

PROSPERITY IN A CHANGING WORLD



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UK Trade & Investment

July 2006

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THE IMPORTANCE OF TRADE AND INVESTMENT

The activity set out in this strategy contributes to a number of government objectives.

- It supports HM Treasury's aims on globalisation, set out in *Globalisation and the UK: strength and opportunity to meet the economic challenge* – available on the Treasury website at www.hm-treasury.gov.uk
- It plays a key role in delivering the Department of Trade and Industry's aims of working to create the conditions for business success and helping the UK respond to the challenge of globalisation.
- It contributes to the Foreign and Commonwealth Office's Strategic Priorities – see the White Paper *Active Diplomacy for a Changing World: The UK's International Priorities (Cm 6762)* published earlier this year, and available on the FCO website at www.fco.gov.uk
- It contributes to the HM Treasury, DTI and Department for Education and Skills *Science & Innovation Investment Framework 2004–2014*.
- It supports the devolved administrations and the Regional Development Agencies to achieve their economic objectives.
- It underpins the Government's commitment to sustainable growth in developing countries by promoting the UK as a competitive source of high quality financial, professional, telecommunications, transport and infrastructure services – vital for economic development.

FOREWORD

By: Rt Hon Gordon Brown MP, Rt Hon Margaret Beckett MP, Rt Hon Alistair Darling MP, and Rt Hon Ian McCartney MP

The UK must think globally. Future economic prosperity will only come from UK companies exploiting opportunities overseas and by attracting the best overseas companies to invest here.

We need to make sure we seize new opportunities if we are to keep the UK well positioned in the changing world economy.

This strategy sets out how UK Trade & Investment will pull together the Government's efforts over the next five years to do that. There are some key themes:

Marketing – we will use professional marketing skills and adopt a more target-driven, entrepreneurial approach to promoting UK strengths. We must understand what businesses need, hunt out the best opportunities for the UK, and match UK and overseas partners.

Partnership – many organisations are involved in marketing the UK business environment. We will use our resources to maximum effect by co-ordinating the work of central and regional government with that of the private sector.

Focus – Government efforts will be targeted where they can make the most difference. This means focusing on important sectors and technologies where the UK has a comparative advantage, and on the overseas markets which offer the greatest opportunities. We must market our strengths.

We want the UK to be the first country that others turn to when they are looking for a business partner.

To achieve this we have tasked UK Trade & Investment over this five-year strategy to become the most successful organisation of its kind in the world.

By 2012 we will have attracted a new wave of high-value investment to the UK. UK companies will be a prime source of quality goods, services and investment the world over. The London Olympics will be one reflection of the UK's global business success.

*Rt Hon Gordon Brown MP
Chancellor of the Exchequer*

*Rt Hon Margaret Beckett MP
Secretary of State for Foreign and Commonwealth Affairs*

*Rt Hon Alistair Darling MP
Secretary of State for Trade and Industry*

*Rt Hon Ian McCartney MP
Minister of State for Trade, Investment and Foreign Affairs*

July 2006

“This strategy sets the course for UK Trade & Investment for the coming five years. We will help business to internationalise and contribute to the prosperity of the UK. We will make the marketing of the UK professional and world-class. To deliver this we need to change how we work, the skills we use and the way we serve UK business and inward investors. We start from a good position. UKTI is well regarded internationally, our staff are dedicated and we have met our targets. But now we must do much more: we must change our culture and raise our game. My team and I are committed to that.”

Andrew Cahn: UK Trade & Investment Chief Executive

01 THE UK IN THE GLOBAL ECONOMY

The UK offers tremendous strengths as a place in which and with which to do business

Globalisation is a huge opportunity for the UK

The UK is a vibrant and dynamic economy. Its strength has fostered a high standard of living and a self-confident society.

This is underpinned by investment in public services and infrastructure – education, health, law and order, transport and the environment.

A climate of creativity makes for innovation in every aspect of life including science, finance, design and the arts. And our multicultural population stimulates diversity of thought and talent.

Skills

The positive, adaptive mind-set of the people has made for a nation open to new ideas and eager to exploit them.

A high-quality education system and an infusion of international talent have helped to create a highly skilled and creative workforce.

Our excellent universities, with their particular strengths in science and research, nurture talent and foster innovation and ingenuity.

English, as the global language of commerce, finance, law, diplomacy and the internet that everyone wants to learn, has helped the nation develop its international reputation for expertise in those fields.

All this goes to create our international leadership in a wide range of high-value industries, from finance, accounting, legal and consultancy services to pharmaceuticals, high-technology manufacturing, and creative industries such as design, music, architecture, fashion and graphics.

London has become not only the world's greatest global financial centre, but also a magnet for the rest of the world and is that world in microcosm: a fitting host for the 2012 Olympic Games.

Stability and standards

Political and economic stability and high safeguards of business probity are hallmarks of the UK.

The well-established legal system promotes fair competition, the protection of intellectual property, world-class environmental,

"We chose Manchester because it has excellent transport links and business infrastructure, a wide and deep pool of talent and aligns with regulatory and customer expectations of diversifying our business locations. The strength of the labour market has more than matched our expectations, and the financial services and general business communities are close-knit and supported by public sector bodies."
Jackie Williams: Managing Director, Bank of New York, Manchester

health and safety standards and a flexible labour market, fair to employer and employee.

The UK's regulatory system is light-touch but not soft-touch: flexible and highly pragmatic, yet bound by respect for rules and standards.

And our sophisticated financial markets offer business the wherewithal to invest and expand with minimum friction.

International openness

Our geography and history have always given the UK a fundamentally international outlook. The country now boasts a community speaking 300 languages.

Our commitment to free trade means that we have a strong, internationalised economy, more open to trade and investment than that of almost any other leading country.

Competition from overseas has driven UK businesses to adapt and develop their offerings, making them highly successful worldwide.

The ease of access the country offers to overseas markets and its standing as the business gateway to the European Union help make the UK tremendously attractive as a place in and with which to do business.

The result is a cadre of internationally successful UK companies and continuing invigoration of the UK markets.

We have successful companies across many sectors. These range from some of the world's largest multinationals to small companies at the cutting edge of technology.

It's no surprise that the UK has become a destination of choice for overseas companies.

