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How to Start Exporting to China

Get your African Agri-business export-ready

CONTENTS

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The time for investing in Africa-China trade has never been better.

We see our role as a pivotal economic enabler to grow thriving continental trade, and to this end, we leverage our extensive footprint, expertise, partnerships and trade solutions to unlock new opportunities and create value.

An end-to-end trade solution eco-system

With Trade by Standard Bank, we aim to be a partner in your growth journey and create a secure and trusted environment for you to trade in, by providing an end-to-end trade solution ecosystem.

Africa is our home

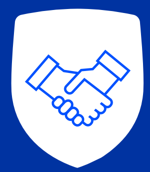
When it comes to trade across the African continent, Standard Bank Group Limited (also trading as Stanbic Bank) is well-favoured due to our unique positioning. As the largest African banking group by assets and earnings, operating in 20 countries in the sub-Saharan region our on-the-ground presence and regional expertise is unparalleled. Our footprint, coupled with the African Continental Free Trade Area (AfCFTA), opens opportunities for African-based businesses with aspirations to grow continental trade.

Direct access to the Chinese market

Our partnership with the world's biggest bank, the Industrial & Commercial Bank of China (ICBC), has resulted in a powerful strategic collaboration that enables us to provide our customers with direct access to one of the world's strongest economies. Not only has this partnership already grown trade and investment between Africa and China, but we also continue to work together on various initiatives to build and strengthen unique import and export propositions for increased business between Africa and China.

That said, there are many risks that stand between would-be exporters and the benefits they hope to reap from trade in China.

The objective of this eBook is to provide insights on how to equip your business for exporting to China and share solutions for how to overcome common challenges and risks.



Look out for this icon throughout this eBook, to see how Standard Bank is enabling, simplifying and de-risking Africa-China trade for exporters.

Learn more

If you'd like to learn more about how we can support your business in this arena, please email us at: **AfricaChina@standardbank.co.za**

Warm regards,

Philip Myburgh

Standard Bank: Head of Trade and Africa-China,
Business & Commercial Banking

1 Introduction

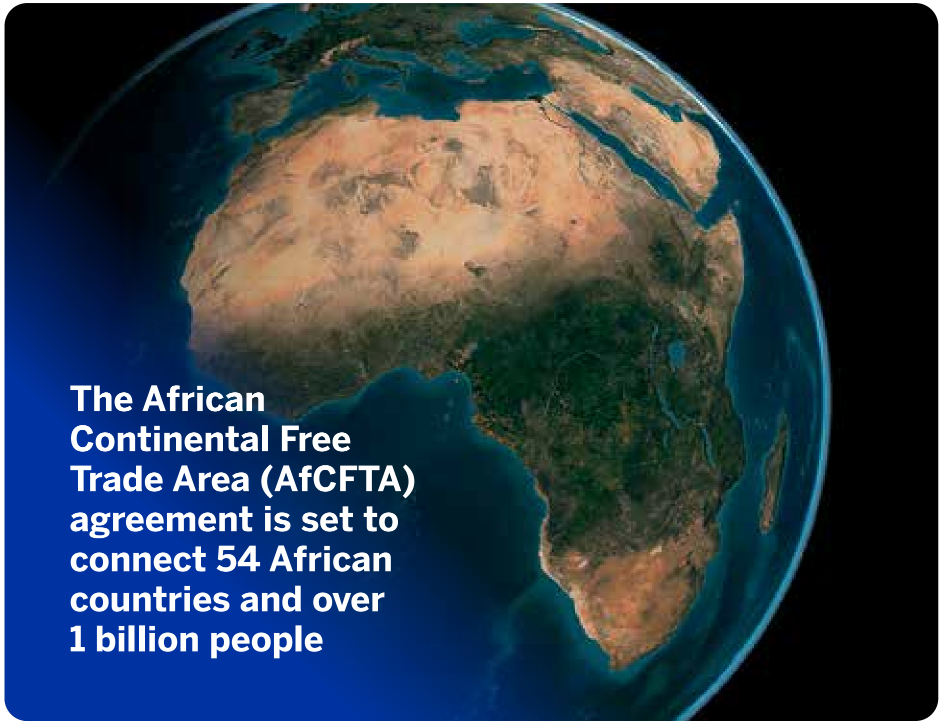
Exporters stand to benefit from enhanced economic cooperation between Africa and China and easier intra-continental trade.

1.1 Why consider Africa? A new dawn for Trade

The introduction of the African Continental Free Trade Area (AfCFTA) agreement signals a new trajectory for trade in the region and an opportunity to strengthen this ecosystem.

Once implemented, AfCFTA will create the world's largest free trade area connecting 54 African countries and 1.3 billion people.

> The World Bank estimates that by 2035, AfCFTA could lead to intra-continental exports increasing by more than 81%, and exports to non-African countries increasing by 19%. The World Bank also predicts that the agreement could contribute to lifting an additional 68 million people from moderate poverty and 30 million people from extreme poverty.



Coupled with the benefits AfCFTA is hoped to deliver, is population expansion on the continent.

While populations remain stable in Europe, North America and east Asia where fertility rates are generally below 2.1 births per woman, some countries such as Italy, Japan and South Korea are in population decline.

Conversely, demographers expect Africa's population to balloon in the coming decades, predicting that Africa will represent 25% of the world's population by 2050, compared with less than 10% in 1950.

While population growth at this scale raises sustainability concerns, it also heralds opportunity, such as a boost to regional and international trade.

1.2 Why consider China? The land of opportunity

Data released by the Chinese Ministry shows that China's trade with Africa has grown 20-fold over the past decades – and it remains on the rise.

According to the General Administration of Customs of China (GACC), bilateral trade with Africa in 2021 reached its highest level yet totalling US$ 254.3 billion, an increase of 35.3% from 2020.

African exports on the up

Exports from Africa contributed US$ 105.9 billion to that total, up 43.7% from 2020.

Africa's top five exporters to China in 2021 comprised South Africa (31%), followed by Angola (20%), DRC (11%), Republic of the Congo (5%) and Zambia (4%).

Chinese initiatives to bolster trade

Imports by China from Africa focus largely on oil, precious minerals and metals, however, China is increasingly importing agricultural products and manufacturing goods from the continent.

Since 2018, China has granted market access to 25 kinds of food and agricultural products from 14 African countries, including Benin, Egypt, Kenya and South Africa.

Africa's agricultural exports to China have grown at an average rate of 11.4% annually in recent years and in 2021 this figure rose to 18.2%. China is now the second-largest destination country for African agricultural exports.

