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# Decisions, Decisions: How should the Welsh Government decide where to locate its Overseas Offices?

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How should the Welsh Government decide  
where to locate its Overseas Offices?

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## Summary

- Decisions about the location of trade and investment offices overseas, and levels of investment in them, will always need to be made with imperfect information. Offices have a range of different functions spanning trade and industry, education, culture and tourism. There are trade-offs between these roles and decisions about the optimum locations and staffing levels need to take account of a range of considerations.
- Studies of inward investment location have found it difficult to quantify the value added by overseas offices, but it is clear that soft intelligence and informal network relationships can be important in marketing Wales overseas. So decisions about opening and closing trade and investment offices, and moving personnel between them, need to be taken with care, particularly where this disrupts existing network capital.
- Improvements to ICT have changed the potential role of overseas offices away from the provision of basic information about the host economy and local production conditions. As a result, the 'sales pitch' does not necessarily require the presence of human capital 'in market', and it is important to make sure Wales has the right web presence.
- This report suggests a range of key criteria that can be used to inform choices about the location of overseas offices. These relate to general economic factors, specific factors relating to the presence of the headquarter functions of multinational firms close to overseas trade and investment offices, and a series of criteria relating to operational conditions in market. It also identifies sources of information that can be used to inform choices made using these criteria.
- It is important to use expert judgement both to weight/combine criteria and then to score existing/potential locations of trade and investment offices. It is unlikely that the use of more complex multi-criteria analysis approaches will yield significant benefits.
- There may be scope for Wales to make more use of roving teams of specialist marketing personnel. This will avoid some of the costs of maintaining personnel 'in market' and enable smaller trade and investment offices to enhance their effectiveness by calling in expertise as and when it is required.

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# Introduction

This report considers two key issues:

- What types of secondary data are available to inform Welsh Government decisions about establishing and resourcing trade and investment offices overseas?
- To what extent are there a set of criteria to inform location decisions for trade and investment offices overseas, and is there a method or structure through which these criteria can be employed to inform these choices?

It draws on evidence from previous research on these issues plus a series of consultations with Welsh Government officials.

At the outset it is important to recognise that this report focuses on overseas trade and investment offices as opposed to representation across the UK economy. The latter might also be used as a means of developing leads, attracting inward investment and promoting Welsh trade and in making decisions about investment in offices overseas the Welsh Government should consider the relative effectiveness of this and representation within the UK.

The remainder of the report comprises five sections.

- First it considers the contextual issues that need to inform the description of possible location criteria.
- Second, it outlines a selection of criteria that could inform trade and investment office location.
- Third, it examines the sources of secondary data that are available to inform the developed criteria and the strengths and weaknesses of the data they provide.
- Fourth, it considers how these criteria might be used in a structured way to inform location choices.
- The final section draws together the conclusions and presents recommendations for consideration by Ministers.



## Contextual Issues

Currently Welsh Government has 13 offices overseas. Some are located within embassies, consulates or high commissions, while others are stand alone.

Choices on the location of trade and investment offices overseas, and levels of investment in them, will always need to be made with imperfect information. However, a series of factors make this type of location decision challenging.

### **Multifunctional trade and investment offices**

Trade and investment offices overseas tend to be multifunctional. Their roles include:

- Promoting Welsh exports;
- Marketing the Welsh location offer to inward investors;
- Developing leads in outwardly investing firms in the country/region where the overseas office is located;
- Providing information of Wales' education offer, and
- Promoting tourism.

Their success in the different functions tends to evolve from where these are placed geographically and institutionally, and relates to human factors.

The setting in terms of whether the overseas representation is within an embassy, consulate or through a discrete office is one determinant of access to networks. This means that the decision by Welsh Government regarding trade and investment offices is not just a location choice in geographical terms, but is also a structural choice in terms of which other institutions (e.g. UK Trade and Investment (UKTI), embassies etc.) the overseas office is co-located with.

There are significant economies to be made on co-location with related institutions such as UKTI, particularly in lead generation, and with Welsh Government realising the limits on the resources it has to market Wales overseas.

