

# **Towards a culture of exporting:** How to help UK exporters do more and do better

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## Trade is of fundamental economic importance and is back on the political agenda

The UK's export performance has been pushed up the political agenda since the vote to leave the EU. While the precise details of the UK's future trading arrangements with the EU are still the subject of negotiations, there are concerns that any agreement will harm UK exports by creating barriers to trade that did not previously exist. This could have a significant impact given that EU markets combined are the destination for almost half of UK goods exports and over a third of services exports.<sup>1</sup> Others see Brexit as an unprecedented trading opportunity; the chance to expand into previously neglected export markets beyond Europe, particularly those of the rapidly-growing emerging economies.<sup>2</sup>

Whatever happens, both because of Brexit and as the result of wider trends in the UK and global economies, UK exports will be integral to the nation's economic performance. Exporting has been demonstrated to be a driver of economic growth, most visibly in the East Asian economies of Japan, South Korea, Singapore, Hong Kong and Taiwan since the 1950s, and more recently in China. In each of these cases the government assumed an active role in driving exports, with interventions including firm and industry export targets, export marketing institutions and the dissemination of information.<sup>3</sup>

There is also some, albeit contested, evidence that exporting can help to boost productivity at the firm level. This could be the result of knowledge flows from international buyers and competitors, because exporting allows firms to realise economies of scale in production, or due to an intensification of competitive pressures on the firm that forces them to become more productive to survive.<sup>4,5</sup> Given the UK's well-documented productivity problem,<sup>6</sup> a strategy to boost exports could yield wider benefits to the UK economy and those who work in it.

## The UK's export performance is average at best, and there are indications that it is worsening

The UK is probably most accurately described as an average performer in global export markets when compared to other similarly advanced economies. Exports account for around 27% of gross domestic product (GDP) in the UK, comparable to France, Italy and Canada, but substantially below the 46% of GDP in Germany.<sup>7</sup> The UK is currently the 10th largest exporter of goods in the

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<sup>1</sup> Office for National Statistics (2017). *Dataset: 09 Geographical breakdown of the current account, The Pink Book* [online]. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016> [accessed 07 March 2018]. (Percentages calculated from raw data on value of UK exports in 2016 by destination).

<sup>2</sup> Fox, L. (2017). A free-trading Britain can prosper after Brexit. *Financial Times*. 11 November 2017. [Online]. Available at: <https://www.ft.com/content/b913db84-c623-11e7-b30e-a7c1c7c13aab> (accessed 06 April 2018).

<sup>3</sup> Birdsall, N. et al. (1993). *The East Asian miracle: economic growth and public policy*. World Bank [online]. Available at: <http://documents.worldbank.org/curated/en/975081468244550798/Main-report> [accessed 27 February 2018].

<sup>4</sup> Wagner, J. (2002). The causal effects of exports on firm size and labor productivity: first evidence from a matching approach. *Economics Letters*, 77(2), 287-292.

<sup>5</sup> Wagner, J. (2007). Exports and productivity: A survey of the evidence from firm-level data. *The World Economy*, 30(1), 60-82.

<sup>6</sup> Haldane, A. (2017). Lecture: *Productivity puzzles*. London: London School of Economics, 20 March 2017. [Online]. Available at: <https://www.bankofengland.co.uk/speech/2017/productivity-puzzles> [accessed 27 February 2018].

<sup>7</sup> Organisation for Economic Cooperation and Development (2018). *Trade in goods and services (indicator)*. [Online]. Available at doi: 10.1787/0fe445d9-en [accessed on 27 February 2018].

world, with a 2.6% share of the global goods market, and the second largest exporter of services, the source of 6.7% of global services exports.<sup>8</sup> The UK's substantial surplus in services trade also helps to partly offset its large and widening deficit in goods trade.<sup>9</sup>

**Table 1: UK share of world exports in comparison with the rest of the G7 economies and China**

Country	Share of world merchandise exports 2016 (%)	Rank	Share of world commercial services exports 2016 (%)	Rank
UK	2.57	10	6.73	2
Germany	8.40	3	5.57	3
France	3.14	7	4.90	4
Italy	2.89	9	2.09	14
USA	9.12	2	15.24	1
Canada	2.45	12	1.66	18
Japan	4.04	4	3.51	7
China	13.15	1	4.31	5

Source: World Trade Organization (2017)

Most advanced economies have seen their shares of world exports contract over time as emerging economies have grown in prominence, and the UK is no exception. There is some evidence though that the UK's share has shrunk faster than those of its competitors.<sup>10</sup>

Equally concerning is the UK's apparent sluggishness to capitalise on demand for imports in these rapidly-expanding economies. China is already the world's largest economy, and the 'E7' economies of China, India, Indonesia, Brazil, Russia, Mexico and Turkey are predicted to grow twice as fast as the G7 economies on average between now and 2050.<sup>11</sup> However, just 3.1% of the UK's exports in 2016 went to China, and 7.2% to the E7 as a group.<sup>12</sup> By contrast, almost 6.4% of German exports

<sup>8</sup> World Trade Organization (2017). *Trade Profiles 2017*. [Online]. Available at:

[https://www.wto.org/english/res\\_e/booksp\\_e/trade\\_profiles17\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf) [accessed 27 February 2018].

<sup>9</sup> Office for National Statistics (2017). *Statistical bulletin: UK Balance of Payments, the Pink Book: 2017*. [Online]. Available at:

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/unitedkingdombalanceofpaymentsthepinkbook/2017#the-uk-ran-the-widest-current-account-balance-out-of-the-g7-countries-in-2016> [accessed 27 February 2018].

<sup>10</sup> Department for Business, Innovation and Skills (2012). *BIS economics paper no. 17: UK trade performance across markets and sectors*. [Online]. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32475/12-579-uk-trade-performance-markets-and-sectors.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32475/12-579-uk-trade-performance-markets-and-sectors.pdf) [accessed 27 February 2018].

<sup>11</sup> PwC (2017). *The Long View: How will the global economic order change by 2050?* [Online]. Available at:

<https://www.pwc.com/gx/en/world-2050/assets/pwc-world-in-2050-summary-report-feb-2017.pdf> [accessed 27 February 2018].

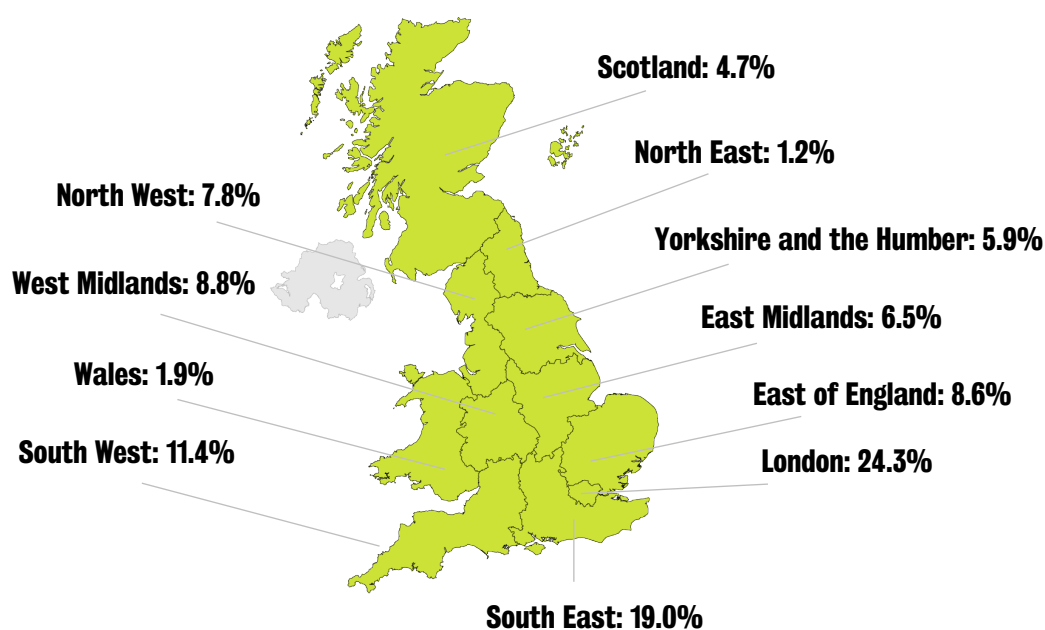
<sup>12</sup> Office for National Statistics (2017). *Dataset: 09 Geographical breakdown of the current account, The Pink Book*. [Online]. Available at:

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016> [accessed 27 February 2018]. (Percentage calculated from raw data on value of UK exports in 2016 by destination).

went to China in 2016, making it Germany's fifth most valuable export market,<sup>13</sup> and China is the US's third most important export destination after its neighbours Canada and Mexico, purchasing almost 8% of US exports in 2016.<sup>14</sup>

Looking within the UK, exporting performance is also highly uneven, with exporting firms concentrated in London and the South East of England. Taken together, over 43% of Great Britain's exporting businesses are based in London and the South East.<sup>15</sup> This reflects, and may be exacerbating, stark regional differences in economic performance and prosperity.

