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Pete Wishart MP
Chair - Scottish Affairs Committee
House of Commons
London
SW1A 0AA

By email
scotaffcom@parliament.uk

22nd September 2022

Dear Mr Wishart,

Scottish Affairs Committee Inquiry into Promoting Scotland Internationally

As Scotland's national economic development agency with a focus on building Scotland's international competitiveness, we welcome the opportunity to contribute to the Committee's important work examining how Scotland is promoted internationally by the UK Government.

We work closely with the UK government's Department for International Trade (DIT), Foreign, Commonwealth & Development Office (FCDO) and related organisations in Scotland and overseas. This collaborative approach is valuable and important in ensuring that Scotland is effectively promoted, and we look forward to continuing to work together and to finding new ways to collectively achieve this.

We understand that as part of the inquiry process an FCDO questionnaire was shared directly with team members in most of our overseas offices, which they have input to. Our response below therefore focuses on providing additional information enabling the survey results to be considered in the wider context of our international operations.

Your sincerely,

A handwritten signature in blue ink, appearing to read "Neil Francis".

NEIL FRANCIS
INTERIM MANAGING DIRECTOR INTERNATIONAL
SCOTTISH ENTERPRISE



Introduction

The focus of this Inquiry aligns with the approach taken by Scotland's National Strategy for Economic Transformation (NSET) which sets out the priorities for Scotland's economy as well as the actions needed to maximise the opportunities of the next decade to achieve our vision of a wellbeing economy.

The NSET is internationally focused and through a programme of action Scotland will build on its strengths to win an even greater share of international opportunities, particularly within new markets and industries including hydrogen, space, photonics, and quantum technologies and across the blue and circular economies. This programme of action includes continued focus on the Scottish Government's three international strategies being [A Trading Nation](#), [Inward Investment Plan](#) and [Scotland's Global Capital Investment Plan](#) which Scottish Enterprise (SE) undertakes a critical role in delivering against

SE's international ambitions align with those of NSET, with our ambition being for Scotland to be viewed as a leading location to start, scale, and internationalise a business; as a magnet for talent attracted by Scotland's most ambitious companies; and as a profitable and successful place to invest capital in opportunities to accelerate the transition to net zero.

Our values-led approach ensures we are building a future based on sustainable and inclusive economic growth with a focus on improving the lives of all of Scotland's people. Examples of this can be seen in our commitment to achieving net zero, and our work to ensure the real living wage and fair work first. These values are embedded across all our international activities as we work to ensure Scotland is a leading destination for capital and inward investment.

Scottish Development International (SDI) overview

SDI is the international arm of SE, delivering trade and investment support to companies, alongside integrated SE innovation and investment support, with this package of support being key to increasing companies' resilience and Global competitiveness. SDI operates on behalf of a number of Team Scotland partners including the Scottish government and Highlands & Islands Enterprise (HIE), South of Scotland Enterprise agency (SoSE) delivering pan-Scotland services and support to the companies they work with. As part of SDI's Team Scotland approach, we also work in partnership with other Team Scotland players including Skills Development Scotland, Department for International Trade, Visit Scotland, Scottish Funding Council, Business Gateway, and Local Authorities.

The SDI team is based in Scotland and overseas. Overseas we have c.100 staff, across 24 different countries working across 32 different offices, with six in the Americas, ten in Asia Pacific and 16 in EMEA. We are co-located with Scottish Government colleagues in USA, China, Canada, Denmark, France, Germany, Ireland, Belgium, and England where the teams work together to support joint aims around trade and investment objectives.

Apart from in the USA and Germany, the SDI overseas network operates on the Foreign Commonwealth and Development Office (FCDO) platform and work in offices alongside the other devolved administrations and wider partners across Government. There is strong partnership working between our SDI team and UK Government teams within the respective embassies and high commissions, which is valuable and impactful.

Internationalisation is a key driver of productivity growth alongside innovation and investment and will be a major contributor to Scotland's long-term economic prosperity. International success will reinforce Scotland's strong inward investment performance, strengthen our

supply chains, enhance Scotland's R&D and capital expenditure, increase Scottish exports, and build Scotland's position as a magnet for talent - all of which creates more opportunities for Scotland's most ambitious companies to grow further.