Adding complexity on the basic geographical factors is that a location which might be ideal for promoting Welsh exports, and overseas visitation to Wales, might not be the same as one where inward investment leads with firms in the 'home' economy are best developed.

Furthermore even where a trade office is located in a sphere allowing opportunities across exports, inward investment, education and tourism, its success will depend strongly on the

experience of personnel, their technical background, and with this potentially impacting the types of social and business networks which they are able to participate in.

In summary then the decision on trade and investment offices embraces geographical, institutional and human factors. The focus in this report tends toward the geographical factors, but these other factors should never be absent from the decision framework.

## **Evidence on the role of overseas offices in inward investment success**

The complexities outlined above are one reason why studies of inward investment location find it difficult to isolate the impacts of marketing and then resources placed in trade and investment offices on multinational firm location decisions.

Table 1 provides a summary of the factors that are found to be important in the location decisions of foreign firms. It is derived from research undertaken for Welsh Government in 2009.<sup>1</sup> The second column of the table summarises from a review of the literature how far there is a consensus on the importance of factors in the location decision. Key factors relate to the:

- Market size and growth rate of the host economy;
- Labour cost, quality and flexibility issues;
- Presence of appropriate physical infrastructure;
- Policy factors relating market openness, and the presence of a 'pull' policy towards inward investment.

It is noted that the relative importance of these factors will vary between individual firms.

The presence of so many potential location factors and influences (direct and indirect) means that isolating the significance of trade promotion offices is difficult. Where economic studies have examined trade offices they have tended to be focused on whether export promotion agencies work and here findings tend to be positive.

Very few academic studies seek to make associations between inward investment success and the presence of trade and investment offices overseas. Rather the focus is on macro-

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<sup>1</sup> *Welsh Government (2009) A review of the economic evidence on the determinants and effects of foreign direct investment, see <http://wales.gov.uk/statistics-and-research/review-economic-evidence-determinants-effects-foreign-direct-investment/?lang=en>*

**Table 1: Key determinants of Foreign Direct Investment (FDI)**

<b>Determinant/Variable</b>	<b>Consensus</b>	<b>Expected direction of causation (i.e. links to inward FDI flows)</b>
Host market size/growth rate (actual and potential)	Yes	Positive
Tax conditions	Some	Negative impact on flows
Exchange rates (appreciation)	No	Impacts uncertain or negative on FDI flows
Institutional conditions/quality	Some	Positive impacts on flows but difficult to identify/measure
Host country risk	Yes	Higher country risk implies less FDI but depends on categories of risk, and difficult to measure
Industry comparative advantage (relative exports over imports)	Yes	Positive (but significance may vary by sector). Also in some cases imports seen as a complement to FDI as opposed to substitute
Labour costs (unit labour costs)	Yes	Higher costs exert a negative impact on flows, but significance may vary by measure used
Labour availability/levels of unemployment	No	Mixed - research supports investors avoiding locations with high unemployment and poverty levels. Precise impact may vary by industry
Labour market flexibility and skills availability	Yes	Positive (may be more significant for particular economies or sectors)
Unionisation rates	No	Expected negative effects, but some studies find insignificant or even positive impacts
Promotional agency expenditures	Some	Positive, but can be difficult to identify/measure all elements of packages
Industry competitive advantage	Yes	Positive impact on flows at national and industry level
Financial incentives/grants	Yes	Positive, but a secondary location factor.
Industry agglomeration	Yes	Positive, but significance may vary by industry
Infrastructure	Yes	Positive, but significance may vary depending on whether hard or soft infrastructure, and by industry

Source: Welsh Government (2009)

economic conditions, and the local factors reflecting regional production conditions. (For example, in the specific case of Wales historical studies of inward investment success tended to highlight issues around infrastructure, agglomeration, unit labour costs and the availability of assisted area status.)

However, the lack of an evidence base on the role of trade and investment offices does not necessarily signal ineffectiveness with respect to inward investment. More likely is that it is very difficult to disentangle the effects of overseas offices from other influences on the firm's inward investment decision.

For example prior analyses of successes of Wales and Scotland, and English regions in inward investment attraction find similarities in terms of the types of financial assistance available, but with individual investment promotion agencies differing in their processes and in the quality of the service that they can offer to inward investors with increasingly complex demands.

