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David Slater's Speech to the BABC Transatlantic Business Conference 07

California and the UK: Connecting the Centres of Creativity;

I should like to start with a short film called "Hit the World Running; UK"

I chose that clip because it mentions many of the key drivers of a competitive economy. And, in a break perhaps from some of our past publicity material it does not include scenes of Buckingham Palace and the changing of the guard.

Now, I am not suggesting for one moment, that we lose sight of our heritage. The recent visit of Her Majesty the Queen to commemorate the 400th anniversary of the Jamestown settlement is a case in point. This visit was a spectacular success in terms of UK/US relations.

But what is more important about Jamestown is that it succeeded because those early settlers were able to innovate and be creative in response to life in the New World.

Additionally, and also worthy of note, is that to succeed the settlers collaborated with the existing inhabitants of this New World.

I am delighted to be a major sponsor of this conference because its theme and the sessions that follow this one, will underline that global competition is going to get tougher. In the modern world, the New World, the only answer is to be more enterprising and more creative.

Much is said about the competitive threat from the emerging economies. Not only do they challenge the low value-added, labour intensive industries but, increasingly, they seek to compete in the high technology, high skilled sectors.

The concern is not so much for the current capability of the emerging economies, but rather for the pace and scale with which they are building their high-tech industries, their research capabilities and, most of all, their skills base. It is therefore hard to think of any sector that will not be affected by this new competition.

The upside is that these rapidly expanding economies will stimulate global economic growth and provide major new markets. And there is also, still, a window of opportunity for us, over the next 5-10 years while these new economies are still

developing the range of creative skills to compete across the board.

To take advantage of this window and create a viable, attractive future for our economies, our companies will need to produce innovative, high value-added products and services and bring them quickly and effectively to market. Every company of every size will need to consider this challenge, but perhaps most of all this challenge will be for the SME sector, which in the UK accounts for 50% of GDP.

Some in business see creativity as aesthetics. But our view is that creative companies are creative throughout. As well as being a path to new products and services, creativity is the route to greater productivity, whether by way of higher value products and service's, better processes, more effective marketing or better use of skills.

And let's also be clear on one other point, erecting artificial barriers to free trade and the movement of skilled people will not insulate any of us from the competition.

So, if we in the developed economies of the US and UK are to ensure our competitive future then it is our ability to continue to be innovative and creative that will enable our success.

So our role, as Government, is to create a business environment that enables creativity to flourish

In the clip, the text that appeared within the scenes highlighted some ingredients of a competitive economy.

There was mention of Knowledge and Talent: Research shows that a key driver for international investments is the availability of, and access to, talent. The UK's strength in this area, we have for example the top 4 universities in Europe, is why we attract 18% of all inward investment in Europe.

Globally we are second only to the USA and yes, that means that the UK attracts more investment than China.

And to ensure we maintain our competitive edge, in December we concluded a fundamental review of skills across the UK, ensuring we have a clear vision of our future skills needs and that Government and industry are working together to ensure that skills development meets the future needs of industry.

There was also mention of Global Networks: A globalised economy means an increasingly complex set of international networks. That the UK is the epitome of free trade; that we are at the centre of Europe and at the heart of global finance, global creative and professional services and global media means that UK based companies can access the global network. It is no coincidence that 75% of Fortune 500 companies are invested in the UK, and over 500 foreign companies are listed on the London Stock Exchange. Of the FTSE 100, 28 have a non-UK national as CEO, and 40% of London's workforce is from outside the UK.

The clip also highlighted the need to be Dynamic and Vibrant; The UK economy is today growing faster than all the other G7 economies – growth stronger this year than the Euro area, stronger than Japan and stronger than the USA.

We are entering our 59th quarter of consecutive growth, so 14 years of growth; unheard of for a developed economy and this is scheduled to continue into the 60th and 61st quarters.

And finally the clip said Creative and Innovative; The global market value of the creative industries increased from \$831 billion in 2000 to \$1.3 trillion in 2005; over 7% of global GDP.

Today the UK's creative industries make up 8% of Gross Value Added within the UK economy, a percentage greater than any other country.

The UK's creative industries employ nearly 2 million people and generate some £13 Bn in exports, which is almost 4.3% of all exports.

In London, the creative industries already generate over £21 billion each year and employ over half a million people. And if they sustain their current rate of growth they'll be bigger than the financial services industry by the time we host the Olympic Games in 2012.

We are also the best ranked performer in the G8 per unit of R&D spend and to incentivise UK based companies to continue to innovate and to invest in R&D activity, the UK has one of the most lucrative tax credit frameworks.

The last piece of the creativity jigsaw is how Government can ensure the right balance of regulation. We believe in risk based, soft touch and independent regulation, with the onus on business to comply or explain. The impact of Sarbannes-Oxley

on US business is plain to see. Creativity and enterprise can't flourish if they are beset by reams of red tape.

The issue of Intellectual Property is also critical. Economies aren't just built on good ideas: they are powered by them. But reward for innovation is something that the market alone struggles to provide, because ideas are expensive to produce but cheap to copy.

We have recently undertaken a full review of the UK's Intellectual Property framework and its key role to protect and promote innovation. The review concluded that the UK has a fundamentally strong IP system, but we are committed to improving it further by strengthening enforcement and striking the right balance to encourage firms and individuals to innovate while ensuring that markets remain competitive and future innovation is not impeded.

It is most fitting that this conference is held here on the West Coast of the US. It is here that the generation of ideas has merged with technological innovation to make California one of the largest and most competitive economies in the world. Success here means that your company is truly world class and could compete anywhere in the world.

But you notice that I said could compete anywhere in the world. The key question is how we exploit this competitiveness? How do we connect the centres of creativity? It is here that I believe that UK Trade and Investment working with partners in the BABC and others in this room, particularly the UK's Regional Development Agencies and Devolved Administrations, can be most effective.

UK Trade and Investment's core role is to be a trusted interlocutor for all business. It is to facilitate access to information and to provide expert advice, tailored to the needs of the business plan that will enable a company to make better informed commercial decisions more quickly.

For UK exporters that means providing market research and advice about how to do business and how to compete in this market.

For US investors it is about providing local knowledge about the UK and a soft landing to enable them to set up and compete quickly. For example, helping US companies to access UK talent.

I am part of a 28 strong UKTI team on this coast. Across the US, we number 114. Of these, only 6 are career Diplomats and the rest are drawn from private industry in the UK and US. We therefore boast a depth of knowledge across a wide range of industry sectors which enables us to provide expert, tailored advice to business.

I and my colleagues are great enthusiasts for bilateral trade and investment. But we understand that while we number 114, BABC membership runs into the many thousands. If we are all enthusiasts for bilateral trade and investment then by working together, just think how many UK and US companies we can persuade to collaborate and invest in creativity to ensure their

**competitive future. Just think how many companies we can
assist to “Hit the World Running”**

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