**Figure 1: Regional distribution of Great Britain's exporting businesses (% of total exporting firms located in each region)**



Source: Annual Business Survey (2016)

### Whether we can devise an exporting strategy that arrests this decline and generates sustained improvements is an urgent policy question

How to design an exporting strategy that raises export performance in a meaningful and sustained way is therefore a pressing question for policymakers. The Policy Institute at King's, working with Barclays, sought to tackle this question by hosting a 'policy lab' on the issue. The policy lab format is an interactive and innovative day-long intensive workshop that encourages rapid, creative thinking to develop novel ideas that are grounded in available data and evidence. It brings together a diverse group of professionals, whose different backgrounds and experiences enables each to bring a distinct perspective to the problem in question. For this lab, the group included policymakers from a

<sup>13</sup> World Integrated Trade Solution (2018). *Germany Trade at a Glance: Most Recent Values*. [Online]. Available at: <https://wits.worldbank.org/countrysnapshot/en/DEU> [accessed 28 February 2018].

<sup>14</sup> World Integrated Trade Solution (2018). *United States Trade at a Glance: Most Recent Values*. [Online]. Available at: <https://wits.worldbank.org/countrysnapshot/en/USA> [accessed 28 February 2018].

<sup>15</sup> Office for National Statistics (2017). *Dataset: Annual Business Survey importers and exporters regional breakdown*. [Online]. Available at: <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/annualbusinesssurveyimportersandexportersregionalbreakdown> [accessed 28 February 2018].

range of government departments, academics, representatives from employers' and trade associations and specialists in trade finance from the banking sector.

Ahead of the lab, researchers in the Policy Institute completed extensive scoping research around four questions; what do the UK's exports look like? Who are the UK's exporters? What are the benefits of exporting, and what are the factors influencing firms' export behaviour? The findings of this research were condensed into a briefing pack that was shared in advance with participants to provide a starting point to the discussion.

The lab itself started with an assessment of the current situation and the strength of the available evidence. It then moved on to addressing what might be feasible in terms of improving export performance, including whether an approach of encouraging existing exporters to export more, or encouraging new firms to enter export markets, would realise larger benefits. The discussion also touched on whether export promotion efforts should focus on firms of particular sizes, particular sectors or on particular export markets, or if it should be more broad-based. The day culminated with an opportunity for participants to discuss what a coherent and effective export strategy might look like in practice, and what its components would be.

This briefing note reflects the discussion and emerging conclusions of the policy lab, supplemented with additional research and thinking by the team at the Policy Institute. It presents seven recommendations covering the short, medium and long term, with the intention of delivering meaningful and lasting impact. We have also included specific policy actions identified as practical measures to help to deliver change.

## Short term

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**Recommendation 1:** The value of exports is more important than the volume of exports. The Government needs to work with large firms that already export to enable and incentivise them to diversify their export activities, which is likely to also benefit smaller firms via their supply chains

Exporting is a relatively uncommon activity. While we lack comprehensive data, the 2016 Annual Business Survey found that just 8.8% of firms in Great Britain export goods and/or services, though the likelihood of exporting increases dramatically with firm size – 40% of large firms (classed as businesses with 250 or more employees) export compared to 6% of firms with one employee.<sup>16</sup> However, large firms are quite rare in the UK. The most recent data indicates that out of a population of almost 2.7 million VAT or PAYE-registered enterprises in the UK, under 10,000 are classed as large businesses.<sup>17</sup> Despite this, firms of this size – not all of whom export of course – account for well over half of UK goods exports by value.<sup>18</sup> While we don't know the respective figure for service exports, we might again assume that large firms are responsible for the bulk of exports.

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<sup>16</sup> Office for National Statistics (2017). *Dataset: Annual Business Survey Importers and Exporters*. [Online]. Available at: <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/annualbusinesssurveyimportersandexporters> [accessed 28 February 2018]. (Percentages of firms that export calculated from raw data on number of firms and exporters in 2016 by size).

<sup>17</sup> Office for National Statistics (2017). *Dataset: UK Businesses: activity, size and location*. [Online]. Available at: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation> [accessed 28 February 2018].

<sup>18</sup> HM Revenue and Customs (2017). *UK trade in goods statistics by business characteristics*. [Online]. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/660280/IDBR\\_OTIS\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/660280/IDBR_OTIS_2016.pdf) [accessed 28 February 2018].

**Table 2:** Total number of VAT and/or PAYE registered enterprises in the UK as of March 2017, by size (number of employees), and estimated numbers of exporters amongst them

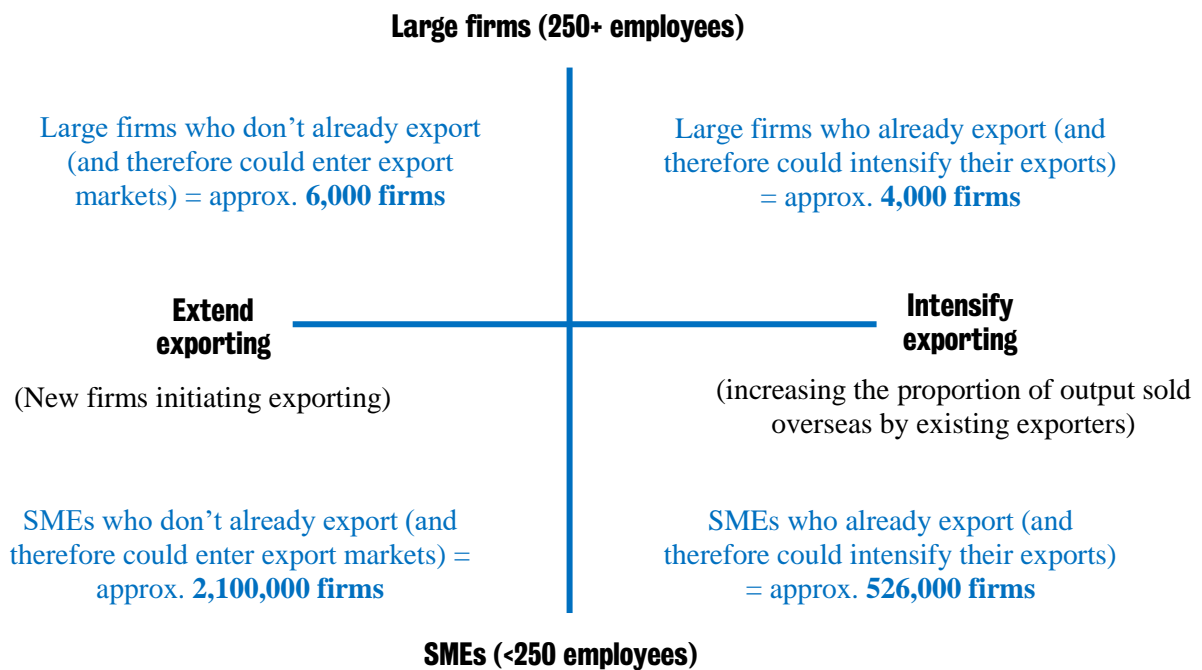
Number of employees	Number of enterprises	% of firms this size that export	Approximate number of exporters
0-9 employees	2,386,740	19%	453,481
10-49 employees	231,715	25%	57,929
50-249 employees	40,530	35%	14,186
0-249 employees	2,658,985		525,596
250+ employees	9,825	40.1%	3,940
All sizes	2,668,810		529,536

*Source: Various – see end of document*

We presented our lab participants with a set of options. Given our stated aim of increasing exports, is it better to focus on boosting exports from the relatively small number of firms that already export (the intensive margin of trade), or encourage more of the large population of non-exporters to enter export markets (the extensive margin)? Secondly, whichever option we choose, would targeting resources at the small number of large firms in the UK or the large population of small and medium sized enterprises (SMEs) be more beneficial?

