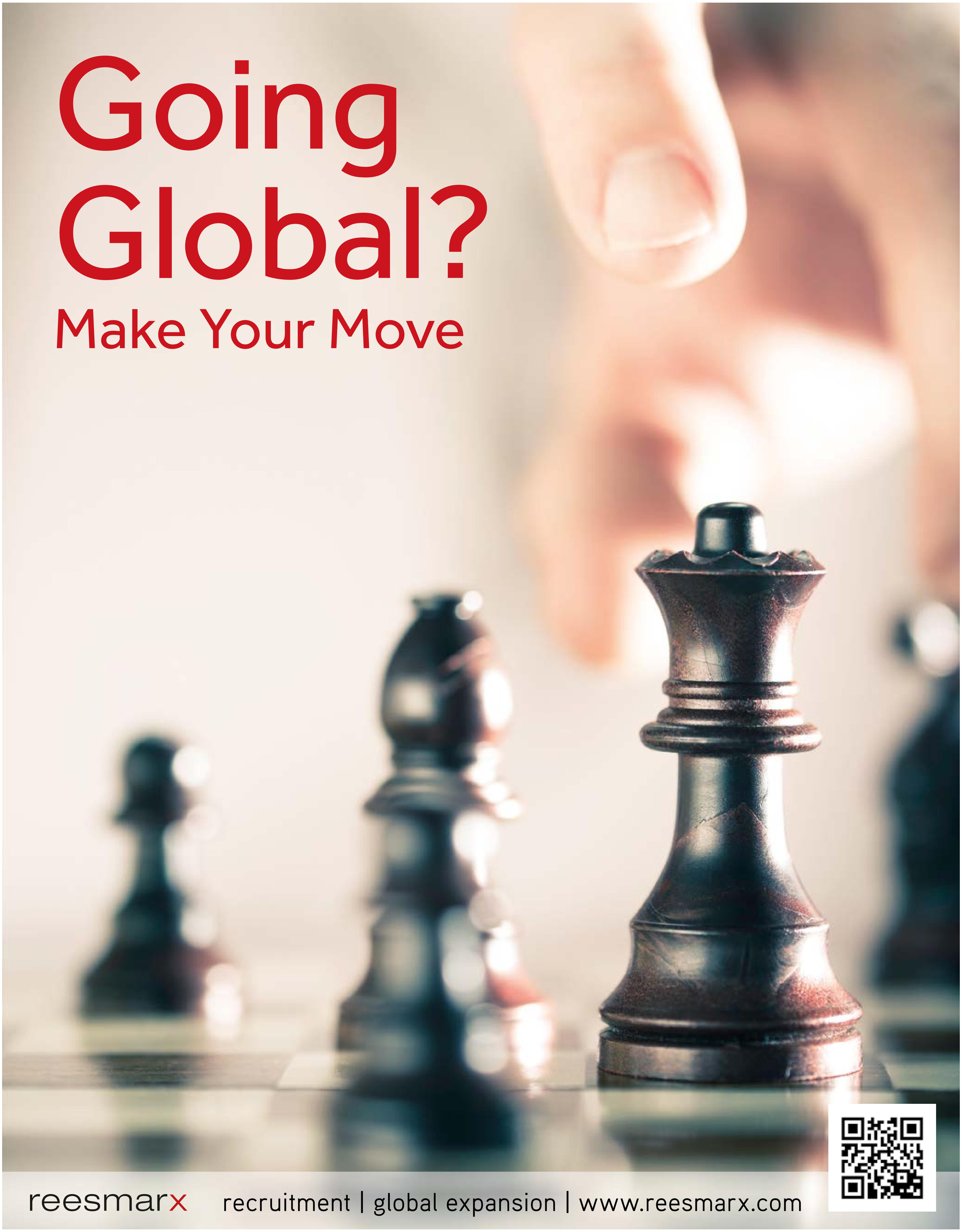
INDEPENDENT PUBLICATION BY

RACONTEUR

raconteur.net | #0479 | 11 / 10 / 2017

GOING GLOBAL



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GOING GLOBAL

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IMPACT OF TERRORISM

Terrorist carnage also wrecks economies

Beyond the terrible human price paid by victims, terrorist attacks wreak havoc with local and global trade

BURHAN WAZIR

Slaughter at a Friday night concert in Paris, running down pedestrians on a promenade in Nice, and stabbing diners in London bars and restaurants. The brand of terrorism, which has brought carnage to European cities, has also exposed weaknesses in protecting vulnerable soft targets such as tourist sites and shopping districts.

The challenge for any democracy is how to respond to threats while upholding a social order, which groups like Islamic State (Isis) seek to annihilate. In the 1970s and 1980s, Spain's ETA and terrorist groups fighting in Northern Ireland initially concentrated their violence against government figures. Al Qaeda and Isis have instead directed their campaigns at civilians.

Suicide bombings, knife attacks and shootings not only cause a significant loss of life, but also have an ancillary effect on tourist attractions, hotels, restaurants and shops.

After the bloodshed at the Bataclan, the most famous attractions in Paris recorded double-digit declines as tourists, who were alarmed at the likelihood of further attacks, stayed away. According to the city's tourist board, attendance at the Grand Palais fell by 43.9 per cent and the number of tourists visiting the Arc de Triomphe dropped by 34.8 per cent. Throughout 2016, France saw an estimated €750-million drop in tourism revenue.

As France has seen the militarisation of its city streets and the introduction of bag searches at shopping malls and cinemas, entertainment and retail sales have suffered. The French luxury goods businesses, valued at $18 billion, saw weak revenue during the first quarter of 2016. Moët Hennessy Louis Vuitton last summer recorded a slowdown in its year-on-year sales growth of 3 per cent. In 2015, Prada's year-on-year profits fell by 27 per cent amid a slowdown in tourism-driven sales. In its annual report, the company cited terrorist attacks in France as a factor.

For businesses operating in countries including the UK, France and Germany, terrorism poses a new threat to staff and assets in a number of ways. Larger firms view terrorism as the cause of uncertainty in global financial markets, while smaller businesses such as cafés depend on local communities and tourists. Providing a risk-free environment for staff in a restaurant in London is different to safeguarding energy workers in Baghdad or Riyadh.

Central Paris went into lockdown following the terrorist attacks in November 2015; French luxury goods businesses such as Moët Hennessy Louis Vuitton suffered from weak sales in the following quarter

"In Europe, the terrorist threat is very specific and widespread," says Riccardo Dugulin, a senior analyst at Drum Cussac, which provides security insight and solutions to businesses. "A terror event can happen at any time and there is no mitigation risk you can take. In countries like Libya and Iraq, you can have a hands-on approach because of the environment. That is harder to do in Europe."

Faced with an increase in the number of terrorist incidents targeting businesses and supply chains, security has become a priority for the European Commission (EC). In 2014, the EC launched a number of research projects under an €80-billion innovation scheme called Horizon 2020. The programme, which is funded until 2020, has a number of initiatives which focus on eliminating terrorist threats to businesses and the infrastructure they rely upon.

While the most obvious consequence of terrorism is the loss of life and the physical destruction of traditional bricks-and-mortar buildings, attacks also pose risks to online stores, the supply of cargo, and gas, water and electricity supplies.

Horizon 2020 projects include CASSANDRA (Common Assessment and Analysis of Risk in Global Supply Chains), which protects the global transport of shipping containers. Another initiative, FLY BAG2, has developed a technology which can be used to help airplane cargo holds and cabins survive a Lockerbie-sized explosion. A project called ACT4INFRA aims to develop a system to defend water and gas utilities from terrorist or criminal attacks.

According to an EC spokesperson: "Recent attacks in the UK, Germany and Spain reiterated the need to better protect public spaces. The Commission has stepped up its work with national authorities, practitioners and relevant business operators in this respect. Dedicated working groups are envisaged to start work in September on protection of soft targets."

For business owners, protecting staff and retail buildings alone isn't enough. The last few years have also seen an increase in online attacks as well as the theft of cargo and trucks by organised crime. The Transport Asset Protection Association (TAPA) says 2016 saw 2,611 recorded incidents of cargo crime in the Europe, Middle East and Africa (EMEA) region, the highest level in the association's 20-year history and a 72.3 per cent rise year on year. The loss to businesses for these thefts exceeded €77 million.

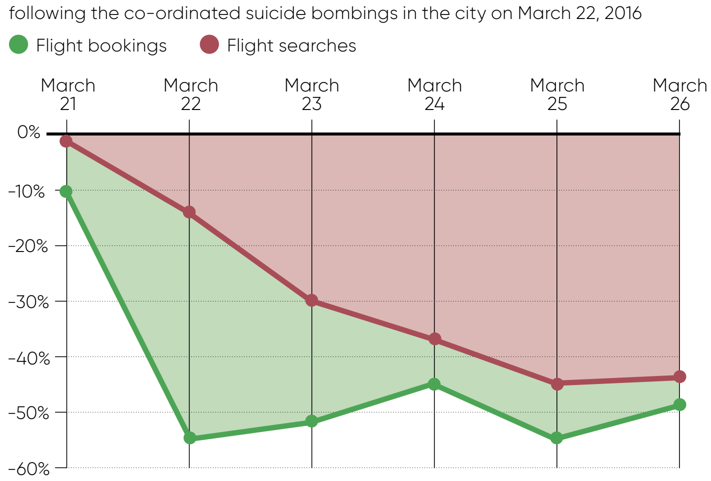
"The devastating use of trucks in terror attacks in France, Germany and the UK in the past 14 months has demonstrated not only a shift in terrorists' mode of operating, but also the vulnerability of trucks and, of course, their drivers," says Thorsten Neumann, chair of TAPA EMEA. "It is now of paramount importance to all stakeholders that we take every sensible and proactive precaution to protect vehicles to stop them falling into the hands of people who want to use them as a weapon to harm others."

Businesses that outsource digital services, such as online stores and loyalty programmes, will also have to address an increase in the number of cyber attacks. "Businesses have traditionally outsourced their technology needs to keep costs low," says Stefano Mele, a partner at Moire Consulting Group, an Italian security and insights firm which advises companies in Europe. "That may change depending on the threat level to the service required."

James McAlister, director of Crisis Prepared and chair of the Business Continuity Institute, which advises firms on issues of resilience, adds: "It is natural for business owners to worry about terrorism after a big attack. Our advice to businesses is always to try and gauge the threat level posed to them. Why do they think they might be attacked? How best can they protect themselves? Staff are a priority, so we try to look at areas where they might be vulnerable."

IMPACT ON TOURISM FOLLOWING BRUSSELS ATTACK

Week-on-week change in global flight bookings and searches to Brussels following the co-ordinated suicide bombings in the city on March 22, 2016



Skift 2016

COMMERCIAL FEATURE

How a website can help your business go global

When running a business, growth is usually the goal. There are several ways to achieve this growth and tapping into overseas markets can be an excellent way for small businesses to expand

Expanding your business overseas offers a number of benefits. Perhaps the most obvious is helping your business to reach a wider audience, as making your goods and services available in other markets can help you reach new customers there.

