Scottish Council for Development and Industry

POLICY SUBMISSION

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE INTERNATIONAL ENGAGEMENT INQUIRY

July 2010

SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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International Engagement Inquiry

1. SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.

SCDI's International Activity

2. SCDI has a rich history in trade development and promotion for Scotland. SCDI spearheaded the attraction of overseas manufacturing investment into Scotland in the late 1940s when it embarked on a campaign to attract companies from the United States – the first time a European country had pursued such a course. Since our first trade visit to Moscow in 1960, SCDI has organised and led 350 trade visits comprising over 5000 participants to 50 markets worldwide.

3. SCDI continues to organise an annual Trade Visits Programme for Scottish companies. These offer a high-profile and supportive vehicle for exporters from any sector to visit a market, to conduct market research, to appoint an agent or distributor or to visit existing customers. SCDI offers a range of business advice, including market information, administrative support, and marketing and networking in the market. SCDI's trade visit programme is financially supported by UK Trade and Investment (UKTI) with a contract awarded annually by Scottish Development International (SDI). Funding has fallen in recent years and is currently £50,000 for the full programme. Markets selected for visits are agreed with SDI. The 2009/10 programme targeted India, South Africa, the United Arab Emirates and China. With this comparatively modest financial support, SCDI's Trade Visit programme in 2009/10 generated immediate and prospective business from the visits worth £3.2m. In the four years between 2005 and 2009, 333 participants in SCDI trade visits have reported business valued at £29.8m. SCDI also works closely alongside VisitScotland in our international activities.

4. SCDI is also working with Glasgow City Council to deliver their 2010/2011 Glasgow Visit Programme. Glasgow companies are now being offered a funding contribution, similar to the UKTI scheme, on trade visits to four key overseas markets with direct links to the city, which are India, North America, Poland and the United Arab Emirates.

5. SCDI has published annual surveys of Scotland's exports since the 1960s. SCDI's International Business Committee meets on a quarterly basis to discuss issues and to exchange information relating to the international business arena.

6. SCDI welcomes the European and External Relations Committee's inquiry into International Engagement. SCDI has called for Scottish Parliament Committees to revisit previous inquiries. It welcomes the Committee's approach of using the 2005 Promotion of Scotland Inquiry report as a benchmark to measure progress.

7. SCDI has worked closely with the Economy, Energy and Tourism Committee on its inquiry into international trade and organised a conference last year on *Global Ambitions: Scotland's International Future* to help focus the debate. It held a policy seminar in May for businesses and organisations involved in international trade, which was led by the Minister for Enterprise, Energy and Tourism Jim Mather MSP, to discuss the key questions in both inquiries. There are clearly shared areas of interest and SCDI would recommend that the Committees should work together closely in finalising their reports and recommendations.

Economic Rationale for International Engagement

8. Scotland is a small, open economy. With a limited domestic population to increase demand for goods and services, exports have always been a priority. However, as with the rest of the UK, in the last decade the Scottish economy has become more dependent on domestic demand and more of a service sector economy as the manufacturing share declined. The Fraser of Allander Institute forecasts that economic recovery is likely to be weaker in Scotland than in the rest of the UK and that the Scottish economy will not return to trend growth until 2012.[1] With domestic demand also likely to be weaker over the next ten years, this will increase the challenge Scotland faces in raising its long-term economic growth rate and achieving the Scottish Government's economic targets. **A key priority will be to rebalance the Scottish economy, with fewer resources devoted to consumption and more to business investment and net exports.**

9. Exporting both benefits the company and adds value for the wider economy. A recent survey of around 500 SMEs highlighted that of the companies which were trading internationally 88% believe internationalisation is 'pivotal' in achieving growth[2]. **SCDI believes that a stretching target should be set for Scottish exports and <u>it should be possible to double their value in the next decade</u>.**

10. If the Scottish economy is to be rebalanced, its high-value exports base will need to grow substantially and diversify. If this is to be achieved in a timescale in which it contributes to the short-term employment challenge and the medium-term growth targets, the attraction of major inward investment will be required. **UK and Scottish Governments and agencies should work together on a strategy to provide targeted support for inward investment in key sectors.** SDI and Scottish Government offices will have key roles in priorities such as attraction of renewables investment and European Investment Bank funding.

