Connecting Scotland - How the Scottish Government and its agencies engage internationally

Scottish Enterprise (SE)

Introduction

Scottish Enterprise (SE) is pleased to provide this submission in response to the Committee’s inquiry into international engagement.

We welcome this inquiry. Scotland’s future economic success will come from greater international engagement and greater international competitiveness among our companies.

We have set out our response in line with the call for evidence, addressing each theme in turn.

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- Q2. What has the Scottish Government’s international strategy achieved since its refresh in October 2012 and what has the EU Action Plan achieved since it was first published in 2009? Has the international strategy enabled “Scotland to flourish on the international stage, thus increasing economic growth for Scotland”?

- Q3. What can be learnt from the approaches of other sub-state governments? In particular, how do the EU and international offices of other sub-state governments operate and what tangible outcomes do they achieve?

Strategic context; the economic importance of international engagement

Scotland needs to engage and succeed on an international level to achieve strong and sustainable economic growth.

An internationally competitive Scotland depends on a complex inter-play of factors, such as how innovative, active and effective Scottish companies, people and institutions are in engaging with international partners and operating in global markets. To engage and compete effectively, Scotland needs to develop a talented and adaptable workforce with a global outlook, as well as attract and retain mobile, global talent.

Scotland’s international competitiveness also depends on how well Scotland understands and adopts the best international knowledge, know-how and work
practices and how attuned it is to shifting to more distant markets where there are clear growth opportunities.

This will require engagement from partners across Scotland, both in the public and private sectors. It also draws on the international approach of universities and the supply chains of large global companies with a presence in Scotland to help access growth opportunities in international markets.

Q1. Is there a clear, coherent and well-resourced strategy for European and international engagement within the Scottish Government and its agencies?

The Scottish Government's approach to international engagement is driven by the **Government Economic Strategy** (GES) which sets out a range of priorities and actions designed to support Scotland’s international competitiveness. This includes the provision of targeted support to business in the pursuit of opportunities outside of Scotland, the development of internationally competitive firms and the attraction of investment.

The Scottish Government **International Framework** sets out how they will co-ordinate their international engagements and activity alongside partners. The Framework identifies sectors where Scotland has competitive advantage and highlights plans and approaches to engage in important markets, such as the US and Europe, while retaining flexibility in sector and market approaches to wider global engagement.

The Scottish Government highlighted in their **Programme for Scotland 2014-15** their intention to establish **One Scotland partnerships**. These will set out clear trade and innovation goals for specific international markets, as well as consider opportunities for the wider public sector, business, industry, universities, Innovation Scotland and Innovation Centres, NGOs and Scotland’s international community to contribute to their delivery.

**Scottish Enterprise Business Plan 2014-17**

In responding to the GES and International Framework, SE is helping to build Scotland’s international competitiveness through attracting investment and talent to Scotland and supporting ambitious Scottish companies to build and deliver their growth ambitions over the long term. As set out in its Business Plan (2014-17), SE helps companies identify new growth opportunities and broker valuable business relationships through Scottish Development International’s (SDI) network of international offices and indigenous and global business networks, such as GlobalScot.

Companies that export increase their competitiveness, diversify their customer base and are likely to have greater long term security and sustained growth. Recognising this, SE is intensifying efforts to help ambitious Scottish companies and sectors engage and succeed internationally.
Scotland’s International Trade and Investment Strategy

Both the GES and International Framework highlight the importance of SDI in helping deliver international trade and investment activities and building Scotland’s international competitiveness.

SDI is the trade and investment arm of SG, SE and Highlands & Islands Enterprise (HIE). It has a critical role in harnessing the collective effort of Scottish partners towards a more outward-looking and globally-connected Scottish economy. Scotland's International Trade and Investment Strategy (2011-2015) sets out goals, priorities and drivers, ensuring partners take full advantage of global opportunities to maximise the economic benefits for Scotland.

SDI’s key objectives are:

- Attract investment and talent which builds on Scotland’s globally competitive sectors;
- Raise the aspiration and ambition of more Scottish businesses to think, compete and trade globally;
- Actively work with others to increase the global competitiveness of the business environment in Scotland;
- Enhance Scotland’s business image globally and positively contribute to the wider promotion of Scotland internationally.