We have led the way in attracting foreign direct investment (FDI) in recent years. In 2004 the UK's accumulated stock of FDI amounted to US\$772 billion, second only to the USA and well ahead of China. The UK is the home of 26 per cent of all European headquarters for companies from North America and Asia-Pacific – and the numbers of companies choosing the UK is increasing. In 2005/06, there were 1,220 inward investment decisions, an all-time record.

UK companies lead the way in outward investment too. We are second only to the USA with accumulated stock of outward FDI of US\$1,378 billion. The UK is the largest European investor in China.

The challenge of globalisation

But globalisation means competition is intensifying at a pace of change that is unprecedented. Companies are internationalising earlier and in novel ways. New communication technologies and falling transport costs are breaking down geographical barriers to trade and economic integration.

Emerging economies – currently led by India and China – are growing rapidly, with Asia now out-producing Europe for the first time for centuries. Our competitors recognise the importance of FDI and are raising their game in seeking to attract it.

In the midst of the biggest industrial and economic restructuring the world has ever seen, the UK's prosperity depends on harnessing the best knowledge and skills from around the world and marketing our business strengths effectively overseas.

Globalisation is a huge opportunity for the UK, but we need a step change in our efforts if we are to keep ahead of the competition.

It is for business to seize the opportunities. But it is for Government to create the environment in which business can flourish.

Government's role

In the face of globalisation, Government has a role to play to facilitate access to world markets so that UK businesses can achieve the full potential benefits of international opportunities, whether through trade, joint ventures or other forms or investment. This is particularly true in the emerging economies.

It is also for Government to ensure that the UK maintains and strengthens its appeal as a business environment, so as to attract and retain high-value business. Our skills infrastructure, legal environment and regulatory framework are all crucial to the UK's attractiveness in this respect, and the business voice must be heard as policy is developed.

Government support for trade and investment can add real value to the economy. For more details see page 27.

The responsibility for facilitating international business growth and investment is shared among several government departments, the devolved administrations and the Regional Development Agencies (RDAs). We will ensure that all work together to avoid duplication or fragmentation and to get the best value for business.

UK Trade & Investment (UKTI) is now taking the lead with a five-year strategy to maximise the UK's ability to attract FDI, win market share in the new high growth economies, and help business internationalise in a globalised world. This document describes that strategy.

Case Studies

The UK healthcare industry depends on a wide range of scientific disciplines and industrial sectors, including engineering, informatics and biotechnology. With a strong academic and industrial culture the UK forms the ideal base for converging technologies to develop innovative products for marketing across Europe and beyond.

“There is a huge local talent pool – the academic knowledge is second to none. It is a significant source for us to help deliver new solutions and drive innovation.”

Dr Arthur Kaindl: Managing Director, Siemens Magnet Technology

02 MARKETING “BUSINESS UK”

Central to our strategy is the world-class marketing of the UK’s business strengths – both its strengths as a place for overseas businesses to invest and the strengths of existing UK businesses as trade or investment partners.

world-class marketing of the UK’s business strengths

To make the whole greater than the sum of the parts, UK Trade & Investment will work in partnership with the nine English Regional Development Agencies (RDAs), the devolved administrations in Northern Ireland, Scotland and Wales, other government departments, as well as national bodies including VisitBritain, the British Council, trade associations and other business organisations.

“The English Regional Development Agencies have a key part to play in helping UKTI deliver this strategy. Our regional economic strategies are designed to create the conditions in which high-value, global businesses will thrive. We welcome your plans to join up government agencies’ promotional activities. We will work with you strengthen the ‘Team UK’ message and approach overseas.”
Bryan Jackson: Chairman, East Midlands RDA on behalf of the Regional Development Agencies

Market research

Since effective marketing starts from a good understanding of who one’s customers are, what they want and how they perceive the offer made to them, that’s where our marketing strategy starts.

We are not of course starting from scratch.

We know the characteristics of the overseas businesses we want to attract as investors and the characteristics of those UK businesses where targeted government trade support can most benefit the economy – see the next section.

We have good intelligence on what these potential investment and trade partners are looking for, though more work remains to be done on the priorities for particular sectors in particular geographical markets.

We have good data on how the UK is perceived in comparison to its competitors, but will need to keep this constantly up to date by listening to clients.

To ensure that all existing intelligence about the demands of overseas businesses and perceptions of the UK are fully exploited, UK Trade & Investment is undertaking a thorough review of existing research with its partners. In a fast-changing world, perceptions can quickly become outdated. We will conduct fresh market research where necessary – for example, in new high-growth economies or under-researched sectors.

Making a difference

We will undertake activity where we have good evidence that it can make a difference to perceptions of “Business UK”. And, so as to ensure that activity really makes a difference, UKTI will lead

the effort to ensure that everything we do – from the production of marketing materials to the organisation of ministerial visits – is well planned, co-ordinated and followed up.

It is in everyone's interests for the marketing activities of UKTI and all its partners – RDAs, devolved administrations, other government departments and business organisations – to be mutually reinforcing. We have therefore set in motion the development of a strategic marketing exercise to identify the distinctive attributes of the UK business offer that distinguish it positively from its competitors and combine to create a compelling proposition.

This proposition will be persuasive and a concept that our partners will want to use in their marketing activity, yet be sufficiently flexible to be adaptable for different local market or sector needs. It will be a lynchpin in uniting all promotional activity about "Business UK".

Conveying the message

We will ensure that the mechanisms we choose to reach our customers are the most effective and represent good value for money.

The power of face-to-face communication cannot be underestimated. HRH The Duke of York, in his role as the UK's Special Representative for International Trade and Investment, undertakes valuable work on behalf of the UK.

We will ensure that the time of Ministers and other senior representatives in making overseas trips and welcoming foreign visitors is planned to take account of the needs of this strategy and is followed through vigorously.

Recognising the value of personal recommendation, we will also work with universities and business schools to enable overseas students and alumni to act as supporters of "Business UK".

All markets are different. We will need to tailor our delivery case-by-case to ensure we get the messages right. We will build on the strengths and expertise of UKTI's overseas network, using local marketing expertise and local partner organisations, and draw on the FCO's wider skills in public diplomacy.

We will focus on specific sectors and technology clusters where we can make the most difference. The box on page 11 sets out how we will approach this for one particular sector – financial and business services.

We will make targeted interventions with high-value clients – whether they be UK-owned companies or overseas-owned companies new to, or already established in, the UK.

