

WGIR12 Federation of Small Businesses

Senedd Cymru | Welsh Parliament

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[Strategaeth Ryngwladol Llywodraeth Cymru](#) | [Welsh Government's International Strategy](#)

Ymateb gan: Ffederasiwn Busnesau Bach | Evidence from: Federation of Small Businesses

About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit, and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

Introduction

Wales sits in a dramatically changing and challenging global economic environment, and post-Brexit, Welsh firms need the support of a Welsh Government with a clear vision of how to adapt as it seeks to remain globally competitive.

This will require diversifying supply chains and better building our to successfully trade and operate internationally. In an environment of potentially fewer open borders and uncertainty about future tariff and regulatory regimes for firms trading from the UK, Wales needs to use all levers at its disposal to remain competitive and facilitate sustainable growth. This changing environment also provides new opportunities and can be a catalyst for action to build new markets or expand on existing ones.

The Welsh economy has long struggled with the need to diversify its export base with exports historically driven by a small number of large companies. With an uncertain environment for our establishment markets, it is more important now

than ever to build Welsh business from the ground up, with the aim of making them competitive in the global market.

An SME focused international strategy for international trade, export and investment is a key part of that aim. Considering the challenges and needs of SMEs in export and international trade, the opportunities and the wider benefits of a strong SME exporting sector are manifold and Welsh Government, should play alongside the UK Government in placing Wales on the best possible footing for international trade. UK and Welsh government should work together on the Industrial Strategy and the strategy should include a focus on developing export and trade opportunities as a key component of growth for Wales. to build smaller firms' capabilities.

What are your views on the Welsh Government's International Strategy – What's worked well and any areas for improvement?

Themes:

- The success of the International Strategy and priorities for the Welsh Government's international relations beyond 2025.
- How the Welsh Government's priority relationships align to the strategy's aims and objectives.

International Strategy Overview

In 2015, the Welsh Government published its framework on Wales in the World¹, later releasing its Export Action Plan and then its International Strategy in 2020. Both focussed on building investment opportunities and opening markets for Welsh firms to export.

The Strategies main aims were to:

- raise Wales's profile on the international stage
- grow the economy by increasing exports and attracting inward investment
- establish Wales as a globally responsible nation.

¹ <https://www.gov.wales/sites/default/files/publications/2019-03/wales-in-world.pdf>

The strategy involved actions over a 5-year period, including increasing our presence in EU member states by working with Welsh diaspora, and by coordinating our international activities through empowering key Welsh organisations. Welsh Governments priority target markets and its program of activities across the European Union – in particular Germany, France, Ireland, Netherlands, Belgium, Spain and Italy as well as – Czech Republic, Denmark, Poland, Sweden, Norway, Turkey and Switzerland showed clear intent on taking a holistic approach to increasing the Welsh brand in Europe with a clear target attached to grow the contribution that exports make to the Welsh economy by 5%.

In our previous response to the International Strategy², FSB Wales noted its success would depend on the practical steps and mechanisms used for delivery. We also noted that despite a focus on using the International Strategy to deliver economic growth, the strategy did not include a single reference to SMEs. A review should recognise this by providing a comprehensive assessment of both the current role smaller firms play in supporting Wales's international profile, what their role should be in future, and their importance in a mission led approach to growth. Export is potentially a key driver for SMEs to grow – and so targeting areas with room to grow should be a priority, and putting SMEs on the road to export early in their life cycle is vital for success.

Importance of SMEs to export – future role as priority partners

Small business exports have the potential to contribute significantly to growth and should be at the core of any international strategy relating to trade. SMEs make up the majority of UK businesses but are under-represented in international trade – in 2020, businesses with over 250 employees represented just 2.5 per cent of UK exporters but over half the value of goods exported. With just over 11 per cent of SMEs across the UK putting their products and services to market overseas the UK is not yet reaching its full potential³. This represents a significant opportunity for growth.

