

CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE

EXTERNAL AFFAIRS INQUIRY

SUBMISSION FROM HIGHLANDS AND ISLANDS ENTERPRISE

SCOTTISH GOVERNMENT'S EXTERNAL AFFAIRS POLICY

Introduction

HIE welcomes the opportunity to respond to this call for evidence. The Highlands and Islands has a long history of European and international collaboration to tackle common challenges and pursue partnership opportunities. Such collaborations will continue to be important, whatever the impact of Brexit negotiations on Scotland's international relations.

In a fluid environment where new approaches to building international relations and collaborative opportunities may be required, Scottish Government external affairs policy has an important role in creating the conditions within which wider engagement and collaborations by Scottish stakeholders can take place. Examination of this policy is therefore timely.

Highlands and Islands Enterprise

Highlands and Islands Enterprise (HIE) is the Scottish Government's economic and community development agency for the north and west of the country. Our region comprises over half the Scottish land mass (including 94 inhabited islands) and is home to around 470,000 people.

HIE's role is to lead regional growth and development in line with Scotland's Economic Strategy (SES), improving competitiveness and building a fairer society across the Highlands and Islands. We work in alignment with partner agencies, all reporting to the Enterprise and Skills Strategic Board.

HIE's approach to regional development is drawn from the national priorities described in SES: Investment, Innovation, Internationalisation and Inclusive Growth. We help build successful businesses, social enterprises and resilient communities; support the growth of industry sectors, and invest in the strategic interventions which create the conditions for a competitive region. Our current priorities, planned activities and budget information can be found in our 2019-2022 Strategy and 2019-2020 Operating Plan¹.

The Highlands and Islands has always been an outward looking region that has valued relations and collaborations with international counterparts. The region is home to a significant number of overseas nationals, bringing skills and talent to the region and contributing to our growing population. Businesses seek markets and new partnerships beyond the relatively small domestic market. Organisations, particularly

¹ <http://www.hie.co.uk/common/handlers/download-document.ashx?id=7b3da0c5-8954-411b-8df0-160f439d2de6>

our academic institutions, access expertise and build capability through international collaboration.

The region has benefitted from a close engagement with the EU and collaboration with EU partners. HIE works closely with Scotland Europa and Scottish Government in Brussels, participates in several European networks and has built strong relationships with several regions across Europe.

As the process of Brexit unfolds, these important international links will need to adjust and respond to a potentially new environment. Outlined below are HIE's thoughts, from a regional perspective, on the evolution of the Scottish Government's external affairs policy.

Engagement with the European Union

Future impact of EU policy: In a post Brexit environment, EU policy will continue to have a significant impact on Scotland. The closer our future relationship with the EU, the greater the impact of EU policy. Even in the case of a "no deal" Brexit, EU policy will influence domestic policy development, the business environment and have an impact on individuals and communities.

Scottish Government engagement should continue to understand EU policy development and seek influence, when possible, on policy areas where the potential opportunity or impact for Scotland is greatest. Research and innovation, energy and inclusive growth are obvious areas of interest.

Focus for engagement: Engagement on EU policy issues is two-fold – with the EU institutions together with the networks and organisations that seek to influence, understand and implement emerging EU policy, and with other EU member states and regions, to align policy thinking and address common issues and challenges, often within the framework of current EU policies and funding programmes. Each of these will continue to be important for Scotland.

Scotland's engagement with EU institutions and networks will facilitate understanding of emerging policy and provide opportunity to influence, either directly or indirectly through partners. Such continued engagement also reflects Scotland's willingness to share its experience and expertise, making a positive contribution to European policy development.

Arguably, engagement with other EU member states and regions may become more important post Brexit, as we seek to collaborate in a new environment and potentially pursue new ways to influence as current means of more direct influence through, for example, the European Commission and European Parliament may be more limited.

Recognising the strength of "Team Scotland": Scottish Government policy should continue to recognise the value of the "Team Scotland" approach to EU engagement. Many organisations, including Highlands and Island Enterprise, work with EU partners

to pursue opportunities. Scottish stakeholders engage in a multitude of European networks to address common issues and have built productive relationships with other European regions.

