

Notes On The News With Paul Maidment

## Marketing Wales

Paul Maidment, 07.02.09, 3:15 PM ET

Who knew? When Capt. Chesley Sullenberger landed his crippled Airbus A320 on the chilly waters of New York's Hudson River in January, the wings the passengers and crew stepped to safety on as they awaited rescue were made in Wales. That hardly anyone in the U.S. associates Wales with engineering expertise in high-tech composites--all Airbus wings are molded in Flint in north Wales out of such materials--is emblematic of the challenges facing those trying to attract inward investment to the principality, the smallest and poorest of the U.K.'s regions as well as the least well-known to potential American investors.

It is the same problem faced by any small, little-known business scrapping for marketing attention in a crowded marketplace. Wales, which is roughly the size of Massachusetts with the population of Iowa, offers some pointers. There was never the Welsh diaspora to build links with the U.S. in the way that Scottish and Irish migration did. As Wales First Minister Rhodri Morgan, who is now accompanying a trade mission to the U.S., points out, when potato famine and the Highland Clearances were driving rural Irish and Scottish emigration, respectively, across the Atlantic, Wales was discovering the coal that would be the basis of its prosperity for more than a century. Welsh migration was to no father afield than Welsh mining and steel towns. (Read our Q&A with Morgan [here](#).)

Scotland and Ireland remain "fierce competitors" in the fight to attract inward investment to the north Atlantic periphery of Europe, says Geraint Jones, a former banker who now runs the American arm of Wales' inward investment agency, International Business Wales. So Wales must "make some noise," he says. Size helps. More than 80 companies from the technology, aerospace, defense, life sciences, security and engineering industries in Wales compose the current trade mission, making it the biggest Wales has sent to the U.S. The sheer size of the delegation has opened doors at Boeing and NASA that otherwise would have stayed shut to individual companies, Jones says.

Some of those contacts will help boost exports. The U.S. is a 2.2 billion pound export market for Welsh companies, but inward investment with knowledge-driven jobs is the real prize. IBW is looking to add to a roster that includes the likes of IBM, EDS, Ford Motor, General Electric, General Dynamics and Amazon.com and Japanese companies like carmakers Toyota and Honda and electronics firms Toshiba and Sharp, which use Wales as an export base for Europe. Sharp's South Wales plant that used to make microwave ovens now makes photovoltaic cells for solar power equipment for export to Germany.

Wales is not looking to compete for investment with cheap labor. "That canary left the coal mine" long ago, says Morgan. It offers a skilled and educated workforce: Two of its eight universities have world-class reputations in their specializations (Cardiff University's Sir Martin Evans won a Nobel Prize in 2007 for his stem cell research), are keen to perform research for business and are incubator hubs for high-tech and green businesses (green and life sciences jobs accounted for one in three new jobs created by inward investment last year).

Plus, Wales has the highest level of grant support in the U.K. through its Single Investment Fund, which is funded in part with regional development money from the European Union. As a self-governing region within the U.K, Wales' government, the Welsh Assembly, has no scope to offer tax incentives. Taxation remains Westminster's purview. There is no local income tax in the U.K., and the only local tax on business is for property.

Instead, and in keeping with what Jones says is the drive for "quality jobs," Wales subsidizes the wage bill for any new R&D jobs brought into the country. The Welsh Assembly also has its own investment bank, Finance Wales, to fund incoming companies as well to invest in Wales' own small and mid-sized enterprises. Set up in 2001, Finance Wales now manages 270 million pounds of private and public funds, including E.U. money, and since its formation has directly invested 110 million pounds in more than 2,000 companies.

Though only two hours drive from London, Wales has a distinctive culture and language and a rich tradition in the performing arts. That, too, is deployed in the cause of economic development with singers such as Tom Jones and Bryn Terfel and actors such as Sir Anthony Hopkins and Catherine Zeta-Jones acting as unofficial ambassadors for the country. This July Fourth weekend, Welsh culture will be featured in the Smithsonian's annual folklife festival in Washington, coinciding not uncoincidentally with the trade mission.

First Minister Morgan draws a direct line between a nation of artistically creative people and innovative ones in business. But such showcases are also part of what he calls Wales' need to "cut a dash and make a splash"--though not again, we hope, as those Welsh wings did in the Hudson in January.