² Internationalising Welsh Businesses: Trade, Investment, and Export (FSB Wales 2023)
<https://www.fsb.org.uk/resources-page/final-internationalising-welsh-businesses---trade--investment-and-export-pdf.html>

³ K Foster, Ready to Dispatch: Overcoming Exporting Barriers for Small Businesses (FSB: Dec 2024)
<https://www.fsb.org.uk/resource-report/ready-to-dispatch.html>

SME engagement is key to ensure buy-in and involvement by smaller businesses and as such exporter **SMEs should be viewed as a priority relationship**, and activity and support geared to reflect that status. The Welsh brand should ensure that government strategy aligns with the needs of businesses who either export or could benefit from developing an export product. An assessment should be made of the support provided for SMEs to access opportunities such as trade missions, and to what extent they are compensated for doing so in support of the wider Welsh brand, as well as ensuring a framework for ensuring an SME presence is such activity, as well as a means by which suitable businesses are included. This should include surveying views of exporters on the benefits they get, whether schemes are accessible, and whether they are adequately supported (including financially) in taking part given that SMEs generally have tighter margins and are time poor.

There are obvious benefits to increasing SME understanding of regulations, business culture and language in their prospective export markets. Almost half (49%) of exporters view knowledge of local regulations and a third (32%) understanding local business culture as key to boosting their competitiveness on market entry. In the first instance, the remit of the Department for Business and Trade's FTA Utilisation team should be strengthened in Wales, with greater levels of signposting and cross working partnerships with Welsh Government to ensure a full wrap around level of support for SMEs is in place.

We welcome the UK Government's commitment to including Small Business chapters or SME-specific provisions in new agreements, and expect Welsh Government to do the same in its future International Strategy. This should be complemented by clear guidance to help businesses take advantage of the opportunities available to them. Small businesses must also be supported to make use of the trade opportunities provided by international partnerships. As our recent SME Export Taskforce paper highlights, an assessment of existing initiatives is needed to determine their effectiveness, decide whether Government or the private sector is best placed to deliver each initiative, and to remove duplication and lower-quality support. This should become an ongoing evaluation process of constant improvement, leading to a more positive and consistent approach to delivery. Support should also consider and be tailored to the various means SMEs use to conduct trade activities, including the growing role of e-commerce in enabling SME participation in trade. How this support is delivered is as important. Interventions to boost reach among small businesses should include improving, streamlining and evolving the International Strategy to the fluidity of international markets.

The practical mechanisms for delivery need addressing and must work in tandem with existing frameworks and vision for trade and investment policy for Wales's small businesses and geared toward developing and building the capabilities of the Welsh economy to be competitive in the future economy.

- Welsh Government should develop its international strategy alongside business, providing more detail in its export and investment strategies which align with the demands of the Welsh economy.
- Delivery should be a key part of the export strategy with clear roles for the international offices and a clear ambition to work with UKTI wherever possible.

Clarity on export strategy and governance

Welsh firms will need the support of a Welsh Government with a clear vision of how to traverse new terrain on international trade, export and investment, working in partnership with and drawing on the expertise of significant UK Government resource and infrastructure. It is more important now than ever to build Welsh business from the ground up, with the aim of making them competitive in global markets. An SME focused international strategy for international trade, export and investment is a key part of that aim.

International trade has cross-governmental responsibilities and how Welsh Government coordinates across different needs across brand development, tourism, investment, university links and so on can be complex. FSB have argued that Welsh Government should form a new Economic Development Agency as an arm's length body which can coordinate relationships across UK and Welsh governments, including across Welsh Government departments, the Wales Office as well as the UK foreign and international trade offices. Similarly, export and inward investment should be brought under the same banner and form part of the same agenda. Noting best practice seen in other small nations such as Iceland and Estonia, the potential impact will be lost if export and inward investment fall under different responsible bodies and the institutional arrangements are too fragmented.