The consensus was that intensifying the exporting activities of existing exporters, particularly large firms, constituted the approach likely to deliver the largest increase in the value of UK exports. These firms have already established market presences, knowledge of exporting and the relevant export infrastructure, and have proven that they have products suitable for export and that are demanded by overseas customers. The lack of understanding about the path to exporting means that attempting to expand the number of exporters is a potentially lengthy process with uncertain results. Also important is that large firms are far more likely than their smaller counterparts to have the characteristics of successful exporters; most obviously size, but also productivity and innovativeness. Focusing on these businesses therefore represents the least risky and most efficient way to grow exports.

**Figure 2: Potential for extending and intensifying exports among different categories of firms**



Source: Numbers from table 2

However, it was also pointed out that intensifying exporting by large firms is not without risk; it increases the exposure of exporting companies to economic volatility in destination markets, and means that negative shocks to demand for the exported product, whether due to cyclical economic fluctuations or longer-term shifts in customer preferences, could have a potentially severe impact on the company's finances. Because of this risk, intensification should be accompanied by diversification – exporters should look to export a wider range of products to a wider range of markets. Specifically, the UK needs more of what are termed 'superstar' exporters; firms selling 10 or more products in 10 or more markets.<sup>19</sup> Firms of this type are far more common in Germany than they are in the UK, at least in goods exports, where they account for almost 40% of goods exporters and 91% of the value of exports. In the UK, by comparison, 14% of goods exporters fall into this category, and they account for 76% of goods exports by value.<sup>20</sup>

Focusing on this relatively small group of firms is also likely to yield wider benefits over time. There is reasonably good evidence that spill over effects exist from exporting to non-exporting firms located in the same region; being close to exporting firms can help to stimulate entry to export markets, particularly among smaller firms who otherwise find their size a barrier to exporting.<sup>21</sup>

<sup>19</sup> Kneller, R. (2013). *Future manufacturing: constraints on UK exporters*. Foresight Future of Manufacturing Project: Evidence Paper 17. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/283891/ep17-uk-exporters-potential-constraints.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/283891/ep17-uk-exporters-potential-constraints.pdf) [accessed 28 February 2018].

<sup>20</sup> Ibid.

<sup>21</sup> Yi, J. & Wang, C. (2012). The decision to export: Firm heterogeneity, sunk costs, and spatial concentration. *International Business Review*, 21, 766-781.

While some studies find that these spill overs only exist between firms in the same industry,<sup>22</sup> others find that they arise from an agglomeration of exporters, irrespective of the industry they belong to.<sup>23</sup>

### Specific policy actions:

Policy measures that might support the intensification of exporting by large firms include:

- Tax incentives to increase exports. Research and development tax credits are permissible under World Trade Organization rules and could help to encourage the innovation activity necessary for large firms to diversify their range of products for export.
- Action to protect the supply chains and markets of large exporters post-Brexit. Many utilise parts and components imported from the EU, and sell their finished product to EU customers. Ensuring that new barriers to these activities do not emerge, in the form of either tariffs or non-tariff barriers, must be a priority if government wishes to protect the exports of large firms in the near term.

### Recommendation 2: The Government needs not only to protect but to strengthen trade relations with the US and EU

Countries trade more when the costs of trade are lower (widely termed the 'gravity model').<sup>24, 25</sup> This means that more trade is more likely with partners who are geographically closer and economically larger. There is emergent evidence that social, cultural, legal and regulatory similarities are also associated with lower trade costs and therefore greater trade,<sup>26, 27</sup> and it is possible that these factors could be more important for trade in services than in goods. This could have potentially important implications for the UK given its reliance on services exports.

The gravity model appears to hold strongly in the case of the UK; the EU and US represent by far our largest trading partners. In 2016, the economically large and geographically close EU was the destination for almost half of UK goods exports and over a third of services exports, while the large market of the US accounted for a further 16% of goods exports and 21% of services exports.<sup>28</sup>

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<sup>22</sup> See for example Jung, Y. & Lee, S.-H. (2014). Spillover effects and the decision to export in Korean manufacturing firms. *Journal of the Asia Pacific Economy*, 19, 588-603; Duran, I. A. and Ryan, M. (2014). Spillover Effects from Inward FDI on the Exporting Decisions of Chilean Manufacturing Plants. *Journal of Industry, Competition and Trade*, 14, 393-414.

<sup>23</sup> See for example Farole, T. & Winkler, D. (2014). Firm Location and the Determinants of Exporting in Low- and Middle-Income Countries. *Journal of Economic Geography*, 14, 395-420; Rodriguez-Pose, A., Tselios, V., Winkler, D. & Farole, T. (2013). Geography and the Determinants of Firm Exports in Indonesia. *World Development*, 44, 225-240; Manez, J. A., Rochina, M. E. & Sanchis, J. A. 2004. The decision to export: a panel data analysis for Spanish manufacturing. *Applied Economics Letters*, 11, 669-673.

<sup>24</sup> Chaney, T., (2013). *The gravity equation in international trade: An explanation* (Working Paper No. 19285). National Bureau of Economic Research.

<sup>25</sup> De Benedictis, L. and Taglioni, D. (2011). The Gravity Model in International Trade. *The Trade Impact of European Union Preferential Policies*. 55-89. Springer: Berlin.

<sup>26</sup> De Benedictis, L. and Taglioni, D. (2011). The Gravity Model in International Trade. *The Trade Impact of European Union Preferential Policies*. 55-89. Springer: Berlin.

<sup>27</sup> Brakman, S., Garretsen, J. and Kohl, T. (2017). Consequences of Brexit and Options for a "Global Britain". CESifo Working Paper; No. 6648. Munich: CESifo.

<sup>28</sup> Office for National Statistics (2017). *Dataset: 09 Geographical breakdown of the current account, The Pink Book*. [Online]. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016> [accessed 28 February 2018]. (Percentages calculated from raw data on value of UK exports in 2016 by destination).



**Table 3:** Top 10 destinations for UK goods and services exports in 2016, plus their share of total exports

	Goods exports	Services exports
1	United States (15.70%)	United States (21.25%)
2	Germany (10.95%)	Germany (6.54%)
3	France (6.62%)	France (5.64%)
4	Netherlands (6.17%)	Switzerland (5.05%)
5	Ireland (5.71%)	Netherlands (5.04%)
6	China (4.46%)	Guernsey (3.95%)
7	Belgium (3.92%)	Ireland (3.85%)
8	Italy (3.34%)	Japan (3.03%)
9	Spain (3.21%)	Jersey (3.02%)
10	Switzerland (2.84%)	Italy (2.94%)

*Source: ONS (2017)*

There is a need to look more closely at the influence of cultural proximity on trade patterns. The US, for example, is by some margin the single largest market for UK services exports, despite its geographical distance and the absence of a trade deal covering this area. This may be due to similarities in legal and regulatory structures and in consumer preferences relating to financial and professional services.

The implications of these patterns are clear; in the near-term the UK must act to maintain, and indeed strengthen, market access to its major trading partners the EU and US. Whether the gravity model continues to be an important predictor of trade patterns in the future, and therefore whether these markets should continue to be prioritised, is an open question that demands further research. If goods and services are increasingly digital in nature and so can be sent to the customer at the click of a button, geographical distance may become less relevant for exporting.