It can also help you exploit untapped markets, areas where your services or goods may not be available, but are in high demand. This can be lucrative for your business and help reach more customers, exposing a greater number of people to your brand. In fact, this is one of the more significant benefits of going global by increasing your business's brand exposure.

When a company expands into another market, the brand's visibility increases, and as more people are aware of your brand, sales can increase, and it could be possible to expand further. Not only this, but existing customers can see that your business is growing and successful, making it a more attractive proposition.

While there are many benefits to going global, achieving expansion into overseas markets isn't simply a case of clicking your fingers. Your business will face a number of challenges to overcome and a strong online presence, adapted to various countries, can help you do this.

GETTING STARTED

A strong online presence can be a vital component in ensuring your business reaps the benefits of going global. It can help establish your business as being reliable and strengthen its credibility, while extending its reach to more potential customers and potentially improving sales.

If your company appears credible it's more likely that potential customers in new markets, who are unfamiliar with your brand, will trust it and be willing to purchase your goods. So how can your business establish a strong online presence?

The first port of call should be your business website, which can be the foundation of your online presence and act as a key tool in ensuring your company's success overseas.

That said building a website that is suitable for international expansion can be very different from building one that is only intended for local audiences. Before you establish your internationally optimised website, there are several things you need to consider.

First, you should consider your domain name extension, the part after the domain name, .com or .net, for example. This is a vital part of your business website that can impact how your company is perceived online.

With this in mind, if you have international aspirations for your business, it's important to have a domain extension that is recognisable and trusted all around the world. The .com domain extension, for example, is the most widely used around the globe, and offers worldwide recognition and credibility, which should help build trust with potential customers in new regions.

It may also be worth unifying your global online presence under one single domain name, rather than several different country specific domains. By using a single, .com domain extension, with subfolders – .com/en, .com/fr or .com/es – your website can achieve the global appeal of .com, while also appearing local. It also means that subfolders can benefit from the strong reputation of your single domain extension.

There are further benefits, too. For example, this approach is easy to implement and won't dilute your web presence across several different domain names. More importantly, this may also have a positive impact on your search-engine ranking. By using a single domain name, all inbound links to your website will point to that domain, which will make it appear more authoritative and, in turn, may allow you to improve the ranking of your website on the search result page. This can make your website easier for potential customers to find, which is an important factor for growing international businesses.

Once you've selected your domain extension, it's time to choose your domain name. This could be essential to ensuring your website is memorable and easy for users to find. There are three options – either opt for a domain name that exactly reflects your company name, leverage relevant keywords or use a combination of the two.

This is when you need to be both creative and careful because a poorly chosen domain name could have a long-lasting impact on your online presence and business as a whole. For example, using slang or country-specific terms can make your business seem overly local and colloquial, and a Spanish shopper may be unlikely to see the appeal of something like bangersandmashandmushypeas.com. roughly translated for international audiences as sausages, mashed potatoes and, well, mushy peas.

Instead you should aim to register a domain name which is relevant to your brand, using keywords that are appropriate for your business. This would allow customers easily to relate your domain name with what your company actually does, making you easier to find online. The name suggestion tool from Verisign, available at StartOnlineWith.com, can help you find your perfect domain name.

> A strong online presence can be a vital component in ensuring your business reaps the benefits of going global

LOCALISATION

Now that your domain extension and name are established, it's time for you to take a closer look at how and where you want to expand, and how you can optimise your website for your chosen regions. Every region has different cultural and political nuances that need to be taken into account and, once you have chosen the markets you'd like to expand to, it's vitally important to localise your website content.

First, different languages and cultures must be considered, so if you decide to sell in Spain, it makes sense to have a language option on your website so that it can be read in Spanish. Simple, right? Yet it gets more complex when taking into account cultural differences. Even the colour of your logo can have an impact on people's perception of your brand. For example, in China green is a symbol of infidelity, whereas red symbolises joy and fortune. A colour change of your digital assets could make a big difference.

How you localise your web content can also have a significant impact on your success overseas. So do you translate content or completely adapt it to different markets? Translating saves time and money, but adapting it completely is likely to make the content more relevant for that audience.

Making your website and its content ready for international expansion is a tricky business. Yet, a strong domain name, an internationally renowned domain extension such as .com, and a thorough understanding of your chosen markets can lead to great rewards, and new opportunities for your business as it expands overseas.

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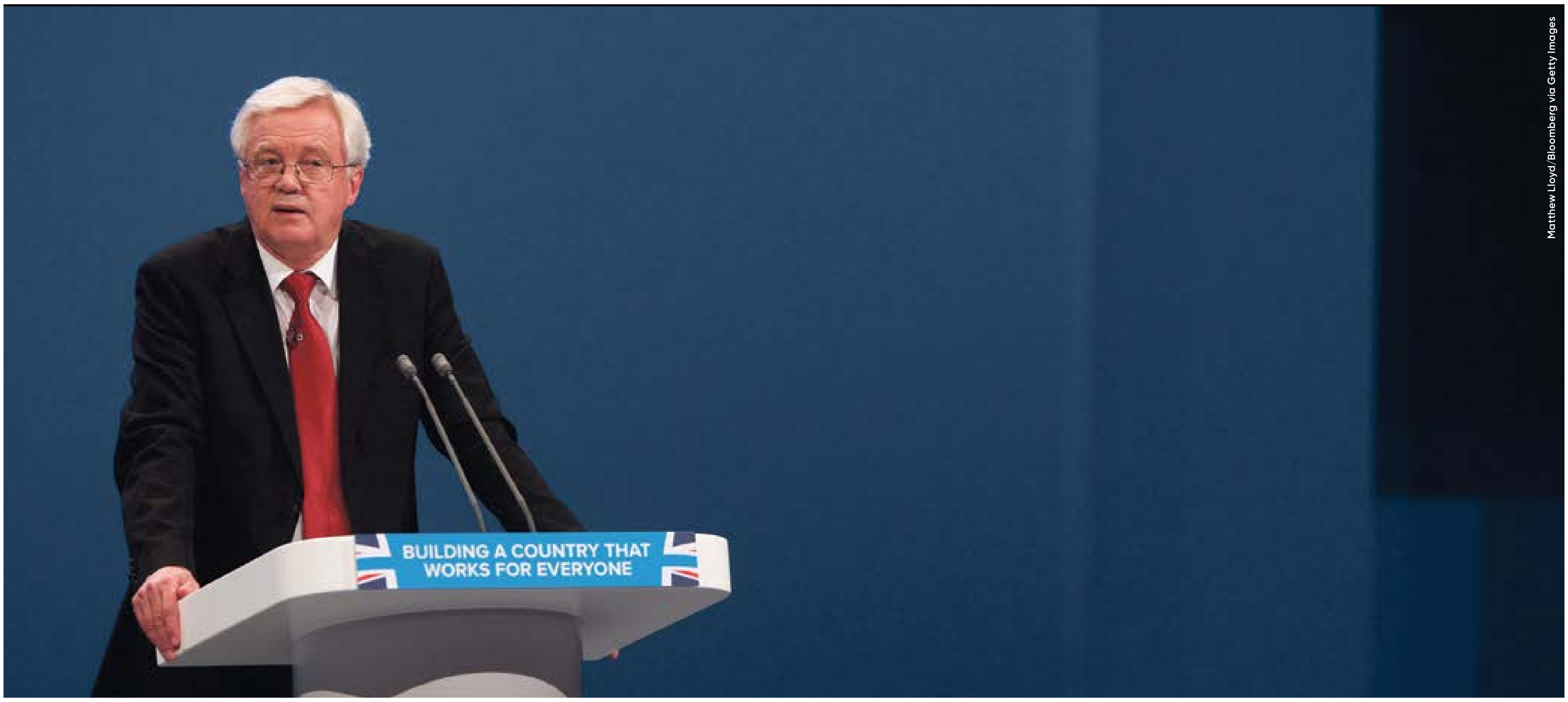
BREXIT-PROOFING



Matthew Lloyd/Bloomberg via Getty Images

Navigating a way around Brexit bother

Exporters face the unwelcome prospect of increased red tape and trade barriers post-Brexit, but here are a couple of ideas to help ease the pain

CHARLES ORTON-JONES

For many of us, Brexit has been a crash course in the laws of trade. Arcane terminology such as free trade agreements and non-tariff barriers have entered common parlance. Even *Teen Vogue* has run a guide to the vocabulary to help adolescents join their parents' dinner party rows of Leave versus Remain.

Two important ideas tend to get overlooked in the debate. Both relate to post-Brexit trade. And both offer a way for exporters to ship their goods with less fuss.

The first is a mutual recognition agreement or MRA. "It's very hard not to make MRAs sound as dull as ditch water," says Deloitte's director for international trade policy Sally Jones. "But they are very important. An MRA is an agreement between two jurisdictions that they agree, in respect of what the MRA covers, from regulations to qualifications, that they trust each other's regulators. Therefore a company only needs to meet the requirement of one to meet the requirements of the other."

For example, the automotive sector has strict standards on safety. Car makers must pass rigorous tests. But the rules are different around the globe. The European Union has a set of tests. Australia has tests of its own. "An MRA means cars tested in Australia would be accepted as fit to sell in the EU," says Ms Jones. "Half the admin would be stripped away."

The EU currently has sector-specific MRAs with Australia, Canada, Israel, Japan, New Zealand, Switzerland and the United States. It is worth noting that these are distinct from free trade agreements. The EU has no free trade agreement with the United States, so there are still tariffs to be paid. But it does have, for example, a comprehensive MRA for telecommunication equipment. This slashes admin for exporters on both sides.

A concept akin, but distinct from an MRA, is that of "equivalence". This means that the outcome of two inspection regimes is so similar that the certification can be mutually regarded as valid, or equivalent, by the other.

The difference matters. A trade deal based on equivalence is more rigid. It means less room to deviate in the future. By contrast an MRA offers a greater degree of flexibility.

When the UK leaves the EU it will lose the network of MRAs it currently enjoys. New MRAs will be signed. It is possible the deal with the EU will feature MRAs.

How will knowing this help companies? In two ways. The first is that an MRA offers a smoother path for exporters. It will take time for the UK to replace the existing free trade agreements it enjoys as an EU member. But MRAs are quicker to negotiate. British exporters may face trading on inferior trade terms than before, until deals are struck. Knowing about MRAs may offer a guide to the most opportune markets.

And another reason is to influence policy-makers. Sian Edmunds, a partner and Brexit specialist at law firm Burges Salmon, says: "The best thing companies can do is some hard lobbying. The EFRA [Environment, Food and Rural Affairs] committee has opened up an inquiry into trading arrangements for food and farming. The main thing businesses can do is to get their submissions in to committees like that."

