

National Assembly for Wales
Enterprise and Business Committee

The Welsh Government's approach to the promotion of trade and inward investment

October 2014



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8582

Fax: 029 2089 8021

Email: Enterprise.committee@wales.gov.uk

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The Committee was established on 22 June 2011 with a remit to examine legislation and hold the Welsh Government to account by scrutinising its expenditure, administration and policy, encompassing economic development; transport and infrastructure; employment; higher education and skills; and research and development, including technology and science.

Current Committee membership



William Graham (Chair)
Welsh Conservatives
South Wales East



Mick Antoniw
Welsh Labour
Pontypridd



Jeff Cuthbert
Welsh Labour
Caerphilly



Byron Davies
Welsh Conservatives
South Wales West



Keith Davies
Welsh Labour
Llanelli



Dafydd Elis-Thomas
Plaid Cymru
Dwyfor Meirionnydd



Rhun ap Iorwerth
Plaid Cymru
Ynys Môn



Eluned Parrott
Welsh Liberal Democrats
South Wales Central



Gwenda Thomas
Welsh Labour
Neath



Joyce Watson
Welsh Labour
Mid and West Wales

The following Members were also members of the Committee during this inquiry:



Julie James
Welsh Labour
Swansea West



Nick Ramsay
Welsh Conservatives
Monmouth



David Rees
Welsh Labour
Aberavon

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The Committee's Recommendations

Recommendation 1. The Welsh Government should commission an independent evaluation to assess whether the current in-house approach to supporting trade and inward investment represents good practice and value for money. (Page 15)

Recommendation 2. The Welsh Government should consider how it can increase the involvement of the private sector in attracting inward investment. (Page 16)

Recommendation 3. The Welsh Government should explore options for increasing representation at UKTI events. This need not necessarily be at Ministerial or official level, but could include greater involvement of the sector panels or private sector partners. (Page 21)

Recommendation 4. The Welsh Government should develop and publish annually a set of transparent Key Performance Indicators which show the annual inward investment performance of the Welsh economy. The indicators should include the total number of new projects, joint ventures, acquisitions, expansions and retentions; and, for each of these project types, the number of jobs created, the number of jobs safeguarded and the total value of capital investment or expenditure involved. As part of this the Welsh Government should publish an equivalent set of figures for projects in which it was directly involved, also showing the level of Welsh Government financial resource involved in securing the projects. (Page 24)

Recommendation 5. The Welsh Government should take steps to improve the quality and timeliness of the economic statistics that are available for Wales. In particular, the Welsh Government should work with or commission the Office for National Statistics to produce Gross Domestic Product figures for Wales, on the same basis and frequency as it does for the UK. (Page 34)

Recommendation 6. The Welsh Government should also commission the Office for National Statistics to produce improved export statistics for Wales that reflect the contribution Welsh businesses make to UK exports in the form of intermediate outputs. (Page 34)

Recommendation 7. The Welsh Government should publish annual key performance measures for the support it provides to exporters, to include details of trade missions and fairs; the number of business delegates participating in each event; the value of orders won; the value of potential opportunities for companies to follow up; and the total cost of the missions and fairs programme. (Page 34)

Recommendation 8. The Welsh Government should clarify its brand strategy for trade and inward investment and how it relates to the brand for the economy, tourism and the country as a whole. (Page 38)

Recommendation 9. The Welsh Government should clarify what new activities or approaches it is using to deliver on the promises made by the *Just Ask Wales* campaign and provide an annual update to the Committee on the progress made against the objectives of the campaign. (Page 39)

Recommendation 10. The Welsh Government should set out, as part of a clear economic development strategy, its aspirations for trade and inward investment; including the international markets and sectors it considers to be of strategic importance to Wales; how it will support Welsh businesses to exploit the opportunities in those markets; and how it will work with and support existing and potential foreign investors to do business in Wales. (Page 42)

Foreword

1. Exports and attracting foreign investment are critical to the growth of the economy in Wales.
2. As a Committee, we wanted to examine how effective the Welsh Government's approach has been – how strong is the Welsh inward investment “offer”, and to what extent is there a coherent Welsh “brand” for trade and inward investment.
3. We have received conflicting evidence during the course of this inquiry. Many respondents spoke highly of the support they had received from the Welsh Government, others less so.
4. Since the abolition of the Welsh Development Agency (WDA) in 2006, there have been significant changes to the public sector support structures in Wales which were established to support and promote Welsh exports and attract foreign investment to Wales which has led to confusion and a lack of cohesion.
5. We acknowledge the Welsh Government 2010 strategy *Economic Renewal: a new direction* but are concerned about the apparent lack of awareness of it amongst witnesses.
6. We believe the Welsh Government needs to evaluate the effectiveness of its current strategy to reflect concerns raised about confusion and lack of cohesion.
7. We also believe that the Welsh Government should set out a clear economic development strategy that clarifies its aspirations for trade and inward investment. This strategy should include the international markets and sectors it considers to be of strategic importance to Wales and outline how the Welsh Government supports Welsh businesses to exploit the opportunities in those markets; and how it works with and supports existing and potential foreign investors to do business in Wales.

Introduction to the inquiry

8. We began the inquiry by issuing a call for written evidence in November 2013. The terms of reference for the inquiry are attached at Annex A. We received 12 written submissions, which are listed at the end of this report.

9. We held eight oral evidence sessions with a range of witnesses, including the First Minister, the Minister for Economy, Science and Transport and her officials, UK Trade and Investment and Scottish Development International. We also met Welsh Government officials in Brussels and undertook a fact-finding visit to the Institute for Life Sciences in Swansea to talk to businesses.

10. The National Assembly's Outreach team also produced a video, which captured interviews with a mixture of small and medium enterprises (SMEs) across Wales, some of whom had received support in exporting their products/services and some who had not. The video can be viewed at: www.youtube.com/watch?v=VfjqDnDDyIE.

11. We are very grateful to all the contributors to our inquiry and trust that our report and recommendations have taken on board the evidence we received.

Economic context

12. As the EU has become larger, so the competition Wales faces has increased. Consequently, the Welsh Government's current activities in trade and inward investment operate in a different environment than did the WDA's 20 years ago. In particular, the EU has become significantly larger and a number of low wage countries particularly in Eastern Europe have joined the EU. This has made it more challenging for Wales to compete as a destination for inward investment. Emerging markets also mean a wider variety of countries need to be considered, both as opportunities for Wales and as sources of competition.

13. Therefore, the task facing Wales in supporting trade and securing inward investment is ever more challenging.

14. Recognising the global context in which the Welsh Government is operating, Cardiff Business School highlighted that "the role of inward investment (particularly that from overseas) in the UK regional economic development 'toolkit' is not as prominent as it was during the 1980s".¹ They went on to suggest that the level of funds available to market Wales overseas, and to provide monies for grants and other types of assistance had fallen, at the same time as competition to attract inward investment had intensified.

¹Enterprise and Business Committee Paper EBC(4)-02-14(p1), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Cardiff Business School, 22 January 2014

Welsh Government support structures

15. Over the past seven years or so there have been significant changes to the public sector support structures in Wales that are intended to support and promote Welsh exports and the attraction of foreign direct investment to Wales.

16. Following the abolition of the WDA in 2006, the Welsh Government established International Business Wales, which was charged with bringing new inward investment into Wales (including reinvestment), and facilitating trade by companies in Wales to overseas markets.

17. Before that, the inward investment function was managed by the International Division of the WDA and the trade function was managed by the Welsh Government's Wales Trade International.

