

Scottish Parliament

Economy, Energy and Tourism Committee

**The public sector's support for exporters,
international trade and the attraction of inward
investment**

March 24, 2010

MSPs Present:

Iain Smith Lib Dem (Convener)

Marilyn Livingstone Lab

Rob Gibson SNP (Deputy Convener)

Lewis Macdonald Lab

Gavin Brown Con

Stuart MacMillan SNP

Christopher Harvie SNP

Panellists:

Iain McTaggart, General Manager, Scottish Council for Development and Industry;

Paul Docherty, Director, British Council Scotland

David Smith, Interim CEO, Scottish Development International

David Lonsdale, Assistant Director, CBI

Alasdair Kerr, Managing Director, Scottish Chambers International

Boyd Tunnock, Managing Director, Thomas Tunnock Ltd

Convener:

Iain Smith opened by welcoming the panellists.

Before inviting brief introductions, he offered an outline to the morning's proceedings which would examine why Scotland is not doing as well as it should as an exporting nation.

Iain McTaggart (Scottish Council for Development and Industry, SCDI)

- SCDI has longstanding interesting international trade and inward investment, SCDI celebrating 50th anniversary
- Scotland exported more per head compared to other [comparable] countries at the height of the electronics boom
- World around has changed and emerging markets act as greater competition

- Lot of good work is being done in Scotland to help galvanise efforts to boost international trade profile

Paul Docherty (British Council Scotland)

- British Council core strength is not exports, rather education and cultural engagement overseas
- Organisation acts as main instrument to support education and cultural exchanges, though there are spin-off benefits in terms of other forms of engagement, including trade facilitation
- Observed Education Scotland faring rather well when compared to the rest of the UK

David Lonsdale (CBI)

- Research suggests that there are good examples of what Scotland is doing overseas; however, now a time of greater competition as nations look towards exports as a route to economic recovery

David Smith (Scottish Development International, SDI)

- Substantial support has been offered to thousands of companies with Scotland on track to realise £300m in the form of international sales opportunities
- Strong customer delivery focus; SDI listens to companies in terms of outcomes needs and support required; helps them to take advantage of opportunities and de-risk when engaging internationally
- Creates opportunities for companies; supports firms/trade delegations. Has been involved in supporting trade delegations to events such the GSM Conference in Barcelona, for example
- SDI helps realise ambitions of Scottish companies, continuously looking at ways to improve services, including Intelligent Exporter programme

Alasdair Kerr (Scottish Chambers International)

- Organisation offers documentation and certification services; works closely with British Chambers of Commerce; this includes having access to their data
- SCI is at the 'frontline;' knows what and where businesses are operating; products, services and their values
- Theme: working in partnership, also offering technical support and training
- SCI has seen exceptional performance by Scottish firms – but must widen business base

Boyd Tunnock (Thomas Tunnock Ltd)

- Company has a good export base, up 25 per cent (15 per cent growth)
- Products are now available in 30 markets overseas, doing exceptionally well in the Gulf (Saudi Arabia and Kuwait)

Open discussion

The Convener opened the general discussion by observing that, according to a CBI report, Scottish firms are most likely sell goods and services in their own region; that in terms of 'globalisation stakes,' Scots would appear to score badly. Panellists were then asked for their views as to why Scots would appear to be less inclined to export?

Here panellists observed that:

- Scots did appear to lack confidence with 'fear of the unknown' playing a major role in any perceived reluctance to engage with overseas markets
- Financial considerations play a part too: it is not cheap to engage with overseas markets, find partners, conduct appropriate market research
- Something missing in the early stages of the process – excitement to export. Despite that, even the smallest of firms can suddenly become global players – if they become interested in international opportunities at an early stage in their development
- Attempts must be made to further galvanise public and private sector support to allow firms to tap into international opportunities
- Confidence does play a definite role and a global mindset must be developed from the outset

Conservative MSP Gavin Brown then asked panellists if they could account for the variation in performance between Scotland and English regions. Here panellists noted that:

- Number of factors involved, including the size of the company base in Scotland and the extent to which they have global competitiveness/ attractiveness. Terrific performance seen in sectors such as oil and gas industry – therefore really depends on shape, scale and size of company base
- Important to grow more companies of scale capable of competing globally
- Foreign direct investment (FDI) plays an important role. Certain strong exporting sectors attract a considerable amount of FDI, example here being the chemicals industry. Scotland needs to generate more such sectors
- Necessary to commercialise further Scottish expertise and R&D base, especially in sectors such as science and technology. S&T sector already attractive, Translational Medicine Research Collaboration (TMRC) cited as an example of significant inward investment by Wyeth (now Pfizer).
- Important to equip leaders with skills to overcome psychological barriers to seize entrepreneurial spirit; do more to improve best practice sharing
- Education plays a role in helping to raise awareness of the world beyond Scotland

Convener Iain Smith then suggested that it might be that there were not enough businesses of scale – because Scotland does not have enough exporting companies. Here it was observed that:

- Significant number of firms 'born with a global mindset', may be because they are involved in a particular technology that lends itself to globalisation
- British Council, which is represented in 110 countries, had been approached by a number of education establishments interested in engaging in China. 'Trick' is to determine what level of intervention is required and manage required support on the ground. Approached by companies interested in moving into China

SNP MSP Stuart MacMillan, observing very few Scottish students possess language skills and even fewer have taken up the opportunity to study in a foreign country, asked panellists what could be done to generate a more global mindset.