Brexit secretary David Davis at the annual Conservative Party conference this month

The second concept worth knowing is that of authorised economic operator or AEO. This is a certificate offering swifter movement through customs. AEOs are trusted by customs officials to meet standards of behaviour. It is an international kitemark of reliability.

Achieving AEO status is not easy. Companies must demonstrate a history of good conduct and that records are kept to a high standard. The company must be solvent for three years. Staff must be competent and qualified, though there is no formal AEO qualification in the UK. "Historically most UK companies haven't bothered with AEO status," says Deloitte's Ms Jones. "This is because much of our trade is with the EU, so there is no upside. And the tests are onerous."

If customs processes change after Brexit then AEO status may offer an improvement over standard customs procedures. Attain AEO status and leapfrog competitors through customs.

> In the end it helps to know the rules of trade

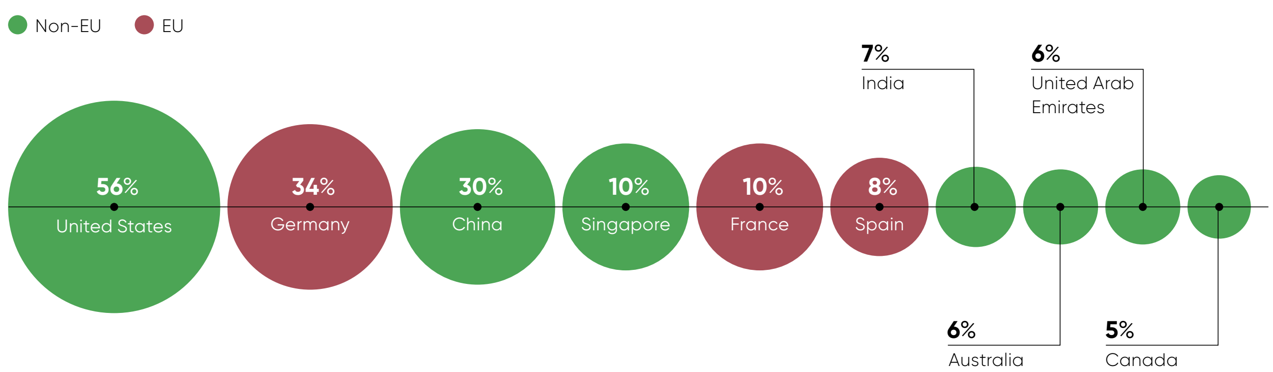
As a footnote, it is worth stressing that not all export concepts are written in law. Many practices in customs patrols are informal. Oliver Everett, entrepreneur in residence at the London Business School and consultant at the Commonwealth Environment Investment Platform, says inspectors follow intuition for a great amount of the time.

"The customs guys get to know who you are and what you do. They know what is dodgy and what is not. If you are sending something not very sensitive, like shoes or garments, to the US, 99 times out of a 100 it goes through," he says.

In the end it helps to know the rules of trade. As the informed *Teen Vogue* reader will tell you, knowing your MRAs from your AEOs can make life easier.

MOST IMPORTANT COUNTRIES FOR UK ORGANISATIONAL GROWTH

UK CHIEF EXECUTIVES CHOSE THREE COUNTRIES, EXCLUDING THE UK, MOST IMPORTANT FOR THEIR ORGANISATION'S GROWTH PROSPECTS OVER THE NEXT 12 MONTHS



PwC 2017

EMERGING MARKETS

Foreign firms learn lessons of Africa

Africa rising has attracted many exporters into the continent with a growing middle class, but there are cautionary tales to be told

Per-Anders Pettersson/Getty Images

Thomas Trutschel/Photothek via Getty Images

01
Outside the newly opened Mall of Africa in Johannesburg during South African Fashion Week in August

02
Nestlé, whose core Maggi food brand has a large presence across sub-Saharan Africa, changed its focus to lower-income consumers in 2017 due to complications in estimating middle-class populations

FINBARR TOESLAND

The narrative that Africa is rising may have been dampened by depressed commodity prices and continued political turmoil, but the fundamental economic strength of African countries is undeniable. They are some of the fastest growing globally and the continent is on course to reap benefits from changing demographics with more than half of global population growth before 2050 expected to happen in Africa.

The middle class in Africa has tripled over the last 30 years and is forecast to total 1.1 billion people by 2060, providing an abundance of new customers for both domestic and international companies. This nascent consumer base is changing the perception many investors have of Africa, and is supporting the creation of shopping centres and retail infrastructure in megacities across the continent.

Both major UK companies and smaller businesses are becoming increasingly interested in expanding into African countries, especially as many European states experience relatively weak economic growth rates. Deciding which of Africa's 54 countries to enter is of course vital for foreign companies targeting the growing middle class, but it's equally important to engage with local governments and businesses.

"With any new country or city we have launched in, crucially we have tried to do this in partnership with governments so that countries, as well as riders and drivers, can make the most of the on-demand economy we create," says Uber Africa spokeswoman Samantha Allenberg. "Broadly speaking, similar to any other company, we would look at population dynamics, the number of smartphone users in a particular city, internet penetration and GDP per capita."

Access to capital is a major issue for many Africans, especially those who operate in the informal sector. Uber has worked to reduce barriers to credit for their drivers by creating partnerships with African businesses that are able to offer advice and expertise on local-market issues.

"The first partnership of this kind was implemented in South Africa with WesBank, offering existing drivers access to a vehicle at preferential rates, with a view to establishing their own passenger transport business," explains Ms Allenberg. This model has been successfully expanded across sub-Saharan Africa and is now being tested in markets across Europe, the Middle East and Africa.

Most of Africa's economies remain relatively small, leaving multinationals to centre their attention on the most mature markets in the region, mainly South Africa and Nigeria. These countries have the largest number of middle-class consumers in sub-Saharan Africa, as well as the most developed infrastructure. However, it's considerably difficult to assess accurately the size and future growth of the middle class across the continent.

> We would look at population dynamics, the number of smartphone users in a particular city, internet penetration and GDP per capita

Poor-quality data has stopped a number of multinational firms from launching successful expansion plans in Africa. Swiss food giant Nestlé announced in 2010 it was to embark on an ambitious growth project in equatorial Africa, investing CHF150 million to build new factories and create 750 new jobs. The company hoped to take advantage of the buoyant African economy and growing middle class, but later discovered the facts on the ground differed significantly from projections.

According to Cornel Krummenacher, Nestlé's chief executive for the equatorial Africa region: "We thought this would be the next Asia, but we have realised the middle class here in the region is extremely small and it is not really growing." In 2015, Nestlé scaled back its workforce by 15 per cent across the 21 countries in the region and in 2017 changed direction to focus on lower-income consumers, highlighting the complications businesses, in particular foreign firms, have in estimating middle-class numbers.

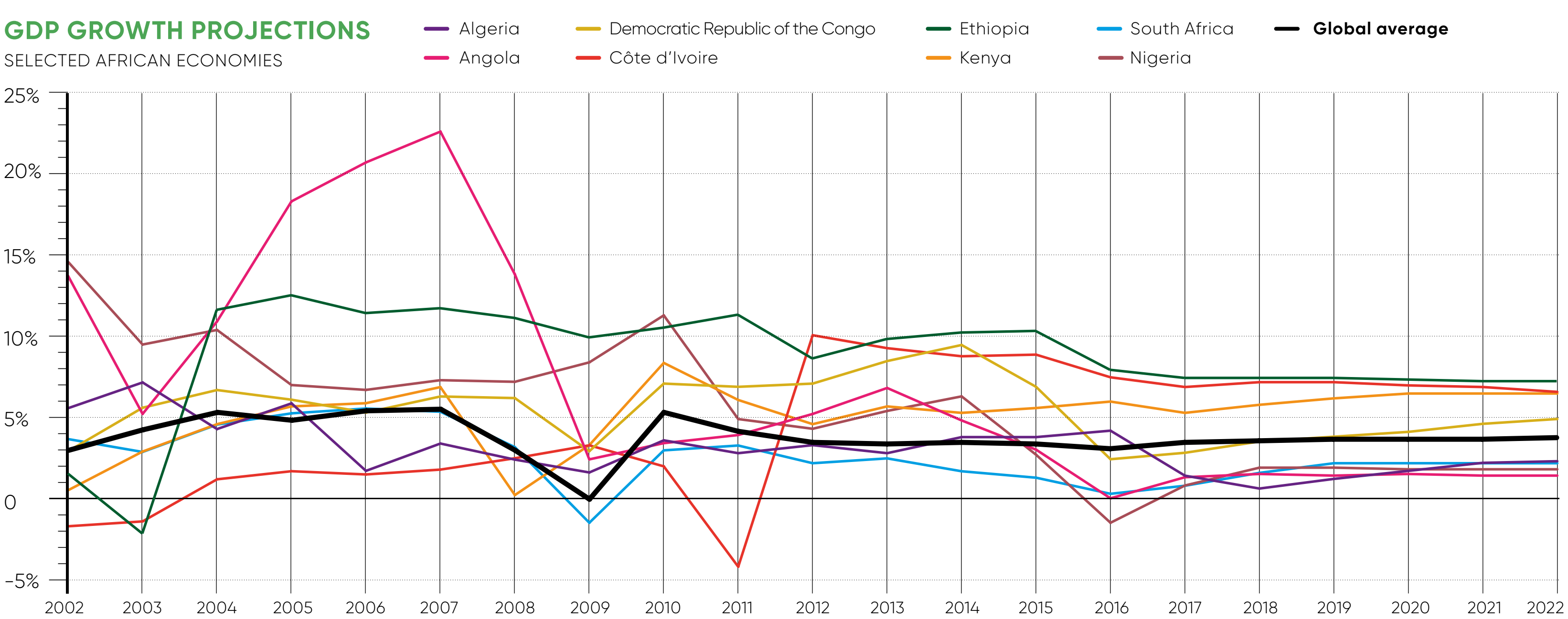
Some companies are addressing the lack of quality data, which is urgently needed by multinationals looking to enter Africa's diverse markets. Claire Munene, chief operating officer of Kenya-based mobile survey platform mSurvey, works with global companies to help them better understand their target consumers' behaviour, and in the process improve how data is collected and analysed.

Ms Munene believes the lack of a properly defined middle class to be a major issue, but believes the underlying strength in Africa's markets will keep attracting international firms looking to do business on the continent.

"There is a growing demographic with disposable income – young people – and they are hungry to consume many of the same brands as their Western counterparts. Multinationals, looking to scale, are now turning their attention to Africa, but they need to know that you simply cannot invest in Africa without hav-

GDP GROWTH PROJECTIONS

SELECTED AFRICAN ECONOMIES



International Monetary Fund 2017

CASE STUDY
SABLE INTERNATIONAL

London-headquartered Sable International is one of many UK-based companies to enter the African market, after opening their first office in South Africa in 2010. Through offices in Johannesburg and Cape Town, the company offers foreign exchange, immigration and wealth management services to private individuals and smaller businesses.