18. As part of the departmental reorganisation that followed the publication of *Economic Renewal: a new direction* in July 2010, International Business Wales ceased to be a separate function within the then Department for the Economy and Transport. This decision was based, at least in part, on the findings of the review undertaken by Glenn Massey (former partner at PricewaterhouseCoopers) which was commissioned by the Welsh Government and published in 2009.

19. Following the demise of International Business Wales, the integrated sector teams became responsible for securing new investment as well as targeted aftercare of existing foreign direct investment (FDI) projects.

20. In March 2012, the Minister informed the Enterprise and Business Committee that a new Major Projects team had been established to take the lead on trade and investment. She told the Committee:

“Flexible financial support, investment in infrastructure, and a focus on 21st Century communications will ensure a responsive and credible offering required by high-quality inward investors in a global economy.”²

² Enterprise and Business Committee Paper EBC(4)-10-12(p4), BETS Ministerial Scrutiny Session, 14 March 2012

Arrangements following the abolition of the WDA

21. Many respondents to the consultation referred to consequences of abolishing the WDA.

22. Evidence provided by the Federation of Small Businesses Wales stated that:

“the role of the former Welsh Development Agency is still a contentious issue among many members in Wales. There can be little doubt that its successor organisations, including International Business Wales, failed to command the strength of brand that the WDA had achieved.”³

23. Cardiff Business School highlighted the findings of research it undertook in 2012, which raised issues relating to:

- “a haphazard approach to marketing Wales abroad, and poor co-ordination between the UKTI and Welsh Government, not helped by continuing changes in organisation in Wales;
- a lack of cohesion in operational and strategic coordination of services;
- difficulties associated with the overarching branding of Wales; and
- the “key” sector “approach” adopted by the Welsh Government causing confusion among inward investors.”⁴

24. David Long and Geoff Harding, both formerly employed by the Welsh Government to work on international trade and inward investment, told us that at the time of the creation of International Business Wales (following the abolition of the WDA):

“support for international trade development was significantly downgraded. The Chief Executive and senior management team made it quite clear that the main focus was inward investment.”⁵

³ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Federation of Small Businesses, Consultation Response TII (1)

⁴ Enterprise and Business Committee Paper EBC(4)-02-14(p1), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Cardiff Business School, 22 January 2014

⁵Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

25. They went on to say:

“This strategy seemed to have little impact on improving investment performance but certainly diluted the support afforded to Wales based business. In general, there was support for an integrated trade and investment body within the trade sections but was on the basis that such an approach would recognise the vital importance of trade as an equal partner not, as turned out, a “nice to do” add on. As trade seems to be back high on a political agenda, it is fair to say that the disbanding of IBW and subsequent failure of Flexible Support for Business to deliver even a modicum of strategic support can be seen as several ‘lost years’ for Welsh business.”⁶

26. This point was also made by Robert Lock who was previously Head of Asia Pacific Team in Wales Trade International and then International Business Wales. Mr Lock suggested that as a consequence of scrapping International Business Wales in 2010, and subsequently providing trade support only through the priority sector teams within the Welsh Government, the support became “disjointed and inconsistent”.⁷

27. However, Alison Lea Wilson, Halen Môn, told us:

“We have received a huge amount of support. We’ve been in existence now for 17 years and we were always very keen to export and expand our markets out of Britain because we recognised that, with a very high-value niche business such as ours, we had to spread the risk, if you like and explore new markets.”⁸

28. In its written evidence, the Welsh Government said:

“It is fruitless making a comparison with the former WDA, WTI and IBW. We are now operating in an economic environment that is very different and the industrial landscape of Wales is different too. Key is that dedicated trade and inward investment officials are specialists

⁶ Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

⁷ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Robert Lock, Consultation Response TII (6)

⁸ RoP [para 7], 6 March 2014, Enterprise and Business Committee

with a wealth of experience in these areas, experience that they have gained and developed in both the private and public sectors.”⁹

Need for a new organisation?

29. There have been a number of reports produced in recent years that have highlighted the importance to the Welsh economy of adopting the right approach to supporting exports and inward investment.

30. A recent publication by the New Economics Foundation¹⁰ stated that there is a strong relationship between internationalisation and productivity improvements. Exporters, subjected to the pressures of international competition, tend as a result to be the most innovative and most productive firms. Evidence for Wales has tended to confirm this relationship, with research showing a strong, positive correlation between exporting and increased output.

31. The New Economics Foundation suggested that as global foreign direct investment is “shifting rapidly away from the developed world and into emerging markets, Wales should not attempt to compete on a cost basis in a shrinking FDI market. It needs a novel approach instead”.

32. While not necessarily suggesting a return to the WDA of old, a number of respondents were of the clear opinion that a new organisation is needed to take forward trade and inward investment in Wales.

33. The South Wales Chamber of Commerce stated in its written evidence that it saw “no evidence”¹¹ of the Welsh Government’s current in-house approach to encouraging trade and inward investment representing an improvement on organisations that previously existed to perform the same function.

34. Professor Max Munday, Director of Welsh Economy Research Unit, Cardiff University, suggested that because of the way it operated, the WDA “insulated policy-makers and politicians from an element of risk” and that there was “an element of entrepreneurial behaviour and risk-taking”, which is

⁹ Enterprise and Business Committee Paper EBC(4)-10-14(p5), *Inquiry into the Welsh Government’s approach to the promotion of trade and inward investment*, Written Evidence from the Welsh Government, 3 April 2014

¹⁰ [Towards a Welsh industrial strategy](#)

¹¹ Enterprise and Business Committee Paper EBC(4)-02-14(p2), *Inquiry into the Welsh Government’s approach to the promotion of trade and inward investment*, Written Evidence from South Wales Chamber of Commerce, 22 January 2014

"a little bit more difficult in a more civil-service-oriented environment". He went on to say that, in his view:

"for marketing and making contacts, a more arm's length relationship between the Government and a promotion, marketing and branding agency is more valuable."¹²

35. Robert Lock also told us:

"I do think a dedicated trade (and investment) body should be set up and that body could still be under the control of the Welsh Government. It would help if it had an identity which businesses in Wales and overseas could recognise as to what they do rather than the current Welsh Government Department of Economy, Science and Transport which covers all economic and transport activity."¹³

36. In February 2012 the Welsh Affairs Select Committee published its report following a lengthy inquiry into inward investment in Wales. Among a number of suggestions directed at the Welsh Government the report stated:

"We repeat our call for the establishment of a dedicated trade promotion agency, either sitting within the Welsh Government or as a private sector vehicle working in collaboration with the Welsh Government to drive inward investment projects into Wales. Such a body should have a mix of skills with an emphasis on private sector experience."¹⁴

37. In his evidence, however, the First Minister disputed such action was necessary, saying:

"I do not think that the case has been made for that at all. We see that we have been successful in attracting investment. We have been successful in terms of ensuring that the percentage of projects coming into the UK has increased in terms of those that come to Wales. So, I do not see that there is a case for re-establishing those bodies, along with the additional costs that that would incur."¹⁵

¹² RoP [para 24], 22 January 2014, Enterprise and Business Committee

¹³ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Robert Lock, Consultation Response TII (6)

¹⁴ [Welsh Affairs Committee - Eighth Report, Inward Investment in Wales](#), February 2012

¹⁵ RoP [para 353], 3 April 2014, Enterprise and Business Committee

38. He went on to say:

"What is important is that officials are able to use their considerable skills to attract investment into Wales, and that is what they are doing. We have a number of people who worked in those organisations who now work for the Welsh Government, and work effectively for the Welsh Government."