Specific policy actions: seek to maintain access to the EU Single Market in the Brexit negotiations. The outcome of the Brexit negotiations for the UK's access to the EU market is likely to strongly influence UK export values, and may have more marked impacts on some sectors than others, for example motor manufacturing and financial services. Seeking to maintain market access as far as possible, particularly for these key sectors, should be the priority. The fact that proximity and economic size are such important drivers of exports means that it may be challenging to offset the loss of EU markets with increased exports to more distant or lower income economies.

## Medium term

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### **Recommendation 3:** The huge economic potential of ‘exportable’ businesses needs to be leveraged. Government, business and business support organisations need to work together to achieve this

As we’ve already noted, it is relatively unusual for a business to export. A back-of-the-envelope calculation indicates there are probably around 2.1 million businesses in the UK that don’t currently export,<sup>29</sup> but this group is incredibly diverse, and our understanding of why these firms don’t export is limited. Some will not have output suited to exporting, perhaps because they provide services that must be delivered in situ, others will be too small or insufficiently productive to export profitably, others may wish to focus on serving their local market with no desire to sell overseas.

Other firms may be more able to export, sharing many of the characteristics of successful exporters, but have not yet tried exporting. We refer to these as ‘exportable’ businesses. From our research, we have found that size, productivity, being foreign-owned and spending on research and development are all positively related to exporting.<sup>30, 31, 32, 33</sup> Other characteristics may also be important, and there is more work to be done to identify these. Certain industries, particularly in manufacturing, also have an especially high propensity to export.<sup>34</sup> Identifying these businesses and encouraging them to start exporting could therefore have a significant impact on the value of UK exports.

There is other evidence of substantial untapped export potential in the economy. The Federation of Small Businesses’ (FSB) 2016 member survey, for example, found that 9% of the firms surveyed had never exported but would consider it.<sup>35</sup> Still more firms might not actively contemplate exporting as an option for their business, but would engage if the opportunity arose. According to the FSB survey, more than three quarters of export decisions made by exporters were the result – at least in part – of a direct approach from the market they began exporting to, rather than an active decision.<sup>36</sup> This more ad-hoc picture of exporting is reinforced by findings from UK Trade and Investment (UKTI), whose survey of over 900 firms found that receiving an enquiry from a potential customer was the single most important reason for a firm entering a new export market, and that less than a third of businesses had a written business plan explicitly covering overseas

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<sup>29</sup> Calculated from data in presented in table 2: the total number of enterprises in the UK (2,668,810) minus the estimated number of these enterprises that export (529,536) (=2,139,274)

<sup>30</sup> On the relationship between exporting and productivity, see for example Greenaway, D. and Kneller, R. (2005). Exporting and productivity: theory, evidence and future research. *The Singapore Economic Review*, 50(spec01), 303-312, and Wagner, J. (2007). Exports and productivity: A survey of the evidence from firm-level data. *The World Economy*, 30(1), 60-82.

<sup>31</sup> On the relationship between exporting and size, see for example Cieslik, A., Michalek, A., Michalek, J. J. & Mycielski, J. (2015). Determinants of Export Performance: Comparison of Central European and Baltic Firms. *Finance a Uver/Czech Journal of Economics and Finance*, 65, 211-229, and Serti, F. & Tomasi, C. (2014). Export and Import Market-Specific Characteristics: How They Drive the Decision to Trade and How Much. *Empirical Economics*, 47, 1467-1496.

<sup>32</sup> On the relationship between exporting and R&D, see for example: Tomiura E. (2007). Effects of R&D and networking on the export decision of Japanese firms. *Research Policy*, 36, 758-767, and Gourlay, A., Seaton, J. and Suppakitjarak, J. (2005). The determinants of export behaviour in UK service firms. *Service Industries Journal*, 25, 879-889.

<sup>33</sup> On the relationship between exporting and ownership, see for example Girma, S., Gong, Y., Goerg, H. & Lancheros, S. (2015). Investment liberalisation, technology take-off and export markets entry: Does foreign ownership structure matter? *Journal of Economic Behavior & Organization*, 116, 254-269, and Rodriguez-Pose, A., Tselios, V., Winkler, D. & Farole, T. (2013). Geography and the Determinants of Firm Exports in Indonesia. *World Development*, 44, 225-240.

<sup>34</sup> Department for Business, Energy and Industrial Strategy (BEIS). (2017). *Longitudinal Small Business Survey Year 2 (2016): SME employers – cross-sectional report* [online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/624580/small-business-survey-2016-sme-employers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624580/small-business-survey-2016-sme-employers.pdf) [accessed 14 March 2018].

<sup>35</sup> Federation of Small Businesses (2016). *Destination Export*. [Online]. Available at: <http://www.fsb.org.uk/docs/default-source/Publications/reports/fsb-destination-export-report-2016.pdf?sfvrsn=0> [accessed 28 February 2018].

<sup>36</sup> Ibid.

markets.<sup>37</sup> These insights imply that some firms may simply need a nudge in the right direction and the relevant advice and support to enter export markets.

With such a large and varied population of non-exporters, identifying those that have the potential to export, and providing them with the appropriate support to do so, is a challenging proposition, and one that may be particularly difficult for central government to undertake. Local and sectoral bodies, which are much closer to businesses, may be better equipped to fulfil this role, providing easy access to targeted advice and support to prompt exportable businesses to start selling overseas. These bodies could also help to connect businesses so that non-exporters can learn from firms that have already made the leap into exporting. Relevant bodies to fulfil these functions might include local enterprise partnerships (LEPs), the Catapult centres, regional chambers of commerce and trade associations. It may also be possible to leverage other sources of trusted advice; fellow businesses, accountants and bank managers may all be well placed to encourage firms to start exporting, and provide salient advice on how to start.

### Specific policy actions:

There is evidence of a need for a more decentralised approach to increasing exporting among current non-exporters, and for a more enhanced role for non-government actors. More specifically, this might include:

- Incentives or encouragement to larger firms to mentor smaller firms into their supply chain to encourage them to start exporting directly.
- A better-defined role for LEPs in providing export advice and guidance, and in developing peer networks or information sharing to support and promote exporting.
- Encouraging the active membership of business organisations such as chambers of commerce and sector organisations to disseminate best practice and share export market information among firms.
- Providing trusted business advisors such as accountants and bank managers with basic guidelines on the characteristics of exportable businesses to allow them to ask clients meeting these criteria whether they have considered exporting.
- The idea of an ‘export levy’ on all firms to fund interventions to promote exporting was also suggested.

More research to identify the firm characteristics associated with exporting would be valuable to allow the more targeted identification of exportable businesses by government and other bodies.

### Recommendation 4: Government needs to work with medium-sized firms to leverage their export potential

Medium-sized businesses are often neglected in policy conversations, tending to be grouped with small businesses in discussions about SMEs even though they might have very different characteristics to many small businesses. Medium-sized businesses are usually defined by employee number (between 50 and 249 employees), and most recent data indicates that there are 40,530 businesses falling into this category in the UK, 1.5% of the total population of VAT and/or PAYE businesses.<sup>38</sup> Approximately 35% of firms of this size currently export.<sup>39</sup>

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<sup>37</sup> UK Trade and Investment (2014). *UKTI's internationalisation strategies, barriers and awareness survey 2014*. [Online]. Available at: <https://www.gov.uk/government/publications/uktis-internationalisation-strategies-barriers-and-awareness-survey-2014> [accessed 28 February 2018].

<sup>38</sup> Office for National Statistics (2017). *Dataset: UK Businesses: activity, size and location*. [Online]. Available at: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation> [accessed 28 February 2018].

<sup>39</sup> Department for Business, Energy and Industrial Strategy (2017). *Longitudinal Small Business Survey Year 2 (2016): SME employers – cross-sectional report*. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/624580/small-business-survey-2016-sme-employers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624580/small-business-survey-2016-sme-employers.pdf) [accessed 28 February 2018].