11. International tourism is expected to grow strongly in the next decade especially with the increasing size of the middle-classes in emerging markets. China is likely to offer growing opportunities because it seems certain that the Chinese renminbi will be allowed to rise over the next few years, which will increase the affordability of travelling to Scotland. Research suggests that the industry's added value contribution to the UK economy could grow at 3.5% per annum over

[1] http://www.strath.ac.uk/media/departments/economics/fairse/Latest-Fraser-of-Allander-Economic-Commentary.pdf
[2] http://www.hsbc.co.uk/1/2/business/paid/business-support

the next decade, 250,000 jobs could be created and spending by foreign visitors could almost double from £16bn to £31bn[3]. **Scotland must capitalise on this opportunity. This will involve investment (including inward) in large tourism developments and in existing hotels, guest houses and visitor attractions, and global marketing by businesses. Business tourism, which accounts for almost a quarter of tourism spend, will have a central role.**

12. **The Scottish Government's strategy for international relations should increasingly prioritise supporting the higher exports which are necessary to generate sustainable economic growth and funding for public services.** SCDI believes that this overriding, long-term economic rationale for international engagement and expenditure should also be the principal focus for this inquiry. SCDI notes the 54% real terms increase in international spending between 2004-05 and 2009-10 and that this remains below 0.1% of the total Scottish budget. **The Committee should consider both the expenditure on international engagement and the income directly or indirectly generated for Scotland.**

In your opinion, is there a clear, coherent, co-ordinated and well-resourced strategy for international relations within the Scottish Government and its agencies?

13. **There has been progress in developing greater coherence and co-ordination in support of Scotland's international ambitions**. Scottish Government, SDI and VisitScotland strategies are communicated to stakeholders and the opportunities to contribute during consultation periods are open. The agencies' strategies fit clearly into the Scottish Government Economic Strategy.

14. **If there remains any missing link it is often the understanding of the end-user i.e. the potential exporter, the business seeking advice or signposting, the small tourism business about the practical impact of Government strategies and priorities for their business.** It is primarily these Scottish businesses and organisations which will deliver the tangible results accounting for the strategy's success or otherwise. **SCDI believes that the target to double Scottish exports needs to be underpinned by a more co-ordinated, long term export strategy, at both a UK and Scottish levels, with greater focus and resources allocated on supporting companies to access markets.**

15. To heighten awareness, **there should be consistent and on-going promotion of the resources available to help businesses maximise their potential, alongside promotion of the tangible benefits which have accrued to Scotland's economy as a result of the activities defined in the strategy.**

16. There are still apparent exclusion zones for companies which are not account managed, designated with high growth potential, located within priority sectors etc. While there may be valid reasons for segmenting businesses in this fashion, in the light of limited public resources, **there could still be greater clarity around the practical measures arising from strategy plans for potential**

[3] http://www.visitbritain.org/Images/EconomicCaseforTourism_tcm139-168288.pdf

beneficiaries – in other words, is practical help actually available, and if so how is it best accessed? And, to mirror this, **there should be much more extensive evidence of practical outcomes and successes which illustrate good value returns on investment – at micro level, as well as aggregate level.** This might aid understanding amongst a wider audience about the strategies and value of interaction with the Scottish Government and its agencies. The annual Global Connections Survey results should be accompanied by meaningful insights and explicit commentary about Scottish progress against objectives in key markets, and be made widely available.

17. **The merger of trade and investment objectives within SDI operations is entirely logical and it has been beneficial. Scotland's Government and public sector agencies should continue to pursue opportunities for a deeper level of intelligence-sharing and seamless support of exporters and investors.** This will help ensure maximisation of opportunities, and a better approach to cross-selling Scotland's strengths to international markets.