In recent years, China has led numerous initiatives to build strong, mutually-beneficial economic ties with Africa. This includes investment, trade and aid to support poverty reduction and economic development in Africa – as well as bilateral cooperation with African countries with regard to aviation, finance, tourism, and the digital, marine and green economies.

> In 2021, President Xi committed to providing US$10 billion of trade finance to support African export, along with building a pioneering zone in China for in-depth China-Africa trade and economic cooperation, and a China-Africa industrial park for Belt and Road cooperation. China has also pledged to import US$ 300 billion of African products by 2025.

To boost trade levels in order to meet this goal, China is establishing 'Green Lanes' which will increase the range of products benefitting from zero-tariff treatment for African agricultural exports.

HOW WE ASSIST

The Africa Trade Barometer

Launched in 2022 and updated bi-annually, the **Standard Bank Africa Trade Barometer** is one of the most comprehensive research reports on the state of trade on the African continent as experienced on-the-ground by real African businesses.

It offers a comparative view of the enablers and challenges to facilitating trade across various key African markets – and is aimed at providing a source of reliable data and insights on African markets and economies for businesses and entrepreneurs as well as businesspeople, students, governments, NGOs and investors.

Qualitative and quantitative intelligence is gathered from firms representing enterprise, commercial and corporate businesses. This intelligence is further enriched by third-party sources including the World Bank, International Trade Center, and the central banks of our focus markets.

Download the report

Click here to download the latest **Africa Trade Barometer Report.**

2 Establish Your Presence & Professionalism

Read on for tips on how to create international visibility for your business, connect and communicate with buyers in China and elevate your overall professionalism.

When you branch out into the foreign exports game, the competitive field suddenly widens as players from all over the world vie for the same buyers in appealing markets.

That is why it's important to put your best foot forward – and in the digital world that begins with a professional online presence. That means paying attention to your website and social media presence.

2.1 Make an impression with your website

Developing an appealing, professional website today need not cost a fortune. Using solutions such as Wix.com, Squarespace.com, Weebly.com, and Shopify.com, you can create a website on a budget (or for free), without sacrificing all the bells and whistles.

These platforms provide pre-built customisable templates that enable anyone to build a site, blog, or e-commerce store using a simple drag-and-drop interface, thereby eliminating the need for coding.

10 MUST-HAVE WEBSITE FEATURES

1. Make sure your site looks professional

- First impressions count, so make sure your site looks appealing.
- Don't go overboard with creativity.
- Stick with 1-2 colours and select business-friendly fonts.
- Ensure your logo has good visibility and high quality.

2. Build a responsive site

- A responsive site is one that automatically reconfigures elements on a page (text, images, forms, etc) to fit different screen sizes, such as desktops, tablets and smartphones without shrinking your page.
- Most platforms that offer pre-built website templates and/or drag-and-drop solutions will be responsive-ready – but check that beforehand.
- Before you launch your site and each time you update pages or publish content you should preview your changes and test them on different devices (for example a phone and laptop) and on different browsers (such as Chrome and Firefox) to make sure your content looks good in all instances.

3. Use original, high-quality images

- Most websites today use stock images purchased from libraries or sourced from the internet. While these pictures may look appealing, they do nothing to distinguish your business or showcase your unique products or services.
- Potential buyers want to see photos of your factory, farm, offices, products and company directors.
- Make sure you post quality images on your site, but watch out for the file size. Large image files slow website loading times and that can cause your website to drop in Google's search rankings.

4. Entice readers with clear and concise writing

- The content on your website is a reflection of your company and the quality it delivers, so aim for zero errors.
- Enlist the help of employees, friends or professional copy editors to check the text on your site.
- Also make sure that you are clearly conveying what you do and the value you offer to your clients.

5. Include your business profile

- Include an About Us page that outlines the nature of your business, and a background on your company and its founders.
- List all accreditations and awards that show the quality of your products or services.
- Potential international buyers will also be interested in reading about your current export activities, so include details on previous or current cross-border trading.

6. List your product details

- Provide detailed descriptions for all your products, including any variants you may offer.
- Include quality, well-lit photos that showcase your products.
- Also, add estimated volumes and frequencies available for export.

7. Include all your contact details and social media links

- When you list your physical address, don't forget to include your country – as well as GPS coordinates and/or your Google Maps location link.
- When you list your telephone number, include your country's prefix dialling code to make it easier for foreign callers to connect with you.
- Email addresses are essential, and if you intend doing business with China, include WeChat ID or QR Code on your Contact page.
- Social media is not only an easy and inexpensive way to showcase your offering to new buyers, posting content and building online communities on social platforms is also important to boost your Search Engine Optimisation (SEO) rankings.
- Don't forget to include your WeChat account ID for Chinese browsers *(read more about WeChat in the next section).*

8. Consider e-commerce functionality

- While you may have your eye fixed on cross-border exports, don't ignore the potential of e-commerce to open up more business opportunities locally, regionally and internationally.
- You'll need to get a solid e-commerce strategy in place, and a robust online solution with all the right features and security protocols in place.
- Begin by researching your local and international competitors with e-commerce functionality to get a view of what works and what doesn't.

9. Don't overlook SEO

- For non-techies, the topic of Search Engine Optimisation (SEO) may seem daunting, but if you want to be located by local and foreign buyers on search engines such as Google, it's essential that you at least get the basics right – and you may need help from an expert to do this.
- Good SEO tactics can help your website pages to appear higher up in results when buyers search for products or services you offer.
- Make sure your website contains well-written, unique content with relevant keywords that describe your products and your market.
- You'll also need to pay attention to 'on-page' and 'off-page' SEO, and run an SEO site audit. If this is beginning to sound like Greek to you, it's probably time to call in that expert.

10. Translate your site to appeal to Chinese visitors

- If it's not within your budget to translate and maintain a full Mandarin version of your website, consider translating your key business and product information to attract the attention of Chinese buyers.
- If you're using a popular international platform to build and host your site, such as Shopify, Wix or Wordpress, you'll be able to access auto-translate functionality to produce a cost-efficient multi-lingual website.
- When targeting Chinese visitors, always remember to test your domain web address to make sure it's accessible in China.

Need help with web design, writing, copy editing, branding, marketing, SEO, translation services and more?

Check out Fiverr.com, the world's largest marketplace for digital services.

The platform enables you to search and connect with thousands of rated service providers and streamlines briefing, delivery, and payment – to protect both buyers and sellers.