Agencies also vary in their flexibility to meet individual inward investor needs, including the speed with which they can react to requests from potential investors, and the speed with which they can put an inward investment 'package' together. The presence of overseas trade and investment offices run by devolved governments may represent an element of 'process' advantage. Research has revealed that, historically, Scotland and Wales having relatively large inward investment agencies and associated support infrastructure overseas had impacted on their ability to be more proactive in efforts to win landmark FDI projects (see Raines, 2000).

## **Investment offices and market failures**

Improvements to ICT in the last two decades have changed the potential role of overseas offices away from the provision of basic information about the host economy and local production conditions. In the past, resources placed overseas by inward investment promotion agencies partly reflected a market failure in the information held by multinationals about the regional production conditions on offer in Wales. Offices could assist such firms in their search processes, and reduce their search costs in finding a quality location.

Clearly improvements in information technology have reduced search costs of firms who are now better able to collate a great deal of comparative information on sites and then with web resources becoming more important. Improvements in IT have gone hand in hand with a reduction in the overseas resources committed by governments. Rose (2007), for example, shows in the US case that as communication costs have fallen, foreign embassies and consulates have lost much of their role in decision-making and information-gathering, but

then suggests this actually frees up such organisations to undertake more trade promotion and marketing activity. In particular, improvements to IT mean that the sales pitch does not necessarily require the human capital ‘in market’.

## **Wales’ recent inward investment performance**

Decisions on the location/relocation of trade and investment offices are often based around underlying performance in attracting inward investment from overseas, and perceived opportunities arising from the growth of economies outwith the ‘triad’ (North America, European Union and Japan).

Care needs to be taken in policy responses to Welsh inward investment performance, particularly where this might change the geography of overseas representation. Changing the structure of the inward investment marketing effort overseas through opening and closures of offices and moving key personnel needs to be considered in the context of the large amounts of time and effort needed to build up social and business networks, and with these not always successfully spilling over to new personnel.

**Table 2: UKTI-recorded FDI Successes in Wales in each of the Last 5 Years**

<b>Year</b>	<b>Projects</b>	<b>New Jobs</b>	<b>Safeguarded Jobs</b>	<b>Total Jobs</b>
2008/09	60	2,185	529	2,714
2009/10	65	3,431	3,931	7,362
2010/11	38	2,444	1,100	3,544
2011/12	23	1,838	1,016	2,854
2012/13	67	2,605	4,442	7,047
<b>Total</b>	<b>253</b>	<b>12,503</b>	<b>11,018</b>	<b>23,521</b>

Source: UKTI

Particular care is needed when assessing Wales’ recent inward investment performance and then linking this to where trade and investment offices currently are.

The ways in which inward investment ‘success’ statistics are collated across the UK have been questioned for many years. For example, commonly available statistics on Wales’ inward investment performance collated by UKTI focus on projects and the new and safeguarded jobs (see Table 2), and then with an indication of the national source and sector of investment. Such information provides for some comparison of inward investment performance across the UK regions. However, this sort of information may not accurately

indicate either the level of Welsh success in attracting inward investment, or where new investment is arising.

For example, statistics as currently collated tend to focus on new investment that sought financial or other assistance, and creates employment. Moreover, the published figures are in terms of planned jobs created and safeguarded rather than out-turn (although it is accepted that Welsh Government carefully collects performance data on projects in situ).

But we still question whether the figures accurately reflect inward investment success, with concerns that large amounts of foreign direct investment enacted through takeover (which could have both positive and negative employment effects), and that involved in sectors such as services and energy investment (i.e. in the latter case, more capital intensive investments creating considerable employment through development phases) are under-reported.

This is part of a more generic problem in Wales of our understanding of the levels of economic activity that are externally controlled. Then if trade and investment office location is partly based on historical successes, the information currently available may be an issue.

The current distribution of overseas trade and investment offices is in areas such as the US, Japan, Europe, China, India, and Dubai. The consultations undertaken to inform this advice revealed questions about the desirability of having trade offices in emerging economies including those in South America and the 'MINT's. It is important to recognise that the growth of selected developing economies reflects foreign direct investment by firms from overseas i.e. the TRIAD (USA, Japan and Western Europe). Therefore, the underlying growth of a state might not necessarily signal them as a source of further foreign direct investment for Wales. In this respect Wales already has representation in markets where the bulk of world trade and investment originates.