18. **No single public or private sector organisation can address all the needs which have been identified and deliver a Scottish export strategy and target. Partnership working which accentuates the powerful 'Scottish brand', especially in emerging markets, is essential.** SCDI welcomes the creation of industry-led organisations for priority sectors, such as Scotland Food and Drink. This has created opportunities for better joined up thinking and marketing, recognising the co-ordinating role that organisations such as VisitScotland can play in co-ordinating international branding and reputation.

19. **There is scope for greater private sector involvement, and perhaps leadership, in ensuring that all Scotland's resources, knowledge and expertise are aligned to support the development of other Scottish businesses and organisations seeking to enter new markets.** Increasing the number of Scottish businesses operating in international markets is vital to Scotland's economic recovery. Evidence from our overseas visits demonstrates the added value that a support network in market can provide to SMEs looking to break into new markets. **SCDI believes that the existing international presence of 3 Scottish government offices and SDI's 21 offices could be more effectively utilised if aligned with private sector Scottish operations based in the same locations.** This would maximise the effectiveness of Scottish focussed investment in these locations. **This extended network of private and public offices could be rebranded as Scottish Trade Centres. This would create a virtual global network of Scottish business support centres offering advice and in-market expertise across both public and private sectors.** These centres could also identify useful business contacts, promote attendance at trade shows and offer facilities and services (e.g. press and marketing support) for visiting Scottish companies. They should be proactive in identifying emerging opportunities in the market rather than always responding to central directions or an individual company. **More effective use of existing support networks would help to deliver a greater return on investment and would play a key part in achieving our ambitions to double the value of Scottish exports in the next decade and grow our international capability.**

20. **VisitScotland should continue to strengthen collaboration with Destination Management Organisations as these offer strong private sector leadership.**

21. Scotland's enterprise networks are the main delivery agencies in supporting the global ambitions of Scottish businesses. **SCDI has questioned whether, in view of the economic challenge, the allocation of funding to them for this purpose should not be greater. There is a need for a fundamental review of funding to the enterprise agencies to determine their role in rebalancing the economy. At the same time, there needs to be greater market determination and input into the allocation of resources and budgets.** SCDI welcomes the new inquiry by the Economy, Energy and Tourism Committee.

22. **SCDI notes that SDI's marketing, trade missions and events spending declined by 7.8% between 2004-05 and 2009-10.** While increased efficiencies and a move from print to online media are welcome, **SCDI is aware of concerns that reduced financial support for exhibitions where a Scottish presence is important for SMEs, for example the reception hosted by Ministers at the European Seafood Exposition in Brussels, has had a negative impact.**

23. SCDI notes the finding that VisitScotland international spending decreased by 23% between 2004-05 and 2009-10. This is a substantial reduction in the budget, although a one-off payment in 2004-05 partly accounts for the fall. **Tourism marketing has direct, measurable and immediate results, and it is important that VisitScotland is resourced to lead, innovate and collaborate with the industry and work with Scotland's major airports to attract inbound flights.**

Are there any specific successes or failures that you would wish to highlight?

24. In a UK context, Scotland's export performance appears respectable. The Global Connections Survey for 2008 showed a very creditable performance with Scottish exports increasing by 8%.[4]. While there were large falls in manufactured export sales in 2009 due to the global recession which will undoubtedly be reflected in the 2009 survey, the latest National Statistics Quarterly UK Regional Trade Estimates showed that the value of Scottish exports of all goods rose by 3.5 per cent over the year to March. At the same time, the HMRC figures showed the value of exports for the UK as a whole fell by 5.3 per cent[5]. However, surveys also suggest that while, on average, Scottish exporters sell a higher value of goods abroad than UK exporters, there are fewer exporters in Scotland. **Increasing the total business base of Scottish companies exporting should be a priority.**

25. Scotland has performed strongly in attracting foreign direct investment (FDI). FDI Magazine in 2008 named Scotland as the European Region of the Future. The latest European Attractiveness Survey by Ernst & Young found that Scotland has maintained its ranking as the third most attractive destination in the UK for inward

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[4] http://www.scotland.gov.uk/Resource/Doc/919/0093113.pdf
[5] http://www.scotland.gov.uk/News/Releases/2010/06/11084445

investment, and that, despite the recession, the number of overseas investment projects fell by just two to 51 in 2009[6]. Over the long term it is the next most successful location after London and the South East and has been positioned third every year since 2006. It has had particular successes in life sciences, energy and engineering, ship and marine, and business and financial services.

