

2013 has been a milestone year for the North East in defining its path for future economic growth.



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Lord Adonis’ North East Independent Economic Review, published in April, outlined increasing productivity, facilitating international export growth and embedding a sustainable skills base as key priorities for the region.

At the heart of the Adonis review is a plan to focus on a small number of key sectors where the North East has the capacity to become ‘world-class’. These include bio-pharma and life sciences, advanced manufacturing, oil and gas and digital. Underpinning this focus will be an industrial strategy, which will see investment steered towards businesses within those sectors, where real growth potential has been identified. Capitalising on the region’s export growth, in particular, will be a major area of focus. The North East is the only region with a positive balance of exports and this is therefore an obvious area to give further support to.

The CBI, the UK’s leading business organisation, has been quick to get behind the findings of the Adonis review. In its North East Commission response, it notes how the time is ripe for the region’s economic potential to finally be unleashed. Due to a range of factors such as rich natural resources, as well as engineering and export strength, the CBI contends that the North East should be playing a more central role in national economic growth. One of CBI’s key policy plan themes for 2013 is ‘encouraging high-growth export champions’ and the organisation has been working hard to showcase the region’s export success, to date.

In *The only way is exports: Renewing the UK’s role as a trading nation*, published in April, it is noted how the UK has persistently run a trade deficit over the past 15 years. Furthermore, although exports to Brazil, Russia, India, China (BRICs) have increased, the current rate of growth leaves the UK trailing behind its international peers. However, the report contains three case studies of North East based businesses that have achieved exceptional export success in recent years; Ryder Architecture, Nissan and Soil Machine Dynamics (SMD).

- In 2011, Ryder Architecture announced it had won a major contract in China, supporting the emerging healthcare market through the development of a large hospital complex. It was the onset of the recession in the UK that proved to be the catalyst for the firm looking overseas for clients. Now, international markets will be a major part of Ryder’s future growth. High profile international contract wins have also helped the business further establish and secure its position in the UK.

- Nissan in Sunderland, which is now the UK’s most productive car manufacturer, exports 85% of its vehicles to Europe and in 2012 reached record production figures. The business is now seeking to build on this success by realigning its export strategy to take advantage of emerging market growth.
- SMD in Wallsend, which manufactures robotics equipment for the subsea oil and gas sector, has achieved impressive export growth since it received private equity backing in 2008. A lot of the ground work in establishing its international customer base was done by CEO Andrew Hodgson, who spent two years travelling the world, gathering intelligence and making connections in the industry. Overseas sales have increased by 30% over the last five years as a result.

In order to get more North East businesses ‘on the global map’ the CBI and Lord Adonis contend that there is still work to be done, particularly with regard to helping the high number of medium sized businesses (£10-100m turnover) in the region succeed overseas. The CBI considers MSBs as ‘sleeping giants’ and is seeking to provide more support to them through its M-Clubs initiative.

# Exports future

M-Clubs was set up as part of the CBI ‘future champions’ campaign to provide a forum for MSBs to connect and share knowledge of international markets. Research carried out by CBI highlighted that MSBs in Germany, for example, add significantly more value to their domestic economy. If UK MSBs could achieve more overseas in line with their European peers, they could add around £20bn to the value of the UK economy by 2020.

One North East firm that is taking advantage of M-Clubs to boost international sales is Miller International, which sells earth-moving equipment to the United States, Europe, India, Australia and China. Its turnover is currently around £25m and it is using insight gained from CBI / M-Clubs to leverage more opportunities overseas. Millar International MD Jacqui Millar has praised the ‘terrific’ support offered by CBI.

Another area which Lord Adonis and the CBI both agree needs improvement is transport ‘infrastructure’. One key area in this regard, addressed in Lord Adonis’ review and the 2013 CBI report *Trading places: unlocking export opportunities through better links to new markets*, is international flights. The CBI report notes the significant impact the daily Emirates flight from

Newcastle to Dubai has had on international trade since its launch in 2007. With trade between the North East and Australasia growing from less than £150m a year to more than £275m a year. In the Adonis review, the authors suggest that the next geographical target for air travel expansion should, be the USA, with the establishment of a new direct flight to a major North American air hub. CBI North East is working alongside other key partners in the region to support Newcastle International Airport in helping this flight to become a reality.

The CBI believes that a fresh focus on international trade development will help define the region over the next few years. Whilst the region has proud exporting credentials, more needs to be done to embed the idea of exporting in more businesses, particularly in the SME and MSB communities. If the region can establish the kind of support and focus on international trade envisaged in the Adonis Review, there is the opportunity to deliver a real step change in performance. North East businesses have the opportunity to exploit real opportunities overseas in traditional markets such as Europe and North America but also, increasingly, in emerging markets too, helping them to become truly international players in their respective markets.



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