European Engagement

Effective engagement with the EU is an important part of SE’s priority of building international competitiveness. This reflects the importance of Europe, which accounts for 45% of Scottish exports, as a trading partner. It also reflects increased opportunities in EU Structural and Investment Funds (ESIFs) 2014-2020, Interreg (inter-regional co-operation), and in competitive EU funding programmes centrally managed from Brussels, such as Horizon 2020\(^1\), COSME, Erasmus+ and LIFE.

Set within the context of Scotland’s International Framework, the SG’s strategic approach to EU business is set out in the Action Plan on European Engagement. This details the rationale for Scotland’s engagement in the EU, focussing on key areas where Scotland can achieve real benefits in the long run.

SE’s approach to EU Engagement combines dedicated resources and effort across operational and sector teams, built around two main channels;

1. Scotland Europa

A subsidiary of SE, a membership organisation bringing together private, academic and third sector organisations, and public agencies including Historic Scotland, SEPA, SFC, SNH and VisitScotland. Reflecting the increasing policy importance of the EU, Scotland Europa’s membership has grown from 11 members in 1992 to 58

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\(^{1}\) EU Framework Programme for Research & Innovation
members today. Scotland Europa has a team of 21 staff in Brussels and Scotland (Glasgow) who provide a number of services:

- **Profiling and promoting Scotland** through Scotland House, the representative office for Scotland in Brussels, which houses Scotland Europa, the SG EU Office, a Conference Centre, and offices for Scottish member organisations such as Highlands & Islands European Partnership, SSE, and other UK and European partners. Scotland House hosts policy events that promote Scottish expertise in priority areas such as energy and climate action, and innovation and research. Scotland House is also used for cultural diplomacy events, in particular around the Scottish winter festivals.

- **Coordinated EU policy and funding support** – Scotland Europa provides support and services to SE and its members, including early intelligence and analysis of EU policy developments, strategic advice on how to influence policy, and advice on EU funding, including financial, compliance, project and programme support.

- **Networking and partnership building** – Scotland Europa coordinates SE’s and its members’ liaison with the EU institutions. Scotland Europa also engages with a number of networks and platforms at EU level to further Scotland’s position in Brussels and beyond, and draw on policy learning from others.

2. **Enterprise Europe Network Scotland**

Staffed by a team of 12 in Scotland, this is part of a European innovation, technology and business network connecting 4,000 experts in over 600 business support and economic development organisations across 50 countries. These organisations work together to support SMEs to innovate in the international arena, helping to build global partnerships and access EU Programmes, projects and funding.

In 2014, SE established an **EU Coordination Group**, chaired by Scotland Europa, as a forum for SE teams involved in EU activities to coordinate, share and discuss priorities, projects and actions. The group focuses on SE-specific projects and support mechanisms across all EU policy areas, including the new ESIFs and Horizon 2020, and key platforms and networks for EU engagement.

| Q2. What has the Scottish Government’s international strategy achieved since its refresh in October 2012, and what has the EU Action Plan achieved since it was first published in 2009? Has the international strategy enabled “Scotland to flourish on the international stage, thus increasing economic growth for Scotland”? |

Within the strategic framework set out above, SE and SDI have delivered a range of successful interventions which are helping to build Scotland’s international engagement. These are enabling partners in industry, the public sector and academia to flourish on an international stage and increase Scotland’s economic growth.
SDI’s consistent approach to sales and marketing has helped attract investment and supported Scottish companies to internationalise. SDI has built organisational capacity and competencies, along with its brand, support products, services and market intelligence over a long period of time.

Global Presence Supporting Companies

Scottish companies benefit from the bespoke advice and support of over 100 staff in **SDI field offices** to help build their international engagement strategies. These offices also play a vital role in identifying and delivering inward investment opportunities to Scotland. Since 2012, SDI’s global footprint has increased by a third to 29 offices (including London) and SDI now has a presence and expertise in the following regions:

- Europe, Middle East & Africa; 9 offices in 8 countries
- America; 8 offices in 3 countries
- Asia Pacific; 12 offices in 6 countries

SDI field office staff work closely with international colleagues in the SG and Foreign and Commonwealth Office in locations such as Toronto, Brussels and Beijing.