Whether we are helping Scottish exporters to grow through international trade, creating jobs through inward investment or attracting capital investment which will help deliver tomorrow's Scotland – connecting more companies to global opportunities for the benefit of people and places across Scotland is critical for success.

Areas of focus

Utilising the knowledge, insights and connections of our trade and investment specialists, GlobalScot network and partners, we:

- Support innovative and ambitious Scottish companies in the science and technology, consumer industries and energy and low carbon transition sectors to scale up and grow through international trade.
- Strengthen engagement with exporters that are best placed to make a significant contribution to Scotland's economic recovery, tailoring our support to suit the specific needs of companies.
- Attract entrepreneurs and highly skilled talent – the people and companies that share our values – to deliver better opportunities and green growth in the industries of the future.
- Attract capital and inward investors that share our values and support our vision for good, sustainable, and well-paid jobs.
- Support the growth of global companies in Scotland and leverage assets in key opportunity areas to create even stronger propositions.
- Promote Scotland as a place where health, happiness, equality, and sustainability come together to produce a dynamic business environment.

Operations and approach

Trade

The Scottish Government's 10-year Export Growth Strategy, A Trading Nation (ATN) sets the strategic direction for growing Scotland's exports alongside [Scotland's Vision for Trade which](#) sets out our principles and our values for the trading relationships we want Scotland to have in the future ATN sits at the heart of how we support companies to export, the priority countries we want to focus on; the priority sectors that offer the biggest opportunity; and how we support businesses via our team in Scotland and overseas to maximise their export growth potential.

SDI has experienced in-market trade specialists located in North America, Canada, Mexico, France, Germany, Spain, Poland, Netherlands, Denmark, Switzerland, Ireland, Japan, Indonesia, Australia, India, China, UAE and Singapore, and these staff lead on in-market trade development work.

Our in-market specialists provide 1-2-1 company support to Scottish companies with their market entry strategies, by providing market research, intelligence, and introductions to business contacts, working with a portfolio of companies to get them to the stage where they can operate effectively in the market on their own. The focus on priority sectors ensures that Scotland optimises the competitive strengths it has in relation to trade across key sectors for Scotland and identify key market opportunities for companies.

SDI specialists support Scottish companies before, during and after global exhibitions and trade missions, ensuring that companies leverage their time in-market. They help to build

Scotland's international brand and reputation and manage relationships to reinforce Scotland's strengths and assets across key sectors and sub-sectors. This includes working closely with GlobalScot (an international business network which supports companies in Scotland and overseas) and the Scottish Government's trade envoys – both of which are invaluable resource and make a significant contribution to Scotland's presence overseas.

Partnership working is an important element of in-market and local post activities, and colleagues work in collaboration with FCDO and DIT stakeholders through sharing of information and insights, joint activities and, where appropriate, Scottish Government Ministerial visits to market. Examples of this include:

- Scotland's participation in EXPO 2020 Dubai was a sponsorship agreement between Scottish Government and DIT to deliver five daytime activations and three evening receptions within the UK Pavilion at various dates across the six months. This included a St Andrews reception delivered in partnership with Visit Scotland, providing the first opportunity to introduce Scotland's themed year for 2022 - Scotland's Year of Stories. Senior Government representation was provided by UK's Ambassador to the UAE and hosting duties were provided by a senior GlobalScot. A keynote speech was given by Dr Liz Cameron OBE, CEO of Scottish Chambers of Commerce, promoting their in-market trade mission support and delivering vital business connections for and with Scotland. Scottish focused entertainment complimented the promotional and business networking activity, supplemented by curated Brand Scotland digital marketing content. The event was voted "event of the week" at Expo and provided the UK Pavilion with its busiest event to date at that time.
- On Energy Trade, SDI supported a DIT led trade mission to the UK, focused on Hydrogen and Offshore Wind in Q2 2022. The trade mission comprised of 70 delegates. SDI sponsored the Scotland part of the programme, organising networking receptions and company visits. Scottish companies struck partnerships with senior industry leaders from the offshore wind and hydrogen industry in India. Follow up is underway and will pave the way for the upcoming Scottish Government ministerial visit to India in Q3.

