

International Trade Financial Solutions Newsletter

'Minimising Commercial Risks When Trading Abroad'

Issue 19

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Hullo. What a month! They say things come in 3's; and were they right. We knew there was going to be an election - don't worry, I'm not going to get all political, but who predicted the events in Greece would become as severe as they have and, as for the Ash cloud.....

Dealing with the last one first, some of you may recall that I said I was off for a few days in April. The intention was a Spring break in Rome. That never happened, the ash arrived first. Still, at least we were not stranded and I do pity those who were, wherever in the world. On the plus side, however, the UK weather was glorious, so a last minute booking had us in The Cotswolds. Can't complain.

As for the other 2, they are having an ongoing effect, and I'll look at them in more detail below.

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UK Election & Greece.

2 unrelated stories have featured heavily over the last week, but both are having a significant effect on the markets, so it's better to look at them together here.

Reading the financial press and money men, what markets hate is uncertainty. So, what have we got - uncertainty regarding the next UK Government - we know who it will be, but will it be strong/resilient enough to deal with the economic problems, etc., etc. and also significant fears over the state of the Greek [and, possibly, other southern Eurozone members]. Either on their own will cause headaches, but both together are really making things difficult for anyone who trades overseas - buying or selling. I am unable to give my thoughts on what will happen regarding exchange rates, as this is an FSA regulatory requirement and I decided some time ago not to seek formal FSA authorisation for what I do within ITFS. That said, it is something that every importer and exporter, or indeed, anyone who deals with foreign currency, must take notice of and ensure that they have a good relationship with whoever they use for their foreign exchange needs. FX dealers, by their very

nature, are FSA authorised, and can discuss their views on where they think the market is heading. If your FX dealer does not do this, consider changing to one who does, and also gives good rates. I will happily put you in touch with some if you need a referral - just let me know.

The euro may be great for removing a plethora of currencies across Europe, but it also means that issues in 1 member country [e.g. Greece] will have an impact on all of the other countries that use the same currency - i.e. the rest of the eurozone. Therefore, you don't need to be dealing with Greek counterparts to feel the effect. Trading between UK and Belgium, to use an example, will also be affected by the rate movements. A good time to remind you again of the dynamic currency converter on my website; you can use this to track exchange rate movements as often as you like - very important at the moment. I even used it to check on the euro movements before my aborted trip to Rome! More seriously, please make sure that you have a grip on exchange rate movements before you commit; again, I'd be pleased to speak with anyone who needs to know the basic options that are available; their effects and what they mean for your business. Also, and don't forget, once you know the basics, you are in a much better position to react more quickly in the future and retain more money as profit in your business.

Trade International Digest interview.

My interview in TID - 'How I Got Here' - was published, as promised, in their April edition. It is due to be released very shortly on their main website - www.tradeinternationaldigest.co.uk under the 'Interviews' section on the left hand side.

I have already had some very positive feedback, so it is a useful additional outlet to promote what I do. Go and have a look - I hope to post a link from my website shortly - and, as I said last month, spread the word to any associates who you feel would be interested. Please also give me any feedback on your thoughts, etc.

Glossary of Terms - The I's.

What? We're back to a single letter again this month! it's quite surprising how many International related issues start with this letter. I *promise* that next month we will start motoring - currently, I cannot think of any terms starting with the letter J - and K is also a challenge.

OK, then, the I's.

ICC. In International terms, ICC stands for the International Chamber of Commerce. Think of it as a Chamber of Commerce that covers much of the world. Amongst their many responsibilities they formulate, interpret and put into place standards and procedures that are recognised globally. Without this, International Trade would rapidly deteriorate into local practices and chaos. Some cynics will say this already happens, but things like the Letter of Credit rules are drawn up by the ICC. They are also responsible for arbitration, and the general opening up of global markets. Their main website is www.iccwbo.org in case anyone wants more info.

Import Licence. These may still be required by some countries for some or all goods, including certain imports into the UK. Whilst compliance is the responsibility of the importer, as an exporter, it is a good idea to make sure they are doing so; after all, you want payment for your goods!

Import Paperwork. If goods are already in free circulation within the EU [see 'Free Circulation, Issue 17], paperwork is usually minimal. However, if imports into the

UK exceed £600,000 and/or your exports exceed £250,000, you need Intrastat declarations [see below]. Goods from outside the EU will require more documentation, possibly including an import licence [see above].

(All previous issues of the newsletter can be found as PDF files on my website - www.intradedefinsolns.co.uk then click on Articles/Newsletters on the left hand side.)

Incoterms. I have already covered these in Issue 12, at the start of the 1st actual Incoterm.

Inspection Certificate. This is what it says, but it is vital to ensure that the correct one is provided, if called upon. Anyone can issue one, but it is more usual for an independent, random sample to be inspected by an accredited inspection company, such as SGS. Some countries may require these as a precondition of import into the Country. As ever, know the rules for the areas of the world in which you deal.

Insurance policy/certificate. If called for, it is usual for goods to be insured for 110% of their value, and will include details of quantity and route plus, if necessary, time limits and any transshipments. Insurance certificates called for under transferable Letters of Credit can cause an issue inasmuch as they will show the mark up amount that the middle man is taking to the other parties. More later...

Intrastat. This is a system for collecting statistics on the physical trade in goods between EU member states. If you import or export above the thresholds [currently £600k and £250k respectively] you must complete monthly returns on line, or face heavy fines and penalties. There is a lot more info on the revenue's website - www.hmrc.gov.uk and then search for Intrastat.

Inward Processing Relief. I do not intend to include all of the many HMRC reliefs in this glossary, but this one is of note for anyone who imports goods for re-export, post processing. If you apply for IPR, you only pay VAT if you subsequently decide to sell them in the UK [or fail to meet the conditions attached to IPR, of course].

ISP98. I toyed with whether or not to include, but it is still seen sometimes, so I voted it in. ISP98 is a set of rules that govern Standby Letters of Credit [SLC]. I will cover both Letters of Credit [L/C's] and Standbys in the relevant sections later on, but, in brief, all L/C's and SLC's must state under which set of internationally recognised rules they operate. For L/C's it should read UCP600, but for SLC's, ISP98 is usually preferable to UCP600. Without going into too much detail, if you need further advice on ISP98 [or UCP600], please contact me.

Right, that's the end of I. As I said at the start, J & K are presently blank, so here's a challenge for everyone - send me an e-mail if you can think of any terms!

Future Events.

The main event in the immediate future is the Business Start Up and Start Up Overseas exhibition at ExCeL in Docklands next week [20/21 May]. It's free to attend and has a huge range of businesses and services on display. I'm aiming to spend some time each day with the Start Up Overseas team - although technically not part of their entourage, they are happy for me to be on call to answer any questions that visitors may have. I hope many of you will be able to make it and I shall see you there. If you are thinking of going, it's best to register in advance - see www.startupcommunity.co.uk and then click on the link on the lower left hand side.

If you know of any other business to whom this ezine may be of interest, why don't you forward it on to them and encourage them to sign up for future issues?

If you're flying away during the school half term at the end of the month, or, indeed, any other time, I hope you do not have any problems with the ongoing ash issues. See you next month.