26. The Financial Scrutiny Unit Briefing on International Expenditure identifies that in 2004-05, the largest spend on international offices and overheads by SDI was in North America, 41% of the total, whereas in 2009-10, over 40% was incurred in the EU region (including the Moscow, Dubai and London offices). While spend increased in all regions, the scale of increase was largest in the EU region. Spend related to overseas offices in Asia has increased 83% over the period, with the number of staff increasing from 13 in 2004-05 to 21 in 2009-10, but total spending in Asia as a percentage of overall spending was relatively stable (14%).

27. In considering the effectiveness of this spending, it may be worth the Committee comparing those shares with exports and inward investment statistics over the period. These tables show exports by geographic regions and country markets:

Table 3: Exports by geographic region [1] (£million), 2004 - 2008

Destination	**Total Exports (£millions)**				
	2004	**2005**	**2006**	**2007**	**2008**
European Union 27	9,240	8,400	8,675	9,155	9,525
Rest of Europe	1,340	1,335	1,290	1,595	1,635
North America	2,575	2,900	3,080	3,095	3,330
Central and South America	470	485	560	565	665
Middle East	735	730	865	710	970
Asia	1,835	1,795	2,105	1,905	1,775
Africa	645	620	710	785	790
Australasia	250	200	440	225	280
Unallocable	785	830	805	965	1,690
Total	**17,875**	**17,295**	**18,530**	**19,000**	**20,660**

Rank	**2004**		**2005**		**2006**		**2007**		**2008**	
	Destination	**Total Exports**	**Destination**	**Total Exports**	**Destination**	**Total Exports**	**Destination**	**Total Exports**	**Destination**	**Total Exports**
1	USA	2,335	USA	2,620	USA	2,825	USA	2,775	USA	3,100
2	Germany	1,670	Netherlands	1,495	Netherlands	1,450	Netherlands	1,675	Netherlands	1,635
3	Netherlands	1,525	France	1,235	Germany	1,240	France	1,400	France	1,535
4	France	1,310	Germany	1,180	France	1,185	Germany	1,345	Germany	1,300
5	Spain	910	Eire	795	Eire	915	Eire	860	Spain	995
6	Eire	775	Spain	775	Spain	810	Spain	835	Eire	960
7	Italy	585	Belgium	655	Italy	560	Italy	560	Norway	610
8	Sweden	575	Italy	525	Sweden	540	Belgium	515	Italy	540

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http://www.ey.com/Publication/vwLUAssets/2010_UK_attractiveness_survey/$FILE/EY_2010_UK_attractiveness_survey.pdf

9	Belgium	535	Sweden	510	Belgium	480	Switzerland	515	Sweden	520
10	Norway	495	Norway	405	Norway	450	Norway	495	Belgium	495
11	Switzerland	340	Switzerland	380	Australia	375	Sweden	485	Switzerland	415
12	Denmark	325	Denmark	290	Denmark	355	Denmark	425	Denmark	380
13	Japan	315	Canada	280	Japan	315	Japan	380	UAE (5)	360
14	Singapore	315	China	275	China	305	Canada	320	Japan	300
15	Canada	235	Japan	250	Singapore	290	UAE (5)	270	China	295
16	Finland	230	South Korea	235	Switzerland	280	China	255	Singapore	245
17	South Korea	225	Singapore	225	UAE (5)	260	Singapore	245	Australia	235
18	Australia	220	South Africa	210	Canada	255	South Africa	235	Greece	230
19	China	220	Finland	205	Malaysia	225	Australia	200	Nigeria	230
20	UAE (5)	210	UAE (5)	205	South Korea	215	Russia	195	Canada	230

28. It is clear that the EU remains by far Scotland's largest geographic regional market for exports. However, there has been greater growth in the period 2004 – 2008 in exports to North America and the US is very evidently the biggest country market. The USA also contributed 53% of total inward investment to Scotland in 2007/08. The principle reason why Scotland is a leader in the attraction of FDI is that it is a location of choice in securing US investment. While exports to China have shown growth, exports to Asia as a whole have fallen. Exports to the Middle East, especially the UAE, have increased significantly.