SDI engages closely with UKTI, offering their products and services to Scottish companies. This partnership is vital to ensuring that companies based in Scotland benefit from an integrated package of international support services. UKTI provides market intelligence and, in some geographies, access to markets where SDI does not have a physical presence. UKTI staff based in Embassies and High Commissions also offer SDI both economic and business insights, often with commercial implications.

Air Connectivity

Given the importance of Scotland’s **air connectivity** to building international competitiveness, SE and HIE support and develop aviation activities through a **One Scotland** approach, with public and private sector partners including Transport Scotland, VisitScotland, and airports. Working together, they have supported important new routes including:

- Edinburgh: Chicago, Philadelphia, Doha, Abu Dhabi
- Glasgow: Helsinki, Isle of Man
- Inverness: Amsterdam

Building Scotland’s profile

To support the SG’s international engagement, SDI continues to work closely with Minister’s offices and Government Divisions, making proactive recommendations as to where Scotland can achieve the most economic impact from overseas visit programmes. Recent engagements include:
**USA – Houston (May 2014):** Minister for Energy, Enterprise and Tourism attended the Offshore Technology Conference in Houston, Texas. This is the premier energy trade event of the year showcasing Scotland’s capability in the sector and forms a key component of the strategic plan for the sector. The visit provided the opportunity for the Minister to meet top level inward investors to discuss the status of current operations in Scotland; identify new technologies in use in the North Sea; make new links and strengthening existing relationships.

**Belgium (May 2014):** The Cabinet Secretary for Rural Affairs & Environment led the Scottish delegation of companies at the Seafood Expo Global 2014 in Brussels. Following the event, Scottish exhibitors identified 8 new International Projects which they feel will bring in at least £1million of new additional business.

**Poland (May 2014):** The Cabinet Secretary for Culture & External Affairs visited Poland predominantly for diplomatic and cultural meetings. SDI identified opportunities in the market, delivering meetings for the Cabinet Secretary with Polskibus, an innovative inter-city express coach service (invested in by Souter Investments and experiencing rapid success in the market) and TopGan, a laser company with operations in Scotland.

**France (October 2014):** The Minister for Energy, Enterprise and Tourism attended the Ocean Energy Europe Conference in Paris, delivering a keynote speech to delegates titled “Collaborate, Innovate, Accelerate”.

**Nation branding:** Since 2008, the SG has used the Anholt-GfK Roper ‘Nation Brands Index’ to conduct an annual examination of Scotland’s reputation, against 50 other nations across the globe. The index assesses a country’s image by examining six dimensions of national competence; Exports, Governance, Culture, People, Tourism and Investment and Immigration, giving an overall indication of a country’s reputation. In the 2014 findings, Scotland continues to score highly, placed in the top 20 of nations.

**Support for growth companies to internationalise**

SE and SDI provide support to any Scottish company with growth ambition to internationalise. Stimulating this ambition and building international capacity involves more than simply support for exporting. It requires the integration of internationalisation support into the full range of SE business growth support, such as account management, innovation, entrepreneurship, organisational development and investment. In this way, SE can help to build long-term sustainable growth in companies. To demonstrate our increased level and intensity of support for exporting:

- The total number of SDI interventions delivered annually more than doubled, from 2,194 in 2010 to 5,388 in 2014. The unique number of companies supported annually has risen from 1,070 in 2010 to 4,003 in 2014.
- Evaluation of the Smart Exporter programme shows growing demand for higher value, more intensive international support, such as the increased uptake of the International Manager for Hire support which has increased substantially from 37 projects in 2010 to 133 in 2014.
• Between 2012 and Nov 2014, SDI delivered over 1,400 Exhibitions, Missions and Learning Journeys, attended by over 1,100 Scottish companies.
• Evidence from the SE Account Management evaluation highlights the potential economic benefits from supporting exporting and international activities, as well as the positive linkages between market development support and wider SE support, particularly innovation. 72% of the companies surveyed in the evaluation were active in overseas markets. Of those, 41% had increased sales in their existing international markets due to SE support and 49% had entered new international markets through SE support.