It is vital that a new development agency has a clear role and remit based on international activity and a focus on opening markets for SMEs, building links to those SMEs, and leveraging investment to the benefits of wider businesses in Wales. It is also important that it is clear how it relates to, and works in partnership

with, the business support and economic development ecosystem in Wales and the UK.

For example, the agency should work to complement Business Wales efforts in developing businesses and to help build them toward export and be sharing information and data as appropriate to help make this so. In this example, Business Wales would be about building the capabilities for firms who would pass on prospective exporters to and work with the Economic Development Agency to help them on that journey. It is important that this feels seamless for the business user of these support services. We have noted the importance with all Wales's arm's length bodies that there is a mapping exercise, which will be available publicly on all 'arm's length' bodies' websites, indicating how these bodies mutually reinforce each other, what their respective roles and responsibilities are, and whom is the central point of contact. This should include protocols on how and where these bodies work together to guard against duplication and ensure efficiency across the bodies and a seamless understanding of the strategy around internationalising Welsh small businesses.

Considering increasingly more unpredictable trends globally, Welsh Government must ensure that a revision of its International Strategy be on delivering business support that helps SMEs build a robust and ready approach to changes global market events. Such support should be delivered alongside UK Government Trade Advisors.

To address these issues, Welsh Government should.

- Continue to press for a Wales-specific component in the UK Government's Growth Mission.
- Adopt OECD recommendations on regional governance⁴ - this will help reorganise institutional elements including at a Welsh regional level that will make support easier to access and the gathering of key market intelligence to inform decision making.
- Leverage the current business support framework to help firms in Wales better understand their growth potential through international expansion, investment and exports.
- Growing Wales as an attractive place to do business will generate greater SME prosperity and to that end Welsh Government should incorporate a

⁴ Regional Governance and Public Investment in Wales, United Kingdom. OECD Urban, Rural and Regional Development Series (OECD:2024). https://www.oecd-ilibrary.org/urban-rural-and-regional-development/regional-governance-and-public-investment-in-wales-united-kingdom_e143e94d-en

Wales specific component on exports in its growth mission. Closer coordination between Welsh and UK Government institutions and business support mechanisms such as the Development Bank for Wales, the British Business Bank and Business Wales will allow all levels of government to focus on their respective strengths and contribute more effectively to economic and export growth in Wales. Business Wales and the Development Bank of Wales should consider how they can improve inclusion of references to exporting in early-stage business resources and deliver better signposting between Welsh Government and UK Government programmes.

The now-closed Passport to Export programme provided subsidised support to inexperienced SME exporters to improve their business communications, including a review of their current marketing materials and advice on cultural barriers. The programme also provided contributions towards translation costs for creating promotional materials or webpages in the language of target markets. Welsh Government should consider a similar support package for SMEs.

Export strategy should open pathways to export for SMEs at an early stage, by building the capabilities, capacity and competitiveness of SMEs in Wales through:

- gearing suitable SMEs for export.
- expanding the opportunities for SMEs as priority partners through export opportunities and networks and reducing the costs for access.
- facilitating different types of international networks and across different markets.
- leveraging strong international links to pitch for inward investment
- supply chain management to maximise the value of inward investment to SMEs and building skill capacities and firm capabilities for innovation in future.

In support of the objective of boosting SME exports, UK Government must pay due regard to the diversity of the UK's nations and regions, supporting the international trade strategy published by the Welsh Government through resources to better provide business support more locally.

FSB's recent UK report 'Ready for Dispatch'⁵ calls on UK Government to deliver a single dashboard for export support and market intelligence. Welsh Government should support this call and ensure there is support for appropriate data at a

⁵ K Foster, <https://www.fsb.org.uk/resource-report/ready-to-dispatch.html>

Wales level and accessibility aligned to Business Wales website. Within this UK system, or in its absence, Welsh Government should deliver a single dashboard of key Welsh data surrounding export support and activities that is built on real-time intelligence will help enable a more transparent and accessible stream of export support services.

