



Llywodraeth Cymru
Welsh Government

The Rt Hon Dr Vince Cable MP
Secretary of State
Business, Innovation and Skills
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Dear Vince,

UK Government's Balance of Competences review: Trade and Investment

I am writing in reply to your letter of 17th May, seeking views on the trade and Investment aspect of the review of the balance of EU competences.

International trade and attracting foreign investment is vital for Wales in a hugely competitive world economy. That is why it is more important than ever that we support companies to explore trade opportunities in new markets.

We are doing all that we can to promote Wales and create opportunities. We have established a new team, working closely with our business sector teams and staff in overseas offices, to deliver inward investment and trade activity. Our good working relationship with the Minister of State for Trade and Investment, Lord Green, has been a strong contributing factor.

The market for inward investment is highly competitive with overhead costs being a key driver for companies' investment decisions. Some Member States have advantages over others in terms of lower overhead costs and others have significant logistical advantages in terms of their geographical positioning in Europe and the market place.

This is why it is important for the UK Member State to be representing our interests effectively at the European level and why Wales as a Devolved Administration in the UK needs to be able to contribute to the measures the UK has at its disposal in terms of how they relate to Wales.

There are some activities which all Member States undertake to be successful in the attraction of inward investment. For instance, marketing must be discrete to the nation and product being marketed. A European Union standardised approach would not be appropriate here. In the UK, while UK Trade and Investment markets the country as a whole, we undertake our own marketing to ensure that the differences are reflected and known amongst our potential client base. We would not wish to see our ability to tailor our approach constrained.

Another example is the responsibility of Member States to understand and implement EU rules and regulations. This is especially relevant in an area like corporate taxation where Member States need to act in accordance with EU protocols on taxation to avoid unfair advantages over others. The European Union has a key role to play in ensuring that Member States are clear about the rules and that they are applied in a robust and fair manner.

Although businesses in Wales are able to access and benefit from the services of UK Trade and Investment, trade promotion, as it relates to Wales, is currently the responsibility of the Welsh Government. Having the ability to tailor trade support services to meet the needs of businesses in Wales, for example according to business size, sector, offering, and target markets, is important to improve Wales' export performance.

Centralised policy for export controls helps to ensure a level-playing field for businesses in Wales provided that the controls are enforced equally by Member States. Wales does not have its own Export Credit Agency (ECA). UK Export Finance (UKEF) is the UK's ECA and it has introduced a number of new products and services, in conjunction with private sector banks and insurers, in response to market needs during the current economic difficulties.

It is important that the UK continues to have the competence to introduce services that respond to both the specific needs of businesses in the UK and the availability of finance / insurance from the private sector. It is also important that there are overarching guidelines, set by the EU, which ensure that there is no unfair advantage for any Member State.

In summary, we would not wish to see our ability to tailor our approach to supporting investment and trade weakened through any changes to the balance of competences in this area.

Finally, this is an important year with the review of the State Aid maps, Regional Aid and the General Block Exemption Regulation. Each has the potential to significantly impact on our ability to support businesses in Wales, including inward investors as well as those exporting to the EU and beyond.

Given the importance, the Welsh Government wishes to be kept closely involved in this work.

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