39. This view was supported by Iestyn Davies, Federation of Small Businesses, who said:

"We do think that we should stick with the current provision, expand it, enhance it and ensure that it is appropriate and fit for purpose in the future, rather than trying to rewrite the whole thing from scratch."¹⁶

The Welsh Government should commission an independent evaluation to assess whether the current in-house approach to supporting trade and inward investment represents good practice and value for money.

Need for greater private sector involvement?

40. In its written evidence, the South Wales Chamber of Commerce stated that it sees:

"the reluctance of the Welsh Government Team to embrace private sector expertise in the international field both inside Wales and beyond as a clear step backwards."¹⁷

41. Graham Morgan, Director, South Wales Chamber of Commerce, told the Committee:

"There is an underlying culture of trying to keep everything in-house, whereas in other parts of the UK we are seeing a far more hands-off and 'let the chamber get involved in different things' approach."¹⁸

42. The Chartered Institute of Marketing suggested there was a need to "address the question of how much should the Welsh Government do, and how much should it simply be signposting to other appropriate bodies."¹⁹

¹⁶ RoP [para 34], 30 January 2014, Enterprise and Business Committee

¹⁷ Enterprise and Business Committee Paper EBC(4)-02-14(p2), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from South Wales Chamber of Commerce, 22 January 2014

¹⁸ RoP [para 125], 22 January 2014, Enterprise and Business Committee

43. John Halle, Trax JH Ltd,²⁰ suggested that what was needed was:

“the support of local business people who have done a lot of exporting and form that into a coherent band of people that could be listened to, I think that’s something where very good advice could be given then to people who are just starting out on the export trail.”²¹

44. Iestyn Davies, FSB, agreed, highlighting what he saw as “a credibility gap”. He told us:

“I am not sure that businesses think that advisers truly understand their needs and aspirations. Do they understand them? I think that they may be better than individuals sometimes understand or believe, but that credibility gap exists on a number of levels, not just on exports.”²²

45. We received evidence of joined-up working in other parts of the UK, for example, Bristol, where public and private sector organisations work alongside each other for the purposes of trade and inward investment.²³ We believe there is scope for the Welsh Government to improve the way it works with the private sector.

The Welsh Government should consider how it can increase the involvement of the private sector in attracting inward investment.

¹⁹ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Chartered Institute of Marketing, Consultation Response TII (8)

²⁰ Trax JH Ltd is a company that specialises in the design and manufacturing of weights to Original Equipment (OE) specifications

²¹ RoP [para 46], 6 March 2014, Enterprise and Business Committee

²² RoP [para 10], 30 January 2014, Enterprise and Business Committee

²³ RoP [para 164], 22 January 2014, Enterprise and Business Committee

Welsh Government's relationship with the UKTI

46. The written evidence from Cardiff Business School referred to analysis it undertook in 2012 which raised issues relating to a "haphazard approach to marketing Wales abroad, and poor co-ordination between the UKTI and Welsh Government, not helped by continuing changes in organisation in Wales".²⁴ Cardiff Business School also noted that the Welsh Affairs Committee, in its February 2012 report, was also critical of the quality of the network of relationships between Welsh Government and UKTI.

47. David Long and Geoff Harding stated in their written evidence that the relationship between the Welsh Government and UKTI "certainly suffered upon the establishment of International Business Wales, with inward investment staff often looking at UKTI more as a potential competitor than partner".²⁵

Memorandum of Understanding

48. In May 2013, the Welsh Government signed a Memorandum of Understanding (MoU) with UKTI. The MoU outlines the guiding principles by which both organisations will operate and a statement of the services provided by the UKTI and the Welsh Government in co-operating and coordinating to support inward investment into the UK. It recognises that the Welsh Government has specific targets for the Wales area but that these targets will not "sub-optimize the national delivery agenda". The MoU structures an arrangement where there is a two-way transparency of leads, a collaborative approach to agreeing handling arrangements for leads generated by local partners (which include initial one-to-one discussion, consideration of strength of offer against UK benchmark, mobility of project, client views on location, agreement on next steps but with UKTI holding jurisdiction).

49. The intended benefits of the MoU to the Welsh Government include access to the national pipeline of leads and a range of support from UKTI for existing leads, including support for local proposition development and benchmarking; greater efficiency in targeting; and high level support

²⁴ Enterprise and Business Committee Paper EBC(4)-02-14(p1), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Cardiff Business School, 22 January 2014

²⁵ Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

(including, where appropriate, ministerial engagement for key projects and investors and access to regulators and policy makers).

50. According to the MoU, this offers the UK the opportunity to achieve better overall FDI success outcomes and improve the UK offer by better utilising existing knowledge of local assets and capabilities, which can be put forward to clients. It is also intended to ensure greater efficiency through optimising the use of collective resources such as sector intelligence and market understanding.

51. The MoU also clarifies the responsibilities of both parties. The Welsh Government provides inward Investment and aftercare support for Wales. This is achieved through the global business marketing of Wales, targeting key markets and sectors, and the provision of an extensive, free and confidential package of advice and assistance for location consultants and potential investors. For the purposes of this MoU, Welsh Government services are available to international companies that wish to relocate to – or expand within - Wales. Also for this MoU, the Welsh Government is the sole channel of FDI activity for Wales. Therefore, the MoU is clear that any activity between UKTI and the Welsh Government ‘will not be in competition with but in support of all local and district activities’.

Current relationship

52. Written evidence from UKTI stated that the UKTI and the Welsh Government Trade and Investment Team had built a good working relationship following the changes made to the Welsh Government’s organisational structure in 2010. UK Minister for Trade and Investment Lord Green had been a “regular visitor to Wales and established an excellent working relationship”²⁶ with the Minister for Economy, Science and Transport. UKTI expected that strong relationship to continue with the arrival in December of Lord Livingston, who took over from Lord Green.

53. The UKTI also stated that the Welsh Government played a “full role in UKTI’s International Business Development Forum”²⁷ which is the main formal working level mechanism with all the Devolved Administrations on trade as well as inward investment matters. Additionally the Welsh Government also

²⁶ Enterprise and Business Committee Paper EBC(4)-04-14(p2), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from UKTI, 5 February 2014

²⁷ Enterprise and Business Committee Paper EBC(4)-04-14(p2), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from UKTI, 5 February 2014

participates in the twice yearly UKTI-Devolved Administration Chief Executives' meetings, which meet to discuss strategic issues across the trade and investment agenda.

54. Overseas, the Welsh Government has representation in the US (co-located with UKTI teams in New York, Washington, Chicago and San Francisco); China (Beijing, Shanghai and Chongqing); India (Mumbai, Bangalore, and co-located with UKTI in New Delhi); Japan (one office, Tokyo); and UAE (co-located with UKTI team in Dubai).

55. In her evidence to the Committee, the Minister said the Welsh Government "generally have a very good relationship with UKTI."²⁸

56. Gareth John, UKTI, concurred, going on to suggest this had been assisted, in part, by the UKTI capability development support programme, which aimed to develop a dedicated trade and inward investment operation to support the focus on key sectors and to improve Wales's visibility in FDI donor markets and with UKTI:

"I would say that the relationship between the Welsh Government and UKTI is excellent at the moment. It has been helped because we have been doing, as committee members might know, some fairly intensive capability development work over the last 18 months. Certainly, that has helped accelerate the process of integration, if I can put it that way."²⁹

57. A Welsh Government official elaborated:

"We brought in two officials from UKTI to work with our inward investment team—to sit with them, and, in fact, work across the whole of the Welsh Government, including with the overseas offices teams. As is good practice, we set down objectives for that, because it had a cost.