Attracting inward investment

Scotland’s track record in attracting inward investment is exceptional and has an important bearing on Scottish firms entering and growing in international markets. Scotland has maintained its position as the second region in the UK for attracting investment projects, with the number of projects secured hitting a 16 year high of 82 (an 8% increase on 2012), which was over 10% of all projects into the UK. Inward investors tend to be export orientated and base themselves in Scotland, due to the competitiveness of our inward investment proposition and the ease of access to the European market. Scotland secured 33% of all R&D projects into the UK (in 2012 it was 18.5%), and secured 5.9% of all R&D projects into Europe.

SDI Inward Investment Activity 2012 to 2014:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>Q1 &amp; Q2 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Created and/or Safeguarded</td>
<td>7,139</td>
<td>7,446</td>
<td>5,833*</td>
</tr>
</tbody>
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* Nearly half of these were created by US investment, up 140% on the same period in 2013/14.

Accessing global networks and intelligence

GlobalScot forms an important part of building Scotland’s internationalisation, harnessing the powerful Scottish business Diaspora globally. The network is made up of over 620 senior business people, based in 51 countries, committed to giving their time, expertise, and knowledge to support Scottish companies and help them connect with new global marketplaces. Assistance provided can range from market advice and interactions to much deeper levels of engagement, including advisory roles on industry bodies and non executive roles with Scotland’s most ambitious companies. In 2013/14 over 40 GlobalScot events were delivered in Scotland and overseas with 700 attendees, and 256 GlobalScot one-to-one meetings were held with Scottish companies.

SE's approach to sectors and markets

SE’s approach to building Scotland’s international competitiveness requires long term engagement with industry to drive change within sectors and to address opportunities in global markets. The GES identifies particular sectors such as energy and advanced technology, which offer significant opportunities for growth, either due to existing comparative advantage, or through the potential to capitalise on
Scotland’s unique natural assets, talent, research excellence and world class infrastructure.

SE supports Industry Leadership Groups, comprising senior figures from industry, the public sector and academia. These groups have a crucial role in shaping Scotland’s international competitiveness, leading the development of globally focussed sector strategies and highlighting Scotland’s niche strengths in overseas markets.

**Global opportunities in Education:** SDI supports Scotland’s universities, colleges and private sector education companies to expand internationally through a range of services, from developing international strategies, to market research and connecting to networks and opportunities on the ground overseas. SDI works individually with institutions and collectively with the sector through initiatives like Connected Scotland2. Recognising the global reach, world class talent and research excellence of Scottish Universities, SDI is increasingly looking to work in partnership with them to build their international competitiveness. The talent and research of Scotland’s Universities continues to be absolutely critical in attracting inward investors to Scotland, and these strengths form a key part of the propositions developed by SDI in all sectors.

In responding to global trade dynamics and trends, an important feature of SE’s approach to internationalisation is a **sub sector / sub market approach**, where we focus on niche Scottish capabilities within sectors and the specific markets for these. For instance, staff across the three countries in our eight American offices are organised by sector, supporting delivery of niche opportunities for Scottish companies within these markets.

**China** is the world’s second largest economy and one of the world’s fastest growing markets. It is currently Scotland’s 12th most important export market, accounting for just over 2% of non-oil international exports in 2012 (£560m). A large number of Scottish companies are doing business in China, covering a range of sectors. Many are conducting business directly from Scotland or via their appointed partners such as agents and distributors. Around 50 Scottish companies have a physical presence in China.

With 4 offices in China, SDI has identified four areas of the Chinese economy with the most potential for Scottish firms: oil & gas; healthcare; food & drink and creative industries. As part of SDI’s approach, there’s a need to develop China’s understanding of Scotland and its premium goods and services. Through the **Premium Scotland** project, SDI aims to showcase Scotland as a natural place to do business and build relations. The project will raise awareness of Scottish products to businesses and consumers and highlight the potential of the Asian market to Scottish businesses. The overall ambition is to increase exports, grow revenue, enhance awareness of premium produce and products and boost Scotland’s reputation in the global marketplace.

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2 Connected Scotland will assist Scotland’s 19 higher education institutions to position themselves as world leaders in higher education and to become an international partner of choice in teaching, research and knowledge exchange.
SE has introduced a High Growth Market Unit as a ‘go to’ contact for companies to help identify and capitalise on emerging high opportunity markets such as China, India and the Middle East.