- Language learning is near crisis level in Scottish school system; education establishments should be doing all that they can to support young people interested in language learning

- Businesses need to better articulate their need for languages – is there an incentive to learn languages, do language graduates earn more or less than others?
- Also a 'cultural issue'; may be an anecdotal observation, but it would appear that Scotland - and the wider United Kingdom - are late in recognising opportunities. Sense of misplaced complacency at a time when country must look at seizing all opportunities
- Global Scot initiative – a diverse/innovative organisation; Scots should be exposed further to such diversity
- Iain McTaggart (SCDI) noted trade mission funding received from UKTI is worth £50,000 per annum which in turn has been used to help Scottish companies generate over £3.2m worth of business ('a good return on investment'). UKTI, however, is subject to regular changes as well as budget cuts, now perhaps time to put international engagement at the top of any Scottish strategy
- Trading internationally is not an option for all businesses; must have sound fiscal management; too many examples of companies jumping at opportunities without seeking proper advice

Discussion then turned to profile and market enhancing opportunities. Here it was observed that:

- Trade missions result in activity creation at multiple levels. Directories produced, for example, of life sciences and renewables organisations in Scotland are in great demand at trade shows as they help better illustrate partnership opportunities
- Number of other opportunities for Scotland to raise its profile internationally too, including via visits by ministers (including UK level). These work especially well in emerging markets
- Scotland has strong brands – whisky and bagpipes – now required to connect the strengths of such brands with elements of the wider Scottish economy
- Once governments sign MoUs (memoranda of understanding) there needs to be momentum afterwards too; other nations in Western Europe would appear to put more time and effort into realising this aspect of business generation
- Very helpful to have ministers on missions/visits, can help cross sell
- Chinese Consulate in Scotland too is very keen to engage locally; Scotland should also tap into Hong Kong Trade Development Council and JETRO (Japan External Trade Organisation)

Lewis Macdonald, after pointing out that he had led a trade delegation to China, noted construction firms are struggling to maintain momentum and proceeded to ask who such firms could turn to for advice. Response here received was that:

- Business Gateway Portal is a good point of reference offering companies advice; supporting lines of inquiry

Gavin Brown then asked panellists how proactive they were in disseminating information regarding trade missions/opportunities for Scottish firms to participate. Here it was observed that:

- Prior to trade missions and related events taking place a message is circulated to create awareness; SDI (for example) also works with other agencies represented around the table as well as UKTI. (Asia Task Force

meeting [*Doing Business in Asia* event] at Murrayfield in December last year cited as an example) to ensure information is disseminated appropriately

Lewis Macdonald pointing to the oil and gas industry noted that it appeared to have little difficulty generating interest. Here it was noted that:

- Beauty of the oil and gas industry is that it has a worldwide application/knowledge base; other Scottish activity clusters that do well – whisky (F&D) industry for example, with renewables and life sciences developing into key market sectors too

SNP MSP Christopher Harvie pointing to the importance of family networks in Asia; asked if the potential of such networks had been exploited for trade enhancement purposes. Then, noting Germany is a highly decentralised state and that all British Council activity had now been concentrated in Berlin, he also asked if the system of centralisation had worked.

- Here Mr Docherty pointed out it had been necessary to make cuts; BC therefore had to ensure new systems worked

Gavin Brown then asked panellists what comparable countries should Scotland look at as positive examples of international trading success. Responses here included:

- Education New Zealand
- Scandinavia, Republic of Ireland; some regions of England (not South) have an international footprint comparable to Scotland's
- From an inward investment point of view, the United Kingdom performs very well; however, World Bank had also highlighted potential of Sweden and Austria. Finland (FINPRO) had also taken a strong approach towards commercialising R&D. Scotland should perhaps learn from them, would go along way towards helping this country achieve a measure of international success.

Stuart MacMillan then drew attention to the 'Scottish cringe,' especially over the country's 'pipes and tartan' image. Worldwide, he said, such branding items were not used as proactively as they could be; that they should perhaps be used as a hook to lure businesses to Scotland or to boost further Scotland's international identity. It was observed here that:

- Such identifiably Scottish objects conveyed a positive image/had positive connotations
- Secret now is to combine these images, create a 'kite mark' of sorts, use such images to promote and denote (Scottish) quality