Investment

Scotland's Inward Investment Plan highlights the nine opportunity areas which guide SDI's work. These represent areas where Scotland has genuine competitive advantage and where global growth opportunity exists. SDI's Operating Plan further prioritises these opportunities across those international markets in which we operate.

SDI has experienced, inward investment specialists located in North America, France, Germany, Japan, Australia, India, China and Singapore, and these staff lead on our promotion, lead generation and business development activity. As with trade, the SDI investment team collaborate with FCDO colleagues through sharing of information and insights, joint activities and, where appropriate, Scottish Government Ministerial visits to market.

More generally, SDI and DIT share details of our respective inward investment pipelines, and as part of DIT's inward investment work they signpost opportunities to Scotland where they or the potential investor consider Scotland to be the preferred UK location. DIT also promotes Scotland (and nations and regions of the UK) through its High Potential Opportunity (HPO) approach. Scotland has been successful in two bids for DIT's HPO programme, in the areas of Floating Offshore Wind Substructures and Precision Medicine. SDI also collaborates with UK Government's Office for Investment (OFI) to promote large scale inward and capital investment opportunities in Scotland. As part of this, the UK Governments Investment Atlas features some projects in Scotland which are seeking international investment.

We also continue to strengthen DIT relationships overseas, including in Canada, increasing awareness of Scotland's priorities, maximising opportunities in key sectors. For instance, in March 2022, SDI and DIT Montréal hosted a joint inward mission for 7 Canadian space companies that included a multi-day in-person programme focused on the space industry. This was organised to help Canadian companies understand the UK space market and to support growth plans in Scotland, Wales, and England. Selected companies spent time in Edinburgh, hosted by the Bayes Centre and the University of Edinburgh, meeting with SDI, SE, Space Scotland, Scottish companies, and institutes.

Results of our work

We measure the impact of our activities across trade and investment, and a summary of our results for FY21/22 are outlined below to provide insight into the impact of our activities.

Trade

- Trade support SDI provided to companies across Scotland in FY21/22 will result in £1.44bn of planned international sales over the next three years. An increase on FY20/21 which was £1.16bn, a figure which had fallen due to covid-19 from £2.22bn in FY19/20 (pre-covid).
- SDI supported Scottish firms to enter 208 new markets in the past financial year, with a focus on targeting our efforts in priority markets. Top markets included: United States, China, Germany, Spain, and France.
- 176 new products and services left Scotland for these markets in FY21/22. SDI supported companies in more than 30 locations across the world focusing on supporting companies within sectors where Scotland's greatest export strengths lie: Consumer Industries, Science and Technology and Energy and Low Carbon Transition.
- SDI provided specialist trade support to individual companies, including market knowledge, technical expertise and connections and our in-market specialists have worked tirelessly to deliver international trade opportunities. For example, last year 1,179 new trade opportunities were identified for Scotland's exporters. We saw opportunities from Asia Pacific almost doubling compared to FY20/21 levels, reflecting both an appetite from Scottish companies to explore new market opportunities, and the growing opportunities this market offers.
- SDI also led delegations to some of the world's biggest trade events in the past year. These included Expo2020 in Dubai, the China International Import Expo in Beijing and numerous high-profile trade shows in the United States, including the Atlanta International Gift and Home Furnishings Market.

Investment

The publication of EY's latest annual attractiveness survey in May 2022 confirmed Scotland was again the most attractive location for inward investment in the UK outside of London.

- Scotland secured 14% more Foreign Direct Investment (FDI) projects in 2021 (122) compared with 2020 (107). In comparison, there was a 1.8% increase in the number of FDI projects attracted to the UK, while the number of European inward investment projects increased by 5.4% over the same period.
- This ensured Scotland increased its share of the total inward investment projects attracted by the UK, from 11% in 2020 to 12.3% in 2021. Crucially, Scotland's investment destination attractiveness rose to its highest level, with 15.8% of investors rating the country as the most attractive location in the UK for FDI, more than double the 2019 figure (7%).
- According to figures available to EY, more than 10,000 Scottish jobs were generated by FDI projects in 2021, more than double the approximate 4,500 figure in 2020.