Delivering the One Scotland approach

A One Scotland partnership approach is vital in delivering Scotland’s international success. SE and SDI work closely with partners in Scotland such as Business Gateway and Local Authorities, and with bodies such as UKTI, to build Scotland’s competitiveness and business profile, and to provide trade and investment support to companies. Examples include;

- **Commonwealth Games Business Conference:** Delivered by SE and UKTI, the conference was held at the University of Glasgow and hosted 320 international and domestic political and business leaders from the 70 Nations and Territories of the Commonwealth. Key meetings were held with a range of senior international business people and Ministers.

- **Commonwealth Games Scotland House:** SE led on the business engagement programme, delivering 17 events over 8 days with circa 1000 delegates. Events focused on Scotland’s growth sectors (e.g. renewables) as well as a series of ‘doing business’ events in priority Commonwealth countries (Canada, Australia, Singapore and India).

- **Ryder Cup:** An extensive programme of business engagement was delivered by SE, HIE, SG, Event Scotland and Visit Scotland during the Tournament with a particular focus on key inward investors.

Strengthening European Engagement

Within the strategic framework set out in the Action Plan on European Engagement, Scotland Europa has delivered a number of successful interventions to build Scotland’s competitiveness on the European stage:

**Research and Innovation** - As part of Scotland Europa’s work with the Scottish EU Research and Innovation Steering Group, the strengths and opportunities in Scottish sectors have been mapped against the “Grand Challenges” identified by the European Commission as key societal and economic opportunities for Europe. Work has started on a number of pilot areas with the aim of creating a framework to be applied to more sectors. This will be used to develop an EU engagement plan to support and scale up opportunities for those sectors important to Scotland’s economic growth.

Innovation is an important priority of the European Structural and Investment Funds (ESIFs). Scotland Europa continues to co-ordinate SE and partners’ development of significant strategic interventions, in particular under the ‘Competitiveness Innovation and Jobs’ strand of the programme. Scotland Europa’s co-ordinating role has supported a deeper collaboration approach, to take advantage
of the potential to shape the delivery of a significant amount of the overall programme budget over the next six years. Scotland Europa is seeking to increase synergies with other funding streams (notably Horizon 2020 and the Interreg programmes), which have attracted considerable interest from the Commission.

**Energy and Climate Change:** Scotland Europa has worked closely alongside the SG, Scottish Cities Alliance and SEGEC (the Scottish European Green Energy Centre) to encourage a coordinated approach to the EU Smart Cities European Innovation Partnership and related opportunities. Activities in 2014 included supporting the submission of seven Scottish Smart Cities and Communities Commitments applications to join the new EU stakeholder platform.

The launch of the new **EU Ocean Forum and Technology Platform** in 2014 marked an important milestone in Scottish efforts to gain greater recognition of ocean energy in the EU’s overall energy technology strategy. Scotland Europa played a central role in coordinating Scottish applications to these new, influential, bodies and ensuring the engagement of relevant cross-sector representatives across the work streams. Engagement in the Platform has helped ensure European Commission recognition of Scottish expertise.

Scotland Europa supports SE, Scottish Renewables and the Energy Technology Partnership in the implementation of the **European North Sea Energy Alliance**, a Regions of Knowledge project. The project promotes cooperation between research driven clusters and is developing a forward agenda for joint activity in energy systems integration.

In 2013 Scotland Europa supported the first FP7 Research Potential and **ERA-NET** projects focusing on ocean energy. The Ocean Energy ERA-NET will implement joint calls to co-ordinate research in Europe to benefit from transnational co-operation and reduce duplication. This complements the wider work of Scottish partners to promote and create opportunities for the sector in Europe.

**Q3. What can be learnt from the approaches of other sub-state governments? In particular, how do the EU and international offices of other sub-state governments operate and what tangible outcomes do they achieve?**

Scotland Europa is a member of a number of European-level networks and organisations to further the interests of Scotland in Brussels and wider Europe. These networks are important avenues for learning from others, in particular in the regional innovation space.