## Location Criteria

In what follows we suggest some criteria that might be applied in deciding on the location of overseas trade and investment offices. It is emphasised these are presented for discussion purposes. In developing these criteria there are issues that need to be considered:

- What is the objective of the overseas office; is it primarily marketing Wales' location offer to inward investors, or is it in terms of tourism, cultural issues, education or export promotion?
- Can secondary data to inform choice around the criteria be accessed and in a relatively cost effective manner?

- Is priority given to the micro location or the state location? Is it more important to have general representation at the state level, or is it more important to be within a specific city or industry location within a state?

With respect to the above bullets the focus here is criteria that could inform office location which majors on marketing Wales as an industry location and in developing inward investment leads. Then the criteria outlined might be viewed in terms of improving the likelihood that a location can develop leads and networks, but also be a proactive antennae for efforts made by the sector based teams at home. We first discuss potential criteria and then examine the feasibility of accessing the data that would be needed to use them.

## **General economic factors**

*Existing value/growth of inward investment flows from the foreign country to EU/UK/Wales in last five years*

In the research literature, past inward investment flows are generally found to be one determinant of future investment flows (see Driffield and Munday, 2000). This could be considered at different spatial levels working down to Wales, and could be broken down into industry terms. This is a general indicator of propensity for inward investment from different locations. One might adopt a five year approach on the basis that inward investment flows can be quite lumpy.

The weakness of this type of criteria is that the inward investment flows include firms entering markets through the merger and acquisition route, with an additional issue being that the figures may miss situations where foreign firms raise investment capital in the market of the host. Notwithstanding the historical flows data is one justification for presence in a given state, although the assumption that the future distribution of flows will be as the past is questionable.

*Existing value/growth of inward investment flows from the region/city to UK/Wales in last five years*

Where the purpose of the trade and investment office is more towards leads generation, it is also important to consider whether there is evidence of historical inward investment flows from the micro location where the overseas office might be located. This is particularly important where there are concentrations of industry, and industry HQs far away from capital cities. This is possibly a justification for some European regional development agencies having offices in US cities other than Washington and New York for example. The issue with such criteria is the availability of data on outward flows from sub regions of major states.

### *Existing stock of inward investment in UK/Wales from the foreign country*

Similar rationale to both of the above but also a criterion that hints at potentials for repeat investment from inward investors already in situ. This criterion has the advantage that information on national stocks of FDI is available, but more difficult to estimate at regional levels in the UK.

### *Existing trade relations between UK and the foreign country/region*

In some circumstances direct investment in a state follows imports into a state, and the presence of sales and distribution offices of multinational firms in the state. Then a possible criterion is the level of imports from the foreign country and/or region; again this might be broken down into industry terms.

### *Economic growth rate of the state and region*

There is an extensive literature on the determinants of outward direct investment from states. This literature picks up on a number of determinants but with some consensus that the growth rate of the economy is an important factor explaining outward direct investment flows, and growth in the outward direct investment stock. Such a criterion may be useful in forming judgements on where future FDI and multinational firms might originate.

## **Headquarters factors**

### *Headquarters proximity I*

This criterion is based on whether the trade and inward investment office being considered is close geographically to where location decisions are actually made i.e. global or regional HQ functions of multinational firms. The investment office potentially gains more scope to develop leads the closer it is to where the people are who make the location decisions. This might be particularly important in situations where one is developing multiple offices in a given state.

### *Headquarters proximity II*

Closely associated with the above criteria is whether the proposed trade and inward investment office is near to where there are HQs of foreign direct investors that are already located in Wales. An important element highlighted above was that much of the growth of the FDI stock in Wales is through repeat investment by existing firms. While these leads may come through local subsidiaries, possibly through the regional sector teams in EST there is likely to be value in being able to follow these up at relevant HQs in the foreign country involved.