Even with the inherent challenges of doing business in many African countries, UK companies such as Sable International are able to see the massive opportunities present throughout the continent and understand the benefits of establishing a market presence at a time when many of these economies are still emerging.

"Looking at Sable's international global footprint and the typical client profile, professionals who have international links, we felt that Africa and in particular southern Africa presented a sound opportunity," says Andrew Rissik, managing director of foreign exchange and international projects at Sable International.

Mr Rissik explains that the key to overcoming some of the biggest challenges that foreign firms come up against in Africa is awareness of the unique operating environment in each country. "Many people look at Africa as a unified market; it most definitely is not and will not be for some time to come. Parts of Africa are seen as high-risk jurisdictions for money laundering and terror financing," he says.

"This translates into complex regulations around financial services and cross-border transactions. So we have found that while we are determined to operate in many African countries, a very country-specific approach needs to be taken."

It may still be some years before the full economic potential of African nations is realised, but resourceful and forward-thinking firms that play a central role in this transformation will benefit both themselves and the countries they operate within. "British companies that can add to this journey, where investment rather than extraction is the philosophy, will do well," says Mr Rissik.

ing an innate understanding of their potential customers," she says.

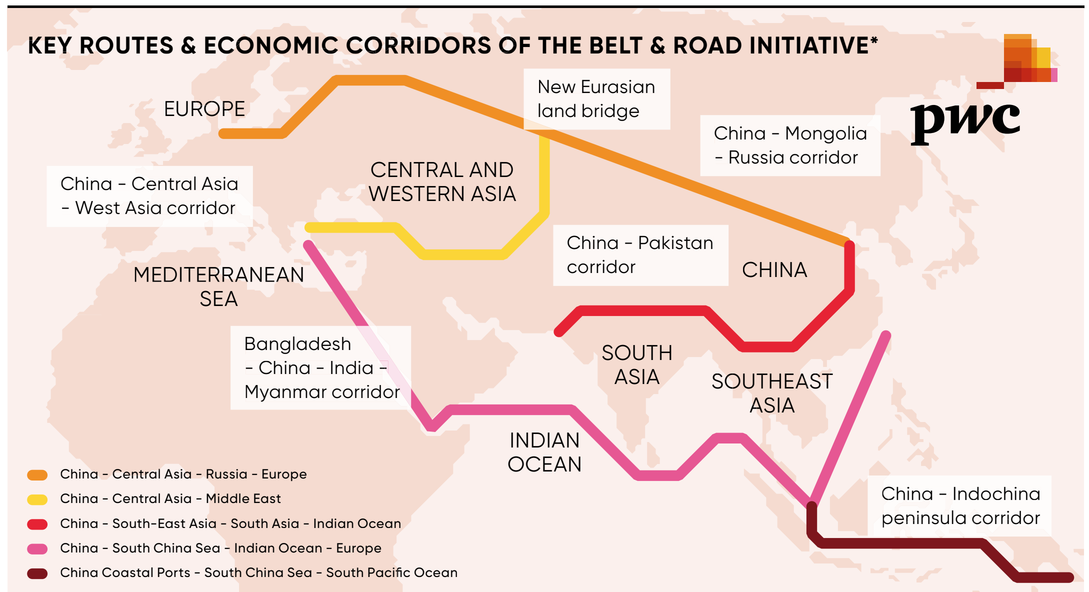
Middle-class consumers will not be the majority for many years to come in Africa, with the current members of this group seeing their spending power affected by volatile commodity prices and fluctuations in currency. Foreign firms will have to create a business plan that factors in not just the expected growth of the middle class, but also the short-term challenges of reaching these relatively affluent African consumers.

"Our investment strategy focuses on companies that reduce costs and create efficiencies, and products and services that extend customers' buying power," says Dabney Tonelli, investor relations partner at Africa-focused private investment firm Helios Investment Partners. "Focusing on affordable, non-discretionary everyday products that all segments of the population buy regularly is a more robust way to tap into the African growth story."

Recognising that the African middle class do not have the same levels of disposable income as those in not just developed countries, but also developing nations like India, is vital for businesses to understand. "According to research done by the McKinsey Global Institute, Nigerians need to earn more than twice as much as Indians to meet basic household needs such as housing and food," adds Ms Tonelli.

The rise of Africa's middle class, alongside a resilient sub-Saharan African economy, is offering new commercial opportunities for foreign businesses to take advantage of throughout the consumer market. International businesses are increasingly taking notice of what Africa can achieve in the coming years. "What we have seen in this exciting corner of our global village illustrates Africa's potential in creating and defining our sustainable cities of the future," concludes Uber's Ms Allenberg.

COMMERCIAL FEATURE



The Belt and Road Initiative: opportunities for foreign partnerships

China's vast Belt and Road Initiative (BRI) offers major opportunities for foreign companies – if they know where to look and how best to participate

It is the largest infrastructure programme the world has ever known, with six economic corridors, across 65 countries, touching 4.4 billion people and one third of the global economy. According to the ratings agency Fitch, $900 billion has already been committed to investments in core infrastructure including roads, seaports, airports, power plants, pipelines, waste and water management facilities, and telecommunications.

China's ambitious BRI is more than a geopolitical exercise by Beijing. David Wijeratne, Growth Markets Centre leader at PwC, says the BRI goals are multi-pronged as it provides markets to digest China's industrial overcapacity while also facilitating trade with and between the participating 65 countries, in addition to strengthening its diplomatic relations across the six economic corridors and globally. It is what China is calling a win-win scenario.

"China wants to be known as the world's leading developer of complex infrastructure projects and the Belt and Road Initiative is a programme to showcase its growing capabilities," says Mr Wijeratne. "The 12,000km-plus railway from Yiwu in eastern China to Barking in the UK demonstrates its maturing world-class capabilities to the rest of the world." Such infrastructure not only benefits China, but also millions of consumers, across the 65 participating countries.

However, the BRI is such a massive ambition that even with all its resources, people, expertise and financing, China is still keen to develop partnerships with foreign companies to bring its vision to life. In May, China's President Xi Jinping invited 29 heads of state and hundreds of business leaders to a Belt and Road summit, which according to Gabriel Wong, Belt and Road leader, PwC China, "was not only intended to align the interests of the Belt and Road participating countries, but also mobilise participation from other nations and especially foreign companies".

In its recent report, *Repaving the Ancient Silk Routes*, PwC has identified six areas in which companies can participate. These are investment of assets, partnerships in engineering, procurement and construction, international project management, supply of construction equipment, and operation and divestment of assets.

However, Mr Wijeratne points out that a construction project is just the start of the commercial opportunities. "Once a port, for instance, has been built, an entire ecosystem arises around it. You need housing, retail, healthcare, education and so on. Although it might not be immediately obvious, there will be opportunities further down the line for companies outside the infrastructure sector."

As a unique multi-decade programme, the BRI does pose particular risks that go beyond the scope of traditional due diligence considerations, and management and evaluation approaches. There are special geopolitical issues and a variety of different regulatory risks.

Mr Wijeratne says: "Belt and Road partners need to be aware that political regimes can change during a project's lengthy lifespan and of the inconsistencies in the way in which regulatory regimes operate in monopolistic sectors, such as with power grids or those assets that have a national security interest, including oil refineries and storage tanks."

As well as considering the government support that a particular project may enjoy, companies need to look carefully at the commercial viability and opportunities for returns. These will differ greatly from project to project, advises Mr Wijeratne. At the delivery stage, companies need to have in place contingency plans that can handle various emerging market challenges, such as inadequate transport links and excessive bureaucracy.

"Its vast, multi-dimensional nature makes the Belt and Road Initiative incredibly complex," he says. "But by developing a real understanding of its aims and unique challenges, companies around the world can make the most of the incredible opportunities that it offers."

For more information please visit www.pwc.com/gmc

1/3 of the global economy impacted

4.4bn population estimated to be impacted

PwC Growth Markets Centre

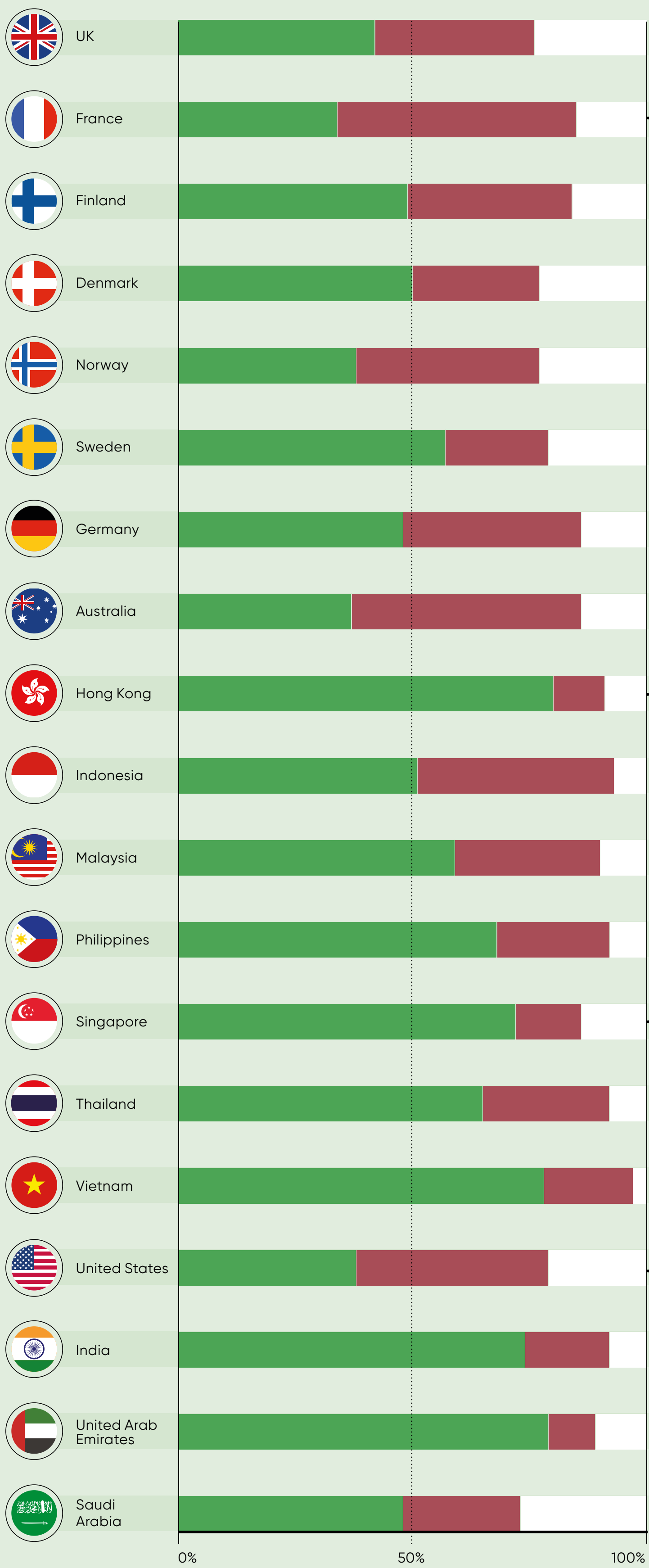
**Vision and actions on jointly building the Silk Road Economic Belt and 21st-Century Maritime Silk Road,* 2015: authors David Wijeratne, Growth Markets Centre leader, PwC, Gabriel Wong, Belt and Road leader, PwC China and Hong Kong, Richard Abadie, PwC UK and global leader of Capital Projects and Infrastructure Group, partner PwC; actual routes may differ and may also extend to encompass other territories as the project develops

GLOBALISATION: WHAT PEOPL

Big business has become more globalised over recent decades, expanding into new territories, buying up local companies and, as a result, has increased trade and cultural exchange around the world. But globalisation is starting to face some resistance. Through a resurgence in populist political movements, a rise of economic nationalism and ongoing challenges with immigration, public opinion has shifted, and is set to disrupt the ideology that a globalised world is a force for good. Using a recent survey from YouGov of more than 20,000 people across 19 countries, this infographic explores how globalisation is viewed around the world and the possible reasons for these differing attitudes

IS GLOBALISATION A FORCE FOR GOOD OR BAD FOR THE WORLD?