We will produce high quality marketing materials that are valued by our clients and partners and ensure that they are made easily

"Many regions contain aerospace companies which are promoted by their regional organisations. To avoid buyers seeing a succession of missions and market researchers, which would confuse and irritate them, better co-ordination with regional organisations is vital, so as to strengthen the overall UK message."
Dr Sally Howes: Director General, SBAC

accessible.

And all this will be co-ordinated by UKTI through a new cross-government group, specially established to implement a joined-up programme of activities to market "Business UK".

Case Studies

A liberal and competitive telecommunications tradition has helped place the UK at the forefront of global telecoms development. The competing mobile operators and virtual networks, allied to a plethora of technology companies with expertise across the supply chain, ensure the UK maintains its position as a vibrant, innovative market leader – the partner of choice for many companies around the world.

"The UK presence at the 2006 3GSM World (Telecommunications) Conference was well coordinated and professional. The UK has a lot of successful innovative firms and this is an excellent example of the way in which UKTI can take the leading role in showcasing our business strengths, as a nation, for maximum impact internationally."

Mike Short: MDA Chairman & Vice President, O2

A COMPELLING PROPOSITION

Every product should have its unique selling point. We must choose from the many strengths of "Business UK" and develop a compelling proposition to promote it in the global marketplace.

The UK already has a strong business reputation, thanks to its customers' myriad positive experiences. Some of its strengths are also claimed by competitors. Some are more powerful than others for different businesses, in different sectors and different markets. But there is no doubt that the UK is near the top of the premier division.

In a globalised world where competition is ever more intense, we need to manage this reputation more effectively to retain and improve on this position.

What really does set the UK apart as a place to do business, or as a provider of goods and services for the rest of the world? Although different strengths will appeal more or less to different customers, we will identify a marketing proposition which underlies them all.

Using the findings of research – including a review of competitor activity – our aim is to create the proposition that will most resonate with our target customers and stakeholders.

It will be:

- differentiated, to set us apart positively from our competitors,
- true – based on people's experience and supported by evidence, and
- dynamic, to reflect the ever-changing world.

We have started work on this already.

Working with our stakeholders, we have already identified six themes as qualities that define what the UK has to offer.

They are:

- a stable business environment that benefits from a well-established legal system,
- a flexible, highly pragmatic approach to business – yet one bound by respect for rules and regulations,
- a climate of creativity that makes for innovation in every aspect of life including music, fashion, design, science and finance,
- a capital city that is a magnet for the rest of the world and is that world in microcosm: a global financial centre and a place which in six years' time will host the Olympic Games,
- proficiency in the language that everyone wants to learn, the global language of commerce, finance, law, diplomacy and the internet – English, and
- a multicultural population that stimulates diversity of thought and talent and also results in a fundamentally international outlook.

A series of creative workshops and brainstorming sessions is scheduled over the next six months to develop and test the proposition.

We will deliver the agreed proposition and a marketing implementation plan, ready for first use, early in 2007.

MARKETING THE CITY OF LONDON AND THE UK FINANCIAL SERVICES SECTOR

The UK financial services sector is, by any measure, a success story.

For many years it has been growing at more than double the rate of the economy. Its productivity is rising at more than three times the average rate. Financial and business services now account for more than 9 per cent of the UK's gross domestic product and contribute around £16 billion net surplus to the UK's balance of payments.

Similarly, London is the world's greatest global financial centre – the location for 70 per cent of the global secondary bond market, over 40 per cent of the derivatives market, over 30 per cent of world foreign exchange business, over 40 per cent of cross-border equities trading and 20 per cent of cross-border bank lending.

However, globalisation has brought new challenges:

- Growing competition with other major financial centres like New York, Tokyo and Frankfurt and from new lower-cost financial centres.

- The need to win business in emerging growth markets, including China, India, Russia and Brazil, as well as in established markets.

- Underpinning economic growth in the developing world – through the provision of a competitive source of high quality financial and professional services.

The marketing strategy being developed to address these issues:

- is founded on a programme of analysis to determine the UK's comparative strengths and weaknesses against key competitors in business and financial services; will identify why companies may choose, or choose not, to bring business to the UK and any long-term risks; and will identify solutions;

- is being co-ordinated by UKTI and HM Treasury with the broad range of private and public sector players who have a stake in the sector's future success, to ensure the needs and aspirations of the financial and business services sector throughout the UK are fully incorporated;

- will identify where the Government can add most value for business, while ensuring the best possible value for the taxpayer;

- will determine priorities among overseas markets and among the following activities which will feature as part of the marketing plan:

- a programme of outward missions by Ministers and the Lord Mayor of London, engaging with foreign finance ministries, regulators, financial institutions, foreign companies, multinationals and foreign journalists, to focus on both commercial opportunities and structural barriers

- the creation of new UKTI diplomatic positions dedicated to financial services in China and India

- a programme of inward missions to the UK by foreign Ministers and overseas regulators among others, which provides visitors with good access to the right people
- facilitation of short-term secondments for overseas government officials and regulators to City institutions, regulatory authorities and relevant partners in the City and the regions
- promotion of UK standards of professional and financial qualification in key markets, to establish them as the global standard for high quality, internationally portable qualifications
- seminars, round tables, events and publicity material to promote the sector and its expertise internationally, with translations provided to meet the needs of priority markets
- the study of opportunities for the promotion of UK expertise in specific markets, such as bonds, derivatives, venture capital, asset management and other related services necessary for the expansion of new economies

– scoping missions and events in the UK and overseas to enable individual sectors, such as Public Private Partnerships, legal, alternative dispute resolution, accountancy and business education, to research and access potential overseas markets.

UKTI will lobby overseas on regulatory issues and barriers to trade and investment. Alongside DTI it will work to ensure that the financial service industry's market access objectives are reflected in the European Community's trade and investment policy. We will highlight the importance of financial and business services – which the UK is well placed to provide – as part of the basic infrastructure of an economy and a key to sustainable development.

Working with our financial services partners, UKTI will develop a communications programme aimed at building awareness and reinforcing the reputation of the UK as a global leader in financial services among influencers and decision-makers in key markets worldwide.

We will reinforce the UKTI Financial Services Team with expertise from the private sector.