## **Operational factors**

### *UKTI representation in the state/region*

Given the importance of co-operation with existing UKTI marketing efforts for the whole of the UK, a possible criterion relates to whether the proposed location shares UKTI representation nearby or within the same office complex. UKTI has an existing network of c.1,200 staff in over 160 offices in over 100 overseas markets. Currently Wales has representation in seven overseas states.

### *Presence of other Investment Promotion Agencies*

There has always been some element of ‘follow my leader’ behaviour in the location of overseas inward investment promotion offices. In part such behaviour seeks to free ride on the search costs that other agencies have committed. For better or worse an examination of the spatial distribution of overseas offices of competing regions of the UK and EU could hint at gaps in coverage, and where other agencies have seen potential.

However, such criteria need to be used carefully to check the actual functions undertaken by the overseas offices of competing regions. Moreover, the general behaviour of followership in marketing and overseas office representation is one of the factors that gave rise to accusations of wasteful competition in inward investment marketing effort by EU regions. Of course the presence of competing agencies could also affect the effectiveness of a new office.

### *Existing Welsh representation in the region/state*

In the office location decision due consideration should be given to existing Welsh representation in the region or state. The presence of existing offices will hint at Welsh Government experience in operating in the state, and may indicate the presence of existing networks which can be embraced by a subsidiary office.

### *Costs of maintaining an office at the specific location chosen*

This links to whether or not an office is stand alone or whether it is co-located with other agencies including consulates, high commissions and/or UKTI offices. This will have an effect on costs, as will whether the office employs expatriate or local staffs. In the review for this piece of work we were unable to find extensive detail on the costs of running individual overseas offices, and moreover with little by way of evaluation that compare costs with outcomes from the overseas representation.

### *Synergies in terms of promoting Welsh higher education, exports and tourism?*

The earlier review of contextual issues suggests that some locations might be better for promoting tourism and cultural linkages, while others might be better for generating inward investment leads. Then a further criterion relates to the potential for a site that majors on marketing Wales to foreign industry, to also play a role in education and tourism promotion etc. This is expected to be fairly difficult to assess and depends on the skill sets of the officers.

#### *Marketing and network skills*

The review revealed that location decisions need to embrace geographical, institutional structure and human factors. Therefore one criterion should relate to the skills of the officers in place (or within sector based teams in Wales), soft skills in networking, and hard skills in marketing and following up on leads, and in developing local datasets on corporates. This encompasses the possibility of subcontracting the management of offices to people 'in market'.

#### *Country risk*

This criterion is placed under operational factors but equally issues of country political risk also links to the general economic criteria. Where there are high levels of country risk this can impact the free flow of capital, but can also impact directly on the operations of the overseas office.

## Secondary Data

Table 3 below matches the criteria as far as possible with secondary data that might inform location decisions using these same criteria. The simple colour coding (green, yellow, red) reflect the expected ease of generating the data to inform each criteria, and we suggest a role in using expert judgement to relate to how far a potential location rates high, medium or low with respect to a given criteria (but see section 5 below also).

There is a wealth of publically available data available on FDI flows and stocks around the world. Fundamentally this links to requirements to produce national income accounts where intelligence of trade and investment is necessary. Many organisations provide information relating to foreign direct investment flows, and have searchable statistical databases online.

This includes:

- UK Office for National Statistics *MA4 Overseas Transactions*<sup>2</sup>. Information of net FDI flows into the UK by source country. Links through here to UK Balance of Payments information relating to import and export data.
- UNCTAD. Regular statistical releases on FDI trends, and annual *World Investment Report*<sup>3</sup> which has statistical appendices covering areas including: FDI inflows and inward stocks, by region and economy; FDI inward stock as percentage of gross domestic product, by region and economy; value of greenfield FDI projects, by source, destination, industry; estimates of world inward/outward FDI flows, by sector and industry.
- OECD<sup>4</sup>. National figures on FDI flows and stocks. OECD (International Direct Investment Statistics dataset) provides annual FDI data (inflows, outflows, inward/outward positions) for OECD member countries by country/sector dating back to 1985. Similar sources are United Nations Common Database providing annual FDI data dating back to 1948 for around 170 countries and World Bank World Development Indicators provides annual FDI Data (net inflows/outflows) for some 200 countries (coverage varies from state to state).
- Eurostat<sup>5</sup>. Detailed information on imports and exports across the EU 27. Up until 2008 there was a Direct Investment Yearbook published by EUROSTAT but this appears to have been discontinued although the EUROSTAT database still contains statistics on the structure and activity of foreign affiliates (FATS) which provides information that can be used to assess the impact of foreign-controlled enterprises on the European economy.