Acceptable · Unacceptable · Don't know



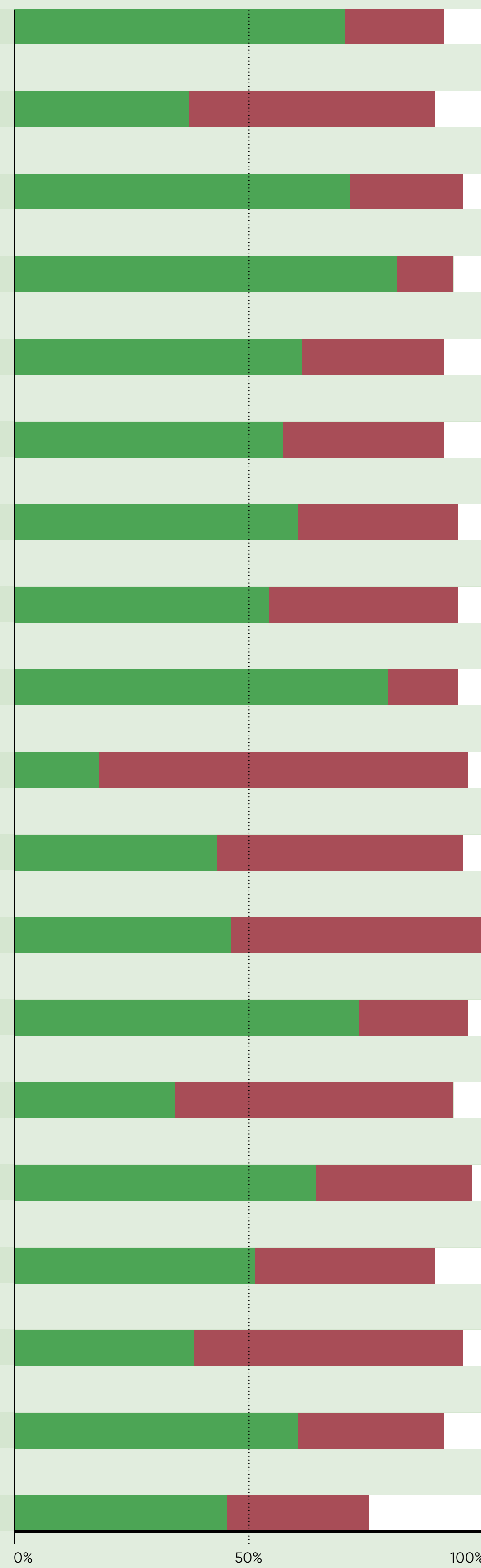
According to a survey by the European Commission, 40 per cent of French citizens believe globalisation is not an opportunity for economic growth

Positive attitudes to globalisation in city states such as Hong Kong and Singapore are unsurprising, given their lack of ability to be completely self-sufficient

Despite the United States being home to some of the biggest multinational companies in the world, this mixed response could reflect the surprising popularity of Donald Trump last year, whose foremost policy theme in his election campaign was a retreat from decades of globalisation. Since the election, Trump has rallied against existing trade agreements, threatened tariffs on US firms investing overseas and pledged to build a wall to neighbouring Mexico to keep out migrants

VIEWS ON INTERNATIONAL TRADE

It's fine for my country to import things it needs from other countries · My country should be able to meet all its own needs without relying on imports from other countries · Don't know



Denmark imported $85.2 billion-worth of goods in 2016; its top imports are machinery and electronic equipment, collectively accounting for almost a quarter of total imports

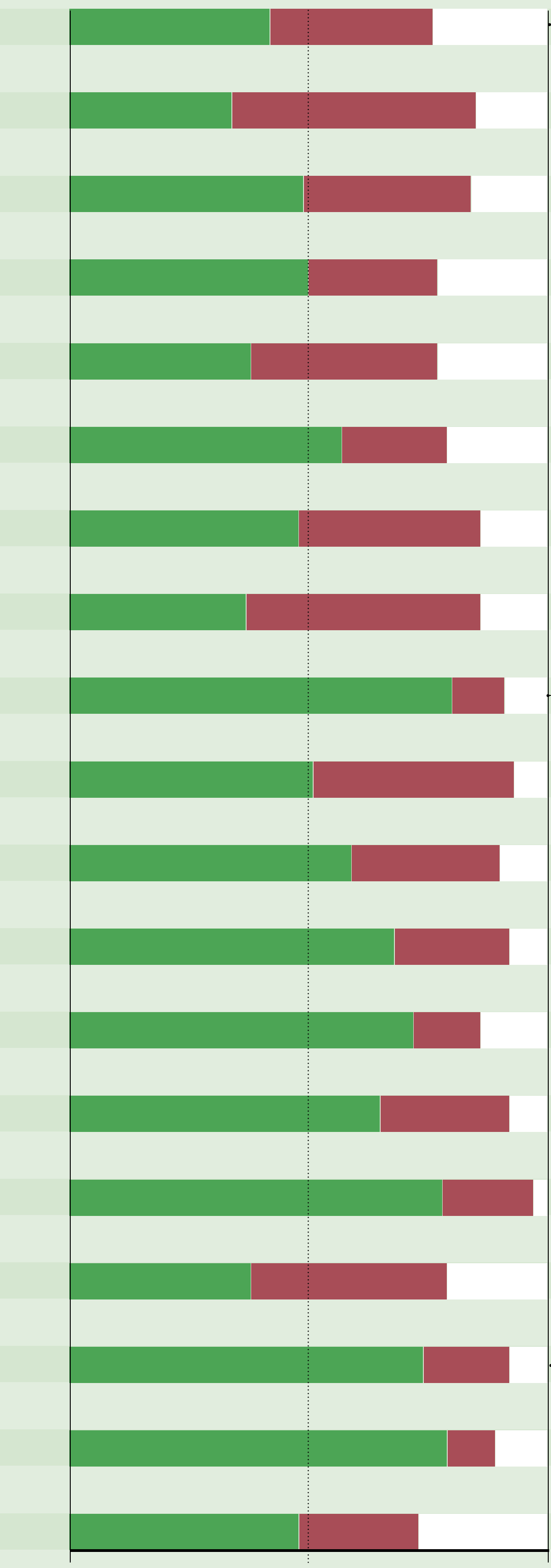
Indonesia has one of the lowest trade-to-GDP ratios in the world, at just 37 per cent, according to the World Bank

As the 15th-largest importer in the world, international trade plays an important part in Singapore's economy due to its strategic location ; according to the World Bank, the country has the third-highest trade-to-GDP ratio after Luxembourg and Hong Kong, at 318 per cent

E THINK

IS IT ACCEPTABLE FOR FOREIGN INVESTORS TO BUY COMPANIES IN YOUR COUNTRY?

● Acceptable ● Unacceptable ● Don't know



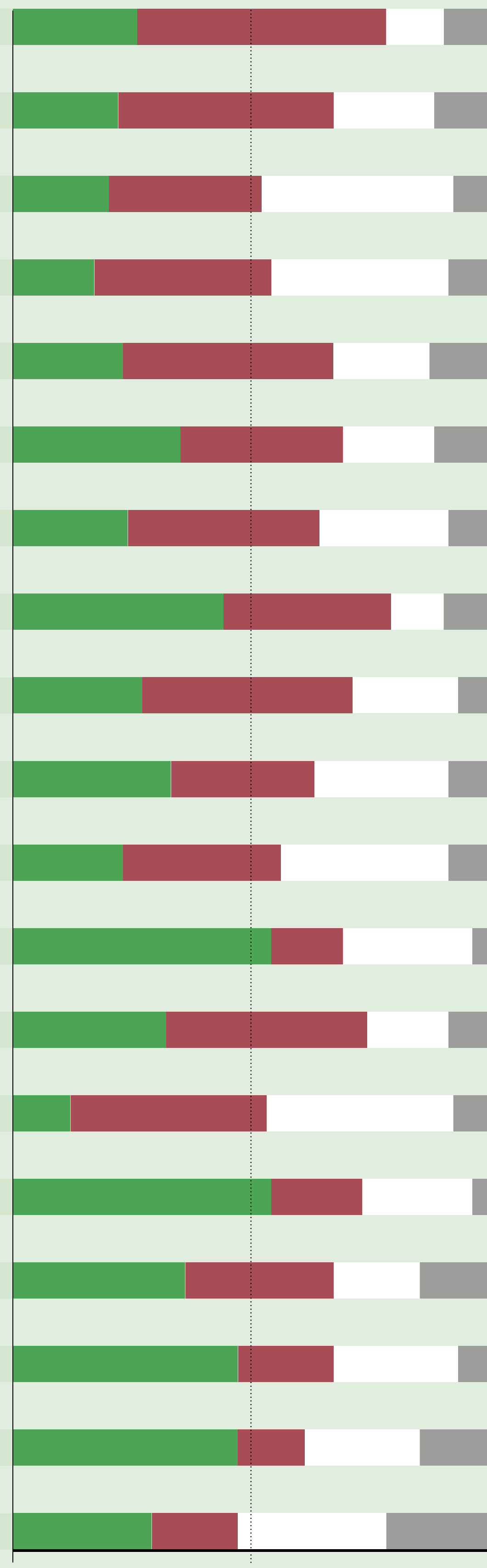
According to the Office for National Statistics, 1.1 per cent of businesses in the UK are owned by foreign companies. However, for large business that employ more than 250 people, the rate of foreign ownership is 27 per cent, and is widely prevalent in the mining and quarrying sectors