"The document that I think is being referred to is a UKTI self-assessment of how it performed, and overall the self-assessment says that it performed well. There was an increase in performance in terms of our ability to engage with UKTI and, hence, our ability to win

²⁸ RoP [para 329], 3 April 2014, Enterprise and Business Committee

²⁹ RoP [para 156], 5 February 2014, Enterprise and Business Committee

projects to Wales. I think that the Welsh Government's view is that we largely concur with that."³⁰

58. The Minister for Economy, Science and Transport did not accept the view put forward by David Williams, Chair of the Energy and Environment Sector Panel that "Wales was a second-division player from a UKTI point of view".³¹ Indeed Guy Warrington, UKTI, suggested that far from being second-division players, companies from Wales, Northern Ireland and Scotland did, in fact, have a competitive advantage over English companies:

"The UK proposition offers what it offers to everyone, but on top of that there is a separate Welsh, Scottish and Northern Irish offer. So for example, Welsh companies coming out, when I was in Dubai, to trade in Dubai had everything that we offer as UKTI and then, on top of that, what the Welsh Government offers. So, they get a competitive advantage in the fact that there were two sets of offers available to them."³²

59. The Minister also dismissed the suggestion by Professor Gareth Morgan, Chair of the Life Sciences Sector Panel, that Wales should have a representative at every UKTI event. Professor Morgan told the Committee:

"UKTI is very amenable, but very busy as well. At every UKTI event, we should have someone there, whether it is a panel member, a civil servant, or whoever. We have to be there. There is no substitute for that."³³

60. However, the Minister described this as being "absolutely unrealistic"³⁴ given the number of events UKTI organised both in the UK and globally:

"There are hundreds of events across the globe every year; even if we restricted ourselves to events in the UK, and the markets where we have a presence, there would still be too many for us to undertake."³⁵

³⁰ RoP [para 330], 3 April 2014, Enterprise and Business Committee

³¹ RoP [para 95], 19 February 2014, Enterprise and Business Committee

³² RoP [para 219], 5 February 2014, Enterprise and Business Committee

³³ RoP [para 99], 19 February 2014, Enterprise and Business Committee

³⁴ RoP [para 334], 3 April 2014, Enterprise and Business Committee

³⁵ Ibid

The Welsh Government should explore options for increasing representation at UKTI events. This need not necessarily be at Ministerial or official level, but could include greater involvement of the sector panels or private sector partners.

Welsh Government inward investment support

61. The support available from the Welsh Government to attract potential inward investors to Wales includes general business support, assistance in securing the required skills base; financial incentives; training support; advising on the availability of commercial property; and the provision of appropriate digital infrastructure.

62. While there is a debate on the effectiveness and/or desirability of inward investment interventions, this sits alongside a strong evidence base on the positive economic impacts of inward investment.

Recent inward investment performance

63. Written evidence from the Welsh Government stated that “Inward investment results in 2012/13 showed significant improvement on the previous year both in terms of projects and jobs secured.”³⁶

64. The Minister for Economy, Science and Transport, advised that:

“...in 2012-13, 67 new direct inward investment projects came to Wales from overseas. That figure is above any figure going back to 1992,”³⁷

65. Since the Committee has taken evidence, the latest figures have been published which show that Wales attracted 79 foreign direct inward investment projects in 2013-14, creating or safeguarding 10,441 jobs.³⁸

66. However, it should be noted that as there is no requirement for investors to notify UKTI of new investment projects, the figures only include those projects where UKTI and/or a partner organisation, such as the Welsh Government, were involved, or which have otherwise come to UKTI’s attention. Separate figures for the number of projects secured by the Department for Economy, Science and Transport are not routinely published.

³⁶ Enterprise and Business Committee Paper EBC(4)-10-14(p5), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from the Welsh Government, 3 April 2014

³⁷ RoP [para 351], 3 April 2014, Enterprise and Business Committee

³⁸ Welsh Government press release: [Wales – the place to do business](#), July 2014

67. Professor Max Munday told us:

“To be blunt, the sort of figures that we use for the analyst to monitor foreign manufacturing and foreign direct investment are almost completely useless. For example, there was a headline last week where it was quoted that Wales has had a 191% increase in inward investment. Well, no, it has not. That assumption was based on a number of projects, or something like that, or a number of jobs; that is not the same as capital investment.”³⁹

68. In response, Gareth John, UKTI, said:

“I suspect that he [Max Munday] was referring to the fact that UKTI counts projects rather than other economic indicators. Looking at what Max was saying, I think that some of the data that sit below the project are probably more accurate in terms of looking at economic impact in an area—they might well be the wage levels, the number of jobs created or other opportunities in supply chains. We do not capture that as UKTI. It is very much about the numbers of projects and the number of jobs. The economic impact of that is something that is very much within the Welsh Government’s purview, if you like, to collect.”⁴⁰

69. When asked why the data collected by the Department for Economy, Science and Transport were so different to the data seen from the UKTI’s disaggregation of performance, the Minister said:

“We know exactly what is going on with the UKTI, and we do dovetail with what the UKTI undertakes, but we do, of course, collect our own data. We have an ongoing discussion with UKTI over what would constitute foreign investment, do we not?”

“There are certainly figures about what it is looking at now, and how it is going to present its figures, and we will not be presenting our figures in that way.”⁴¹

70. A Welsh Government official confirmed that while UKTI would be basing this year’s figures on 10% foreign ownership, the Department for Economy, Science and Transport would be basing its activity and figures on 50% foreign ownership.

³⁹ RoP [para 102], 22 January 2014, Enterprise and Business Committee

⁴⁰ RoP [para 228], 5 February 2014, Enterprise and Business Committee

⁴¹ RoP [para 428], 3 April 2014, Enterprise and Business Committee

The Welsh Government should develop and publish annually a set of transparent Key Performance Indicators which show the annual inward investment performance of the Welsh economy. The indicators should include the total number of new projects, joint ventures, acquisitions, expansions and retentions; and, for each of these project types, the number of jobs created, the number of jobs safeguarded and the total value of capital investment or expenditure involved. As part of this the Welsh Government should publish an equivalent set of figures for projects in which it was directly involved, also showing the level of Welsh Government financial resource involved in securing the projects.

Attracting headquarters and Research and Development facilities

71. Cardiff Business School highlighted the importance of attracting inward investors who bring headquarter-type functions. Professor Max Munday told us:

"When you have the headquarters of businesses here, it can also increase the stability of the plant, or the factory, or it could be the call centre, or whatever it is."⁴²

72. He went on to say:

"... we have low levels of research and development expenditure per capita, and business expenditure on research and development in Wales. If you get HQ-type operations, and you can promote a deeper functionality in your foreign manufacturing plants; you might get that research and development capability in your region."⁴³

73. However, the Minister told us that the concept of Wales as an innovative area in research was given great priority in the inward investment programme:

"We have been successful, particularly in recent years, at doing far more work in this area."⁴⁴

⁴² RoP [para 72], 22 January 2014, Enterprise and Business Committee

⁴³ RoP [para 73], 22 January 2014, Enterprise and Business Committee

⁴⁴ RoP [para 391], 3 April 2014, Enterprise and Business Committee

Ernst and Young European Investment Monitor

74. Based on figures from its European Investment Monitor (EIM), Ernst and Young undertakes Attractiveness Surveys to examine the attractiveness of a region or country as an investment destination by analysing the reality and perception of greenfield and expansion foreign direct investment (FDI) projects, as well as their impact on local economies. As well as inward investors, the surveys also draw on viewpoints of executives, government officials and academics.

