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Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref  
William Graham AM  
Chair  
Enterprise and Business Committee

24 April 2014

Dear William

At the Enterprise and Business Committee meeting on 3 April, I agreed to provide you with some additional information.

In terms of performance indicators for Social Enterprises, we supported a total of 207 Social Enterprises through the Business Wales and Business Start Up service in 2013/14.

The additional information in relation to your inquiry into the promotion of trade and inward investment is outlined in the attached annex.

A handwritten signature in black ink, appearing to be 'Edwina Hart', written in a cursive style.

## **ANNEX 1 – ADDITIONAL INFORMATION ON PROMOTION OF TRADE AND INWARD INVESTMENT**

### **OVERSEAS OWNED COMPANIES RELATIONSHIP MANAGED BY THE DEPARTMENT FOR ECONOMY, SCIENCE AND TRANSPORT**

Of the 288 overseas owned companies that are relationship managed, we engage with 240 of them at least every six months with the remainder, 48, being engaged with less regularly.

### **UKTI STAFF IN WALES AND SCOTLAND**

There are eight UKTI staff based in Glasgow administering the Trade Show Access Programme, a national programme throughout the UK. They are not a resource dedicated to Scotland.

In Wales, we had two placements within the Department for Economy, Science and Transport for a period of fifteen months. We now have a UKTI official assigned to Wales although she also has responsibilities associated with the other devolved nations. We also have an official focused on UK Export Finance issues dedicated to activity in Wales. Further, we are in advanced discussions with UKTI concerning the secondment of a full-time official to work with the Welsh Government's Trade and Investment team.

### **FOREIGN DIRECT INVESTMENT (FDI) THRESHOLD VALUES**

International statistical organisations classify foreign direct investment (FDI) as a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is the threshold now used by a range of international statistical organisations in different countries. **Some compilers may argue that, in some cases, an ownership of as little as 10% of the voting power may not lead to the exercise of any significant influence while on the other hand, an investor may own less than 10% but have an effective voice in the management.** Nevertheless, the recommended methodology does not allow any qualification of the 10% threshold and **recommends** its strict application to ensure statistical consistency across countries.

Wales has never employed the 10% threshold and has lodged success only when the project company has been 50% or more owned by an overseas enterprise.

From our experience of testing the new 10% rule, it is very time consuming and complex and it can be quite costly to interrogate the ownership of enterprises to that degree. Furthermore, we do not currently believe that using this as a management target will necessarily drive the correct business behaviours.