29. Export figures are influenced by a wide range of factors, such as exchange rates, and expenditure on international offices and overheads needs to be judged in the long-term. However, it would be worth exploring whether the balance is correct. **How have SDI's new offices performed? How does the performance of different forms of SDI market presence compare e.g. standalone SDI offices compared with SDI presence within British embassies or consulates? Was it correct to increase expenditure in Scotland's largest geographic export market at a far faster rate than its biggest country market and source of inward investment? Why are expenditure increases apparently not more closely reflected in outcomes? Do the statistics for Asia justify a stable percentage of overall expenditure or, given the growth of its emerging markets, imply that it has been insufficient or may have been better spent?**

30. Emerging markets will clearly grow in priority. The latest UKTI survey shows that almost 60 per cent of companies expect to derive more than one fifth of their global revenues from emerging markets in 5 years - almost double the current proportion.[7] Forecasts suggest that in the next 10 years emerging markets will grow faster than developed markets and global trade will grow 3 times faster than global GDP.[8] Ernst & Young suggests that while India and China will continue to grow and in total economic size perhaps outgrow the US economy within the decade, this does not necessarily translate into large amounts of direct investment in Europe because there are many more exciting prospects for investors from India and China in Asia. A key theme is emerging, however, and

[7] http://www.scdi.org.uk/tm/Docs/EmergingMarketsintheGlobalRecession.pdf

[8] Alan Keir, Group General Manager, Commercial Banking, Europe and Global Co-Head, Commercial Banking, HSBC Group, Presentation to SCDI conference on *Global Ambitions: Scotland's International Future*, Tuesday 1 September 2009

that is that Chinese investment, predominantly manufacturing in nature, is increasingly likely to look towards Germany whilst Indian investment, more focused on the service sector, is more likely than not to gravitate towards the UK.

31. International trade visits are a proven way of facilitating entry to new markets by SMEs, mentoring and generating new business. There is no better way of learning about exporting and assessing a market than with support from peers in the market. Face-to-face meetings are vital in appointing an agent or distributor and making contact with potential customers. Trade visits also help SMEs to sustain their market presence and placement when economic times are tougher. Both sectoral and cross-sectoral trade visits have particular advantages. **Research and results demonstrate that cross-sector trade visits enable greater interaction and mentoring between participants. SDI and UKTI should support the expansion of this activity and introduce a guaranteed 3 year rolling programme of trade visits.** This longer-term programme would enable businesses to forward plan and invest in those markets. Larger emerging markets can be very challenging for SMEs because of the competition, costs, risks and cultural differences. They would benefit from visiting “less difficult/ nursery” markets first. **The programme should include a mixture of larger emerging markets and more familiar markets, such as European markets.**

32. **The more focused business approach which has been taken in recent years to Scotland Week in the US has been beneficial. Further emphasis on public/private sector partnership in this programme should be maintained.**

33. SDI’s advertising campaigns in recent years have been effective in using an iconic Scottish product, such as golf or whisky, as a hook to introduce people to other Scottish strengths that are less well-known internationally, such as biotech.

34. The Year of Homecoming Scotland delivered a £44m boost to the economy, worldwide marketing and PR awareness. **Recent tourism figures show that visitor numbers to Scotland grew by 2.9% in 2010 bucking a 4% drop in international tourism numbers across the world.** It also encouraged a number of expatriate Scots to re-engage with Scotland. A strong public-private partnership was established. **SCDI welcomes their plans for Focus Years between 2010 and 2013 and a further Year of Homecoming in 2014.**

35. The Scotland House model in Brussels has been an effective champion of Scottish interests. **There is merit in encouraging a coherent Scottish presence in key markets through the co-location of public sector agencies and private sector interests, to give added profile to Scotland’s presence.**

36. Scotland’s cities and regions have key strengths which should be globally marketed. **SCDI believes that international strategies should be developed for each of Scotland’s cities and regions which align with Scotland’s overall international strategy, and delivers against the cities and regions economic development agendas.** Scotland’s public sector and trade unions have developed links with their counterparts overseas, for example in China.