2.2 Join China's social media powerhouse

Social media offers a cost-effective way to engage with customers, but with so many platforms available, which should you focus on?

WeChat is an instant messaging, social media, and mobile payment app with an estimated 1,2 billion users. To put WeChat's popularity into perspective, China has a population of 1,4 billion, so nearly every Chinese person uses the app.

For most people in China, WeChat is an all-in-one way to connect with old classmates, post photos and stories, chat with friends and colleagues, catch up on news, pay bills and buy stuff.

> For exporters doing business in China, WeChat is an indispensable tool to establish an online presence, launch marketing campaigns, and use the app's built-in translation tool to communicate with contacts.

WeChat is also the preferred destination to establish business relationships and store contacts. Whether in online or in-person meetings, Chinese professionals prefer sharing WeChat details over exchanging business cards or other contact details.

The translation features enable users to translate instant messages and using your smartphone's camera function, translate text in images from English to Mandarin and vice-versa.

The app is so effective that it's not uncommon to see in-person business discussions between native English and Mandarin speakers, taking place entirely via instant messaging on smartphones, thanks to the translation capabilities of the WeChat app.

2.3 Be prompt and professional in your responses

The next time you're contacted by a potential buyer be sure to make a good first impression by responding timeously and professionally.

Remember, if a buyer has reached out to you, they may also be liaising with your competitors.

Include a business prospectus with your response, that lists your business history along with its activities, products, accreditations and awards – and if you're intending to do business in China, consider having your prospectus translated into Mandarin. Check out Fiverr.com for translation and copy editing services.

3 Gain Access to the Chinese Market

It's no secret that the Chinese market is a lucrative one for farmers and growers around the world. However, entry into the Chinese market is not always easy.

China has strict regulations regarding the import of agricultural products, and until recently had relatively few protocols in place with African countries.

A further limiting factor is that, unlike the EU which approves industries within a country as a whole, China requires both bilateral negotiations and trading protocols to be established at a country level, plus the inspection and approval of every individual exporter.

> The complexity of fulfilling China's regulatory requirements often results in would-be exporters abandoning the process – and therefore missing out on opportunities to pursue simpler export approvals in American and EU markets.

The world's factory is shifting focus to imports

China is often referred to as the world's factory due to its massive production and exporting capabilities. In recent years, however, the powerhouse producer has worked to shift perceptions of China being a seller of goods only, by implementing large-scale buying initiatives.

When it comes to Africa in particular, at the 2021 Senegal Summit of the Forum on China Africa Cooperation (FOCAC), President Xi Jinping of China pledged US$10 billion in trade finance to support African exports and gave China's commitment to growing the value of imports from Africa to US$300 billion in the next three years.

Since this announcement, China has been working with African countries to establish protocols for more varieties of produce.

China has granted market access to 25 kinds of food and agricultural products from 14 African countries, including Benin, Egypt, Kenya and South Africa. And in 2022, protocols were signed to allow the export of pears from South Africa, citrus from Zimbabwe, fresh avocado and aquatic products from Kenya, and soy meal cake and stevia from Zambia.

3.1 Outlining China's import requirements

Let's explore a scenario to illustrate China's import compliance requirements.

- We'll consider an example of an African Macadamia nut farmer who wants to grow his business by expanding into international markets.
- As the demand for Macadamia nuts continues to grow internationally, he has identified an opportunity to provide raw Macadamia nuts and processed nut butter to China.

THE CHALLENGES OUR FARMER FACES

Although our farmer has identified a sizable opportunity, he is unsure of exactly how to go about exporting to China.

The Mandarin language barrier presents a significant challenge when it comes to finding a reputable Chinese buyer.

To become registered as an exporter to China, our farmer would need to follow these steps:

1. Register with the local Ministry of Agriculture and Forestry in his country and request that they engage with their counterparts in China.
2. An application request would then be made with the General Administration of Customs in China (GACC).
3. The application and documents would then be sent from China to the farmer.
4. The farmer would subsequently need to complete a number of complex forms to be submitted back to the GACC in China (Note: In an effort to reduce red tape, GACC has relaxed requirements for exporters of certain varieties, enabling them to now apply to their local country authority to acquire an export number. Once requirements and procedures have been met, the registration status will be shared by the local authority with GACC, so a GACC number may be granted to the exporter.).
5. Upon receipt of the forms, the GACC would send out inspectors to the farm to inspect the quality of the product. As a result of restrictions on international travel, during the pandemic, the responsibility of these physical inspections has been handed over to local authorities.
6. Finally, a decision would be made on the approval of the farmer's company as an exporter to China.
7. Assuming the farmer obtains approval to export to China, he would have to also familiarise himself with China's new regulations that came into effect on 1 January 2022 – these concern food safety assessment and inspection, registration and filing of importers and exporters, food safety risk management and product labelling.

> Overall, the process of exporting agricultural products to China can be more complicated than selling to a domestic market or exporting to other countries. But with careful planning and having a capable and trustworthy partner such as Standard Bank, it can be a lucrative opportunity for companies that are able to meet all the necessary requirements.

3.2 China has enforced new regulations on food imports

With China now ranked as the sixth-largest food importer in the world, it is ramping up efforts to ensure the quality and safety of imported food items with the introduction of additional rules.

Hot on the heels of measures to heighten scrutiny on imported food products during the Covid-19 pandemic – the latest move came on 1 January 2022, when two new regulations handed down by the General Administration of Customs of China (GACC) went into effect.

These new regulations provide more details on the GACC's requirements on overseas food safety assessment and inspection, registration and filing of importers and exporters, food safety risk management and product labelling.

> The rules apply to all businesses that import foods into China, irrespective of their positioning in the supply chain – and given the volume of these food imports, the impact of these regulations will be widespread.

As a result, Chinese food importers will need to establish an 'audit system' for foreign producers and exporters of food products to China. This audit system should focus on examining the formulation and implementation of food safety risk control measures – and ensure that all food products comply with the laws, regulations, and national food safety standards of China.

4 Gain Access to the Chinese Market

Gaining a foothold in China can result in profitable export trade, however, without the right partnerships in place penetrating the market can prove to be extremely challenging.

For African businesses seeking new international markets for trade, China is a land of opportunity. Not only is it the largest exporter in the world, but it is also the second-largest importer of goods from Africa after Europe. While these stats indicate fertile ground for would-be exporters, getting a foothold into any international market is difficult– and the significant language gap makes it that much harder.