In terms of ease of access and presentation UNCTAD data in combination with Overseas Transactions MA4 are useful for informing many of the general criteria outlined above, and have the advantage of being produced regularly, and with time series information which can assist in establishing longer term trends in flows, and in ironing out peaks and troughs in flow data from year to year. One of the main issues with using this type of information is the extent to which 'greenfield' activity is identified over and above mergers and acquisitions FDI.

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<sup>2</sup> See <http://www.ons.gov.uk/ons/rel/fdi/foreign-direct-investment/2012-ma4/index.html> for latest version

<sup>3</sup> [http://unctad.org/en/publicationslibrary/wir2013\\_en.pdf](http://unctad.org/en/publicationslibrary/wir2013_en.pdf)

<sup>4</sup> <http://www.oecd.org/daf/inv/investment-policy/FDI-in-Figures-Feb-2014.pdf>

<sup>5</sup> See menu at [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

Potentially coupled to the above is domestically produced data on foreign firm activity developed from Office for National Statistics (ONS) sources such as *Business Register and Employment*, and prior to this the *Annual Business Inquiry*. Much of the detailed data from ONS relating to foreign firm activity on the UK is only available by special order. Data relating to inward investment project successes and connected employment is available from UKTI and the devolved administrations but with the above commentary questioning the real usefulness of this data.

For information relating to the location of headquarters activities of existing and prospective inward investors' databases such as Dun and Bradstreet are useful. For multinationals already operating in the UK the Jordan FAME database can be used to examine foreign subsidiary accounts and with the software details of the ultimate owners of subsidiaries, and their foreign addresses.

It is accepted that it would be fairly time consuming to track back to the location of ultimate owners of subsidiaries and their locations using this method.

In connection with the operational criteria in relation to the presence of other inward investment promotion agencies this could be informed by on line search and analysis of directories in market. Issues relating to country risk (political, financial and system, climate related, other) are regularly assessed and some indices are publically available. US CIA data also provides on line information in this respect. Bespoke services in this respect are offered by organisations such as the Economic Intelligence Unit. Information on the relative office and living costs in cities around the world are regularly published on line.

**Table 3 Summary: Criteria and Secondary Data**

<b>Criteria</b>	<b>Data Sources</b>	<b>Rating/Measurement</b>
<b>General economic</b>		
<i>Existing value/growth of inward investment flows from the foreign country to EU/UK/Wales in last five years</i>	Potentially six sub criteria here informed from UNCTAD, OECD, Business Monitor MA4. For Wales reliance on WG data on projects/jobs as a proxy for flows.	Absolute \$ values, and percentage growth rate. Potential for expert judgement as relatively high, medium or low growth. Care needed because of peaks and trough in flows.
<i>Existing value/growth of inward investment flows from the region/city to</i>	Potentially two sub criteria but limited information from secondary sources. In UK case might be partially informed by a disaggregation of UKTI data by	Limitations on hard data could mean reverting to expert judgement on whether relatively high, medium or low growth.