Medium-sized businesses can be highly competitive in global markets, most notably demonstrated by Germany's 'Mittelstand'. Statistically speaking, the Mittelstand constitute businesses with fewer than 500 employees and turnover less than 50m Euros, but the term also denotes a certain culture and outlook; export-oriented, long-term, producing highly specific, premium products for international customers with a focus on service and continuous product upgrading.<sup>40, 41</sup> While it is likely to be difficult to transfer this highly specific cultural model from the German context to the UK, the Mittelstand does serve as evidence that medium-sized businesses can also be world-class.<sup>42</sup>

Medium-sized businesses are likely to have better prospects of export success than their smaller counterparts. Size appears to be an important driver of exporting given the sunk costs of entering export markets – costs associated with locating foreign customers, gathering market information, setting up distribution networks and complying with foreign regulations that can't be recovered on leaving the market.<sup>43,44</sup> Bigger firms are likely to be more productive than smaller ones, and therefore better able to compete in international markets and make a profit from exporting even once sunk costs have been covered.<sup>45</sup> Medium-sized businesses are also often at an inflection point in their development that can open up exporting opportunities. Their growth is likely to have been associated with a shift in important characteristics such as management behaviour, available leadership skills and sources of financing. These changes may create considerable scope to begin or intensify exporting, to access new markets or to develop new products for export.

The opportunity identified by policy lab participants to boost exports from medium-sized firms resonates strongly with the UK's Industrial Strategy White Paper. This also articulates the goal of growing exports from medium-sized enterprises and supporting these businesses to enter new export markets.<sup>46</sup>

### Specific policy actions:

Unlocking the export potential of medium-sized firms is likely to be aided by many of the recommendations outlined above for growing exports from large firms and for encouraging non-exporters with the right characteristics to start selling overseas. It may also require more data gathering:

- Making more data available on medium-sized businesses specifically, rather than obscuring their particular characteristics by presenting data on SMEs as a group.
- More work to identify the distinct barriers to exporting faced by medium-sized firms, and how they might be most effectively addressed.

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<sup>40</sup> Fear, J. (2014). The secret behind Germany's thriving 'Mittelstand' businesses is all in the mindset. *The Conversation*. [Online]. Available at: <http://theconversation.com/the-secret-behind-germanys-thriving-mittelstand-businesses-is-all-in-the-mindset-25452> [accessed 28 February 2018].

<sup>41</sup> Girotra, K. and Netessine, S. (2013). Extreme Focus and the Success of Germany's Mittelstand. *Harvard Business Review*. [Online]. Available at: <https://hbr.org/2013/02/good-old-focused-strategy> [accessed 28 February 2018].

<sup>42</sup> The Economist (2014). German Lessons. [Online]. Available at: <https://www.economist.com/news/business/21606834-many-countries-want-mittelstand-germanys-it-not-so-easy-copy-german-lessons> [accessed 28 February 2018].

<sup>43</sup> Bernard, A. B. & Wagner, J. (2001). Export Entry and Exit by German Firms. *Weltwirtschaftliches Archiv/Review of World Economics*, 137, 105-123.

<sup>44</sup> Sheard, N. (2014). Learning to Export and the Timing of Entry to Export Markets. *Review of International Economics*, 22, 536-560.

<sup>45</sup> Melitz, M.J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6), 1695-1725.

<sup>46</sup> HM Government (2017). *Industrial Strategy: Building a Britain fit for the future*. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf) [accessed 28 February 2018].

### **Recommendation 5:** Greater demand will be driven by a refreshed, reinvigorated campaign to promote UK exports that emphasises quality, innovation and creativity in UK products and services

The experts we convened were clear that successfully and sustainably increasing UK exports demands a focus on the characteristics of the goods and services exported, and how they are perceived by potential customers in overseas markets. It was argued that given labour and other costs, the UK may struggle to compete with emerging economies on price. However, it could exploit and further develop the UK's reputation for quality, innovation and creativity.

There is some, albeit mixed, evidence from the literature that overseas customers associate UK goods and services with quality, particularly those in emerging markets. A recent survey by Barclays of over 8000 consumers in eight overseas markets found that 64% of Indian and 57% of Chinese respondents would pay more for products made in Britain due to their perception that they are higher quality. This was also true for almost half of respondents in the United Arab Emirates and South Africa, but between just 20 and 30% of respondents in the more mature markets of France, Germany and Ireland.<sup>47</sup> A survey produced for UKTI, however, found some evidence that perceptions of UK goods and services overseas can act as a barrier to exports. Firms surveyed in the USA, India and China generally associated German and US-made products with the attributes of creativity and innovation more strongly than they did UK-made products, and UK-made goods were less associated with quality, value-for money and delivery to specification than those made in Japan or Germany. However, UK goods were more favourably perceived on all measures than French goods.<sup>48</sup>

The GREAT campaign, launched in 2012, has sought to boost UK tourism, inward investments and exports by emphasising aspects of the UK including innovation, creativity, technology and knowledge. An evaluation of the campaign by the National Audit Office in 2015 concluded that it was being delivered well and generating good returns on investment.<sup>49</sup> The most recent figures (for 2017) indicate that the campaign has achieved incremental returns of £2.7bn, including an additional £720m in trade and investment.<sup>50</sup> This provides a good indication that efforts to promote these UK attributes can work to generate demand for exports.

#### **Specific policy actions:**

Interventions that could help to strengthen the UK brand and its global recognition include hosting trade shows, organising trade missions and other showcasing techniques that emphasise these valued product characteristics. There may also be clearer or more accessible ways of articulating the Government's existing support in this area to businesses that already export or are considering it. Better supporting businesses to utilise aspects of the UK brand in promoting their own products could also be feasible and valuable.

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<sup>47</sup>Barclays Corporation (2018). *Brand Britain: Export opportunities for UK businesses*. [Online]. Available at: <https://www.barclayscorporate.com/content/dam/corppublic/corporate/Documents/Trading-and-Exporting/Made-in-Britain-Report-2018.pdf> [accessed 20 March 2018].

<sup>48</sup> Department for Business, Innovation and Skills (2011). *International Trade and Investment – the Economic Rationale for Government Support*. BIS Economics Paper No. 13. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32106/11-805-international-trade-investment-rationale-for-support.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32106/11-805-international-trade-investment-rationale-for-support.pdf) [accessed 20 March 2018].

<sup>49</sup> National Audit Office (2015). *Exploiting the UK brand overseas*. [Online]. Available at: <https://www.nao.org.uk/wp-content/uploads/2015/06/Exploiting-UK-brand-overseas.pdf> [accessed 20 March 2018].

<sup>50</sup> Civil Service Quarterly (2017). *Why evaluation is GREAT*. [Online]. Available at: <https://quarterly.blog.gov.uk/2017/08/16/why-evaluation-is-great/> (accessed 20 March 2018).

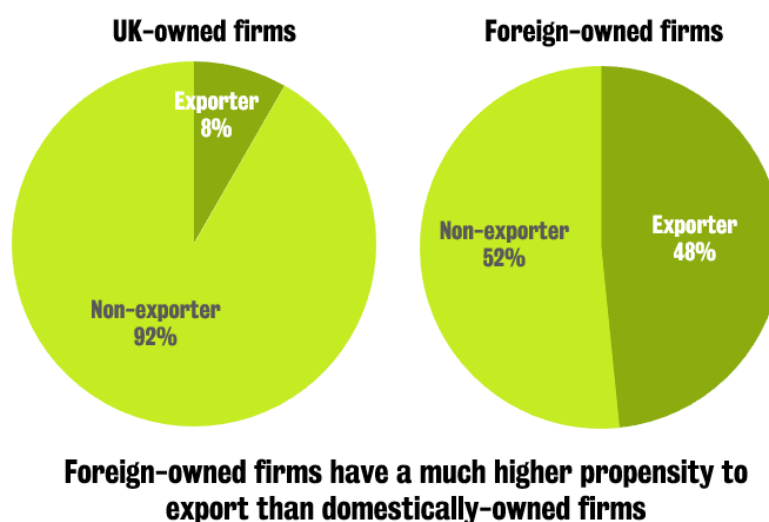
## Long term

### **Recommendation 6:** Developing the fundamentals of the UK economy is likely to provide a significant boost to exporting over the longer term

The best evidence available on the drivers of exporting shows that the composition and dynamics of the exporting economy are of central importance. Economies with stronger fundamentals and made up of higher-performing firms tend to export more.