“We have operations in Canada and the USA and we felt that the best way to move into Europe would be through London. The UK capital offers us fantastic commercial opportunities. Being based in London allows a growing business to reach so many new and potential clients because it is a hub for international business. It's a city with a pool of highly qualified staff and enables us to build a solid and thriving business”

Greg Howe: Director, Braithwaite Tax Recovery Consultants Ltd

03 WORKING WITH BUSINESS

The second component of our strategy is to improve the effectiveness of government and business working together in partnership.

Internationalisation is key to business success. We aim to raise the level of the UK's performance – helping the best companies get better and others to improve.

Policy formation will take the business perspective fully into account

Sharing insight

Through its unique role and relationships – such as the work of UK embassies and high commissions with governments overseas – Government gains political, economic and business insights, often with commercial implications. We will be developing ways to give business increased access to the insight captured by our overseas Posts.

We will increase the research we undertake in partnership with business schools on companies' experiences in a changing world economy.

We will regularly publish this research so that businesses can be better informed, more discriminating and better able to cope with the challenges, as well as to exploit the opportunities, offered by new markets.

The work of the Chancellor's Asia Task Force – which is successfully bringing together experts from industry, education and Government to focus on boosting UK trade with, and securing investment from, the emerging economies in Asia – is an early example of success in this field.

Offering high-level support

Ministers recognise the potential value to business of their overseas visits, their hosting of overseas visitors and the part they can play in securing inward investment.

One of the remits of a new group – to be chaired by the Minister for Trade and Investment and including representatives of other government departments and of business – will be to establish mechanisms for the planning and coordination of this visit and reception programme to maximise its value to UK business.

Our diplomats around the world, who have excellent access to governments and insight into the local economies, will also continue to help promote UK business interests, particularly where direct government-to-government contact is essential to ensure a level playing field for UK companies.

Listening

Government wants to hear from business, to learn of its priorities and understand the barriers it faces, as well as its success stories.

We are already taking action in areas where we are aware of concerns.

Planning issues, which are high on the list of inward investor issues, are being addressed by Ministers through the Barker enquiry and transport infrastructure issues by the Eddington Review. Tax simplification is being pursued by HM Treasury in parallel with the Better Regulation Executive's drive for regulatory simplification. On skills, the Government is working to ensure availability of scarce skills through training and targeted immigration, while its ten-year Science & Innovation Investment Framework seeks to make university R&D more available for commercial exploitation.

We will improve the mechanisms available to internationally-minded UK businesses and expanding overseas companies to enable better dialogue to take place.

The Minister for Trade and Investment and the UKTI Chief Executive will hold regular business meetings around the country for inward investors and major UK companies for this purpose.

We will also hold a series of annual high-level meetings with stakeholders and the private sector to review progress in creating prosperity on the basis of this strategy.

UKTI will help ensure that business views and needs are made known to relevant government departments and agencies. Policy formation will take the business perspective fully into account.

UKTI's Chief Executive will chair a new panel of senior government officials, drawn from relevant departments, to focus on the impact of regulatory policy on the UK's position as a global business hub and on inward investment, linking to Government's Better Regulation agenda.

Developing services to facilitate business success

UKTI will continue to draw together a range of government resources to help business make the most of opportunities to internationalise.

Our network of overseas missions is a hugely valuable asset. UKTI's overseas teams – made up of UK-based diplomats and skilled, professional staff recruited locally – will continue to work as an integral part of the UK's broader overseas presence. Our Posts abroad will perform, as now, a wide range of work for business:

"To meet the challenges of globalisation we need a strong advocate at the heart of Government, championing the international trade and investment interests of UK business. I want to work with UKTI to ensure that is what this strategy delivers."

Richard Lambert: Director-General, CBI

- Specific work for individual trade and investment clients, ranging from market research to lobbying senior decision-makers.
- Networking, contact-building and door-opening for business – up to and including the highest levels of business and Government.
- Work on economic, regulatory, energy, sustainable development and trade policy issues.
- Encouraging emerging-market governments to see the benefits of policies that allow UK companies to compete and win business there.
- Building links to the UK's science base, via the activities of the UK's overseas Science & Innovation Network of specialised officers.
- Providing a platform for UK excellence and enhancing the UK's reputation across the board through events and marketing activity by public diplomacy staff for whom promoting business will be one of three top priorities from 2007.
- Visa, consular and security information services to businesses worldwide.

We will also build on our already strong partnerships with the RDAs and the devolved administrations.

UKTI will continue to act as the international trade arm of the RDAs and will ensure it works increasingly effectively with them to attract investment. We will keep these arrangements under review, always on the lookout for ways of driving up the quality of services to business, and ensure that the service provided integrates effectively with other parts of the business support frameworks in the regions.

We will review our combined presence overseas and, taking account of the recommendations recently made by the Trade and Industry Select Committee, make sure that this valuable resource delivers what is best for the UK. Working together, UKTI and the RDAs will aim to meet the objectives of both this national strategy and Regional Economic Strategies.

In the area of inward investment, we will seek to achieve long-term relationships with high-value investors through our newly developed Growth Opportunities Strategy. We will support foreign-owned companies more intensively once they arrive in the UK and ensure they look to UKTI, the RDAs and the devolved administrations as their partners of choice in supporting their continued growth, including into other foreign markets. In this way, we will influence them earlier in their life cycle to look to the UK as the best place in the world to grow their business.

On trade development, UKTI will build on its extensive experience helping UK businesses succeed in global markets. This remains a

key role for Government.

We will sharpen our focus on emerging markets, as set out in the next section of this document.

Not only will UKTI help companies develop their export capability – a very important part of its service for many companies – but it will also offer:

- information on local regulations, often supported by government- to-government lobbying to improve market access for UK firms,
- advice on local partners, commercial services like lawyers and accountants, and on setting up joint ventures or local investments, and
- market research, ranging from simple checks on whether a market exists for a particular product through to more complex work supporting product launches or significant investments in global markets by UK businesses.

This work will be subject to a more developed charging regime than at present, reflecting its value to business.

Since the UK economy is now increasingly competitive in the supply of services as well as goods in the global economy, support for outward investment as well as UK exports will become an increasingly important part of UKTI's portfolio of services.