These networks could open doors for Scottish companies in these markets and Scottish trade visits would be strengthened by their participation. Angus is a good excellent example of a region working with SCDI, UKTI and SDI to embed a sister city relationship in China. Its local government to local government relationship has opened doors to a range of partnership in business, schools and higher education, golf and cultural activities. As a result, high-spend tourism in Angus has been stimulated and the Council was able to secure a special deal for its businesses when company costs were increased in China.

37. The Financial Scrutiny Unit Briefing on *International Expenditure* highlights that international spending by the Scottish Qualifications Authority has grown by more than sevenfold between 2004-05 and 2009-10, but that income has also risen substantially and in 2009-10 international income generated exceeded expenditure by £0.5m. This supports and develops education and training internationally, while also providing funding for public services in Scotland. **SCDI believes that, capitalising on the highly regarded Scottish education and qualifications systems, there are opportunities for colleges, universities and employers within key industry sectors to form alliances which export learning and skills development to global employers and governments.**

38. **There could still be greater practical benefit derived from the GlobalScot network.** This network comprises an impressively high calibre of individuals ready to support other Scottish businesses in international markets. Having been established for a number of years, we should expect now to see the clear value of investing in such a programme to deliver visible benefits for Scotland. **While there are undoubtedly success stories from this initiative, we should have higher expectations of outcomes at this stage. SCDI has recommended that the benefits of the GlobalScot network should be maximised by increasing its profile and making it more open and accessible for Scottish businesses. We have suggested linking its members to the new Scottish Trade Centres.** There is an appetite among many larger exporters and successful Scottish-based entrepreneurs to mentor SMEs trading overseas, but this has not been fully exploited to date. **To tap into this expertise, SCDI recommends a higher profile for and agreed access to a domestically-based GlobalScot network.**

39. All Scots, **but especially Scottish business people working in emerging markets, could also play their part as ambassadors for tourism in Scotland.**

40. **SCDI believes that there should be greater synergy between Scotland's trade, tourism education and cultural activity.** Cultural or education links could be used to improve business links or vice versa, for example the links which Edinburgh International Festival has established with other festivals. **As the new strategic organisation tasked with leading the development of the arts, creative and screen industries across Scotland, Creative Scotland should be rapidly integrated into Scotland's international strategy.**

41. Market-specific intelligence is vital to improving the ease, efficiency and accuracy with which an SME assesses specific overseas market opportunities and needs.

Feedback is varied on the support levels given to companies to access market intelligence. **It is important that Scottish Enterprise, HIE and SDI provide a consistently high-quality service and consider the growth potential of each business – not just whether it is in a priority sector - and that these services are made available to all companies which may benefit from them.**

42. SDI has organised ‘in-missions’ from visiting governments and businesses to Scottish companies which have been well-received. More are requested. Some Scottish companies on trade visits report that follow-up support from SDI could be more consistent, such as with help to get responses from contacts on visits.

Is there anything we should learn from the successes of other regions and their initiatives?

43. SCDI welcomes the Committee’s research into comparable regions and nations and their international activities and infrastructure. It is worth considering that while Flanders Trade and Investment had 77 offices in 2005, it now has over 90.

44. The Business Club Australia programme was developed around the Sydney Olympics in 2000. Since then it has facilitated A$1.7bn in export sales around major international events. This model has also been replicated in India, Canada and New Zealand. Scotland boasts a range of world class facilities and resources which make it one of the leading event destinations in the world and it will host the 2014 Commonwealth Games. **The creation of BusinessClub Scotland can help to building the international capacity of Scottish businesses in major cultural and sporting event delivery. SCDI believes that the potential for growth in the events industry should make it one of the priority sectors.**

In 2005 you organisation made a range of useful comments on the then Scottish Executive’s international work. What would you say now in regard to each of the comments below?