Customs, Regulations and Wales's future developments

Since leaving the European Union, Wales has been disproportionately impacted by post-Brexit schemes for helping traders move goods from Great Britain to Northern Ireland, with the border crossings in places such as Holyhead facing significant difficulties in adapting to new regulations. Anecdotally, members exporting to Ireland have noted these difficulties and a review of the current situation would support the approach of future international strategy. Similarly, with an eye to future developments such as large scale infrastructure project (wind, hydro, hydrogen or nuclear) in Anglesey and its status as a freeport, it is important that the future international strategy ensures that Holyhead has adopted any innovations learned across custom areas during the last few years, and that it is in a suitable position to support any investment and export opportunities arising.

The Trader Support Service scheme will have cost more than £500m in its first four years according to the National Audit Office (NAO), which looks at the delivery of the UK's trade border. It reports that HMRC expects to have spent £531m on the Trader Support Service (TSS) between December 2020 and December 2024, while border checks on goods going between the UK and the EU is estimated to have cost businesses in the UK £4.7bn, of which £2.6bn had been spent by March 2023.

Alongside all this, it is important to note that Welsh exporting SMEs have found success in various sectors. A clear and important example is food and drink which in 2023 was worth £813 million⁶, the highest recorded yearly value from HMRC. Since 2019 the value has increased by £243 million (43%) with the value of Welsh food and drink exports increasing by £16 million (2%) between 2022 and 2023⁷.

⁶ Welsh international goods trade: July 2023 to June 2024 (headline data)

⁷ Regional Trade Statistics (RTS) SITC Revision

https://unstats.un.org/unsd/publication/SeriesM/SeriesM_34rev4E.pdf

- It is a matter of concern that the UK Industrial Strategy's priority sectors does not include Food and Drink on the face of it. It is important that if it is not in the Industrial Sector, that this Welsh export success story – and key part of carrying the Welsh brand – be supported in the international strategy, and in a way that complements the wider UK policy.

Separate from the food sector, the value of goods exports for Wales in the year ending June 2024 was £18.6 billion, down £1.8 billion (9.0%) compared to the year ending June 2023. The EU accounted for 58.6% of Welsh export values compared with 50.3% for the UK, demonstrating the important role the EU has as a trading destination for Welsh firms compared to other areas of the UK. World event and wider disruptions have had an impact too - , for example, issues in the Red Sea in early 2024 reportedly also increased costs, with some indicating a rise of 300% for container hire, with logistical delays⁸ adding up to three to four weeks to delivery times. SME firms will be more vulnerable to the knock-on effects of such disruption, impacting cashflow, component shortages on production lines and increased premiums on insurance products.

For professional services, there is a need to be able to access international markets and airports from Wales

As well as international airports that service north and mid Wales (e.g. Manchester, Birmingham), the recent £206 million investment in Cardiff Airport⁹ presents an opportunity to not only improve air connectivity but also to explore developing the airport estate in a way that maximizes its economic impact.

Two key areas of focus could be considered:

1. **Public Transport Accessibility:** Improving public transport links to the airport is crucial. This could include enhanced rail connections, dedicated bus services, and potentially light rail options to the terminal building through the South Wales Metro program, and the North Wales metro for links to airports in England.
2. **Exploring use of hubs for SMEs in freeports, ports and Cardiff airport:** Ensuring SMEs are central to future developments through use of existing and exploring opportunities to develop SME hubs within the strategies.

⁸ British Chamber of Commerce: Scale of Red Sea Disruption Revealed – February 2024

⁹ Government of Wales. Written Statement: Cardiff Wales Airport Long-Term Strategy (2024). <https://www.gov.wales/written-statement-cardiff-wales-airport-long-term-strategy>

For example, Cardiff airport should consider its offer within the airport estate for SMEs with an international focus. This could include:

- Flexible office spaces and co-working areas
- Light industrial units for export-oriented businesses
- Conference and meeting facilities
- Incubator spaces for start-ups in sectors like aerospace, international trade, and tourism

Such developments would create a symbiotic relationship between the airport and local businesses, potentially increasing passenger numbers while also supporting the growth of internationally focused Welsh SMEs. However, any assessment should look to whether it adds value or whether it displaces such activity from other business centres and ecosystem, and so should develop its own key USP and ensure it fills a specific need and adds value to businesses and the area.

