

# TRADE WARS AS OPPORTUNITIES: the example of Brexit

Finding the Best Niches for Deals



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VidaEconómica



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3. Has a **master's degree** from the Peter F. Drucker Graduate School of Management in California and a **doctorate (PhD)** in Business Administration, from Columbia University, in New York, where he was research, teaching assistant, and graduated with honors (always Dean's list, Beta Gamma Sigma).

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## **Finding the Best Niches for Deals**

**VidaEconómica**

*To our families*

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0.

TO WHOM IS THIS BOOK USEFUL?:  
TWO TYPES OF COMPANIES

***"It is not enough to be up to date; one  
must be up to tomorrow."***



*Shimon Peres (former Israel president)*

## **o. To Whom Is This Book Useful?: Two Types Of Companies**

This book is **useful** for companies which having **successfully adapted** to Brexit, wish nevertheless to own a simple but highly effective methodology to take advantage of **any other** present (against Russia, China, etc.) or future **trade war**.

And so to change a crisis into an opportunity. As Shimon Peres put it, to be not only up to date, but also **up to tomorrow**.

Indeed, since trade is increasingly used as a political weapon to complement warfare, the next major trade war is not a question of *if* but rather of *when*. As had been said, the past is preface.

The above applies to companies for whom Brexit is no longer a problem.

But then there are those companies still **hurt** to a certain extent by **Brexit**.

When Brexit occurred in the 31<sup>st</sup> of January 2021 the expectation was that its impact would be slight and not enduring; as a last minute deal had been achieved exempting trade from tariffs, there was hope that the remaining issues would be solved in due time. And in any case that experience would teach firms to adapt.

Two full years down the road, three recent studies (by the European Commission, a major UK think tank and a USA linked NGO)<sup>1</sup> show otherwise: there remain significant negative effects; the impact was across the board; and pessimism prevails.

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1. European Committee of the Regions; 2022: New trade and economic relations between EU-UK: the impact on regions and cities.

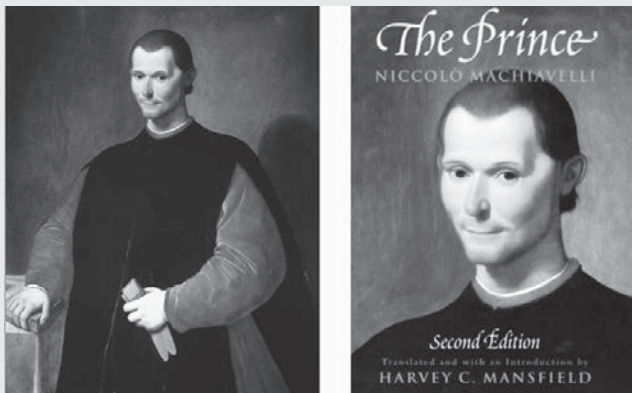
UK in a changing Europe; 20 January 2023: Where next? The future of the UK-EU relationship.

American Chamber of Commerce to the European Union (Amcham EU); 25 January 2023: Two years later: Brexit's impact on US companies in Europe.

I.

THE EXAMPLE OF BREXIT:  
THE TWO TYPES  
OF OPPORTUNITIES CREATED  
BY BREXIT  
(OR ANY OTHER TRADE  
DISRUPTION)

*“Never waste the opportunities created  
by a good crisis”*



*Machiavelli*



## I. The Example Of Brexit: The Two Types Of Opportunities Created By Brexit (Or Any Other Trade Disruption)

Machiavelli in one of his books advised the ruler of Florence, Lorenzo de Medici <sup>1</sup>, never to waste the **opportunities** created by a good **crisis**.

And indeed **Brexit creates two types of opportunities**.

The **first** is substitution of UK exports **to the EU-26** countries<sup>2</sup>.

And the question is:

- 1) which products
- 2) the UK exports a lot
- 3) to which EU-26<sup>2</sup> countries, but
- 4) our country (or company) exports (coincidentally) very little to them
- 5) although a lot to other parts of the world?

Being the **value** of each opportunity, equal to UK exports to a given EU-26 country less the imports of that EU country from our country (or company).

The **second** opportunity respects substitution of our country (company) exports **to the UK**.

And now the question is:

- 1) which EU-26 countries
- 2) import a lot from the world
- 3) excluding from the UK<sup>3</sup>
- 4) the same products that our country (company) exports a lot to the UK
- 5) but those EU-26 countries import very little from our country (company)?

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1. The Prince, which together with The Art of War and Discourses on Livy are **Machiavelli's** three most outstanding books.

2. EU-26 = EU-28 minus UK minus our own country.

3. To enhance the difference regarding the first type of opportunity.

## II.

# THE FIRST TYPE: SUBSTITUTION OF UK EXPORTS TO THE EU; EXAMPLES OF THE FINNISH ECONOMY, INDUSTRIAL SECTORS AND INDIVIDUAL COMPANIES

***"Crisis are opportunities in disguise."***



*Peter Drucker*

## II. The First Type: Substitution Of UK Exports To The EU; Examples Of The Finnish Economy, Industrial Sectors And Individual Companies

### 2.1. INTRODUCTION

This chapter will apply the methodology to the **first** type of opportunity: **substitution of UK exports**. First for a whole economy (Finland); next for an economic sector (metallurgy in Portugal); and then for two individual businesses, Respol belonging to the chemical industry and Green Isle Foods of the food sector.