Hong Kong is the fourth-largest recipient of foreign direct investment in the world, behind the United States, UK and China; attractions include its strategic position, status as a free port and simplified tax system

According to the United Nations, the UAE is the ninth-largest recipient of foreign direct investment in Asia; its main investors are the UK, Japan and Hong Kong, drawn by the absence of direction business taxation. In recent years, the UAE's political and economic stability has attracted investors fleeing the Arab Spring

VIEWS ON IMMIGRATION

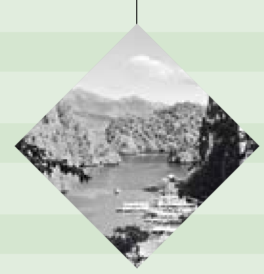
● Immigration is enriching and adding to the traditional culture of my country ● Immigration is eroding the traditional culture of my country ● Immigration has little effect on the traditional culture of my country ● Don't know



The growing anti-globalisation movement in France has tracked the rising popularity of Marine Le Pen's Front National party, whose central message is to "keep France for the French"

Immigration has been one of the most contentious issues in German politics over recent years due to the large influx of asylum seekers and refugees from North Africa and the Middle East, with Chancellor Angela Merkel facing mounting criticism over her "open-door" policy

The Philippines had one of the most optimistic outlooks on the impact of immigration among the regions surveyed, which could reflect its long history of colonial rule and strategic location as a transit point in South-East Asia



Data by YouGov, November 2016; analysis by Raconteur

AUTOMATION


HOANG DINH NAM/AFP/Getty Images

ABOVE
Workers on a production line at a garment factory on the outskirts of Hanoi, Vietnam

Machines could make more workers migrate

Automation is on the march across South-East Asia's factories, increasing the threat of mass migration of redundant low-skilled workers

OLIVER GRIFFIN

Automation and machine-learning are on the rise in South-East Asia, threatening the jobs of more than half the employed population of Cambodia, Indonesia, Thailand, Vietnam and the Philippines, known collectively as the ASEAN 5.

Research from the International Labor Organization (ILO) found that, across ASEAN-5 countries, 56 per cent of all jobs have a high risk of automation. Across the region, 27 million subsistence farmers and low-skilled agricultural labourers fall into the high-risk category of losing their jobs to their robotic counterparts.

In country-specific cases, 73 per cent of Thai workers in the automotive industry are at risk of being replaced by machines, while in the garment industries of Vietnam and Cambodia, 86 per cent and 88 per cent respectively are deemed at high risk of automation.

Phu Huynh, an ILO labour economist for Asia and the Pacific, who helped produce a string of reports on the impact of automation in the region, says the process of jobs being lost to machines could mean much hardship for workers if it is not handled well.

"If we talk about a vacuum where the technology is in place and there is nothing done in preparation for that process, then the fear is the workforce will have to adjust and that the adjustment may not be very pleasant," Mr Huynh says. "It could be in the form of retrenchment, the form of workers shifting into more precarious jobs, more informal jobs. Really it depends on the specific country context and what sort of policies are in place."

Automation and machine-learning are trends within the larger surge of artificial intelligence (AI), a phenomenon that seems incapable of slowing in pace. As the technology develops, lower cost barriers will see deeper and broader implementation across all aspects of life, including employment.

"Global market forces are going to mean that in the coming years more and more automation is going to be introduced into factories around the world," says Sundeep Sanghavi, co-founder and chief executive of big data startup DataRPM. The business helps industrial companies better monitor and maintain their equipment, preventing problems before they arise.

"Most of the factories in South and South-East Asia are already investing in the industrial internet of things, but they are not seeing the same return in terms of revenue and downtime as other countries. Most of the companies are still in the prototyping phase, but they aren't implementing this in the main production environment yet," says Mr Sanghavi.

For Mr Huynh and the ILO, it is when companies emerge from this development stage, particularly in the ASEAN 5, that job losses could lead to increased migration of low-skilled workers. Should technology costs decrease to the point where it is financially justifiable to lay off workers in favour of machines, the threat of large-scale migration becomes a lot more real, he says.

> The process of jobs being lost to machines could mean much hardship for workers if it is not handled well

> Should technology costs decrease to the point where it is financially justifiable to lay off workers in favour of machines, the threat of large-scale migration becomes a lot more real

Readiness for automation in the region varies wildly. According to Mr Huynh, Singapore, Hong Kong and Japan are ahead of the curve, whereas governments in Thailand and Malaysia are starting to put in place some of the policies needed to prepare their workforces.

In Thailand, the government's flagship programme, Thailand 4.0, is being posited as the scheme that is going to get Thailand into shape before automation inflicts an adverse impact on the nation's workforce. With a large population of unskilled and semi-skilled workers, Thailand worries that 23 million people are at risk of losing their jobs if automation is as ruthless a process as people fear. To that end, the aim of Thailand 4.0 is to create a value-based economy with less social disparity. This includes setting up 20,000 farming households with the technology and training they need to be prepared for the impact of new technology.

Perhaps industry figures like DataRPM's Mr Sanghavi can allay some fears. He believes the impact of technology and automation will be positive, and help increase factory safety in a way that can protect people who are working with large, and potentially dangerous, equipment.

"The real benefit of these new technologies is that workers now have the same insights at their fingertips that used to take big teams of data scientists months to comb through," Mr Sanghavi says. "Increased automation is a new layer helping workers, rather than replacing them."

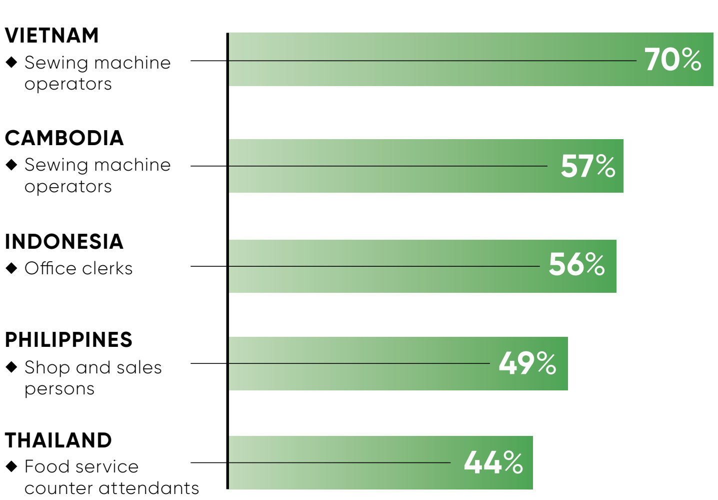
The one thing that does seem certain is that automation will impact the region. Mr Huynh says the evidence of automation's unstoppable march is already apparent in sectors such as the automotive and textile industries. How this affects individual countries, he says, will be up to their governments.

"Automation is picking up due to this need to increase productivity, this need to supplement and complement workers to make the production prices more efficient," he says. "A lot is going to depend on what happens in terms of policy and in terms of what governments do to prepare for this process."

PERCENTAGE OF WORKERS AT HIGH RISK OF AUTOMATION

COUNTRIES IN ASEAN 5

◆ Key sector at most risk



International Labour Organization 2016

Giving small businesses a global cash flow

Getting access to overseas business, simply and effectively, can help small and medium-sized UK businesses seize otherwise out-of-reach opportunities

EQGLOBAL

Large multinationals have access to a huge range of banking facilities, suited to their size. As smaller firms are increasingly able to access global markets, their needs look more like those of the corporate giants. The lower value of the pound, following the Brexit vote, has made UK businesses more attractive as exporters. However, restricted access to banking facilities could hold them back.

Nick Pedersen, managing director at global payments provider EQ Global, says: "I am of the view that progress in financial technology can overcome any of the challenges around Brexit, as UK companies become attractive as exporters. If you can manage payments online through a third party, it suddenly becomes incredibly attractive to start selling overseas."

The growth of e-commerce has transformed supply chains and customer bases, allowing small and medium-sized enterprises (SMEs) to hook up with counterparties and clients anywhere in the world. Yet while it has become easier to find suppliers in China and relatively straightforward to then start selling to people in Brazil, managing payments and collections is more complex.

Using current banking facilities, it is relatively simple for a small business to open one bank account with a high street bank and set up payment terms with around five major currencies. Going beyond that is tricky. The ease with which a small business can transact and engage with suppliers globally has not really kept pace with real-world business.

The frustration is increased when platforms do exist, which support payment across borders for retail transactions, such as eBay or Amazon, yet enterprise-scale business is seen as a laggard.

Such limitations can damage businesses. Paying a supplier in a small market, for example Malaysia, is not only complex to arrange, it carries hefty charges, a significant amount of time and the foreign exchange charges from a local bank are likely to be considerable.

In addition, where a business tries to open multiple bank accounts, it usually takes at least six weeks per account. To open bank accounts in multiple currencies exacerbates this. EQ Global has developed a Virtual Bank Account (VBA) to overcome these challenges.

"We build Virtual Bank Accounts on top of global banking giants' account networks to enable companies to open bank accounts in 24 hours," says Mr Pedersen.

Using the global banks' account network, reaching across 26 countries, EQ Global is able to collect payment on behalf of a customer from a local account in the United States, for example, then enhance the process for the user by providing a solution on top of that banking infrastructure. It reduces the risk of missing payment, ensures its timeliness, and speeds up the delivery and the acceptance of the payment.

"You no longer have to wait three or four days just for your bank to confirm that a payment has or hasn't arrived," he says. "You should be able to do that in almost real time. And what we are certainly seeing is customers these days are expecting payments to as close to real time as possible, if not instant."

Tackling the frustration of a missing payment, which in a multi-stage international transaction can be very challenging to resolve, brings the SME user into a 21st-century level of service and efficiency without significantly increasing their costs.

> "We build Virtual Bank Accounts on top of global banking giants' account networks to enable companies to open bank accounts in 24 hours

"Money doesn't really go missing, it just gets lost in legacy banking networks," says Mr Pedersen. "What we try and do is build technology solutions to reduce that as much as possible."

To fully support SMEs, the EQ Global platform is not only directly offered as a service to them, but can be used to underpin online marketplaces and e-commerce by embedding its payment infrastructure and e-wallets into their operations. Online businesses have thrived by white-labelling technology provided by payment service providers and embedding it within their front end. As EQ Global's system develops, customers will be able to pay businesses directly using the platform.

"If you look at large digital firms, they didn't have the opportunities to build in payment infrastructure at a very early stage, but that's wildly different to the current versions of Airbnb, Google or Amazon."

By starting out with EQ Global's infrastructure, SMEs will be able to grow rapidly, unburdened by the administrative and regulatory burdens that direct bank engagement requires. Users will receive an International Bank Account Number, which will allow them to send and receive payments via their VBA.