For starters, exporters would need to identify potential trading partners and vet their trustworthiness.

Establishing a unique sales strategy for selling to Chinese markets and tailoring your product and its packaging for the customer is a further challenge... not to mention testing additional channels and developing marketing campaigns and materials that resonate with your new audiences.

4.1 How to get a foothold in China

Making mistakes as a first-time exporter and paying 'school fees' is nearly inevitable... but it doesn't have to be.

Standard Bank has built an extensive network of strategic partnerships to support you as an exporter every step of the way. Through our partnership with the world's largest bank, the Industrial and Commercial Bank of China (ICBC), import/export specialists, and physical and digital channels, we provide you with an unrivalled competitive advantage by:

- Creating visibility for your products in China through our Digital Matchmaking initiatives.
- Reserving stands at CIIE (China International Import Expo) and CAETE (China Africa Economic and Trade Expo) for our African clients to showcase their foods and agri-products to gain exposure amongst Chinese buyers.
- Connecting African exporters to vetted Chinese importers through our relationship with ICBC and an extensive network of partners.
- Assisting African exporters to vet Chinese trading counterparts in via our joint due diligence capability with our partner ICBC.
- Providing access to both physical and digital sales channels through export partners such as Pacific International Lines (PIL) and a host of e-commerce platforms.
- Providing access to marketing and packaging experts.
- Offering assistance with setting up local distribution channels for B2B sales.
- Solving the language barrier with our English/Mandarin-speaking staff.
- Opening up additional trading opportunities via our regional intra-Africa export channels.
- And delivering seamless service to clients using the Africa China corridor with our physical presence and large team in China, located at our Beijing office.

4.2 Don’t overlook opportunities closer to home

While China presents a significant opportunity, selling to domestic markets and selling into the rest of Africa may also prove to be fruitful.

- Creating e-commerce functionality linked to your website and social media platforms can be effective for landing domestic and regional sales.

HOW WE ASSIST

Tap into ‘mega projects’ in Africa and China

From the construction of infrastructure, dams and smart cities, to the extraction of oil and gas and the building of solar energy farms – mega projects are unfolding across the African continent and in China.

To support these mega projects, full ecosystems that draw in global communities are required. This creates opportunities for local and regional companies looking to do cross-border business.

At Standard Bank, we’re dedicated to creating opportunities and linkages that benefit Africa and drive her growth. Because we are at the forefront of African and Chinese megaprojects, this grants us (and by extension our clients) access to direct insights and data points that can be leveraged for further opportunities.

Get in touch

Email us to see how we can assist you in this regard at **AfricaChina@standardbank.co.za**

5 Adapt Your Product & Packaging

If foreign companies hope to sell their wares in China, they will need to learn about local consumer preferences and change their products and packaging accordingly.

In every culture, you'll find peculiarities and nuances that seem foreign to the outsider, and China is no different. Exporters that want to appeal to the Chinese market need to understand the tastes and expectations of Chinese buyers – and adapt their packaging and products accordingly.

Your product packaging is the most tangible representation of your brand for customers, and with many options available, it's important yours ticks all the right boxes.

When it comes to design, China is regarded as a unique market, even when compared with other Asian countries. Therefore, colours, shapes, materials, and designs are culturally specific.

5.1 Choose your colours wisely

Colour carries major significance in Chinese culture, so choose your palette carefully:

Red is a colour that features prominently in traditional Chinese symbolism, it represents fire, as well as vitality, joy, beauty, success and good fortune.

Yellow is perceived as a royal colour in China and symbolises imperiality, empathy and warmth.

Green is sometimes seen as a negative colour as it may can associated with infidelity in certain instances and in the stock market context it is linked to declining stocks and indices. Apart from these instances though, green as a colour on packaging is not seen as a problem.

Blue is a neutral colour, and can be associated with masculinity.

In Western countries, red is the colour associated with love. In China red is the traditional colour that brides and grooms wear in marriage ceremonies, however purple is also associated with love.

In China, water (an element fundamental in Fung Shei) is represented by black, not blue.

While white is perceived as a colour of innocence, purity and youth in the West, in China white is associated with mourning and death, and is the colour worn to funerals.

5.2 Assess your brand and product names

It's important to note, that even though younger urban consumers are increasingly worldly and familiar with English, most Chinese do not speak proficient English.

That's why when appealing to mass audiences, it's essential to translate your brand name and logo to Mandarin, making it easily recognisable.

> However, direct translations are not always the answer. The search engine Bing for example, has not been very successful in China. One reason for this may be due to the similarity of the name 'Bing' to the Chinese pronunciation of 'sick' (bìng 病).

That's why it's often a good idea to adapt your brand and product names to words that are 'Chinese-friendly'. This can help you convey your message more efficiently and enable word-of-mouth, bearing in mind it's challenging to recommend a brand that you can't even say or write.

Some international brands have adapted their brand names to convey stronger messages in Chinese using characters. Examples include:

- **Heineken** adopted a Chinese brand name, 喜力(xǐ lì). 喜(xǐ) that means 'like' and 力(lì) means 'power'.
- **Lays'** chips are sold as 乐事 (lè shì) which means 'happy things'.
- And **Colgate** has selected a Chinese name that emphasises quality, 高露洁 (gāo lù jié) meaning 'high reveal clean' in English.

HOW WE ASSIST

Linking you to Chinese export specialists

To enhance its appeal in the Chinese market, a wine producer and Standard Bank customer, was advised by their Import Agent partner to change the brand name of their wines to 'Gun Bay', which sounds similar to the word for 'Cheers' in Mandarin.

Linking our clients to Chinese export specialists who can provide this level of support, forms part of our holistic Trade solution.

Interested?

Email us at **AfricaChina@standardbank.co.za** for more information on our extensive Africa-China Trade services.

5.3 Pay attention to imagery and design

The imagery you select and your overall design is another important focus area. What works in your home country may not land well in China.

For instance, a South African winery appealing to the local market may opt for a minimal, sophisticated design on its label. Whereas, in China, that same winery may choose to rebrand its labels and use images of the Big 5 animals.

Back at home, the South African market may perceive this design as an obvious play for the tourist market and pass up on buying something obviously not intended for them. Whereas in China, as South African wines compete with those from Australia, France, Chile, Italy and Spain – having African animals associated with your brand can help you stand out.

Imagery and design are nuanced and can be subjective, that's why it's advisable to seek professional advice in this arena.