Small and medium-sized enterprises (SMEs) will continue to be a key client group. UKTI's highly successful "Passport to Export" programme for new-to-export companies will continue and will be developed further to focus on particular customer groups that have the greatest potential to add value to the economy, notably innovative companies and companies in specialised sectors (for example, legal services).

We will increase the support we offer to help experienced exporters make early inroads in emerging markets, with a new experimental programme designed specifically to help experienced exporters expand into and within the high-growth Asian markets.

We are introducing a new R&D programme aimed at encouraging investment by multinationals into the UK. We will offer tailored support to UK-based R&D-intensive businesses, designed to increase the effectiveness of their engagement with multinationals and help them penetrate overseas markets. See the box on page 19.

All government activities on R&D and innovation will be joined-up. In particular, we will seek to ensure that the DTI Global Watch service and UKTI services are mutually supportive, with any duplication eliminated. And, working with the RDAs and the Science and Industry Councils, we will ensure that the new

activities link effectively with the R&D and innovation agendas in the regions.

We are extending eligibility for the Tradeshow Access Programme to experienced exporters, both to those seeking to do business in emerging markets and to innovative companies wishing to exhibit at high-technology events.

Case Studies

The environment sector is one of the fastest growing industries in the UK, with a strong track record in delivering solutions across the whole manufacturing industries spectrum. Evidence from the City suggests that the macroeconomic climate is right for growth in the environmental goods and services sector in the UK, particularly in the areas of waste management and renewable energy.

EcoMethane, an integrated project development group dedicated to providing sustainable power solutions through harnessing methane emissions, is developing the MARCA project in Brazil.

The project involves the capture and flaring of landfill gas emitted from municipal solid waste generated locally. When a suitable power purchase agreement is in place, the project development team, that includes UK companies Biogas Technology Ltd and ENERG, will install and operate the equipment necessary to generate electricity from this renewable source.

EcoMethane has been developing the project under the Clean Development Mechanism of the Kyoto Protocol and has placed the carbon credits in the marketplace. The company estimates that the project will reduce emissions by 2.1 million tonnes of CO₂e over the next 21 years. ENERG participated in an UKTI-sponsored mission to Brazil in 2003 which led to the establishment of the partnership with EcoMethane. ENERG has since called on UKTI for lobbying support to secure the partnership arrangement.

Dynamic and vibrant industries in music, design, screen and publishing put the UK at the forefront of the creative industries. Our diversity of talent, creative depth and pioneering ideas have earned the UK an international reputation for fresh thinking and innovation. London is the design capital of the world. We will be building on that strength.

The UK is renowned for a software and computer services sector that lies at the forefront of development and growth. We are also highly regarded worldwide for our innovation and creativity in producing new intellectual property generated by the customisation and integration necessary for today's enterprise solutions.

SAP AG, the world's leading provider of business software solutions, invested £1.5 million to set up a leading-edge research centre in the emerging field of grid computing, in Belfast, Northern Ireland.

This highly innovative project will take advantage of local universities,

particularly Queen's University, a world leader in grid computing research.

Invest Northern Ireland is supporting the investment via its Start Programme, which aims to increase the amount of industrial research undertaken by companies either on their own or in partnership with local universities.

The UK is internationally recognised as being at the forefront of innovation in bioscience, and its pharmaceutical and biotechnology industries are major global players. Our outstanding science base is supported by the Government's long-term commitment to biotechnology and pharmaceuticals.

London-based biopharma company, Lipoxen, has entered into a major partnership agreement with the Serum Institute of India, the leading vaccine manufacturer, opening up global markets for their products.

Lipoxen approached UK Trade & Investment to help it evaluate the Indian biotechnology market. Advice was provided on cultural business issues, raising the company's international profile, and how to obtain detailed research. Biotech sector specialists provided tailored support.

Scott Maguire, Lipoxen's CEO said: "This agreement is a landmark for our company and this deal would not have been possible without UK Trade & Investment's support. As we expand globally we are hopeful that we will continue to receive similar help from UKTI."

Since Lipoxen began its collaboration with the Serum Institute of India it has doubled its lab staff in the UK. Extra investment in UK R&D as a result of this activity is approximately £700,000.

R&D PROGRAMME

The UK's creativity and innovation, its openness to new ideas and influences and its inventiveness mean that it is well placed to take advantage of the opportunities of globalisation. Total expenditure by affiliates of foreign companies (in 2001) accounted for 45 per cent of total UK business investment in R&D: equivalent figures are France 19 per cent, Germany 25 per cent, and USA 14 per cent.

In an increasingly competitive global marketplace, where multinationals seek out the most attractive locations to undertake their R&D, these figures confirm the attractiveness of the UK for R&D investment.

The Government will ensure that the UK continues to foster the conditions for business success. A £9 million programme of intensive support for innovative and R&D-intensive companies is therefore being developed, in consultation with the RDAs, to:

- promote to multinationals and overseas companies the benefits of undertaking R&D in the UK,
- help multinationals and overseas companies to collaborate with UK companies and/or research organisations,
- help R&D-intensive UK companies to penetrate overseas markets and multinational supply chains, and
- support the sustainable internationalisation of new R&D-intensive UK companies.

For overseas-owned companies, the programme will include the pinpointing and showcasing of relevant R&D excellence in UK research establishments and the wider knowledge supply chain.

For UK-based businesses and organisations the programme will include tailored support to enable them to engage effectively with multinationals and to penetrate overseas markets sustainably, thereby maximising the return on their R&D investment.

Key elements of the programme are:

- determining priority companies both for inward investment and as potential high-value exporters,
- targeting priority overseas companies with cross-public sector virtual teams, spearheaded by UKTI and involving the RDAs and others, and
- deploying a new cadre of up to 20 specialists with expertise in key technology sectors over the next two years.

04 TRANSFORMING OURSELVES

Our ambitions will only be achieved if Government itself changes the way it deploys and organises its resources. UKTI will lead this approach and start by changing itself radically.

We will sharpen our focus on emerging markets

Focus

We will allocate resources where they can be most effective in adding value to the UK economy.

CLIENTS

UKTI will become a marketing-led, client-focused organisation, responding to the needs and concerns of its customers.

It will concentrate on innovative companies; on those with high R&D intensity; on high value potential investors; on major exporters; and on exporters to emerging markets. It will seek out those companies where its efforts can have the most impact and tailor services to their requirements. And it will become even better at helping SMEs to export for the first time.