45. “Are we making the most of our limited resources and obtaining value for money? Are project and initiative objectives clear and outcomes openly evaluated? Are projects and links openly evaluated in monetary cost and economic value terms? Do all stakeholders (not only governmental bodies) know where they fit into the process? Being kind, the answer is we don’t know. Being realistic, the answer is no.”

46. **The issue of transparency regarding returns on investment against public resource expended is still not fully addressed. It should be possible to evaluate all projects of a reasonable value in order to demonstrate successes and ensure lessons can be learned from unsuccessful projects. The outcomes of publicly-funded programmes should be fully accessible.**

47. “Currently, there is a mix of relevant but un-focused programmes run by various departments, agencies and organisations such as Scottish Development International [SDI], VisitScotland etc. For example, current SDI target markets

differ for trade and investment and they differ from Executive Link Partners, which again differ from VisitScotland target markets which can further differ from the new direct air route destinations we seek to create through the Route Development Fund."

48. **This is less relevant now, as there is greater clarity in respective strategies.** However, the Scottish Government has published a number of plans which outline their aims and aspirations for engagement with particular countries, including their contribution to Scotland's sustainable economic growth. **It should be clearer how the Scottish Government's plans relate to those of its agencies – and how they have a positive impact on businesses and other stakeholders. The engagement of the private sector is weak and key industries may not feature. Communication with businesses needs to improve with clearer links between objectives and activity, such as increased trade visits, and clear measurements and outcomes attached.** It is also worth considering what further activity supported the opening of SDI's new international offices since 2004-05, and its recent investments in other locations.

49. **The link between international engagement and transport connectivity remains a concern.** The development of a good airport infrastructure and direct air links to other economic centres are vitally important to the competitiveness and internationalisation of an economy. Scotland was able to attract the Glasgow-Dubai route 5 years earlier than would otherwise have been the case with the support of the Scottish Government-funded Route Development Fund (RDF). It is now a very successful route, with a second rotation planned, and it has been a factor in the growth in Scottish exports to the Middle East in the last five years. However, the expansion of Scotland's route network has stalled in the last few years following cancellation of the RDF following more restrictive guidelines from the European Commission (EC) and the economic downturn. The EC is at present reviewing its guidelines and is expected to consult on any proposed revisions later this year. **The Scottish Government should seek to reinstate the air route development fund, subject to European legislation.**

50. "The [Executive's International] strategy and projects must be properly resourced but a clear link should be drawn between project investment levels and ensuring a suitable return on public investment through using open evaluation cycles."

51. **As with 46 – open evaluation should become the norm on an on-going basis (rather than changing strategies before they are properly evaluated).** For example, SCDI is able to publish the level of investment of public funds in its trade missions against the value of business generated, as reported by the participants. **This kind of transparency of outcomes across all public-funded initiatives will help to provide an accumulative perspective on progress and help to motivate and sustain interest in Scotland's international activity.**

52. "Despite a growing interest expressed by SCDI and Scottish companies in the opportunities arising from EU Enlargement, SDI [Scottish Development International] did not give its support to SCDI project proposals for accession

markets in the 2002/2003 programme, as these markets do not apparently figure in SDI's own priorities. This decision was discovered at the eleventh hour, lobbied against and subsequently reversed. However, the perception had already been created with UK embassies and other organisations in the countries concerned that Scotland was not interested in their markets and some disquiet was expressed as a consequence."

53. **This specific issue is no longer live. However, the point that Government and its agencies should also reflect demand from and communicate with businesses and organisations they purport to support is still relevant.** SCDI continues to believe that there will be significant opportunities for businesses in Central and Eastern Europe and that its markets can be nurseries for exporters.