- EY's results, which cover the calendar year January-December 2021, aligned with SDI Inward Investment results <https://www.scottish-enterprise-mediacentre.com/news/jobs-and-economic-boost-for-scotland-through-inward-investment> that showed more than 7,500 planned real living wage jobs had been generated by inward investment in FY21/22 (financial year), with 113 investment projects in Scotland supported, 39 of which were investors locating in the country for the first time.

Looking forward SDI aims to deliver further international growth and maximise the impact of our trade and investment activities. To achieve this our focus going forward will be:

- Supporting innovative and ambitious Scottish companies in the science and technology, consumer industries and energy and low carbon sectors to scale up and grow through international trade, with more tailored support for early-stage companies and SMEs to scale up through internationalising. We will target our effort in priority markets, offering the right support according to companies' specific needs.
- Leveraging Scotland's assets in targeted opportunity areas such as hydrogen, to successfully attract inward investment and build strong supply chains. We will also proactively communicate to investors the long-term benefits of investing in a country with a fair work commitment and leading net zero targets, as part of a wider narrative about our values, and provide company support to build capability and capacity in these areas.
- Working in partnership to promote specific Scottish opportunities in key global markets, leveraging our investor relationships to maximise impact. We will expand the pipeline of new capital opportunities, focusing on attracting investment into areas such as hydrogen.
- Building on the work and connections of our overseas networks and bodies such as TalentScotland, GlobalScot and Scotland Europa, to attract early-stage companies, highly skilled talent, and entrepreneurs from abroad and the rest of the UK.

Concluding remarks

Our international approach is underpinned by the deep knowledge our teams have of Scottish companies, the support they need, and the opportunities Scotland provides for overseas investors. This knowledge and understanding of the culture these companies and opportunities are part of, is key to ensuring the effective promotion of Scotland internationally. In addition, knowledge of emerging market opportunities that are important to Scotland e.g., space and renewables and where Scotland has unique resources that allow it to be at the forefront of these areas, drive our ability to achieve international success in these areas.

Working collaboratively and in partnership with others, is embedded within our approach to ensure maximum impact for the companies we support. For example, in most offices we are in overseas, we are now part of the mission in those localities. We see a lot of advantages in being co-located with our colleagues in DIT and FCDO and with other colleagues in Invest Northern Ireland or Welsh Government, or even with some of our regional colleagues.

This is particularly true for trade which is by its nature highly collaborative as it is always a win-win situation for the company. Support from us, in addition to support from colleagues in DIT and FCDO, can only ever help the company. We request that the Inquiry considers ways UK Government partners could engage more strategically with SDI's overseas teams, to ensure increased consistency around information and knowledge sharing and an enhanced collaborative approach to planning.

In relation to FDI, the in-depth knowledge of our specialists is key to ensuring Scotland is effectively showcased as a place for investment. Overall success, however, is when all relevant parties come together around an opportunity, to present a coherent and joined-up ecosystem to prospective investors to help secure investment - and that is something SDI seeks to always encourage. Whilst SDI welcomes its investment focussed collaboration with FCDO/DIT, we believe there is scope for our UK Government partners to increase promotion of Scotland's strengths and capabilities. One such area is around the energy transition, specifically offshore wind, and hydrogen, where the recent ScotWind leasing round will see Scotland becoming the most important part of the UK for offshore wind development, deployment, and investment. In addition, previously DIT operated a successful, structured programme whereby overseas based trade and investment staff undertook familiarisation visits to Scotland to enable them to deepen their understanding of our strengths and propositions, which enabled them to promote Scotland more effectively. SDI understands that this programme of familiarisation trips no longer operates.

We trust the information above will be helpful to the Committee and its considerations, and that it provides helpful insight on the work we undertake via our network, while highlighting the importance of utilising both individual and collective strengths to maximise impact for Scotland.

We believe that the companies and investors we are here to work with should be placed at the heart of the Inquiry and any recommendations that result from the Committee's work. This will ensure we continue to be jointly focused on providing complimentary support to companies and clarity of message and support provision that these companies and investors need.