Q&A

## A Sales Pitch For Wales

Forbes staff 07.01.09, 9:00 PM ET

Wales is less well-known than its Celtic brethren Ireland and Scotland, but Rhodri Morgan, Wales' first minister, is working to advance its profile. Morgan recently traveled to the U.S. on a trade mission with 80 Welsh companies. Forbes spoke with him about Wales' efforts to attract green and high-tech jobs.

### **Forbes: Does Wales have special skills in technology, green jobs and climate change?**

**Morgan:** We are one of the unusual areas of the world where we really shouldn't have any difficulty in producing as much renewable energy as the overall electricity consumption in 10 years time. We're a windy country on the Atlantic coast of Europe, so you can pick up sustained high winds. We think that in this area, Wales could stand out just as much as we did 150 years ago [with coal]. ... We have a pretty massive solar engineering factory in Wales, and we've had other solar engineering plants in Wales going back a lot longer than Sharp (SESE), which converted to solar about seven or eight years ago.

### **Is this something you're pushing expertise in at the colleges and universities?**

Yes, that's right. We have the Low Carbon Research Institute, which is a group facility assembling all of the low-carbon research expertise in the various Welsh universities. We've put some money into that and in our science strategy for Wales. Low-carbon energy is one of our three overriding themes.

### **What are you looking to bring in from outside? Are you looking for more engineering capacity to be brought in? Are you looking for technology?**

We're looking for what is called product and process development in Wales to try to keep IT development linked with our university expertise. We are using our European structural funds money in order to develop centers of IT development in Wales as distinct from French factory development in Wales. That [manufacturing] market has moved offshore, and we can't compete on low labor costs.

### **What are your selling strengths to American companies?**

The sheer enthusiasm of the 80 companies that have come with us [on our trade mission to the U.S.] is really pretty infectious, and they say they've had great success so far. All I can say is that I see our mission having smiling faces about them finding that the doors are not completely closed to them. One of them even said, it's easier to sell to the U.S. Department of Defense than to the [U.K.] Ministry of Defense [laughs], which I find staggering.

### **There appear to be a few defense companies on the trade mission. You also have some Airbus assembly business in Wales.**

I always say that the key combination, if you're an air traveler, is outstanding American pilots and very strong Welsh wings. I sometimes refer to the miracle on the Hudson River in the winter when that Airbus aircraft was successfully landed [by Chesley Sullenberger III]. I ask people, where do you think those wings were made? And they are always pretty amazed when I tell them they were made in Wales.

### **Is financing becoming a difficulty for inward investment? And if so, how are you dealing with it?**

The only venture capital that is available for biotech companies is in America. It is almost completely dried up in Europe. We have an in-house merchant bank in Wales called Finance Wales, and we've recapitalized that recently with European money, so that now has 150 million pounds over five years to invest in medium-sized enterprises. It's the first of its kind in Europe. It's a state-owned, European funded and people-friendly merchant bank that can go down to loans as small as 10,000 pounds as well as up to 2 million pounds. It really is meant for small and medium-sized firms.

### **What else is being done on the incentives front?**

We're looking for products where there is some element of the intellectual property being developed in Wales. We want to see the computer laboratory and the factory both in Wales. We're trying to integrate the kind of stuff that has otherwise been done in Oxford, Cambridge or London with the resulting production line of grommets and widgets produced in Wales.

### **So how are you attracting that sort of intellectual investment?**

What we do is, instead of paying a percentage of capital investment, we pay a percentage of the wage bill. We would pay, say, about a quarter of the cost of the salary bill for a new research and development project for the first five years.

### **How do you deal with employment issues?**

Employment in Wales is up by 10% despite the recession in the last 10 years. The U.K. has done very well in terms of job creation, and that's including the effect of the recent recession. We've lost about 30,000 jobs since the recession started 18 months ago, but we're still 120,000 ahead of where we were 10 years ago.

### **Can you talk a little about your strategy with arts and culture?**

We think we have to overcome this sort of profile deficit Wales has had for 100 or more years compared to Scotland and Ireland. ... They've got this image of, "What the hell is Wales now?" ... We know that the best ambassadors for Wales in the U.S.A. are Tom Jones, Anthony Hopkins, Catherine Zeta-Jones, classical music, popular music, acting celebrities.