<i>UK/Wales in last five years</i>	sub-national source of the investment where applicable	Care needed as above.
<i>Existing stock/growth of stock inward investment in UK/Wales from the foreign country</i>	For UK informed from MA4 Overseas Transactions. Limited published information on the Welsh stock. Growth of stock might be inferred from job estimates connected to new projects via UKTI and WG data.	Absolute £ values. With relative growth rated by experts as high medium or low.
<i>Existing trade relations (current value and import growth) between UK and the foreign country/region</i>	Import information from UK balance of payments.	Growth of imports to UK could be rated as relatively high, medium or low from the given state. With strength of existing trade ties including UK exports rated similarly.
<i>Economic growth rate of the state and region</i>	For the state or nation general databases of economic growth inc. OECD, UK. Growth rate of sub region of state would require access	% GVA/GDP growth. Rated as high, medium or low in relation to a global average over a given time period.
<b>Decision making locus</b>		
<i>Headquarters proximity I</i>	On line databases including D&B and BVD etc.	Possible absolute number of head offices in the reference area; potential to independently rate as relatively high etc.
<i>Headquarters proximity II</i>	BVD provides ultimate ownership data of Welsh subsidiaries of foreign firms.	Possible absolute number of head offices relating to existing Welsh subsidiaries in the state or region, and rated as relatively high etc.
<b>Operational</b>		
<i>UKTI representation in the state/region</i>	UKTI website	Number of offices, potentially rated as strong, medium or weak representation.
<i>Presence of other Investment promotion agencies</i>	In market directories, possible on-line search	Number of competing offices, potentially rated as relatively high, medium, low concentration of trade offices
<i>Existing Welsh representation in the region/state</i>	Welsh Government	Number of offices already in the state/ region. Rated as above
<i>Costs of maintaining an office at the specific location</i>	Several indices of relative cost of living, and relative office costs available on line.	Simply rated as relatively high, medium or low compared to index base.

<i>chosen</i>		
<i>Synergies in terms of promoting Welsh higher education, exports and tourism</i>	Would need to be internally assessed within WG.	Rated as high, medium or low.
<i>Marketing and network skills</i>	Would need to be internally assessed within WG.	As above
<i>Country risk</i>	EIU and other country risk indices	Rated as high, medium or low with respect to index base.

## Decision Making Framework

### Multi-criteria analysis?

Combining a set of criteria into a decision making framework can be undertaken. There is an extensive literature relating to multi-criteria analysis (MCA) (DCLG, 2009 provides a useful review of the various methods of MCA<sup>6</sup>). Due consideration needs to be given to the costs involved in employing more complex techniques, over more simple judgement based approaches.

Some key issues in respect of the criteria outlined in Table 3 are how far some criteria can be combined into one, and then the weighting of criteria in terms of their importance in the determining the location decision. An expert consultation might be used to inform weightings of the various criteria (following a basic ranking). Importantly, some of the criteria assess common issues so there is the potential to group these together as general economic, decision making locus, and operational and with each informed by the sub criteria in Table 3.

Notwithstanding even with an equal weighting approach, the criteria listed serve as a check list for policy makers in considering new trade office locations, and with a simple approach colour coding how far possible locations score on the given criteria. Experts within Welsh Government, regional industry, and in-market provide a means of scoring against these criteria.

<sup>6</sup> See [http://eprints.lse.ac.uk/12761/1/Multi-criteria\\_Analysis.pdf](http://eprints.lse.ac.uk/12761/1/Multi-criteria_Analysis.pdf)

## Conclusions

This report has considered the criteria that could inform decisions about the location of the Welsh Government's trade and investment offices overseas and the data that might be used.

It discusses how an appropriate weighting of the location criteria is undertaken and suggests using expert judgement as a means of both weighting/combining criteria and then scoring existing/potential locations of trade and investment offices. It is unlikely that the use of more complex multi-criteria analysis approaches will yield significant benefits.

We concur with several of the stakeholders consulted as part of this work that much of the data to inform the location criteria is readily available, or can be fairly easily accessed via desktop means. More problematic are judgements about the fit of available human capital in given geographical and institutional circumstances. However, using a set of criteria alongside expert judgement would potentially be the most effective method in judging between additional support for existing markets and opening up new and emerging markets.

The earlier review suggests there may be far greater scope now to use roving teams of specialist marketing personnel so as to avoid some of the costs of maintaining personnel in market. In this way perhaps a smaller trade and investment office can work to call in expertise as and when required.

The evidence also suggests that there is remarkably little information in the academic domain on the location and resourcing of trade and investment offices, or evidence about their efficiency and effectiveness. This suggests that the value added by such offices is difficult to quantify in terms of process, and that soft intelligence and informal network relationships can be important in marketing Wales overseas. In this respect some care is required in opening and closing of trade and investment offices, and in moving personnel, particularly where this disrupts existing network capital.

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