Specific firm characteristics are strongly associated with the choice to export, and with the proportion of output exported (export intensity). Larger firms are consistently more likely to export than smaller firms, and export more,<sup>51</sup> and firms that are wholly or partly foreign-owned are significantly more likely to export and have higher export intensity than their domestically-owned counterparts.<sup>52</sup> Firm-level productivity has also been widely demonstrated to be an important determinant of exporting.<sup>53</sup> This provides weight to the theory of self-selection; that firms decide whether to enter export markets based on their productivity, with only the most productive firms able to compete in international markets and make a profit from exporting.<sup>54</sup>

**Figure 3:** Proportion of UK-owned vs. foreign-owned firms in the UK that exported in 2016



Source: Annual Business Survey 2016

<sup>51</sup> See for example Cieslik, A., Michalek, A., Michalek, J. J. & Mycielski, J. (2015). Determinants of Export Performance: Comparison of Central European and Baltic Firms. *Finance a Uver/Czech Journal of Economics and Finance*, 65, 211-229 and Serti, F. & Tomasi, C. (2014). Export and Import Market-Specific Characteristics: How They Drive the Decision to Trade and How Much. *Empirical Economics*, 47, 1467-1496.

<sup>52</sup> see for example Girma, S., Gong, Y., Goerg, H. & Lancheros, S. (2015). Investment liberalisation, technology take-off and export markets entry: Does foreign ownership structure matter? *Journal of Economic Behavior & Organization*, 116, 254-269, and Rodriguez-Pose, A., Tselios, V., Winkler, D. & Farole, T. (2013). Geography and the Determinants of Firm Exports in Indonesia. *World Development*, 44, 225-240.

<sup>53</sup> See for example Greenaway, D. and Kneller, R. (2005). Exporting and productivity: theory, evidence and future research. *The Singapore Economic Review*, 50(spec01), 303-312.

and Wagner, J. (2007). Exports and productivity: A survey of the evidence from firm-level data. *The World Economy*, 30(1), 60-82.

<sup>54</sup> De Loecker J. (2007). Do exports generate higher productivity? Evidence from Slovenia. *Journal of International Economics*, 73, 69-98.

Perhaps related to their impact on productivity, the human capital of the firm's workforce, the capital intensity of its production and its spending on research and development have also all been found to be positively related to the firm's likelihood of exporting, and in some instances its export intensity.<sup>55</sup>

These findings all reinforce the perhaps intuitive idea that better firms are more likely to sell overseas. This has clear policy implications; efforts to strengthen the underlying characteristics of firms, including by encouraging them to grow, to make productivity-enhancing investments in their workforce and physical capital and to innovate, will have a clear export payoff later down the line. This chimes with the focus of the Industrial Strategy, which is squarely on boosting national productivity through research and development investment, improved education and training and infrastructure upgrading.<sup>56</sup>

Looking at a sectoral level, certain sectors also have a particularly high propensity to export. The 2016 Longitudinal Small Business Survey of SME businesses with employees found that 45% of manufacturing firms surveyed exported, compared with just 3% of businesses working in human health or accommodation and food services, and 4% operating in the construction industry.<sup>57</sup> Within manufacturing, there are certain products that may be particularly strong. The UK's most valuable goods export in 2016 was chemicals, followed by intermediate goods (inputs to the production of other finished goods), capital goods (which are used to produce goods and services), cars, ships and aircraft.<sup>58</sup> The UK also seems to have a comparative advantage globally in high-technology manufactured goods, which include products such as pharmaceuticals, computers and aircraft.<sup>59</sup> While the UK's share of total world trade in goods was a little over 2.5% in 2016,<sup>60</sup> its share of high technology exports is substantially higher, estimated to be 4.7% in 2008.<sup>61</sup> Supporting the growth of the UK's manufacturing industry, and perhaps especially high-technology manufactures, could therefore provide an effective route to a more export-oriented economy. Again, this is highly compatible with the goals of the Industrial Strategy.

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<sup>55</sup> See for example Fonchamnyo, D. C. (2014). Determinants of Export Propensity and Intensity of Manufacturing Firms in Cameroon: An Empirical Assessment. *Applied Economics and Finance*, 1, 30-36; Gourlay, A., Seaton, J. and Suppakitjarak, J. (2005). The determinants of export behaviour in UK service firms. *Service Industries Journal*, 25, 879-889; Rodriguez-Pose, A., Tselios, V., Winkler, D. & Farole, T. (2013). Geography and the Determinants of Firm Exports in Indonesia. *World Development*, 44, 225-240.

<sup>56</sup> HM Government (2017). *Industrial Strategy: Building a Britain fit for the future*. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf) [accessed 28 February 2018].

<sup>57</sup> Department for Business, Energy and Industrial Strategy (2017). *Longitudinal Small Business Survey Year 2 (2016): SME employers – cross-sectional report*. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/624580/small-business-survey-2016-sme-employers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624580/small-business-survey-2016-sme-employers.pdf) [accessed 28 February 2018].

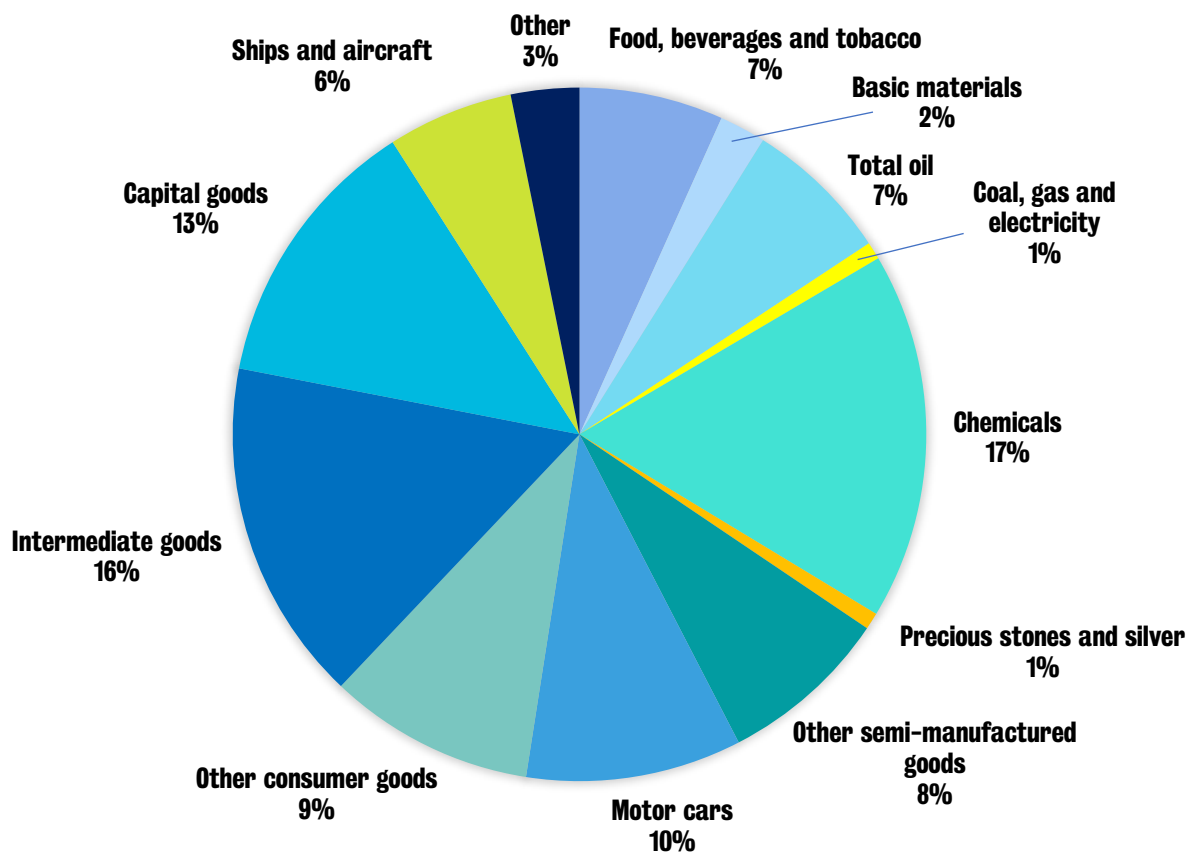
<sup>58</sup> Office for National Statistics (2017). *Dataset: 02 Trade in Goods, The Pink Book*. [Online]. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016> [accessed 28 February 2018].