SECTORS

UKTI and the RDAs will focus their efforts on key sectors and technologies.

And, developing its strong existing focus on priority sectors, UKTI will increasingly integrate trade and investment activities where both play an important part – for example in financial services, oil and gas, information and communications technologies, and biotechnology.

MARKETS

Advanced economies remain the source of the majority of potential FDI and are important markets for exporters. We will target these economies on behalf of innovative and R&D-intensive UK companies and for high-value inward investment. And we will continue to support inexperienced exporters in taking their first steps in internationalising their businesses.

But UKTI will focus a greater proportion of its resources on the emerging markets. These will be major sources of both trade and FDI in the future, and efforts now will pay dividends later. Certain markets have been identified as initial priorities, but the focus will be flexible, to adapt to changes in the global economy. The greatest benefits are likely to be realised by those that make early inroads in such markets.

SERVICES

Building on customer research, UKTI will ensure that its portfolio of services meets the requirements of clients, large and small. It

will tailor the way it works with them to deliver what they need. The box on the left sets out the UKTI offering for different clients.

A well-adapted charging policy is the most appropriate mechanism for reflecting the value a client places on UKTI trade support. UKTI will therefore charge for its services wherever possible, with the short-term target of doubling revenue year-on-year and the intention to extend charging to cover a substantial proportion of trade development activity.

UKTI will increase the effective use of IT as a tool to support both staff and clients, including maximising the use of the UKTI portal website.

Co-ordination

It is critical to the success of this strategy that all parties work together to synchronise activities and maximise the collective impact. UKTI will therefore build on its partnerships with its parent departments, FCO and DTI, other government departments, the devolved administrations, the nine RDAs in England and private sector bodies – trade associations, international legal firms, accountants, specialist employment agencies and others – to help ensure that all their efforts are efficient and effective.

In the areas of science, technology and innovation several bodies contribute valuable expertise, notably the FCO Science and Innovation Network, the Research Councils and the DTI Office of Science and Innovation. UKTI will work with the RDAs and others to ensure pull-through from these resources to business success.

The Global Science and Innovation Forum (GSIF) – of which UKTI's Chief Executive is a member – brings together all the main players in international science and innovation, and is developing an overarching national strategy for international engagement in research and development.

Organisation

To meet its new responsibilities UKTI will restructure around client groups, introducing client account managers for key clients and a customer relationship management (CRM) system to support them.

A new Managing Director, Business, with extensive private sector expertise, has been appointed to drive forward client account management, development of services, and delivery.

UKTI's people overseas, many of whom have local private sector experience, will be given the freedom and resources to succeed and the flexibility to deliver in the way they believe is right for their market and for the UK economy.

Nonetheless, except where local conditions demand otherwise,

UKTI will increasingly merge delivery across trade and investment in its operations overseas. In markets such as the United States it is increasingly important for staff to be “bilingual” in both aspects of UKTI’s work.

Significantly more of UKTI’s resources will be targeted at the front line – in direct contact with business customers in the UK and overseas – to listen to and work with clients. By March 2007, the number of posts in headquarters will be some 40 per cent down from the levels in 2004.

UKTI will conduct a skills audit in the context of the Professional Skills for Government initiative, and put in place an action plan to create a higher-skilled workforce through training of existing staff and an injection of new private sector talent.

A new Executive Director of Marketing has been appointed from the private sector and UKTI will develop its marketing teams to take a leading role and influence every part of the organisation.

Culture

To accomplish our ambitions requires a major change in the culture of UKTI. Its new emphasis will be on marketing, entrepreneurship and rigorous performance management. UKTI will work with the Chartered Institute of Marketing on this.

The process of change is one in which UKTI will engage its staff fully over the five years of this strategy. It will raise their awareness of the fundamentals of marketing and support them to develop a more client-focused and entrepreneurial approach.

As an organisation committed to delivery, UKTI will be rigorous in setting the right high-level targets to deliver the ultimate objective of improved productivity. See the box on the right.

UKTI will monitor performance against them, using new management information systems, and staff will be accountable for their results.

Evaluation

Following an initial audit of the full portfolio of current activity, UKTI will put in place a rolling programme of evaluation for the future, to ensure that it learns from experience and focuses resources where they can make the most difference.

Case Studies

Professionalism is key to the achievement of UK Trade & Investment's objectives. This means the highest standards in the way we work with our clients, the way we work together, and the way we work with our partners and associates.

We will put in place a learning and development strategy to ensure that staff in the new structure are provided with opportunities to enhance their skills and so enable the organisation to meet the challenges ahead. A programme is being developed, tailored to meet the needs of different groups of staff.

UKTI is committed to providing opportunities for staff to increase professionalism in all that we do. As part of UKTI's commitment to professionalism, its Diploma in Management, Trade & Investment was launched in 2004 in partnership with the Open University Business School. The Diploma is an internationally-recognised postgraduate qualification open to all suitably qualified staff across the global network and delivered through the OUBS's distance learning system. The programme takes 18 months to complete.

Over many years, the UK has built a reputation as a source of world-class expertise and capability in the planning, design, construction and delivery of infrastructure globally. UK firms have been involved in some of the most iconic developments of recent years, both at home and abroad, frequently providing the necessary high value-added products and services that make these projects a success.

As a global air transport hub, the UK airports sector is at the forefront of developments in this field. Expertise extends beyond design and construction to the ownership, operation and commercial development of international airports.

A consortium including UK engineers Arup and architects Foster and Partners, working with the Beijing Institute of Architectural Design and Research, recently won the design tender for Beijing Capital International Airport Terminal 3.

The new terminal will be the world's most advanced, both technologically and in its concern for passengers and operators. It will also be one of the world's most sustainable airports, incorporating design concepts such as south-east orientated skylights to maximise heat from the early morning sun and integrated environmental control systems minimising energy consumption and carbon emissions.

EMERGING MARKETS

Deepening our trade and economic relationships with emerging markets is a key element in the UK's response to globalisation. The world economic map is being redrawn and the UK needs to take advantage of the shift in international economic activity towards the emerging markets, not least because countries with strong relationships to others will be best placed to thrive.

Characteristically, these markets offer promising and potentially lucrative business opportunities, but a number also pose significant challenges for UK companies keen to pursue their interests in them.