5.4 Consider product adaptation

If you've ever visited a foreign country and been amazed by the unusual foods and combinations on offer at the buffet, you'll understand why you may need to adapt your product to suit the tastes of a new market.

Chinese consumers, and younger consumers in particular, are more experimental when it comes to trying new flavours, such as mango pineapple, strawberry yoghurt, and sea salt cheese.

More adventurous consumers may even opt for spicy, salty, sweet, sour, fruity and liquor-laced or even fishy treats. However, they may not be all that keen on what we like in Africa.

> When it comes to potato crisp flavours, for example, African and western countries tend to enjoy cheese, sweet chilli, sour cream & onion, and barbeque – whereas in China, popular flavours include braised pork belly, cucumber, five spices, seaweed and even rose petal.

And taste is not the only factor. Where protein bars in Africa and the West may be drier and chewier. Chinese consumers tend to prefer crispy textures.

Another difference can be seen in the way the Chinese market enjoys eating nuts. African exporters of macadamia nuts may be accustomed to shipping deshelled nuts off to other countries – but in China snack factories buy whole macadamia, cut through half the shell, and include a small metal tool in each packet of nuts so that consumers can have fun cracking the shells open to get to the nuts.

6 Partner with the Right Logistics Provider

Here are a couple of important pointers to bear in mind when sourcing a supplier to handle your clearing, warehousing, cold storage, transport and insurance in China.

As a land mass, China occupies 9,596,960 square kilometres – comparatively speaking, Kenya is roughly 6%, Nigeria 9,6% and South Africa 12,7% of its size.

In 2021, China's total highway length approached an estimated 169,100 kilometres and in the same year, the equivalent of 282.7 million twenty-foot cargo container units were processed through Chinese water ports.

To contextualise the magnitude of China's port infrastructure and its dominance, consider the ***World's Top 10 Container Ports by Throughputs*** in 2022 with China occupying 7 positions on this list:

1. Shanghai, China
2. Singapore City, Singapore
3. Ningbo, China
4. Shenzhen, China
5. Qingdao, China
6. Guangzhou, China
7. Busan, South Korea
8. Tianjin, China
9. Hong Kong, China
10. Rotterdam, The Netherlands

[Source: Upply.com]

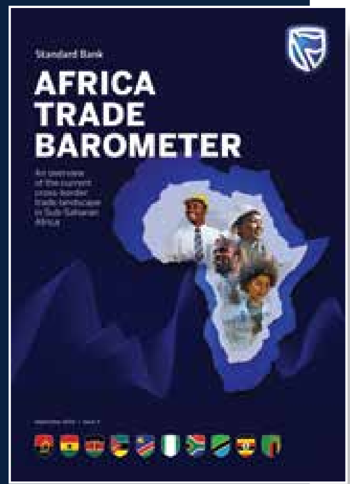
Given the size of the country, when it comes to getting your goods from port, to truck, to basket in China, working with the right logistics partner is essential – particularly when it comes to managing a perishable goods supply chain.

HOW WE ASSIST

Low uptake of trade services by African traders

In our inaugural **Africa Trade Barometer** research, **only 6%** of the 2,500 firms interviewed that engage in import or export use Trade services.

This low uptake implies that African traders are vulnerable to risky transactions and supply chain disruptions.



Download the research

Click here to download the latest **Africa Trade Barometer** and view more insights.

5 TIPS FOR SELECTING A LOGISTICS PARTNER

1. Large versus small

New exporters may be tempted to work with smaller independent logistics providers in the hopes of saving on costs and receiving personalised service, however, this may not be the case.

In China, as in the rest of the world, the barriers to entry for smaller logistics providers are low. This means smaller operators often act as cargo coordinators, and instead of investing in their own infrastructure and systems, they rely on a patchwork of subcontractors for trucking, air and ocean freight. This dependence on unknown operators introduces vulnerability to your supply chain and can add delays and frustration.

On the other hand, larger operators are not necessarily more expensive since they are able to negotiate better rates based on volume with transporters. Larger suppliers that have developed their own on-the-ground infrastructure are also more likely to adhere to standard procedures and systems and remain up-to-date with import and export regulations.

2. Capabilities versus rates

When you're watching costs, it's tempting to opt for the cheapest quote, however, you need to be aware of the impact of pricing versus service offering. In assessing various quotes it's important to take into consideration the system capabilities of the providers.

It may be the case that companies offering cheaper prices have failed to keep up with developments in their sector and have not made adequate investments in process or productivity improvements to keep abreast of innovations.

Also bear in mind, that while it may be advantageous to establish a long-term relationship with a dependable logistics provider, it's advisable to test the market every few years to benchmark other suppliers to make sure you're getting the best service and value.

3. Access to information

At its base level, logistics is about getting your product to its intended destination, efficiently and cost-effectively. Beyond that basic description, however, lies the more complex topic of supply chain management.

> When it comes to logistics today, it's no longer simply a matter of getting your product from A to B – business owners need access to an array of information to enable them to plan for production, disruption and contingencies.

That's why when selecting your Logistics Provider, find out what level of data you can expect. At a minimum, you should be able to search and schedule shipping online, transmit information such as Advance Shipment Notices and compliance documents online – and receive automated notices concerning delays or disruptions.

4. Domestic coverage

According to the Pew Research Centre, China is home to more than one-third of the world's middle class. This represents a tremendous growth opportunity for exporters.

Once you have a foothold in the country, it may be time to consider expansion. To achieve this, it's advisable to partner with a company that has an established network of logistics infrastructure, warehousing and distribution centres throughout China, beyond gateway port cities and into the interior.

5. Establish and monitor KPIs

Once you have chosen your logistics provider, jointly identify the key performance indicators (KPIs).

KPIs may include factors that are covered within Service Level Agreements (SLAs) such as acceptable response and delivery timeframes, however, KPIs are designed to drive quality and productivity to improve your business over time and ensure you're obtaining maximum benefit from your logistics provider.

KPI measures may include factors such as:

- Response time
- On-time delivery
- Errors (identification and reduction)
- Automation of communication and processes
- Education and training (for example, the logistics service provider can play an important role in educating your company on new trade compliance procedures and regulations).

Once your KPIs are in place, monitor them regularly together with your Logistics Provider to identify areas for improvement.