54. "Our recent experience since 1999 is that Executive Ministerial involvement on SCDI Trade Missions compares poorly with Scotland Office Ministerial involvement. There has been no Scottish Executive Ministerial involvement in the 26 trade missions organised since July 1999 by SCDI. In contrast, the Secretary of State for Scotland led SCDI trade missions to Hong Kong and Estonia in that time. We believe Scottish Ministers or MSPs working alongside companies in foreign markets would add value and if a smaller number of preferred external regional partners can be identified for the strategy then Ministers and MSPs should be more available to work with missions targeting these particular regions."

55. **Ministerial activity, trade visits and tourism visits should be co-ordinated, especially in emerging markets.** Ministers should be accompanied by a delegation of businesses and help to facilitate meetings and host receptions. **There has been a transformation in this regard, in that Scottish Government Ministers are now eager to lead trade delegations.** First Minister Alex Salmond MSP led a recent SCDI trade visit to China and Cabinet Secretary for Education and Lifelong Learning Mike Russell MSP to India. This brings greater profile and coherence to Scotland's overseas trade efforts. At the same time, **we need to ensure that Ministers engage with, and support, these businesses in the market – and represent Scottish businesses on issues of concern,** rather than exclusively advancing the agendas of their own public sector agencies. **Ministerial visits should be published in advance to ensure there are opportunities for players across the Scottish economy to be involved in Scotland's agenda for the market being visited. Ministers should be briefed on the trade issues faced by Scottish exports,** such as whisky, **so that they can lobby their counterparts during overseas visits.**

56. "The current situation suffers from a lack of clarity and a lack of focussed intent and there remains a further confusion between the Executive's own external relations strategy and the potential for a wider, national framework external relations strategy."

57. As has been previously mentioned, there is now less confusion. **A co-operative approach, collaboration with organisations with a proven track record and**

outsourcing of projects could provide even greater clarity and value for money, and create a genuinely national framework for international engagement. The Smart Exporter is an example of such as private-public sector partnership. It is a skills development programme which aims to help Scottish businesses to increase their effectiveness and success in exporting overseas.

In 2005 your organisation said in regard to the Scottish International Forum (SIF), which was the main point of co-ordination, but is now of course defunct. What would you say regarding co-ordination now?

58. "This Forum, although initially creating a useful opportunity for wider dialogue, could be more effective and focussed if it was able to work within the context of a published external relations strategy."

What would you say regarding co-ordination now?

59. In addition to the comments which SCDI has already made on co-ordination, it would add that **there is a continuing need to join-up international activity by the Scottish Government, SDI, and the public sector, with international activity by UK embassies and trade agencies. While UKTI and SDI are generally working more closely together, feedback to SCDI indicates that there can be confusion on their roles abroad and the impression of duplication of effort at home.** This is said to be especially true in relation to oil and gas as UKTI has its Oil and Gas HQ in Scotland and is well-established.

60. Trade issues, such as those faced by the whisky industry, are dealt with by UK embassies and UKTI, but SDI offices should continue to keep abreast of them. There is an important role for the Scottish Government Brussels office in working with this industry and others to influence and interpret relevant EU legislation.

61. **While UK eembassies generally do a good job and are helpful, changes to the international strategies of the UK Government and UK agencies, such as UKTI, are not always aligned with Scottish interests.** VisitBritain has focused resources on marketing Scottish tourism in new and emerging markets, enabling VisitScotland to focus on developed markets. But VisitBritain's funding has been reduced. The decision to axe Food for Britain was a blow to many Scottish food exporters, though, fortunately, Scotland stepped in to replace it.

62. The Scottish Government has aimed to promote Scotland overseas as a good place to live, work and study, encourage students who are able to do so to stay in Scotland after graduation, and promote Scotland as a destination for people taking up work permits. For businesses and education, UK Border Agency rules have not always appeared to be aligned. **The Scottish Government should seek to influence new UK Government's immigration policy, both the threats and the opportunities e.g. the plans to attract more entrepreneurs.**

63. UK and Scottish Government action at home should be informed by the impact in international markets. **A more commercial, export-orientated mindset needs to be ‘mainstreamed’ through all parts of government not just enterprise.**

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