- The role of airport and ports – including freeports – in supporting SME development should be explored in support of any new international strategy.
- Transport needs around hubs, freeports, ports and airports should be coordinated according to needs identified in the export strategy

Partnership working between UK Government and the devolved nations, to understand the regional needs of businesses and the professional regulators who often ultimately decide which qualifications to recognise.

The Wales brand and creative industries

The power of our creative industries to be a vehicle for Welsh Government's International Strategy cannot be understated. As a key area for growth, investment in the creative industries has the potential to lead to wide benefits, including building a robust and well identifiable 'all Wales brand' that encompasses aspects of Visit Wales and thriving creative clusters across the country.

In 2023, the UK Government launched its first creative industries sector vision¹⁰. In Wales, creative industries have been identified as a key priority sector by Welsh Government who in 2020 followed through on a 2016 pledge to create Creative Wales as an autonomous department within government to coordinate and steer policy intervention in the sector. In our 2024 report 'The Power of Creativity'¹¹, many interviewees noted that 'Welcome to Wrexham' provided a unique opportunity to showcase Welsh talent, and that creative industry strategies at the local level, and use of ideas such as investment zones should take advantage of this unique opportunity in areas ripe for growth. These areas have clear export potential as well as selling Wales to the World and any new strategy must take account of new Welsh Government developments in this area and align the strategies accordingly.

Within Welsh Government's review of the International Strategy, our creative industries should build and export the Wales brand globally to help attract investment and increase tourism. Ensuring Visit Wales and Creative Wales work together (at least in the absence of FSB's proposed Economic Development Agency) would fall in line with how the Republic Ireland and Iceland have sought to position themselves on the international stage. There should be greater alignment between the Visit Wales and Visit Britain strategies, ensuring that marketing materials and campaigns reflect a distinctive Welsh brand that allows SMEs to take advantage of both.

This too would also support embedding the Welsh language more strategically within other strategies, building a diverse means by which to increase the use and demand of Welsh language services. Minority languages can now reach a far greater audience globally, and an audience that is more receptive to media in languages other than their own, in some cases with very little in terms of production or distributions costs. From South Korean K-pop, films and TV kickstarting a wave of Korean language learning courses in USA, to Scandi-noir dominating TV detective tv in the 2010s, to 'world music' no longer being a go-to description of non-English language pop, there is a greater degree of openness to international minority languages than was ever the case. A creative industries strategy alongside a renewed international strategy needs to take account of the place marketing benefits and economic potential of the Welsh language in this

¹⁰ Policy Paper: Creative industries sector vision' (DCMS: June 2023), available at: <https://www.gov.uk/government/publications/creative-industries-sector-vision>

¹¹ The Power of Creativity: Supporting Creative Small Businesses (FSB Wales: 2024) <https://www.fsb.org.uk/resources-page/the-power-of-creativity.html>

regard. The Welsh language is a competitive advantage in this economic framework of growth, not as an add-on.

Key Recommendations:

- Deliver an updated International Strategy for Wales, focussing on growing SME export readiness, facilitating access to networks and opportunities in overseas markets as well as strengthening the international Wales brand.
 - Establish a new Economic Development Agency as an arms-length body with a new trade and investment body that coordinates and delivers a strong international brand for Wales.
 - Deliver a single dashboard of key Welsh data surrounding export support and activities that is built on real-time intelligence to help enable a more transparent and accessible stream of export support services.
 - Harness and develop creative industries toward export as a key growth sector that is also a vehicle for brand development through stories from Wales.
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