<sup>59</sup> Kneller, R. (2013). *Future manufacturing: constraints on UK exporters*. Foresight Future of Manufacturing Project: Evidence Paper 17. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/283891/ep17-uk-exporters-potential-constraints.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/283891/ep17-uk-exporters-potential-constraints.pdf) [accessed 28 February 2018].

<sup>60</sup> World Trade Organization (2017). *Trade Profiles 2017*. [Online]. Available at: [World Trade Organization. https://www.wto.org/english/res\\_e/booksp\\_e/trade\\_profiles17\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf) [accessed 28 February 2018].

<sup>61</sup> Kneller, R. (2013). *Future manufacturing: constraints on UK exporters*. Foresight Future of Manufacturing Project: Evidence Paper 17. [Online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/283891/ep17-uk-exporters-potential-constraints.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/283891/ep17-uk-exporters-potential-constraints.pdf) [accessed 28 February 2018].

**Figure 4:** The composition of UK goods exports by value in 2016



Source: ONS (2017)

Taking a regional approach to the strengthening of economic fundamentals and the development of a vibrant manufacturing sector, as initiatives such as the Northern Powerhouse and Midlands Engine aim to do, could also help to address the stark regional differences we observe in export performance. In turn, boosting exports from these regions could deliver spill overs to non-exporting firms and wider growth benefits.

Lab participants agreed that an approach centred on strengthening fundamentals such as productivity and research and development represented a safer and more sustainable approach to developing the UK’s export capacity than ‘picking winners’ – directing resources at specific industries or technologies thought to have growth potential. The time taken for innovations to reach the market and the short life cycle of many products meant it was felt that private investors closer to the market were better placed to make judgements about which opportunities to invest in.

**Specific policy actions:**

The Government already has a high-profile plan to strengthen the fundamentals of the UK economy in the Industrial Strategy. The clear relationship between these fundamentals and export performance provides an additional rationale to deliver on this strategy over the coming years. This involves increased spending on research and development, a stronger technical education system, major investments in transport, housing and digital infrastructure and a raft of other measures to encourage the growth and increased productivity of SMEs All of these steps are likely to help more businesses in the UK that don’t currently export develop the characteristics that make successful exporting possible.



### **Recommendation 7: Targeted, non-formal trade agreements can be used alongside more formal negotiations to unlock barriers faced by specific sectors**

Non-tariff barriers (such as differing regulatory structures and standards) continue to suppress trade.<sup>62</sup> This is particularly true in services like banking, where there is typically a requirement for the firm exporting services to be subject to local supervision, or else meet significantly higher standards than domestic firms.<sup>63</sup> Host nations have greater freedom under global trade rules to set standards unilaterally to protect their economies and society.

While formal trade negotiations to reduce these barriers are essential, they typically take years to complete. In the meantime, there may be opportunities for less formal agreements to increase market access. This might involve regulatory agencies in the UK and the partner country agreeing non-binding mechanisms to increase harmonisation.<sup>64</sup> The US ‘TIFAs’ (Trade and Investment Framework Agreements) consult on a wide range of trade and investment issues, including relating to market access,<sup>65</sup> and may provide a blueprint for this approach. There are also promising examples from the UK that could be built on; for example the UK China Economic and Financial Dialogue. This recently addressed aspects of the UK-China financial services relationship and agreed several areas for cooperation.<sup>66</sup> These negotiations should prioritise barriers in sectors in which the UK has a clear comparative advantage, such as business and financial services.

Sector bodies would again be best-placed to identify these barriers and communicate them to government. This necessitates a strong set of well-resourced industry or sector bodies that are representative of UK employers. Some sector organisations may already be well-placed to take on this role, while others may need support to increase their membership and develop their policy functions.

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<sup>62</sup> Institute for Government. *Non-tariff barriers*. [Online]. Available at: <https://www.instituteforgovernment.org.uk/explainers/non-tariff-barriers> [accessed 28 February 2018].

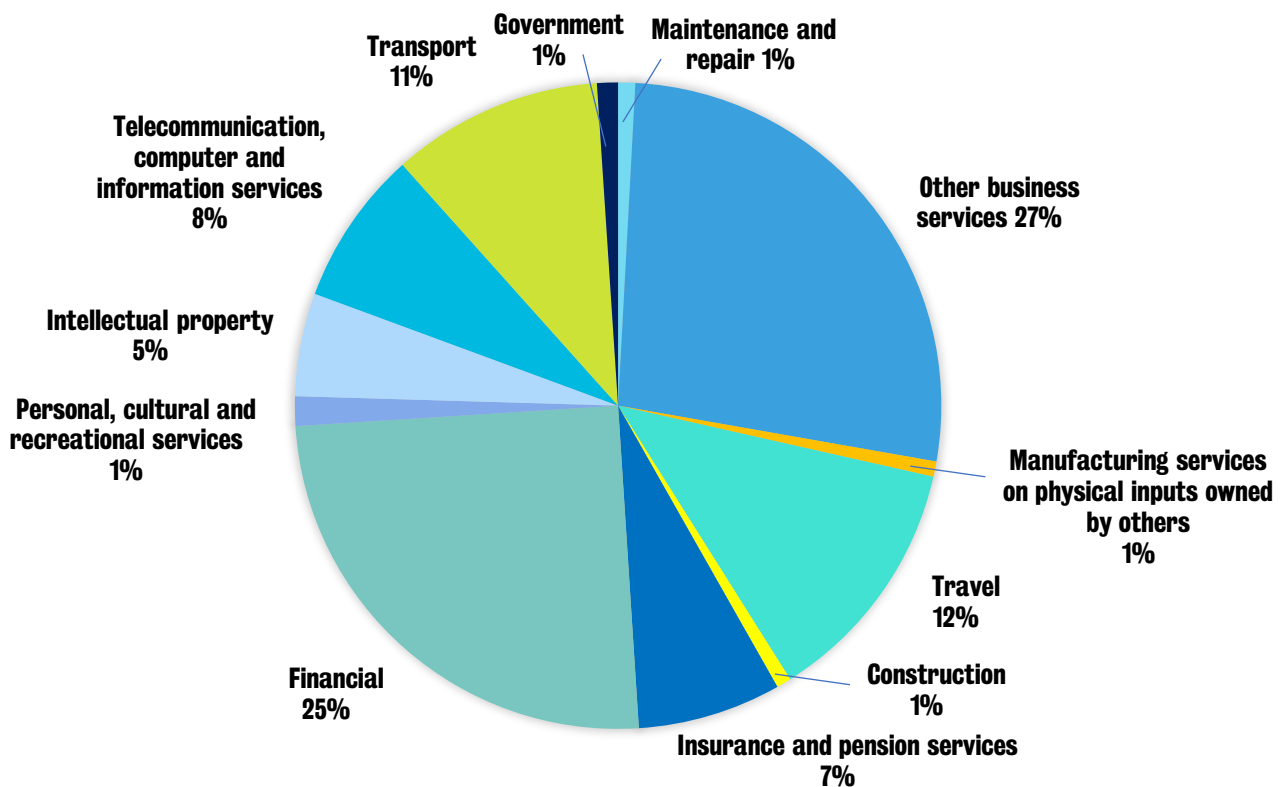
<sup>63</sup> Adams, S. (2016). Brexit TiSA trailer. *Global Counsel*. [Online]. Available at: <https://www.global-counsel.co.uk/blog/brexit-tisa-trailer> [accessed 06 April 2018].