75. The 2013 UK Attractiveness Survey report⁴⁵ gives the following explanation of the methodology used in producing the FDI figures contained within the report, the main difference being that Ernst and Young tracks FDI projects that have resulted in new facilities and the creation of new jobs, as opposed to the jobs figures produced by UKTI which are based solely on announcements.

“The Ernst & Young European Investment Monitor, researched and powered by Oxford Intelligence, is a highly detailed source of information on cross-border investment projects and trends in Europe, dating back to 1997. The database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment, thus providing exhaustive data on FDI in Europe. It allows users to monitor trends, movements in jobs and industries, and identify emerging sectors and cluster development.

“Projects are identified through the daily monitoring and research of more than 10,000 news sources. The research team aims to contact directly 70% of the companies undertaking the investment for direct validation purposes. This process of direct verification with the investing company ensures that real investment data is accurately reflected. The employment figures collected by the research team reflect the number of new jobs created at the start-up date of operations, as communicated by the companies during our follow-up interview.”⁴⁶

⁴⁵ [2013 UK Attractiveness Survey report](#)

⁴⁶ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Ernst & Young, Consultation Response TII (13)

76. The European Investment Monitor contains historic data for Wales from 1997 to 2013, broken down by geographic sub-region, sector and type of activity. The chart below shows the performance of Wales in terms of number of projects over the last 10 years compared with Scotland, Northern Ireland and the UK as a whole.

Year	Wales	Scotland	N Ireland	UK Total
2004	35	63	16	563
2005	13	33	18	559
2006	16	62	17	685
2007	22	69	26	713
2008	35	53	19	686
2009	20	51	25	678
2010	19	69	23	728
2011	9	51	17	679
2012	31	76	29	697
2013	24	82	36	799

77. According to Mark Gregory, Ernst & Young:

“Wales’ performance has been variable over this period but there has been no increase in the total number of projects over the 35 achieved in 2004. By contrast, the number of projects attracted by Scotland and Northern Ireland has grown over the same period as has the total number of UK projects.”⁴⁷

Priority sector approach

78. The submission from Cardiff Business School noted that Welsh Affairs Select Committee evidence suggested that reorganisation and prioritisation around a series of key sectors has been badly thought out, and with little economic evidence available as to why selected sectors are “key” to the future of the Welsh economy.

79. Similarly, Cardiff Business School’s own research from 2012 suggested that the “key” sector “approach” adopted by the Welsh Government is causing confusion among inward investors.

⁴⁷ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Ernst & Young, Consultation Response TII (13)

80. Joshua Miles, FSB, told us:

"...if you are going to take a sectoral approach, you have to be pretty ruthless in how effective you are and how you target those sectors. From our point of view, about 66% of businesses fall into a sector, so it is not massively targeted. It is not clear what the objectives are for the sectors; it is not clear what the key performance indicators are and, as a result of that, it is quite difficult to ascertain what those sector panels do and how they are going to support our members on the ground."⁴⁸

⁴⁸ RoP [para 44], 30 January 2014, Enterprise and Business Committee

Welsh Government export support

81. According to the written evidence from the UKTI, support in Wales for exports is delivered through a partnership between UKTI and the Welsh Government. This means businesses based in Wales have access to the significant expertise and global reach of UKTI and the Wales-specific focus of the Welsh Government trade and investment team.

82. UKTI trade services available to Welsh companies include: Overseas Market Introduction Service (OMIS), TradeShow Access Programme (TAP), Export Marketing Research Scheme, and Export Communications Review.

83. The Welsh Government's International Trade Development programme provides free support (including one-to-one sessions and workshops) to take businesses through the first steps of trading overseas. The programme is tailored for first time exporters, but seasoned traders exploring new markets can also take advantage.

84. However, a number of the SMEs interviewed by the Assembly's Outreach Team highlighted a lack of support from the Welsh Government:

Buster Grant, Brecon Brewing: "I've been exporting now for eight or nine years, but that's all been done off my own contacts, on my own basis. We've never received any advice or direct assistance from the Welsh Government in either form."⁴⁹

Tim Carr, Bon Bon Buddies: "We're the market leader within our sector in the UK, in France, in Poland. We've achieved all of that on our own, really, and we would greatly value more assistance and support."⁵⁰

Adrian Gunn, Howies Design Ltd: "We've not had any support from the Welsh Government to help us market our business abroad. We are a small e-commerce business at the moment that sells in probably more than 25, 30 counties worldwide."⁵¹

⁴⁹ RoP [para 11], 6 March 2014, Enterprise and Business Committee

⁵⁰ RoP [para 12], 6 March 2014, Enterprise and Business Committee

⁵¹ RoP [para 13], 6 March 2014, Enterprise and Business Committee

International Trade Opportunities programme

85. The Welsh Government's International Trade Opportunities is a funded programme to help businesses approach their target market. For a 25 per cent contribution, the Welsh Government's in-market consultants will look at local market conditions, research the opportunities, then attempt to 'kickstart the sales process' by calling prospects and setting up meetings.

86. Very few exporters manage on their own as most find they need a local presence to handle sales and support. That might come in the form of agents working on commission; distributors who buy the goods and sell them locally; joint venture partners; or franchisees who pay a licence for a brand and business model.

87. The Welsh Government's ITO programme is intended to assist with finding the right partners depending on the route a business chooses to take.

Trade missions and overseas visits

88. The Welsh Government's export support also involves the programme of funded trade missions in which businesses can take an active part, and the Overseas Business Development Visit Support Scheme which can assist with the cost of attending trade fairs and meeting new prospects and taking space at other tradeshow around the world.

89. In 2012-13 the Welsh Government supported 23 trade missions and exhibitions and around 100 companies participated in these events. However, there is very little information available on the impact of taking part in trade missions, in terms of the actual amount of business won.

90. David Long told us:

"One of the major step-changes when the Welsh Government - or the Welsh Assembly Government, as it was then - created WalesTrade International, was that, whereas previously we published figures about the number of trade missions that we had taken overseas and the number of events that we had held in Wales, we changed that around completely so that our key drivers and key targets were the amount of business physically won by Welsh companies, the amount that they had in the pipeline that we could continue to help them with, and how much of that we could help them to convert into additional orders, and how many new exporters were created, that is,

companies that we would help take from being a non-exporting company into being a company getting its first order and, hopefully, that we would be able to maintain as an exporter. So, we turned it around and looked at business success as opposed to the numbers that went. The only information that I could find online is the annual business statement that the department issues, and all that told me is that it took x number of trade missions overseas and has had discussions with UKTI. However, there was nothing there to tell me that there had been a business success.”⁵²

91. Graham Morgan agreed, saying:

“...we do not have access to it, is how many businesses have been going on trade missions that were announced in 2012-13 and what has been gained as a result of it.”⁵³

Trade missions and the International Trade Opportunities programme - Views of respondents

92. The South Wales Chamber of Commerce suggested that running trade missions with short lead-in times and small numbers of delegates was "not good value for money and a more structured approach is required, with consistent alignment with key destinations and a planned 5 year program".⁵⁴ It also said that it was important to link trade missions to what the statistics are saying, rather than "we haven't been to the Philippines for five years, let's go to the Philippines. That may well be the right decision politically, but from a private sector, planned, structured approach it may not be".⁵⁵

93. David Long and Geoff Harding concluded from their own enquiries that there was little prior market support for delegates attending trade missions. They also found that, with regard to 2013-14, to date a total of 66 ITO projects had been undertaken. They suggested that, "bearing in mind that there are currently 9 key sectors subject to intensive departmental support, the pro rata take-up of the programme is very low".⁵⁶

⁵² RoP [para 224], 22 January 2014, Enterprise and Business Committee

⁵³ RoP [para 159], 22 January 2014, Enterprise and Business Committee

⁵⁴ Enterprise and Business Committee Paper EBC(4)-02-14(p2), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from South Wales Chamber of Commerce, 22 January 2014

⁵⁵ RoP [para 155], 22 January 2014, Enterprise and Business Committee

⁵⁶ Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

94. However, they acknowledged that the Welsh Government teams involved have had "few tools to work with in terms of marketing the initiative and rebuilding faith in the Government offering".⁵⁷

95. They also noted a number of other concerns, namely the apparently low return on investment achieved by the trade missions in 2011-12; the apparently low take-up of a number of these trade missions; and the possible delays arising in the delivery of support.