HOW WE ASSIST

Access to world-class logistics services in China

Our Standard Bank Trade Team has built a strategic partner network to deliver world-class shipping and logistics services that enable us to deliver seamless end-to-end trade solutions:

- In China, we've partnered with **Pacific International Lines (PIL),** a leading shipping and logistics company in Asia with a strong presence in Africa and China. PIL's Chinese footprint includes 25 registered branches and 18 logistics centres in the country.
- We've also partnered with **DHL Global Forwarding,** for air and road freight forwarding and logistics services that span the African continent.
- In instances where established partnerships are not in place, we're able to build solutions by connecting clients to each other where applicable.
- We also assist with Marine Insurance for transporting cargo by air, land or sea. Cover goods in transit for loss or damage – and protect yourself with the local or international liability you need.

Interested to learn more?

For more information on these and other services, email us at **AfricaChina@standardbank.co.za**

7

Manage Your Finances, Liquidity and Risk

It's often said that cash flow is the lifeblood of a business. Here's a quick guide on how to manage, protect and supplement it.

7.1 Keep a close eye on cash flow

Every business needs to have a steady flow of cash. No matter how much you sell or how much you net, your business could soon run into trouble if you don't have enough cash at the end of the month to pay your staff, suppliers, and other costs.

For exporters, a delay in payment could strain your company's finances and, if the transaction is substantial enough, sink it.

So, when it comes to managing cash flow in an export business, you need to think about how the following factors will affect your working capital cycle:

- Customs delays
- Extended delivery times
- Extended payment terms
- Large volumes of new and unknown customers
- Foreign currency exchange risks
- Increased use of credit, which may increase the risk profile of your organisation.

First-time exporters can gauge whether their international expansion is financially sustainable by making a precise set of financial predictions. This gives them a clear picture of how it may affect their cash flow.

Create a cash flow forecast

You can use a cash flow forecast to plan any periods where your company will have a shortfall, and then decide if you need financing.

To create your cash flow forecast, you will need:

- Receipts for any business expenditure
- Records of any other costs such as wages, paying suppliers, purchasing assets, bank and credit card fees and charges
- A list of all fixed overheads
- Expected payments from customers on existing export contracts
- An estimate of your peak cash flow deficits
- Existing debts and credit repayments
- Cash inflows such as income from sales, loans or grants and personal equity from shareholders should also be present.

7.2 Factor in unforeseen costs and financial risks

Exporting comes with risks, that have a direct bearing on cash flow:

1. Risk of not being paid

It's not uncommon for an importer to delay payment or refuse to pay, especially if their own cash flow is tight or if they can't sell the goods anymore because demand in their market has dropped.

These kinds of payment delays can hurt the exporter's cash flow and bottom line in a big way, especially if their profit margin is small.

2. Changes in foreign exchange rates

Exporters who agree to be paid in a foreign currency are exposed to the risks of exchange rate changes.

If you are paid in a foreign currency and the exchange rate drops between when your contract was signed and when you get paid, you will get less money than you expected. To avoid this, you can ask to be paid in a stable currency or at the current exchange rate when you get the money later.

3. Other currency risks

There are other things to think about besides changing exchange rates when it comes to foreign currency. For example, countries like China and India have foreign exchange controls set up by their governments.

These controls may limit how much local currency can be sent out of the country or require exporters to bring their foreign earnings home within a certain amount of time. These restrictions and regulations related to your payment, could delay the process and negatively impact your cash flow.

4. Country and political risks

Exporting to a country you don't know well can be a costly mistake if you don't know its rules and laws.

Exporters need to know about changes in government policies that could affect their business and keep an eye out for foreign banks that aren't stable.

They must also ask about rules and restrictions on imports to make sure that their goods meet the country's standards and rules.

5. Additional costs

Even if you carefully plan your exports, you might still have to pay extra money. When shipping and customs take longer than expected, you may have to pay for storage costs like demurrage and detention fees.

You should also think about the costs of insurance, transportation, and paperwork.

HOW WE ASSIST

Dealing with Renminbi currency in Africa-China trade

Renminbi is the official currency of China, but the US Dollar is the official reserve currency of the world. And when trade takes place between foreign countries such as Uganda and China for example, it is not unusual for the buyer to have to change currencies from Renminbi to US Dollars, and then from US Dollars to Ugandan Shillings to pay for goods.

These multiple currency changes result in additional unnecessary costs as well as the potential loss of currency value in each transaction.

As the largest bank by assets and earnings in Africa with an on-the-ground presence in 20 countries across the continent and through our strategic partnership with the Industrial and Commercial Bank of China (ICBC), Standard Bank maintains high Renminbi reserves. This enables us to process direct forex trades from Renminbi to Ugandan Shillings for example, and vice-versa – removing the cost and hassle involved with multiple forex transactions.

Interested?

Email us at **AfricaChina@standardbank.co.za** for more information on our Forex and other services.

7.3 Build your business' creditworthiness

All businesses are likely to need credit at some point, especially when pursuing an export opportunity. Improving your company's credit rating means putting in place good financial practices.

This will make it easier for you to get financing when you need it.