From January 2018 onwards, under the European Commission's Revised Payment Services Directive, UK banks will be opening their systems up so that third parties can, with permission, access customer data and effect client transactions, making the use of financial technology providers more common for banking services. The open banking initiative will change the way people bank, but for a crucial detail.

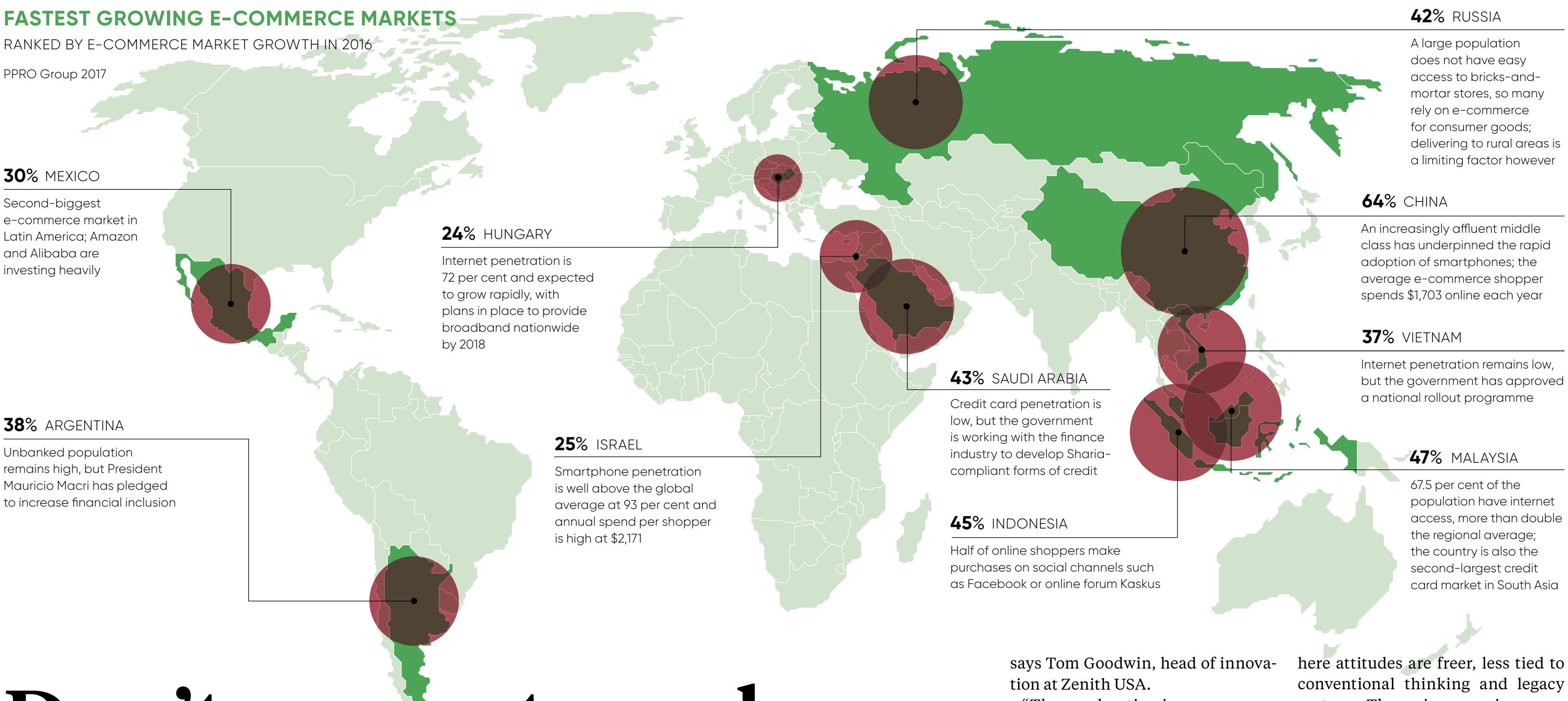
"The trust that SMEs have in their bank hasn't and won't go away," says Mr Pedersen. "People believe that their bank will hold their money safely, but could be quite sceptical if a third party pulls funds out. And the flip side is that banks don't necessarily have a great platform or customer service."

Consequently, by providing a strong service offering, on the top of a global bank's operations, EQ Global believes it can match the right user experience with the digital business model firms need.

"Customers are very demanding around user experience – that's where we have an edge, not only in how our platform looks and feels, but the functionality it has around it," Mr Pedersen concludes.

For more information please visit www.equinitiglobal.com

E-COMMERCE



Don't go west, push frontiers south and east

Western e-tailers cannot expect to conquer trade in the South and East unless they adapt to local market conditions

NICK EASEN

"Go west young man" is a phrase used to describe America's expansion westward, relating to the 19th-century concept of manifest destiny. A belief that settlers were destined to move across the continent, civilise it and remake the Wild West based on the virtues of the American people and their institutions.

Fast forward to the 21st century and there are parallels with the expansion of e-commerce out of the United States and the West. Yet the West's taming of emerging markets in the East and South, emboldened by venture capital, a rulebook based on PLU (people like us) and a modern-day belief in manifest destiny is being met with resistance.

Some 170 years ago, this attitude fuelled Western settlement. Today Google, eBay, Facebook and a myriad of others increasingly realise they must radically localise, become customer-centric and adapt to new markets from India to Brazil, not subjugate them.

Take Amazon. Despite entering China in 2011, it still only had 1.3 per cent of the country's online retail market last year. In Mexico, the online retailer struggled as only 20 per cent of citizens have credit cards.

"Treating international expansion from your own market perspective or making assumptions towards customers' expectations can ultimately lead to a wrong footing and can damage your brand's local perception," explains Perrine Masset, LiveArea regional director at The PFS Agency.

"In the West, we progressively learnt e-commerce, breaking down our fears slowly with more secure payments and better data security. We started with desktop browsing, migrated to tablets and now mobile."

> "Brands born in the digital age are naturally collaborating globally as part of their corporate entrepreneurial DNA

The UK-US-European e-commerce businesses model also hinges on a cashless online transaction mediated through a bank. This is still in stark contrast to many emerging markets. A recent PwC study found that 42 per cent of the global adult population is absent from the financial system.

"We also get excited about the middle classes because we can relate to their spending power, desire for premiumisation and general consumerism," says Nick Cooper, executive director at Landor Associates.

"The notion that massive latent consumer demand is locked up in billions of non-property-owning, unbanked low earners using smartphones is something that Western companies cannot easily get their heads around."

Yet stakes are high when it comes to expansion east and south. Already 450 million people in China can use their phone as a digital wallet and these services were accessed more than a billion times last year. India now gains three new internet users every second, according to Morgan Stanley, while Brazil's e-commerce market is worth a hefty $14 billion a year.

"A mobile-first strategy is now essential in many markets," says Simon Cotterell, executive director of strategy at Interbrand. "Sixty six per cent of digital purchases were made through mobile phones in China last year, representing $450 billion."

The idea of manifest destiny in the digital era materialises when corporations in the West describe e-commerce innovation in emerging economies as disruptive. "Oddly the markets where the most change is happening are less about disruption and more about construction," says Tom Goodwin, head of innovation at Zenith USA.

"The acceleration in e-commerce in India and China is a reflection on countries that have leapfrogged the West's retail model and built instead for the digital age. The explosion in the value of transactions online is due largely to nations building retail as a concept for the first time."

Certainly, the mobile-first model is one that's driving the powerhouse of Alibaba to expand beyond China into South-East Asia. This is also a blueprint that more established markets can learn from. "Innovation in China involves the combining of social, e-commerce, messaging and payment services under the roof of single providers. WeChat and AliPay are notable examples," explains Hugh Fletcher, global head of innovation at Salmon.

"These are both beneficial to the user, but also beneficial to the organisation that owns the platform because it reduces the reasons for a user to leave. Western retailers need to take note of the rise of organisations offering multiple services through their platforms."

In many ways, the emerging markets are the future. Like the California of the pioneering days, here attitudes are freer, less tied to conventional thinking and legacy systems. The major emerging economies are also more technologically free. Some call them traditionally futuristic. Their digital adoption is non-linear, hence the proliferation of mobile.

"In the West, personal digital real estate is still fragmented. While we might shop with Amazon online, our grocery shopping is normally with another provider, our messaging and music with another, our payment too," says Mr Fletcher.

"Western consumers like to consider themselves advanced, yet the linear growth of retail has burdened them with historic brand affiliations and nostalgia. Tech adoption also takes a more gradual, linear path, resulting in fewer revolutionary changes."

The real manifest destiny of e-commerce is probably a meeting of minds, both West and East. "Brands born in the digital age are naturally collaborating globally as part of their corporate entrepreneurial DNA and are also considering localised operations as the way to meet new customer needs," Michelle Du Prat, strategy director at Household, concludes. "This is where the future lies."

Zhang Peng/LightRocket via Getty Images

Amazon, which entered China six years ago, only held 1.3 per cent of the country's e-commerce market last year

OPINION COLUMN

'Small businesses starting to trade internationally want to mitigate the risks caused by Trump and Brexit'

SIMON CHICKEN
Director
Going Global Live

I need to be clear from the start. I am no economist and I am not an exporter. My role as director of Going Global Live means that I do little else during my working day other than talk to small and medium-sized enterprises (SMEs) that are starting to trade internationally.

We all know how vital SMEs are to the UK economy. We also know that for the UK economy to grow, we need to be a nation of exporters as well as a nation of shopkeepers.

Exporting was difficult without Donald Trump as president of the United States and without the confusion that came after our vote last year to leave the European Union.

It is unarguably going to be more difficult in the coming months and years, not because of Donald Trump and not because of Brexit, but because of the uncertainty.

The same rules still apply – if you are selling to a German sell in German and so on. (Thank you Willy Brandt). I cannot stress how critical it is to get tailored advice. Every company is different and faces different challenges. Successful SMEs get expert advice from specialists in their field and equally importantly learn from their peers, other SMEs that have been there and made the mistakes. I cannot stress how critical this advice is.

When I speak to SMEs that are starting to export or looking to export into new markets, the overriding concern is uncertainty. And the naked truth is that no one actually knows what Brexit or Trump will mean for UK exporters.

The overriding impression I get is that SMEs are actually being forced to become more imaginative and more creative in their approach to growing their export sales. Of course, the EU is a market that shouldn't be ignored and "cracking" the US market is hugely tempting, but they are not the only markets. SMEs that I speak to are now considering markets that even five years ago would have been quite a way down the list in terms of targets.

For years people have talked to me about doing business in sub-Saharan Africa. The sense I get is that they are no longer just talking about it; they are starting to make real efforts and progress.

They have a renewed interest in organisations like the Commonwealth, remembering that, actually, given the common ground the UK has with many other members, there may be opportunities previously disregarded as too difficult. They are remembering that large parts of Africa use English as the language of business – if you are selling to a Zambian, sell in English.

So not all bad news.