Scotland Europa sits on the board of **EURADA** (the European Association of Regional Development Agencies) on behalf of SE, providing an on-going strategic conduit for SE as a key partner. Through EURADA, Scotland works with a number of regional development agencies. Scotland Europa has benefited greatly from working together to promote the role and value of economic development (policy and practice) in the EU’s growth agenda. This ensures that Scotland remains a highly
visible player in the EU’s economic development community. Our membership of EURADA in 2015 is focusing on EU growth policy areas such as smart specialisation, industrial policy and clusters.

**Fostering Regional Innovation**

International engagement is important to SE’s approach to innovation. As such, SE needs to remain alert to policy development and good practice in other regions, especially those regions which perform better at innovation than Scotland and where the economic scale and regulatory environment are similar, making it easier to understand and apply new learning.

**ERRIN**; Scotland Europa is engaged in ERRIN (European Regions Research and Innovation Network), which facilitates knowledge exchange and partnership building among European regions for project development, as well as policy shaping and profile raising for the benefit of Scotland. Scotland is currently a member of the Management Board as well as co-chair of the Energy & Climate Change and Smart Specialisation working groups. Scotland is also active in those on Smart Cities; Transport; Advanced Manufacturing and Nanotech; Bioeconomy; Design & Creativity; Health; ICT; Tourism; Water; and Blue Growth.

**Vanguard Initiative (VI)** – Scotland was an early member of this EU regional network, which aims to develop new forms of inter-regional collaboration with a strong innovation-orientation. Scotland's membership is championed by SG and delivery and co-ordination is managed jointly by SG and Scotland Europa/SE. Set-up in November 2013, the VI has gone from strength to strength in ensuring that the 21 regions involved to date are highly visible across all EU growth policy areas (including industrial, innovation and regional policy) and are involved are creating new partnerships of scale in areas of joint strength, to generate new opportunities for improved EU competitiveness and economic growth.

Scotland is benefiting significantly from Scotland Europa’s membership of VI, as it is developing new relationships with key EU decision makers and providing a strong voice for Scotland as a partner of choice in this EU innovation arena. The SG will be hosting a high level policy forum for the VI in late March 2015 and invitations have been extended to a wide range of EU stakeholders and Commission officials, as well as to VI partners.

**TR3S**; in 2014, SE engaged in “TR3S”, a 2-year project with 10 regional partners, which encourages greater understanding of innovation policies and practices across the partner regions. SE used the TR3S project to undertake more focused and intensive learning visits to three partners in Germany, Spain and Finland, which are all high innovation performers and highly competitive in relation to GDP, exports and productivity.

SE has learned a huge amount from these exchanges at the strategic level, in particular that simplicity of approach, customer service excellence and flexibility all seem to go hand-in-hand with success. We are now striving to bring that degree of simplicity, flexibility and customer focus to our new innovation approach. On an
operational level we are already using the learning and good practice examples to both augment and accelerate our innovation approach. For example, from:

- **Finland** - boost the service mix to include an innovation loan to enhance the market exploitation phase of innovation

- **Basque Region** – working with Tecnalia to better understand how to build greater influence in the EU which we hope to use to bring more EU funding to Scotland from a wider range of funding streams and to engage more Scottish companies and sectors in EU programmes and calls

- **Stuttgart** – we can see significant benefit from increasing the role of service innovation to add new value, especially for the engineering, manufacturing & technology sectors; collaborative company approaches to innovation; and role of Fraunhofer in aiding technology applications. SE intends to develop a service innovation offering for companies and is currently shaping ideas and considering the best fit with existing products and services

Experience from all three regions gives significant weight to helping companies to apply existing technology solutions to solve new problems or to open new opportunities. This will provide an interesting avenue to explore with the Scottish Innovation Centres and Catapults.

**Conclusion**

As stated throughout this submission, the international competitiveness of Scottish companies is at the core of everything SE does and global engagement is crucial to that. We pursue this in the following ways:

- Our global footprint of over 100 staff in 29 offices in 17 countries and our international networks through, for example, GlobalScot with 620 Members in 51 countries.
- All SDI and SE staff are engaged on internationalisation activities, based throughout SE offices in Scotland.
- Support for Scottish companies to engage internationally, with over 4000 companies assisted in 2014.
- Through Scotland Europa, engagement with the EU and Member states to build collaboration and to share best practice.

We trust that this submission will be of interest to the Committee in considering their inquiry.

30 January 2015