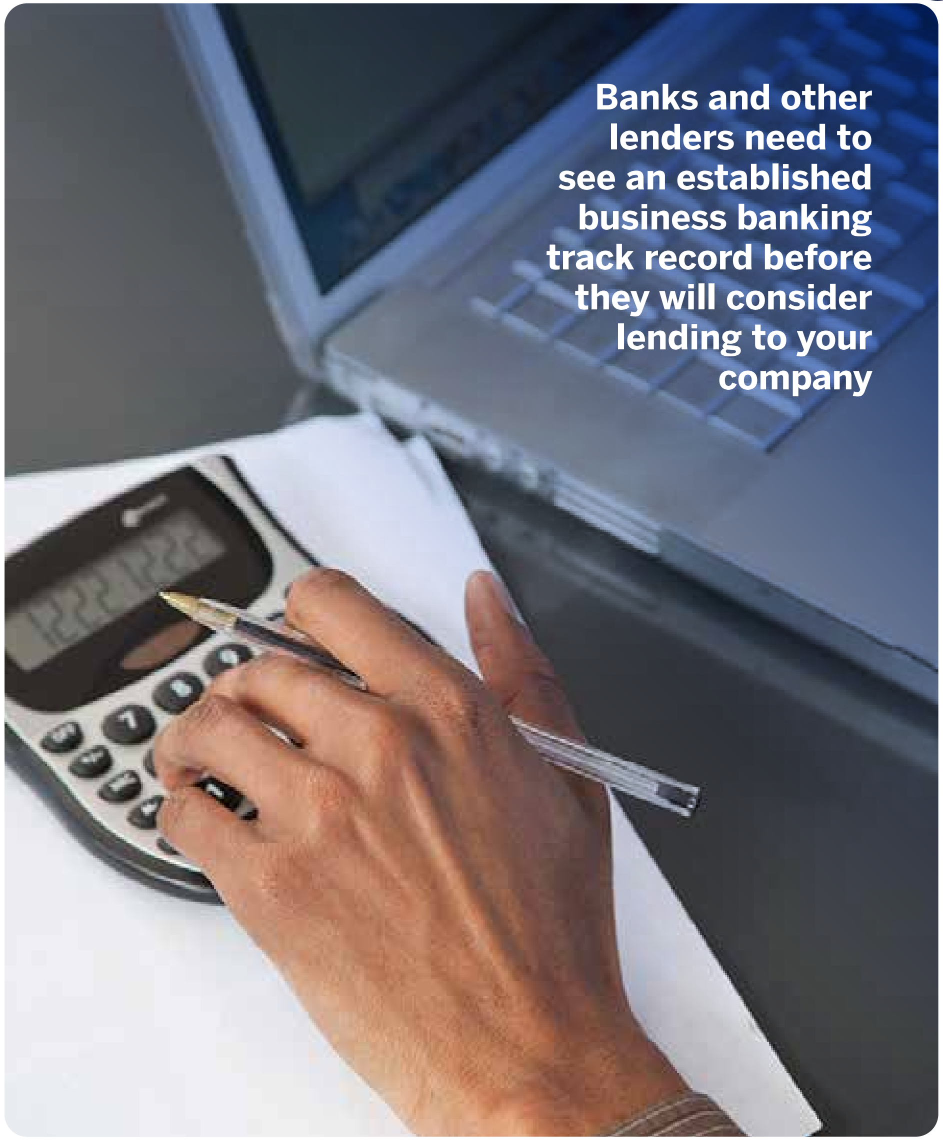
Is your business 'bankable' or 'lendable'?

All companies that meet a bank's basic application requirements are '*bankable*' – meaning they can open business accounts and transact.

Not all businesses, however, are *'lendable'* – meaning they may not be eligible for financing or loans.

To be considered a candidate, most lenders require one of three things:

1. To be eligible for a loan, your company needs to have at least three years of financial statements
2. Collateral must be provided in the form of assets, inventory, and/or accounts receivable
3. The company and its directors must be creditworthy and meet the minimum risk rating.



6 FACTORS THAT IMPACT BUSINESS CREDITWORTHINESS

1. Business track record

For some businesses just starting out, it may seem easier to run your company expenses through your personal bank account, however, when it comes to best practices in financial management, this is a definite no-no.

Banks and other lenders need to see an established business banking track record before they will consider lending to your company – and regardless of whether your business has been operating under your personal bank account for 5, 10 or 20 years, your strict business banking history will be regarded as non-existent.

2. Creditworthiness

Lenders must have confidence that a company and its owners will be dependable and able to repay a loan or business line of credit.

When determining a company's creditworthiness, the most important things to look at are the credit reports of the owners and the company itself. Trade references will also likely be sought, as part of the loan decision-making process.

So it's crucial to check the correctness of your personal and business credit reports – and any issues or out-of-date information should be rectified before applying for business credit.

3. Credit capacity

This is an assessment of your business's ability to repay future loans or lines of credit. Cash flow trends, banking history and payment history are evaluated as lenders want to know how long an account has been open, how much credit was given, and how often it was paid late.

Positive cash flow, a good bank rating, and a good payment history with other companies demonstrate your creditworthiness.

4. Debt-to-equity ratio

Banks look at the debt-to-equity ratio of the company to determine how much capital you are requesting in relation to the amount of capital you have previously invested in the business. The smaller that ratio, the better.

5. Collateral

Collateral includes expensive corporate assets that can be sold if a company defaults on a loan, such as commercial real estate, industrial machinery, office equipment, inventory, stocks, and bonds.

Once a bank accepts your collateral, it uses the asset's characteristics to determine the loan-to-value ratio of the collateral.

Most traditional banks require collateral to grant a business loan, however, this is not always the case.

6. Operating conditions

Provide proof that your company's operating conditions are favourable. Verify market potential, industry, positioning, competitiveness, and experience.

Having established relationships in place before applying for company finance with your own bank is a smart move. Less risk means lower interest rates from a bank or lender.

7.4 Select the right trade finance for your export business

Cross-border trading involves a range of risks and uncertainty concerning the timeliness of payments between buyers and sellers.

> Exporters want to be paid upfront upon shipment, while importers want to only pay when they receive goods. Neither position is ideal for the other party.

To succeed in the global marketplace, and to win sales against foreign competitors, exporters have to offer their clients attractive sales terms – that's why appropriate payment methods must be carefully selected to ensure buyer needs are met, without incurring unnecessary risk.

Traditional loans versus trade finance

Due to the considerable time lag between shipment and payment, exporters frequently require external financing.

This is especially true for smaller exporters who may not have available cash reserves to draw on – and exporters that require access to more working capital to fulfil larger contracts to grow their businesses.

Potential external finance sources include banks that provide loans and lines of credit such as overdrafts. However, exporters should also explore specialised funding instruments such as trade finance solutions that are better suited to facilitate cross-border trade.

Trade financing has a double benefit in that it helps exporters maintain a positive cash flow and also reduces the risk of not getting paid.

If you do borrow money, don't overlook the implications of late payments, defaults and changing interest rates may have on repayments, as this can affect your cash flow situation. Also, keep in mind that trade finance comes at a cost.

HOW WE ASSIST

African traders must focus on financial maturity to grow

In the inaugural **Africa Trade Barometer** research, we surveyed over 2,500 firms of all sizes operating in 10 African economies (Angola, Ghana Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia).

When it came to understanding the financial services predominantly used by these firms, we found that **only 13%** of companies that engage in import or export use Trade Finance, and only 1 in 5 companies find it easy to access credit. This signals a major impediment for businesses that require capital to bridge cash flow gaps and fund growth.

These stats, coupled with the fact that **only 58%** of respondents operate a transactional account, indicate that there is work to be done in developing financial maturity with a view to becoming creditworthy to lenders.

Download the research

Click here to download the latest **Africa Trade Barometer** and view more insights.

7.5 Finance options for exporters

Trade by Standard Bank offers the following specialist trade finance, working capital loans and insurance options:

Letters of Credit

Letters of Credit (LC) are a means of providing security and reducing risk to ensure a favourable outcome for both the seller and the buyer involved in international trade.