<sup>64</sup> The Institute for Government proposes something similar in its model of ‘regulatory partnership’, which suggests a three-tiered approach to regulatory alignment, and a scale of formal and less formal measures for achieving this. See: Owen, J., Stojanovic, A. and Rutter, J. (2017). Trade after Brexit: Options for the UK’s relationship with the EU. *Institute for Government*. [Online]. Available at: [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IFGJ5896-Brexit-Report-171214-final\\_0.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IFGJ5896-Brexit-Report-171214-final_0.pdf) [accessed 20 March 2018].

<sup>65</sup> Office of the United States Trade Representative. *Trade and Investment Framework Agreements*. [Online]. Available at: <https://ustr.gov/trade-agreements/trade-investment-framework-agreements> [accessed 20 March 2018].

<sup>66</sup> HM Treasury (2017). UK China 9<sup>th</sup> Economic and Financial Dialogue: fact sheet. [Online]. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/668718/9th\\_UK\\_China\\_EFD\\_overview\\_factsheet.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/668718/9th_UK_China_EFD_overview_factsheet.pdf) [accessed 10 April 2018].

**Figure 5:** The composition of UK services exports by value in 2016



Source (ONS, 2017)

### Specific policy actions:

Policy lab participants thought that less formal market access agreements could be used most effectively to increase exports by:

- Concentrating on the UK's areas on comparative advantage, specifically seeking to expand market access for services exports (most crucially financial and professional/business services).
- Encouraging a leading role for sector and industry bodies in identifying the most important barriers to trade for firms in their area, enabling the relevant regulatory agencies or other bodies to negotiate with their overseas counterparts in a more focused way and unlock binding constraints on exports.
- If sector representatives are to play an important role in communicating trade barriers, efforts may be required in some cases to grow these bodies and promote membership to ensure that all key sectors are well-represented. There is a range of ways in which this could be achieved, from making membership of a trade organisation mandatory for businesses, to better incentivising membership by making government's engagements with these bodies more frequent and systematic. Further work is needed to establish how effectively trade organisations are operating in the UK, what best practice looks like and, where necessary, what the most effective and practical ways to strengthen these bodies are.

## Ensuring the sustainability and success of an exporting strategy

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Raising UK exports in a sustained way requires commitment – change will not be achieved if implementation of the strategy is lacklustre or no attempt is made to track its progress against its stated aims. Several ways of avoiding these pitfalls were suggested in the policy lab. On an implementation level, there was real emphasis on embedding an exporting strategy within other government initiatives, for example the Industrial Strategy, to allow efforts to be coordinated, avoid duplication of effort and prevent the export strategy from being marginalised in the pursuit of other objectives.

Devoting resources to the ongoing evaluation of the strategy's interventions was also seen as essential for delivering the desired outcomes and preventing resources from being wasted on measures not shown to be effective. Ongoing assessment would also allow the strategy to be adapted and updated over time to place more emphasis on measures that are working well and to respond to global shocks and emerging market trends. Finally, the possibility of putting the drive around exporting into legislation, or setting up an independent body to monitor its progress, were also suggested to ensure the necessary ongoing political commitment.

Global markets and technology are changing fast, and delivering a significant and sustained boost to UK exports means understanding and responding to these changes. This can't be achieved without collecting better data on exports. Expanding and improving the data available might include:

- Better data on services exports, which are rapidly growing and are particularly important for the UK
- Efforts to better reflect the convergence of goods and services exports
- Metrics to measure the scale and share of the digital economy in exporting
- More granular data on exporting status, e.g. by size of firm, turnover level and other relevant characteristics
- Attempts to unravel the extent to which global supply chains are driving export patterns and volumes

The overriding consensus from both the expert discussion and wider research was that growing the UK's exports is essential for the UK's economic performance. In a time of political turbulence there is real need to make progress, both through short-term measures and by beginning to shape the wider system over the long-term. This involves recognising the significant overlap between a national exporting strategy, industrial strategy and wider economic policy directed at growing businesses, boosting skills and infrastructure and developing productivity and competitiveness across the economy.

## Participants

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**Broughton, Nida.** Head of Economic Growth and Productivity, Behavioural Insights Team  
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**Devonshire, Julie.** Director, King's Entrepreneurship Institute  
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**Flewellen, Scott.** Director, Trade and Working Capital, Barclays  
**Gerrard, Tony.** Department for International Trade  
**Harris, Richard.** Deputy Dean (Research) and Professor of Economics, Durham Business School  
**Hesketh, Rachel.** Research Associate, The Policy Institute at King's  
**Hoban, Mark.** Chair, International Regulatory Strategy Group  
**Marongiu, Alessandro.** International Trade Policy Manager, Society for Motor Manufacturers and Traders  
**Prentice, Graham.** Export Strategy Lead, Department for International Trade  
**Radu, Dragos.** Lecturer in Economics, King's Business School  
**Allen Simpson,** Director of Public Policy, Barclays  
**Turrell, Adam.** Trade Director, Barclays  
**White, Chris.** Former Member of Parliament for Warwick and Leamington and member of the Business, Energy and Industrial Strategy Committee  
**Wilkinson, Ben.** Interim Deputy Director and Senior Research Fellow, The Policy Institute at King's  
**Young, Sam.** Deputy Head of Policy and Public Affairs, Creative Industries Federation

## References for tables and figures

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**Figure 1:** Numbers of firms in each quadrant taken from table 2

**Figure 2:** Office for National Statistics (ONS). (2017b). *Annual Business Survey, Great Britain non-financial business economy: 2016 exporters and importers*. [Online]. Available at:

<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/articles/annualbusinesssurvey/greatbritainnonfinancialbusinesseconomy2016exportersandimporters> [accessed 28 February 2018]. (Percentages calculated from raw data on the total number of businesses and exporters by ownership).

**Figure 3:** Office for National Statistics (ONS). (2017). Dataset: 02 Trade in Goods, The Pink Book [online]. Available at:

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016> [accessed 28 February 2018]. (Percentages calculated from raw data on value of exports by type of good).

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**Table 1:** World Trade Organization (2017). *Trade Profiles 2017*. [Online]. Available at:

[https://www.wto.org/english/res\\_e/booksp\\_e/trade\\_profiles17\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/trade_profiles17_e.pdf) [accessed 27 February 2018].

**Table 2:**

**Data on number of enterprises by size (employee number):** Office for National Statistics (2017).

*Dataset: 09 Geographical breakdown of the current account, The Pink Book*. [Online]. Available at:

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/624580/small-business-survey-2016-sme-employers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624580/small-business-survey-2016-sme-employers.pdf) [accessed 28 February 2018].

**Percentage of businesses with 50-249 employees that export:** Department for Business, Energy and Industrial Strategy (2017). *Longitudinal Small Business Survey Year 2 (2016): SME employers – cross-sectional report*. [Online]. Available at:

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**Percentage of businesses with 250+ employees that export:** Office for National Statistics (ONS). (2017b). *Annual Business Survey, Great Britain non-financial business economy: 2016 exporters and importers*. [Online]. Available at:

<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/articles/annualbusinesssurvey/greatbritainnonfinancialbusinesseconomy2016exportersandimporters> [accessed 28 February 2018]. (Percentage calculated from raw data on the total number of businesses and exporters with 250+ employees).

**Table 3:** Office for National Statistics (2017). *Dataset: 09 Geographical breakdown of the current account, The Pink Book*. [Online]. Available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016> [accessed 28 February 2018]. (Percentages calculated from raw data on value of UK exports in 2016 by destination).