalf, she says.

Companies could appoint a customs manager who understands the rules as they apply to the business and can help navigate. Applying for an Authorised Economic Operator status will also speed up cross-border trade, as can setting up an EU base to avoid customs duty, border clearance paperwork and delays.

With trade agreements in place with more than 40 different countries and deals with countries such as the US, Canada, Australia and New Zealand on the way, it is time for firms to develop clear export/import strategies. It's also an opportunity to take advantage of the weaker pound to sell products overseas.

In February the Government applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – a free trade partnership between 11 countries around the Pacific Rim, worth around 13 per cent of global GDP. Regardless of whether the UK is admitted, opportunities for small businesses trading overseas abound.