The business response to opportunities in emerging markets and sectors will depend crucially on the strength of networks underpinning bilateral trade and investment relationships with those markets. Equally, it will depend on the ability of innovative UK businesses to gain timely access to these networks.

This is where UK Government involvement can add real value to the efforts of UK businesses. We can assist in developing, and gaining access to, such networks, through UKTI staff in the UK and overseas and their contacts with governments in these markets.

Building strong trade and investment links with emerging markets is, therefore, at the core of UKTI's future strategy.

Several criteria have been applied to identify key emerging markets:

- Market size and potential for growth
- Strategic political and economic importance

- Strength of the scientific, technical and research base

- Performance of UK businesses relative to competitors

- Market match with the profile of UK capability

- Presence of active local partners keen to strengthen trading links with the UK

- The impact UKTI can have in supporting firms and in removing barriers to doing business in the market

Taken together, these criteria enable us to make an assessment of the importance of a market, its potential for growth, and whether the commitment of UKTI resources will deliver significant benefits for UK business.

While these attributes apply in greater or lesser degree to many high-growth countries, UKTI resources need to be directed to those where we can clearly optimise results for UK business.

We therefore intend to use our overseas network resource more strategically to reinforce our focus on China and India and achieve a step change in the UK's profile in Brazil, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, Turkey and UAE. As resources allow, we will also address the scope for including Malaysia, Qatar, Singapore, South Korea, Thailand and Vietnam.

All emerging markets will see a significant increase in UKTI focus. For the markets listed above, the cost of new in-market resource is in the region of £5.6 million, to be funded fully by reductions in UKTI resources in other parts of our overseas network.

WHAT UKTI CAN DO FOR DIFFERENT CLIENTS

Investors to the UK

- Tailored client account management
- Information provision from across the UK network – UKTI, DTI, RDAs and devolved administrations
- Support from a new cadre of technology specialists with expertise in key technologies
- Support with exporting from the UK.

Sectoral groupings of companies

- Arranging/supporting overseas trade shows, missions and seminars
- Bringing key overseas decision-makers to meet suppliers
- Disseminating information on UK sectoral capabilities
- Gathering and disseminating information on overseas opportunities in specific sectors
- Political support and lobbying.

Inexperienced exporters

- Support to build export capability including the “Passport to Export” programme
- A range of services to assist in exporting for the first time.

Innovative and “born-global” companies

- Client account management
- Support from a new cadre of technology specialists with expertise in key technologies
- Access to trade services.

Experienced exporters and outward investors

- Assistance in breaking into new markets
- Support in emerging markets.

FTSE100 companies

- Support from senior staff on market access issues
- In-country support to established investors by overseas posts
- Opportunities to discuss their strategic plans for internationalisation.

And in response to business demand...

- The UKTI Web presence with up to date market information
- The UKTI Enquiry Unit
- Availability of our global and regional staff on a demand basis.

NEW HIGH LEVEL TARGETS

UKTI is developing a new set of top-level targets designed to capture the full breadth of its activity and ensure delivery of its objective to contribute to a stronger and more internationalised UK economy.

It is developing new measures and the evidence sources that will allow it to set stretching, balanced targets over the next five years.

These will cover four broad areas set out below. Progress will be independently monitored and published twice a year in order to report on progress and inform decision-making.

The revised targets will feed into development of Public Service Agreements during the Comprehensive Spending Review in 2007.

A. High-value foreign direct investment

UKTI currently measures the UK's relative performance in attracting FDI in terms of its rank in tables published by the United Nations Conference on Trade and Development (UNCTAD). It also sets targets for the number of successful investment projects in which UKTI plays a role.

Building on this, UKTI will develop targets for the quantity and quality of FDI projects attracted to the UK. We will monitor UKTI's role in contributing to these investment projects and their ultimate impact on UK value added and productivity.

B. R&D and innovative activity of UKTI's customer base

UKTI will develop mechanisms for monitoring its role in increasing R&D activity in the UK.

This covers both attracting R&D intensive inward investment and helping R&D-intensive UK businesses to grow. This seeks to ensure that an increasingly internationalised UK economy has indeed the potential to deliver wider benefits to the rest of the economy through rising levels of knowledge brought about by innovation.

C. UK businesses performance

While UKTI currently measures the proportion of the companies with which it interacts that improve their business performance, it will work to set up targets that provide a balanced assessment of its capacity to improve the economic performance of assisted businesses. These will combine information on the number of assisted firms and the impact per intervention. To enhance the focus on quality and value for money, targets will specifically monitor UKTI's role in fostering trade and investment with emerging markets, and in helping R&D-intensive UK businesses to grow.

Existing targets will continue until the end of March 2007.

D. The UK's reputation as a place to do business

UKTI will work, in co-operation with its partners, to develop measures that inform how the UK is viewed internationally as a place to do business, with reference to various sectors and markets. These measures will seek to capture what UKTI does to improve the perceptions of potential investors and address any potential misconceptions about opportunities for international business in the UK.

THE RATIONALE FOR TRADE AND INVESTMENT SUPPORT

The power of market forces and a dynamic business environment are widely acknowledged as the primary drivers of prosperity and productivity. The main role for Government is to set the framework within which businesses can respond creatively to the challenges and opportunities of a changing global environment.

Government intervention can be justified when free markets inhibit the achievement of optimal outcomes, ie when there is "market failure". The business case for UKTI rests on three necessary conditions:

- Benefits to UK prosperity from increased international trade and investment – these are potentially large. However, the ability of the UK to achieve these benefits will depend critically on how business responds, both in terms of choices about locating activities in the UK, and in terms of UK businesses successfully exploiting opportunities overseas.
- Market failure – there is clear evidence of barriers to international trade and investment arising from market and institutional failures such as technological spillovers, weaknesses in supporting networks or information failures. If not addressed, these failures would prevent the full benefits of trade and investment flows being realised.
- Value for money – working with the grain of the market, there is clear evidence that government support for international trade and investment generates benefits to the economy in terms of additional income and beneficial knowledge and technology flows.

The evidence shows that government support is best focused on:

- strengthening the social networks and institutions which underpin international trade and investment flows, and helping individual businesses to gain access to key contact networks, by serving as a trusted intermediary,
- developing the internationalisation capabilities of innovative and high-growth businesses who would not be able to fulfil their potential without being able to exploit overseas opportunities effectively,
- providing access to information and advice which the private sector alone would not or could not provide, and
- facilitating beneficial cooperation among businesses, enabling them to work together to overcome barriers and develop potential trade and investment opportunities, for example through international cooperation on R&D, or showcasing UK capabilities in emerging markets overseas.