The second distinct impression I get from SMEs starting to trade internationally is that they want to mitigate the risks caused by Trump and Brexit.

In the same way the actor Colin Firth decided to have the same (Italian) passport as his wife and children, SMEs I speak to are starting to look at other ways to trade with, and from within, the EU. They tell me that some of the incentives on offer to relocate all or part of their business are becoming more tempting and are starting to dilute any sense of loyalty to UK plc.

In conclusion, the SMEs I speak to are doing what they have always needed to be successful. They are aware of the difficulties and they are trying to mitigate risk. But they are also, heroically, looking at different ways to grow their business.

COMMERCIAL FEATURE

Not all global strategies are created equal

Going global in e-commerce is the new imperative. Every minute of every day customers click online, triggering shipments and deliveries worldwide. But the massive opportunity for growth is matched only by the risk of not having the right partner to support you

pitney bowes

The fact is consumers are increasingly comfortable purchasing from companies overseas. Overall, 70 per cent of consumers already make at least one cross-border purchase annually, according to a recent survey, of 12,000 consumers and 1,200 retailers from eight countries, conducted by IDC Research and ORC International.

Chinese and Japanese consumers have an appetite for British brands because of their quality, heritage and uniqueness, while British retailers are looking to expand to the United States, Germany and France within the next 12 months.

"But it's not as simple as it sounds," says Michael Griffiths, vice president, global marketing, retail and e-commerce at Pitney Bowes, winners of the 2018 IR1000 award for top solution provider in international e-commerce.

"Getting parcels from point A to point B globally requires know-how built over millions of orders with hundreds of retail partners. Consumers want personalisation created through sophisticated demand generation capabilities and industry-leading support after the purchase."

By next year, 93 per cent of retailers across the world will be looking at trade beyond their borders and retailers indicate that cross-border consumers are more profitable than domestic customers. But that profitability depends on fraud protection, payment processing at scale, compliance and restricted brand optimisation, online marketing, and more. While everyone will say they do these things equally, the revenue generated by Pitney Bowes for cross-border retailers, which can be up to three times higher, tells a different story.

"The choice of partner couldn't be more important. The attractiveness of the space, especially in the UK, has cross-border startups saying 'me too' to everything. Credibility, however, is proven by growth. Pitney Bowes adds more customers in just one quarter than our closest UK competitor has in total," says Mr Griffiths.

"It's about asking the right questions. No one wants to be the guinea pig for the partner always telling you what others do wrong, while they have invested in neither the people, scale nor experience to make things right – maybe that's where the low price comes from?

"We've spoken to retailers who lament having to educate high-profile local partners on just the basics of cross-border. Retailers are smart and their time is valuable. They shouldn't have to be smart on behalf of their cross-border technology partner. The opportunity is too big and the stakes are too high."

70% of consumers make at least one cross-border purchase annually

93% of retailers across the world will be looking at trade beyond their borders

They say you "can't judge a book by its cover", but in the world of cross-border e-commerce, you can judge a solution by the additional revenue it generates, risk it reduces and marketplaces it opens.

> We deliver a complete cross-border solution

Attractive markets, including China, Japan and India, are driven predominantly by marketplaces such as TMall and Rakuten. There can be no compromises on reaching consumers how, when and where they shop. A solution that doesn't offer marketplace capabilities severely limits your global reach and forces you to come up with answers on your own. A solution provider who doesn't address this fundamental strategy doesn't seem very global or committed to cross-border long term.

"We are inspired by the fantastic brands we work with and how committed they are to their customers. We owe it to them to be about more than words," says Mr Griffiths. "Our customers deserve a complete cross-border solution. And that's what we deliver."

Find out how Pitney Bowes can help you go global please visit www.pitneybowes.com/uk/industry/retail

INTELLECTUAL PROPERTY

Stamping out trademark theft in China

China has long had a problem with trademark theft, but is a tougher stance from Beijing finally paying off?


Joel Page/For The Washington Post via Getty Images

DANIEL THOMAS

Since it started selling shoes in China in 1995, New Balance has fought dozens of legal battles to defend its intellectual property rights, not always successfully and sometimes at great cost.

However, in August the US firm won a landmark trademark infringement case, giving hope to other multinationals that a tougher line from Beijing on the practice is finally bearing fruit.

According to the Suzhou Intermediate People's Court, near Shanghai, three defendants had used the firm's signature N logo to sell footwear under the brand name New Boom, "seizing market share" from New Balance and "drastically damaging" its business reputation.

The ruling surprised many as the men had trademarked the name legally under Chinese law, a defence used successfully by others in the past.

In addition, the $1.5-million damages and legal costs imposed, while relatively small by international standards, were thought to be the largest trademark infringement award ever granted to a foreign business in China.

Like other forms of intellectual property theft, trademark infringement remains a major concern for international firms operating in China. And yet it has historically been hugely difficult to seek legal redress in the country's courts.

According to Dr Paolo Beconcini, a senior intellectual property consultant at law firm Squire Patton Boggs, what usually wrong foots foreign firms is Chinese trademark law itself.

That is because, unlike in the United States or Europe, trademarks in China are awarded to the first company that files them, not the first to use or create them.

Typically this allows opportunists to take advantage in one of two ways. Firstly, they can register a spin-off name or lookalike logo to sell rip-off goods or totally unrelated products. Apple, for instance, in 2016 lost a trademark fight against a firm that sells handbags and other leather goods using the name IPHONE.

Then there is so-called trademark squatting, whereby someone registers a foreign company's English, Pinyin (Chinese phonetics) or Chinese character name and holds it to ransom.

When the foreign firm goes to launch its products in China, it can have little choice but to pay large sums to buy back the trademark, rebrand their product or fight for the right to use the brand through lengthy legal battles.

"Trademark squatting is a plague," says Dr Beconcini. "And for the few famous cases you see reported, there are many, many more smaller ones you never hear about."

Often the biggest issue is that international businesses are naive about the realities of doing businesses in China, he says. Most commonly, they forget to register their names as trademarks, or do not realise they will need a Chinese name too, even though the market will often feel uncomfortable using the original and adopt its own.

> You must file your intellectual property rights in China and seek out strategies that will help you prevail under Chinese law

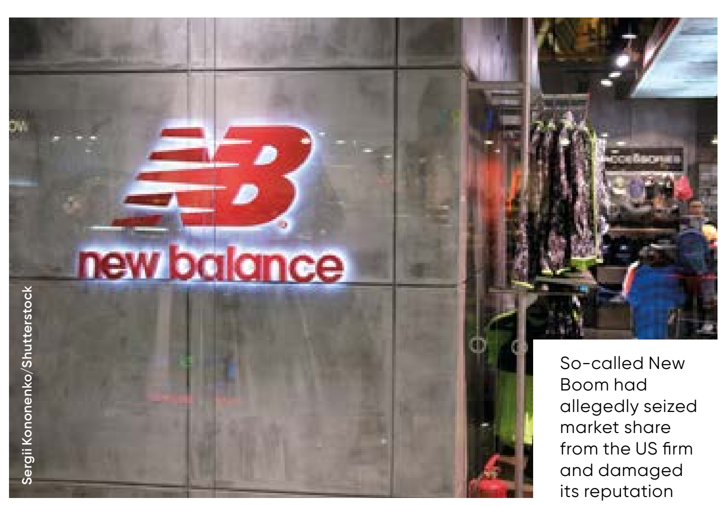
In a recent case, basketball legend Michael Jordan won a lawsuit against Qiaodan Sports, a sportswear firm that had trademarked the Chinese characters of his name. However, in a 2015 case, New Balance was fined $16 million, reduced to $700,000 on appeal, after it lost a lawsuit to a man who had trademarked the Chinese version of its name.

As the Chinese legal system does not update its laws through precedent, intellectual property rules have lurched forward in fits and starts. However, updates introduced in 2013 were a "big step forward", says Dr Guan H. Tang, a senior lecturer in Asian commercial law at Queen Mary University of London.

Among the additions was an important provision against the "likelihood of confusion", which means that if you can prove a Chinese version of your trademark confuses consumers, you have a better chance of winning your case.

Fines for misbehaviour have also been increased from a maximum statutory amount of $75,000 to $450,000, which makes New Balance's award in the New Boom lawsuit so significant.

Helpfully, the central government has applied pressure, listing tackling intellectual property crime in its most recent five-year plan as key to promoting the market economy. Chinese firms have urged change too having faced many trademark battles themselves.



Sergii Kononenko/Shutterstock

So-called New Boom had allegedly seized market share from the US firm and damaged its reputation

Employee attaching a shoe upper to an outsole at a New Balance factory in Maine, United States

"Many more cases have come to trial and many more international firms have won since the reforms came in," Dr Tang says. "However, we need to keep an eye on enforcement not only at the Supreme Court or the specialised intellectual property courts in Beijing, Shanghai and Gaungzhou, but in IP courts at all levels across the country."

It's important to remember that China did not even recognise "immaterial property rights" 20 years ago and has made a lot of progress in a relatively short time.

Moreover, while subject to abuse, Chinese law is clear and effective protection strategies are available for those willing to seek them out, says Dr Beconcini.

Nonetheless, legal loopholes remain and China's still bureaucratic legal system is a stumbling block.

In April, the Office of the United States Trade Representative warned of a lack of transparency in "all phases" of trademark prosecution, citing obstacles such as unreasonably high standards for establishing "well-known" mark status and inflexibility in relation to descriptions of goods and services.

It also warned of "a high level of formalities to bring opposition actions". The answer, says Dr Beconcini, is to be strategic and plan ahead, as almost every firm will end up doing business with China eventually.

"I say, even if you think you have no connection with China, China will have a connection with you – be it through manufacturing or as a market for your goods," he says. "You must file your intellectual property rights there and seek out strategies that will help you prevail under Chinese law."

FACTFILE

NOTABLE CHINESE TRADEMARK CASES

NEW BALANCE	Trainer brand won $1.5 million in damages and legal costs against New Boom, thought to be the largest trademark infringement award ever granted to a foreign business in China
MICHAEL JORDAN	Basketball legend won a lawsuit against Qiaodan Sports, a sportswear brand that had trademarked the Chinese characters of Jordan's name
UNDER ARMOUR	Sportswear company paid $300,000 in damages by Tingfeilong Sporting Goods, which used a similar logo for its Uncle Martian brand
TREASURY WINE ESTATES	Wine producer's Penfolds brand won a lawsuit against an individual over his use of the Ben Fu trademark, a translation of the Penfolds name
SCOTCH WHISKY ASSOCIATION	Association won a case against Anhui Guangyu Packaging Technology Company over its unlawful use of the "Scotch Whisky" trademark and of the word "glen"

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Regulation – supervisory rules vary by market, and global firms are subject to both home and local rules. Creating the right regulatory framework and delivering a response to comply with local regulation helps firms deliver scale efficiencies, compete globally and leverage greater data assets.
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