96. The Committee received conflicting evidence with regard to the value of taking part in trade missions. Alison Lea Wilson, Halen Môn told us:

"We've had help exhibiting overseas. We've had help with market research and trade missions, and we continue to take every advantage of those. We've had a very positive experience."⁵⁸

97. In contrast, John Halle, Trax JH Ltd said:

"Trade missions themselves can be rather limiting because I think they're rather orchestrated with big buyers seeing big companies and big people and institutions and government bodies, and I'm not quite sure really how much impact that can actually have on a real-life business that wants to export."⁵⁹

98. In response, the Minister said:

"Of the trade missions that I have gone on that have included some small businesses, they have really enjoyed them and have found them successful. They knew where they were going, they know where they wanted to go, and some of them have been asking us whether they can go on more of them because we are generous in terms of the support that we give to them and they are anxious to be engaged. So, I find this quite difficult from my experience of talking to businesses."⁶⁰

99. Andrew Williams, Weldwide Solutions Ltd, highlighted the need for wrap-around support:

⁵⁷ Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

⁵⁸ RoP [para 7], 6 March 2014, Enterprise and Business Committee

⁵⁹ RoP [para 8], 6 March 2014, Enterprise and Business Committee

⁶⁰ RoP [para 436], 3 April 2014, Enterprise and Business Committee

“I think someone, in the main, has to have this really holistic approach—‘We support you to go out there, we support you to attend trade fairs, we support you to do all of those things that you need to get the business; then, when it comes back, this is what we can do for you’. It is no good then just saying, ‘Oh, well, I’m sure there is a bank over there that can help you’, or ‘I’m sure there’s someone else over there that can help you’, because they don’t and it would be nice to think that there was some way that the Welsh Assembly Government could somehow improve that little end-piece. It is the end-piece that means that you then really create a far more rounded approach to the whole thing. I think that you’ve got two pieces of the jigsaw; you need the third one.”⁶¹

100. However, the Minister said that this holistic approach was already in place and that businesses received lots of support from her department when they returned from trade missions:

“The department always discusses with them what has happened in terms of the trade mission if they have made contact with a company, ... the department then encourages them, if we have contacts, or if we have an office in the country that the trade mission went to, it will keep in contact. So, we have a holistic approach in terms of dealing with them when they come back.”⁶²

Recent export performance

101. The [latest](#) Welsh Government statistics show that Welsh exports for the four quarters up to and including 2014 quarter 2 were up 5.4 per cent on the previous four quarters (sum of the UK countries and English regions down 2.7 per cent).

102. Five of the twelve UK countries and English regions had increases, with the West Midlands having the largest increase (up 16.1 per cent) followed by Wales (up 5.4 per cent). The remaining seven regions saw falls over this period, with London having the largest fall (down 14.5 per cent) followed by the North West (down 11.2 per cent). Between 1999 and the four quarters up to and including 2014 quarter 2 there was a 123.6 per cent increase in Welsh exports, the largest of the UK countries and English regions. This compares with an increase of 74.4 per cent for the sum of the UK countries and English regions.

⁶¹ RoP [para 54], 6 March 2014, Enterprise and Business Committee

⁶² RoP [para 441], 3 April 2014, Enterprise and Business Committee

103. It was suggested to the Committee that the export statistics for Wales were influenced by the major companies located in Wales such as Tata Steel, Airbus, Texaco (and other petrochemical companies), and Ford. The various international trade or export support teams that had been part of Government in Wales over the years had all, without exception, been aimed at SMEs who were either new exporters or existing exporters looking to export to new markets. It was suggested that none of those helped were large enough to influence the export statistics individually or collectively. The support provided did however help to create jobs and/or safeguard jobs.

104. Professor Max Munday said it was absolutely critical that Welsh exports were maintained, as they were an indicator of Wales's regional competitiveness. He went on to say:

"Welsh exports have been maintained at a fairly high level, but we cannot get past the conclusion that one or two high-profile exits could now impact those export figures very heavily."⁶³

105. It is difficult for us to comment on the performance of the Welsh Government in directly supporting Welsh businesses to export, given the lack of information currently available on the outputs and outcomes associated with its export activities.

106. Joshua Miles told us:

"It is worth recognising as well that both the UK Government and the Scottish Government, for example, have targets in relation to exports. So, from our position, we do not know what the policy is at the moment."⁶⁴

107. The Minister agreed that she too was concerned that, "in the key performance measures, the value of doing export business and the fact that the sectors underlying it, are not reflected".⁶⁵ A Welsh Government official also pointed out that a lot of the outputs from Wales-based companies were intermediate outputs, going in to a product made somewhere else in the rest of the UK, which was then exported. Often, those figures were not then picked up in export figures.

⁶³ RoP [para 14], 22 January 2014, Enterprise and Business Committee

⁶⁴ RoP [para 19], 30 January 2014, Enterprise and Business Committee

⁶⁵ RoP [para 422], 3 April 2014, Enterprise and Business Committee

The Welsh Government should take steps to improve the quality and timeliness of the economic statistics that are available for Wales. In particular, the Welsh Government should work with or commission the Office for National Statistics to produce Gross Domestic Product figures for Wales, on the same basis and frequency as it does for the UK. The Welsh Government should also commission the Office for National Statistics to produce improved export statistics for Wales that reflect the contribution Welsh businesses make to UK exports in the form of intermediate outputs.

Barriers to exporting

108. In terms of exporting and the assistance that SMEs would like to receive, a number of the businesses interviewed by the Outreach Team highlighted timely access to funding and capital as being a major barrier to expansion. Other common themes were the need to navigate red tape and the importance of having people on the ground to provide in-depth knowledge of local markets.

109. The FSB suggested that the definition of export also needed consideration. Joshua Miles told us:

"For some businesses, selling things in the next valley over would be a step towards that kind of exporting mentality. It could be selling outside of Wales, sometimes. It is how we get those people to think about selling their products to new markets, really."⁶⁶

The Welsh Government should publish annual key performance measures for the support it provides to exporters, to include details of trade missions and fairs; the number of business delegates participating in each event; the value of orders won; the value of potential opportunities for companies to follow up; and the total cost of the missions and fairs programme.