Generally issued by the importer's bank, a LC guarantees the seller will be paid once the conditions of the letter of credit have been met. The document specifies the terms – including limitations – under which the credit will be redeemed.

The benefits for importers

- For importers, LCs ensure that your company only pays for goods after the supplier has provided evidence that those goods have been shipped according to the terms of your agreement; this process also allows you to conserve your cash flow by not having to make any advance payments or deposits to the exporter.
- A letter of credit also enables you to build credibility with your new business partners by demonstrating your creditworthiness.

The benefits for exporters

- For exporters, a LC acts as an assurance of payment in the event of the buyer not paying for goods. If this occurs, the financial institution pays the exporter for outstanding costs.
- A letter of credit also protects against legal risks since the exporter is guaranteed payment on condition that stipulated delivery conditions have been met.
- Exporters can also pledge a LC as collateral against working capital loans for the resources needed to fulfil the order. Before the funds of the LC are issued, the issuing bank will normally act on behalf of its client (the importer) to confirm that all requirements have been met.

Bank Guarantees

When selling to foreign buyers, they may request guarantees before doing business with you.

Our Bank Guarantee serves as an assurance for a certain percentage of the contract value. As the exporter, once you fulfil your contract, your Bank Guarantee will expire and the bank will return your collateral. If you fail to fulfil your contract, however, your bank will pay the agreed-upon amount to your buyer, the importer.

The Bank Guarantee may also protect you as the seller if the customer is unable to pay you. The bank would then pay you the amount specified in the letter of guarantee.

Export working capital

Company growth can be cash-intensive, especially when it comes to buying additional equipment and stock. Standard Bank provides various solutions to qualifying exporters to cover working capital requirements:

- **Agricultural Production Loan:**
  Short-term business loans for crop and livestock production enable Agribusinesses to access working capital quickly, to finance production costs such as seed, fertiliser, chemicals, fuel, animal feed or dips.

- **Term Loans:**
  Fixed interest rate term loans with medium- to long-term repayment structures ranging from 2-10 years are designed to assist your business manage its cash flow.

- **Revolving Credit:**
  If your company needs some financial breathing room so you can handle ongoing export agreements, a revolving line of credit (such as an Overdraft or a Business Revolving Loan) could be the way to go. It's the best choice for export businesses that experience cash flow peaks and valleys. Available funds can be accessed as and when needed, while the original lending agreement remains in place.

- **Vehicle and Asset Finance:**
  Business equipment is essential to your company's production capabilities. Whether you need to purchase a new truck, replace or upgrade machinery, or finance foreign or local goods – vehicles and asset finance is available and can be structured to the needs of qualifying companies.

HOW WE ASSIST

Solutions for capacity building

For some businesses, it's a challenge to find enough customers to buy their products. For companies that find the right partners in China, the challenge instead may be producing sufficient volumes to meet an enormous demand.

This was the case for one of our clients situated in Uganda. After introducing this seed exporter to partners in China and concluding a large deal, the question turned to how the business would scale its operation to deliver on its contract.

We worked with our customers to not only provide a working capital solution, but also helped this exporter to meet capacity demands by importing the necessary equipment from China required to scale, and we designed an asset finance solution to fund it.

Export credit insurance

Insurance is an important consideration for exporters to protect themselves against the risks associated with International trade.

With the correct export credit insurance policy you can protect yourself against:

- Fluctuations in currency
- Buyer insolvency, bankruptcy or default
- Political risks (war, terrorism, revolution, riots, etc).

Export credit insurance has further benefits – it can enable you to:

- Minimise the risk of non-payment while allowing you to provide competitive terms to foreign buyers
- Expand your export business into emerging markets, which may be deemed as a higher credit risk
- Provide banks with increased comfort when seeking lending facilities.

It is possible to obtain export credit insurance either on a per-transaction basis (via a single policy) or on a more broad, blanket basis (through a generic policy).

Medium-term payment options and short-term transactions (up to a year) are typically both covered by policies (one to five years).

HOW WE ASSIST

Making international payments

Through the Standard Bank and ICBC payments platform, we provide a safe and secure means to receive your export payments. Our capabilities include:

- Access to Renminbi currency to reduce forex conversion costs
- Letters of Credit and Guarantees to minimise payment risk
- Access to International Banking.

Making payments in China

If you're travelling to China, bear in mind that it's a cashless society where Visa and Mastercards are not widely accepted, so paying for something as simple as a train ticket with a foreign card can be challenging. We'll assist you to:

- Open a Chinese bank account with ICBC
- Have a UnionPay International card issued* for online payments, point of sale swipes and ATM withdrawals across China
- Obtain Renminbi currency.

Email us at **AfricaChina@standardbank.co.za** for more info.

**Available to Standard Bank Business Banking customers in South Africa.*

8 Leverage Our Export Trade Solutions

We connect you to Chinese importers and take the headache out of the export process.

At Standard Bank, we understand what challenges you may encounter when exporting to China. That's why we have developed a first-of-its-kind solution to help you navigate the complex exporting process and ensure the successful expansion of your business into the Chinese export market.

Standard Bank's **Africa-China Trade Solutions (ACTS)** offers you assistance with the export process every step of the way.

Our partnership with the world's largest bank, the Industrial and Commercial Bank of China (ICBC), and our extensive African footprint, gives us an unrivalled competitive advantage when it comes to Africa-China trade.

Benefit from market access to China via an extensive, existing network of customers as well as Standard Bank's deep expertise and heritage in Africa.

CONTACT US

Get in touch for more information on how we can assist with your Export ambitions and needs:

- Email us at **AfricaChina@standardbank.co.za** and we'll get back to you
- Alternatively, speak to your Relationship Manager to learn more and to find out about our other exciting trade offerings.

Let us assist with:

- Connecting you to reputable Chinese importers
- Guidance on navigating the regulatory environment
- Letters of Credit and Guarantees
- Providing access to Renminbi currency to reduce multiple currency conversions
- Providing trade finance to enable you to expand your operations
- Insurance and logistics solutions
- Assisting in overcoming language barriers with access to Mandarin-speaking staff
- Enabling you to register your products on e-commerce platforms and online marketing platforms
- Securing your presence at the annual China International Import Expo (CIIE) and bi-annual China Africa Economic Trade Expo (CAETE) exhibitions.

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Unlocking Africa-China Trade Opportunities

Email us at **AfricaChina@standardbank.co.za** for more information on how we can assist you with end-to-end import and export solutions.