### 2.2. FINLAND AS AN EXAMPLE OF THE FIRST TYPE OF OPPORTUNITY

The objective is to find for the Finnish economy the major opportunities in terms of substitution of UK exports.

The first step is thus to list the UK main exporting **industries** to the EU. Then Finland major export industries (also to the EU). And third to look for the overlaps between both.

The first step indicates that there is *demand*. The *second* that Finland is *competitive*. And the *third* that there is an *opportunity*.

Figure four indicates the ten best industries in terms of overlap of exports between the UK and Finland with industries being defined by two digits code of the Eurostat.

The first industry is number 29 (motor vehicles, trailers and semi-trailers) and the last the 27 (electrical equipment).

The first column in table four lists the industries, the second the value of UK exports to the EU, the third the industry ranking in terms of percentage of UK exports, the fourth column indicates the value of

### III.

## THE SECOND TYPE: SUBSTITUTION OF EXPORTS TO THE UK; EXAMPLES OF FIRMS, INDUSTRIAL SECTORS AND NETHERLANDS

***“Crisis are a terrible thing to be wasted”.***



*D. Clark (former president of Merck)*

### III. The Second Type: Substitution of exports to the UK; Examples of Firms, Industrial Sectors And Netherlands

#### 3.1. INTRODUCTION

To capitalize in the case of Green Isle Foods, this chapter will first analyse the examples of companies (Green Isle Foods and the Finnish firm Ponsse), then the Portuguese metallurgic sector again (to contrast with the previous chapter) and will end with an illustration for the Dutch economy.

In any case the objective is the same: to shift a (company, industrial sector or country) present exports to UK companies into other European importers.

For that one must identify:

- 1) which EU-26 countries;
- 2) import a lot from the world;
- 3) excluding the UK<sup>1</sup>;
- 4) of the same niches;
- 5) that Green Isle exports a lot to the UK;
- 6) but coincidentally little to those EU-26 countries?

Being the **value** of each opportunity the difference between a given EU-26 country imports from the world (excluding the UK) and from Green Isle.

Which are the best companies to contact in which countries and in which niches?

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1. To reinforce the distinction regarding the first type of opportunity.

# IV.

## CONCLUDING REMARKS ON THE METHODOLOGY

***“The greatest risk is not to take risks”.***



*H. Maucher (former president of Nestlé)*

## IV. Concluding remarks on the methodology

This book was written for companies which want to profit from **Brexit** or any other present (with Russia, China, etc.) or future **trade war**.

Using Brexit as an example, the book provided examples of how countries, economic sectors and companies can benefit from **two** types of opportunities created by **trade disruptions**.

The **first** type is substitution of UK exports to the EU-26, and the **question** is:

- 1) which products (niches)
- 2) the UK exports a lot
- 3) to which EU-26 countries<sup>1</sup>, but
- 4) our country/company exports (coincidentally) little to them
- 5) although a great deal to other parts of the world?

By applying this book's methodology it is possible to obtain answers for three types of **entities**: *countries*, *industrial sectors* and *companies*.

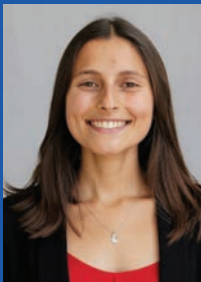
For the *Finnish economy* as a whole, among 140.400 alternatives, sixteen opportunities (0,01% - one in 8775) have a value of **17** thousand million euros representing about **50%** of all Finnish exports to the EU and **16** times the average value of the alternatives.

Next, the *Portuguese metallurgic sector*, illustrated that a single niche (870322 – some types of motor vehicles) among 1939 alternatives and in a single country (Netherlands) among twenty six in the EU (thus one opportunity among 50.414 alternatives)<sup>2</sup> has an opportunity value of nearly **40%** of all Portuguese metallurgic exports to the EU. And an average value of **12** times the average value of all alternatives.

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1. EU-28 minus UK minus our country.

2. 1939 niches of any metallurgic sector multiplied by 26 countries.



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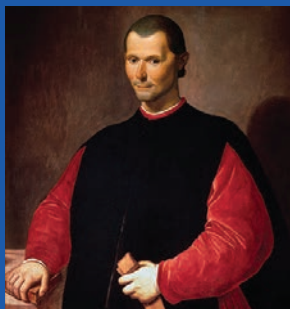
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Has an undergraduate degree in Management by ISEG School of Economics & Management.

Magda Pereira is the general manager at Vasconcellos e Sá Associates.

Wrote several books in co-authorship with Professor Jorge Sá and managed many consultancy projects for Vasconcellos e Sá Associates.





**N. Machiavelli**

**Trade sanctions** are an increasingly common **weapon**. Against Russia, China, Venezuela, Iran, Turkey. In top of trade disruptions such as **Brexit**.

And all of them constitute **great opportunities**, disguised as **risks**, provided the use of the proper methodology.

Using **Brexit** as an example, this book provides such a **simple and highly effective tool** to be equally used by **companies**, industrial associations or even countries.

The **output**, is always the same: a shortlist of the **best business niches** and the name of the **main clients** to focus on, among **140.400** alternatives (5.400 niches in each country multiplied by 26 EU countries).

And where each **opportunity niche** represents hundreds of times a company's present turnover. Ravo BV in Netherlands, FlexNgate in Spain, Astellas in Ireland or BASF in Belgium are among the examples.

**This book is thus useful to whom wants to profit from Brexit** or take **advantage** of the next **trade war**. Recalling **Machiavelli** recommendation of: **never to waste the opportunities created by a good crisis**.