⁶⁶ RoP [para 25], 30 January 2014, Enterprise and Business Committee

Marketing and branding

110. Written evidence provided by the Chartered Institute of Marketing (CIM) set out the importance of the concept of marketing stating, “both business history and current practice reminds us that without proper marketing, companies cannot get close to customers and satisfy their needs. And if they don't, a competitor surely will”.⁶⁷

111. In February 2012, Cardiff Business School published a report called ‘Selling Wales: the role of agencies in attracting inward investment’.⁶⁸ One of the most significant issues identified in the report was the outside world’s perception of Wales’s competitive brand image. The report recommended that a single coherent brand should be adopted. The report suggested that previous approaches by Wales, notably during the late 1990s, had a greater coherence and consistency in brand messages. These produced a well understood and recognised “brand” for Wales. The report also suggested that the WDA brand was still well recognised years after it was disbanded.

112. The findings of the Cardiff Business School report are reflected in the majority of written evidence received. The majority of respondents referred to the strength and awareness of the WDA brand name.

113. Robert Lock suggested that it "takes time to create a brand and to be fair the Welsh Development Agency had been successful creating a known brand overseas and in Wales".⁶⁹ Mr Lock was of the opinion that the WDA "did not move with the times and lost their position as a leading UK Development Agency and the management should have gone rather than the organisation".⁷⁰

114. In March 2012, the Regional Development Agencies (RDA) in England were abolished and replaced by Local Enterprise Partnerships. The role of these new organisations is very different from that of the RDA, and does not directly encompass inward investment attraction. Cardiff Business School suggested in its written evidence that "given the time it would take to build a

⁶⁷ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Chartered Institute of Marketing, Consultation Response TII (8)

⁶⁸ [Selling Wales: the role of agencies in attracting inward investment](#)

⁶⁹ Enterprise and Business Committee, *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Robert Lock, Consultation Response TII (6)

⁷⁰ Ibid

successful inward investment attraction brand, there is a real opportunity for Wales to intensify its international marketing".⁷¹

115. It also noted that marketing was an issue considered by the Welsh Affairs Select Committee inquiry into inward investment. Witnesses to that inquiry noted a lack of focus on marketing Wales overseas and that repeated Welsh Government re-organisation had detracted from the task of selling Wales to the world.

116. The Welsh Affairs Select Committee's 2012 report recommended that "the Welsh Government must urgently consider how existing recognition of the WDA brand can be used to improve and increase Wales's global identity".⁷²

117. David Long and Geoff Harding were very clear in their opinion that "there is no longer a coherent Welsh brand for either trade or investment".⁷³ They suggested that the WDA was a "strong, positive brand which was well-respected in key international markets and this was a contributing factor in Wales success in encouraging inward investment."⁷⁴

118. However, Roger Pride, Managing Director, Heavenly, said that if the WDA were a successful brand, it was as a result of the fact that it delivered for inward investors in Wales, not because it was called the Welsh Development Agency:

"I think that, a lot of the time, when we hear calls for the Welsh Development Agency brand to be resurrected, what people are asking for is an effective delivery organisation to be resurrected."⁷⁵

119. He went on to say:

"A brand is not what it says and is not even what it says it does: it is about what it does. Successful brands live or die on what they do and how they are perceived as a result of what they do."⁷⁶

⁷¹ Enterprise and Business Committee Paper EBC(4)-02-14(p1), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Cardiff Business School, 22 January 2014

⁷² [Welsh Affairs Committee - Eighth Report, Inward Investment in Wales](#), February 2012

⁷³ Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

⁷⁴ *Ibid*

⁷⁵ RoP [para 155], 30 January 2014, Enterprise and Business Committee

⁷⁶ RoP [para 140], 30 January 2014, Enterprise and Business Committee

A brand strategy for Wales

120. A number of witnesses suggested to us that there was no coherent brand strategy for Wales in terms of trade or inward investment.

121. Alison Lea Wilson, Halen Môn, said that she would like to see a multi-level brand, “so that we are, first and foremost, Anglesey, then we are Welsh, and then we are British”.⁷⁷

122. Buster Grant, Brecon Brewing, told us that a brand identity for Wales was something that needed more development. David Long said:

“I think there has been an issue with the Wales brand ever since it was decided to remove the WDA brand, because a decision was made that the brand would be Wales. It is quite difficult for a country to be a brand.”⁷⁸

123. However, in his oral evidence, Roger Pride stated:

“I certainly believe that, ultimately, the brand is Wales. One of the things that I passionately believe in, in terms of the advice that we give to other places, is that it does not matter whether the aim of the communication is to encourage inward investment, to encourage tourism, or to promote a nation’s food: ultimately, it is the same place that is being talked about. So, there has to be some coherency in that messaging. Perhaps historically, not just in Wales but in almost every place, these individual propositions were developed completely in isolation, whereas, most intelligent destinations, including Wales now, at least have a common core in terms of the brand, style, tone and values, but then messages that are directed very clearly to each individual target audience.”⁷⁹

124. We also questioned how Wales fitted in with the brand strategy UKTI followed in terms of marketing the UK as a whole abroad. Gareth John told us:

“The overall position of the UK is under the umbrella of what is known as the GREAT campaign, ... it promotes Great Britain and all constituent parts of it. We do not sub-brand UKTI. We do not sub-

⁷⁷ RoP [para 284], 22 January 2014, Enterprise and Business Committee

⁷⁸ RoP [para 51], 6 March 2014, Enterprise and Business Committee

⁷⁹ RoP [para 162], 30 January 2014, Enterprise and Business Committee

brand any other part of the UK... So when a client receives a proposition it is very appropriately branded UK first and UKTI.”⁸⁰

125. He went on to say:

“... the whole purpose of the GREAT campaign, is to get the investment into the UK first. We can then discuss with the client where the optimum location is going to be. So, inevitably, when you are promoting the UK, you have to pick certain jewels, if you like, that are going to have global resonance. Now, there is no reason why we should not be picking on Welsh assets as well, and that is very much something on which we have been working with the Welsh Government to give those assets a slightly higher profile within the UKTI marketing department.”⁸¹

The Welsh Government should clarify its brand strategy for trade and inward investment and how it relates to the brand for the economy, tourism and the country as a whole.

Just Ask Wales

126. In January 2014, the Welsh Government launched “*Just Ask Wales*”, a new campaign and [website](#) aimed at attracting inward investment into Wales, which according to Welsh Government officials had already generated “67 real enquiries”.

127. Roger Pride told us:

“...there is a lot of evidence to suggest, certainly within recent months, that there is now a coherent strategy. I think that the new campaign, for example, is to be welcomed. As I said, it is a bold and ambitious campaign. It is linked to a wider brand strategy for Wales in terms of delivery.”⁸²

128. The Minister told the Committee “the *Just Ask Wales* campaign has been absolutely great this time with the number of people who have come in, the enquiries that have been made, and the inward investment that has come from it.”⁸³

⁸⁰ RoP [para 287], 5 February 2014, Enterprise and Business Committee

⁸¹ RoP [para 289], 5 February 2014, Enterprise and Business Committee

⁸² RoP [para 177], 30 January 2014, Enterprise and Business Committee

⁸³ RoP [para 400], 3 April 2014, Enterprise and Business Committee

129. David Long raised some concerns about the campaign, saying:

“If we look at the ‘Just Ask Wales’ campaign, the last campaign that I worked on before leaving was in January to March 2011, which targeted London and the south-east. It included advertisements at railway stations and on the sides of buses. When I read ‘Just Ask Wales’, I thought to myself that it had been rolled out again under a different name. It has to be a part of a bigger package. There are some huge organisations in London that act as middle men, whether they be trade associations or even the overseas offices of various countries. I do not know whether they are included in the campaign—that is not visible in the press release, which does not go into detail about what other activities are taking place behind the posters and the website.”⁸⁴

130. However, Roger Pride told us that the success of a brand is determined by what it does, not what it says it does:

“From a Wales perspective, this new campaign puts that into sharp focus. It is great that it is happening, and, now, Wales has to deliver the promise.