Recent evaluation evidence found that UKTI's trade development activities generated an additional £17 million per £1 million spent. Benefits from UKTI's inward investment activity were also found to be substantial. Further work is in progress to quantify the scale of the benefits and the return to the taxpayer of resources spent by UKTI.

The evidence and arguments are set out more fully in...

- DTI Economics Paper Number 18 *International Trade and Investment – the Economic Rationale for Government Support* published alongside this strategy, and in
- the 2004–2005 study of the relative economic benefits of UK Trade & Investment support for trade and inward investment.

Both are available on the DTI website at www.dti.gov.uk

Additional evidence from UKTI's ongoing programme of evaluation will be published as it develops.

05 TIMELINE

*The task now
is to deliver*

The following pages set out the key actions that will deliver this strategy

SECTION 2: MARKETING "BUSINESS UK"

Co-ordinated marketing

By October 2006 a cross-government group on marketing the UK economy internationally, chaired by the Chief Executive of UKTI and including the RDAs and devolved administrations, will be established to meet quarterly to agree priorities and implement a joined-up programme of activities. By December 2007 we will review the effectiveness of the group.

Strategic marketing exercise

By December 2006 we will have completed work on developing the overarching messages on the distinctive strengths that best present UK business to our target customers.

City of London

By December 2006, working with the industry, we will publish a strategy to promote the City as the world's leading international financial services centre and the complementary strengths of financial and business services across the UK.

Market research

By December 2006 we will establish a rolling programme of market research for critical client groups to provide specific information on overseas markets and business sectors and how best the UK can tap the potential value.

Marketing strategies

From January 2007 through to June 2007 we will develop the first five detailed strategies, supported by high quality marketing materials, to target specific overseas business sectors and individual companies on the basis of core messages about relevant UK strengths, and to assist UK companies in selling themselves overseas. These strategies will include specific targets on investment and trade, to be set by April 2007.

SECTION 3: WORKING WITH BUSINESS

R&D programme

By December 2006 we will have begun a new £9 million R&D programme to target innovative, R&D-intensive companies both for inward investment and as potential high-value exporters.

Asian emerging market scheme

By October 2006 we will have introduced a new experimental programme to help established exporters expand in the emerging Asian markets.

Growth opportunities strategy

By April 2007 we will, with the RDAs and devolved administrations, adopt a new approach to securing inward investment that concentrates on high-value added projects and on where our interventions can add more value to the economy.

Business briefings

By January 2007 we will have in place a programme of targeted business briefings around the UK with the Minister for Trade and Investment and UKTI Chief Executive to capture feedback from business and promote understanding of globalisation.

Access to FCO diplomatic and economic reporting

By July 2007 we will pilot a subscription website carrying a range of diplomatic and economic reporting aimed at making the analytical expertise of the FCO and the UK's overseas network much more widely available to the UK-based business community.

Co-ordination of visits

By December 2006 a new committee, chaired by the Minister for Trade and Investment will have agreed a co-ordination mechanism for the overseas visits of Ministers and other senior UK representatives, and senior inward visits from foreign Ministers, to target effectively key contacts to help companies internationalise.

Trade and Investment summits

In July 2007 the Minister for Trade and Investment will hold the first in a series of annual summits with RDAs and DAs to review progress in delivering prosperity on the basis of this strategy.

Influencing policy

By summer 2007 a senior Whitehall group will have been established, chaired by UKTI's Chief Executive and involving the Better Regulation Commission, to ensure that our growing understanding of the impact of a changing global economy on UK businesses is really embedded in policy development.

Research

By December 2007 we will have published, in partnership with business schools, further research on companies' experiences in the changing global economy to ensure that we capture high quality, leading-edge thinking and build on the programme of research and publications of the Asia Task Force.

Review of overseas presence

By March 2008 UKTI will have worked with the devolved

administrations and the RDAs to review their representation overseas and maximise effectiveness, ensuring that they deliver what is best for the UK in the most coherent manner.

Review of regional trade operations

By March 2008 UKTI will have worked with the RDAs to review our international trade operations in the regions, to continue delivering services to businesses effectively, linking with the wider business support frameworks in the regions.

Science & Innovation

By September 2006, UKTI, the DTI Office of Science and Innovation, and the FCO Science & Innovation Network, working together, will review their operations to maximise synergies.

SECTION 4: TRANSFORMING OURSELVES

Increased resources in emerging markets

By March 2008 we will have increased our resources in the emerging markets by £5.6 million to support companies doing business there.

Client account managers

By January 2007 we will have client account managers in place for key client groups: high-value potential investors, major exporters, exporters to emerging markets and R&D-intensive companies to ensure we are best placed to help our clients internationalise.

Customer relationship management

By autumn 2007 we will have implemented a web-based Customer Relationship Management system to enable our staff to offer a better service to our clients.

Increased front line

By March 2007 we will have reduced posts in headquarters by some 40 per cent since 2004. Some 90 per cent of our people will be in the front line overseas, in the English regions, or in customer facing service delivery in headquarters.

Joint inward investment and trade sector teams

By April 2007 we will deploy joint sector teams for those sectors which are priorities for inward investment and trade to maximise synergies across UKTI.

Target driven approach

By April 2007 we will have new top level targets which cascade down to teams and individuals across the whole UKTI network for 2007/08 onwards. These will cover both trade and investment activity and will be developed with the RDAs and other relevant partners.

Increased professionalism

By March 2007 we will have completed an audit of our skills against the new strategy and have in place a programme of recruitment and training to ensure that we are best placed to meet the needs of our clients.

New private sector talent

By September 2006 we will have started a recruitment campaign to bring in new private sector skills to meet requirements of clients.

Website

By March 2007 we will increase the number of companies registered on our revamped portal website to 20,000. We will add a further 5,000 per year thereafter.

Charging

By December 2007 we will have doubled the revenue we receive from charging for our services.

Evaluation programme

By December 2006 we will have in place a programme of evaluation that will increase our insight and ensure that we continually build on our experience and have a service portfolio that operates increasingly effectively in support of our clients.