“I would find it hard to believe that such a bold statement was made if plans had not been put in place to ensure that we delivered.”⁸⁵

131. We acknowledge that the *Just Ask Wales* campaign is still at a very early stage and needs to be given the space and time to succeed. However, we have found it difficult to ascertain what the Welsh Government is doing differently to deliver on this campaign compared with previous initiatives.

The Welsh Government should clarify what new activities or approaches it is using to deliver on the promises made by the *Just Ask Wales* campaign and provide an annual update to the Committee on the progress made against the objectives of the campaign.

⁸⁴ RoP [para 287], 22 January 2014, Enterprise and Business Committee

⁸⁵ RoP [para 220], 30 January 2014, Enterprise and Business committee

Performance monitoring, reporting and transparency

132. Previously, the WDA published very detailed yearly and six-monthly reports containing detailed information on the progress made at the mid-year point against the individual annual targets set for all aspects of the WDA's activity.

133. In December 2006, following the merger of the WDA into the Welsh Government, the newly created Department of Enterprise, Innovation and Networks published a half-year performance report, which covered the period 1 April 2006 to 30 September 2006. The report summarised the Department's performance against certain key deliverables as set out in its Business Plan for 2006-07. The Welsh Government has not produced a similar document, in terms of scope and level of detail, since then.

134. The lack of regular, detailed information on the budgets, targets and associated outputs and outcomes of the Welsh Government's trade and inward investment activities was an issue raised by a number of respondents.

135. The South Wales Chamber of Trade stated "we have been unable to identify any hard data that is released to support current activities...we see no hard data on activities over last 2 years".⁸⁶

136. David Long and Geoff Harding were of the view that "there is little transparency in the current publication of performance activities".⁸⁷ They noted that while the Department for EST produced an 'Annual Statement on Support to Business' it contained "no performance information of note".⁸⁸

137. Cardiff Business School suggested that there has been a "paucity of analysis in Wales comparing the cost effectiveness of resources used in marketing and grants to attract inward investment, with the funds employed to encourage indigenous SME development and entrepreneurship".⁸⁹

⁸⁶ Enterprise and Business Committee Paper EBC(4)-02-14(p2), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from South Wales Chamber of Commerce, 22 January 2014

⁸⁷ Enterprise and Business Committee Paper EBC(4)-02-14(p3), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from David Long and Geoff Harding, 22 January 2014

⁸⁸ *Ibid*

⁸⁹ Enterprise and Business Committee Paper EBC(4)-02-14(p1), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Cardiff Business School, 22 January 2014

138. It also made the point that as funds to support regional development become increasingly tight in future public spending rounds, "issues of comparative cost effectiveness will become more and more important".⁹⁰

139. The FSB said "where we do have data, they are not necessarily analysed in any great depth and set into Government documents".⁹¹

Economic strategy

140. It has also been suggested that there is a need for greater clarity as to what the Welsh Government's economic strategy is and how this might be used to drive investment.

141. Ed Payne, Head of Strategy at Scottish Development International, told us he believed that Scotland had a clear International Trade and Investment Strategy which set out the opportunities and priorities for increasing its trade and investment performance:

"In the last five years, we have seen the importance of trade and investment go up, in terms of the economic agenda and the political agenda. Primarily, before the financial crisis, demand was very much driven by domestic consumption and the public sector, but that has changed, in that both of those have been retrenching and the drive for demand is exports. Therefore, it is a key part of the Government's economic strategy. It has set a key target around that, in terms of increasing exports. Trade and investment is not a goal in itself; it is about economic growth and prosperity. It is about delivering economic growth for the country. So, it is very much nested in that economic agenda and in delivering economic growth."⁹²

142. However, the picture in Wales is less clear. In his evidence, Iestyn Davies said:

"Certainly, the challenge that we see is that we are not aware whether there is a strategy. If there is a strategy in place, we remain to be convinced that it is something that we should support and promote to our members. Even when we ask questions about where that

⁹⁰ Enterprise and Business Committee Paper EBC(4)-02-14(p1), *Inquiry into the Welsh Government's approach to the promotion of trade and inward investment*, Written Evidence from Cardiff Business School, 22 January 2014

⁹¹ RoP [para 60], 30 January 2014, Enterprise and Business Committee

⁹² RoP [para 23], 5 February 2014, Enterprise and Business Committee

strategy is - because I do not think that there is one, or not one that is publicly available, at least.”⁹³

The Welsh Government should set out, as part of a clear economic development strategy, its aspirations for trade and inward investment; including the international markets and sectors it considers to be of strategic importance to Wales; how it will support Welsh businesses to exploit the opportunities in those markets; and how it will work with and support existing and potential foreign investors to do business in Wales.

⁹³ RoP [para 18], 30 January 2014, Enterprise and Business Committee

Annex A - Terms of reference

The terms of reference for this inquiry were:

- How effective is the Welsh Government's approach to the promotion of trade and inward investment?
- How well does the Welsh Government work with its UK Government partners (UK Trade and Investment, and UK Export Finance)?

Issues that the Committee considered as part of these terms of reference included:

Key Issues

1. What is the scale of Welsh Government resource and funding that is targeted at the promotion of trade and inward investment? Is it sufficient? Does it represent value for money?
2. How does the Welsh Government monitor and evaluate the effectiveness of its trade and inward investment activities?
3. Does the Welsh Government's current in-house approach to encouraging trade and inward investment represent an improvement on the organisations that previously existed to perform the same functions? (i.e. the Welsh Development Agency, Wales Trade International, and latterly International Business Wales)
4. How effective is the Welsh Government's approach to investor development? (i.e. the encouragement of re-investment by existing inward investors)
5. What are the main barriers faced by potential exporters? How effective is the support offered by the Welsh Government (and UK Government) in reducing these barriers (e.g. trade missions, export finance support)?
6. How strong is the Welsh inward investment 'offer'?
7. To what extent is there a coherent Welsh brand for trade and inward investment?

Annex B - Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at: www.senedd.assemblywales.org/mgIssueHistoryHome.aspx?IId=8492

22 January 2014

Prof Max Monday	Cardiff University
Graham Morgan	South Wales Chamber of Commerce
Geoff Harding	Expert in International Trade Support
David Long	

30 January 2014

Iestyn Davies	Federation of Small Businesses
Joshua Miles	
Roger Pride	Heavenly

5 February 2014

Ed Payne	Scottish Development International
Guy Warrington	UK Trade and Investment (UKTI)
Gareth John	

19 February 2014

Prof Gareth Morgan	Life Sciences Sector Panel Chair
Prof David Williams	Energy and Environment Sector Panel Chair

3 April 2014

Carwyn Jones AM	First Minister
Edwina Hart AM	Minister for Economy, Science & Transport
James Price	Director General, Economy, Science & Transport
Gary Davies	Head of European & External Affairs Division

Annex C - List of written evidence

Organisation

Federation of Small Businesses

Justin Brodie-Smith

Welsh Economy Research Unit, Cardiff Business School, Cardiff University

South Wales Chamber of Commerce and Mid Wales Chamber of Commerce

David Long and Geoff Harding

Robert Lock

UK Trade and Investment (UKTI)

The Chartered Institute of Marketing

British Exporters Association

Scottish Development International

Capital Wales

Dr John Ball

Ernst & Young