Scottish Government is instrumental in providing the policy context for this wider engagement and “setting the tone” with clear messages about Scotland’s positive approach to engagement and collaboration.

Furthermore, effective communication and alignment between Scottish Government and “Team Scotland” stakeholders to co-ordinate activity and key messages can maximise the impact of our collective international engagement resource and deliver stronger outcomes.

Building Scotland’s positive reputation: Scotland has a reputation as an open and innovative country – a willing collaborator, a good place to live work and study and home to ambitious businesses.

Whether benefiting from policy learning, exerting influence in areas of interest or unlocking opportunities for Scottish businesses and organisations, it is important that this world view of Scotland is sustained.

Scottish Government has a role to play, often along with other organisations, through profiling and promoting Scotland’s capabilities, culture and character. “Scotland is Now” provides the overarching framework for this activity.

Aligning with the National Performance Framework: EU engagement work should continue to be aligned with the National Performance Framework.

The national outcomes of “a globally competitive, entrepreneurial, inclusive and sustainable economy” and being “open, connected and making a positive contribution internationally” are highly relevant.

Innovation and Investment Hubs: The network of Innovation and Investment Hubs are a key part of Scotland’s “footprint” across the EU, alongside other organisations such as Scottish Development International (SDI).

While each hub has its own specific aims and objectives – the Brussels Hub being the primary focus for EU policy engagement - they all provide a visible Scottish presence in the geographies in which they are located. They can provide a focus for policy engagement with national and regional governments and organisations and are a focus for promotion and profiling of Scotland’s capability, culture and character. A key strength is in providing a sound policy environment and strong Scottish “brand” to underpin the specific trade and investment activities of SDI and visitor attraction work of VisitScotland.

Key factors in the success and impact of hubs are:

- the degree to which they are connected, as a network

- how well they connect back to Scotland. Their strong links back to Scottish Government policy teams and other Scottish organisations will determine the degree to which policy influence is reflective of national priorities and how relevant and impactful collaborative opportunities can be.
- A shared understanding of how the activity of hubs aligns with that of SDI and VisitScotland.

As with wider EU engagement, the work of the hubs should continue to be aligned with and contribute to, outcomes in the National Performance Framework.

Engagement with the Rest of the World

Impact of international engagement: Scotland has strong trade, investment and collaboration links with countries around the world and Scottish Government engagement is a key element in “Team Scotland” relationships, “setting the tone”, promoting and profiling Scotland’s strengths and capabilities and supporting business, academic and organisational links internationally.

Prioritising international engagement: This should consider a combination of geography and policy. There are certain geographies where facilitating trade and investment links are likely to deliver strong outcomes. The Scottish Government’s “A Trading Nation²” provides guidance on future international trade potential in different markets.

In other geographies, engagement may be driven by common challenges and opportunities. A good example is the Scottish Government’s Arctic engagement work. Scotland’s strategic position as a “near Arctic” nation in the North Atlantic gives us common challenges and opportunities with other Arctic and “near Arctic” nations. Building on extensive stakeholder collaboration through, for example, the Northern Periphery and Arctic Programme, the development of an Arctic Policy Statement can provide focus and impetus for further joint working.

Scottish Government international offices: Being a part of Scotland’s international “footprint”, these have a key role to play in enhancing Scotland’s profile and positioning Scotland as a good collaborative partner, business location and place to live. They have a role in creating a positive environment for business and collaborative links facilitated by SDI.

International offices are also able to support and facilitate engagement by “Team Scotland” partners. Effective communication and alignment of activity across “Team Scotland” partners can maximise the impact of Scotland’s collective international engagement.

² <https://www.gov.scot/publications/scotland-a-trading-nation/about/>

Given the high levels of political and economic uncertainty, it will be important that the network of international offices and engagement strategies is reviewed and refocused in the light of emerging developments.

Conclusion

Scottish Government's international engagement is a key component of wider "Team Scotland" engagement and can provide focus, impetus and a positive policy environment for the development of specific trade, investment and collaborative links.

In an uncertain and volatile political and economic environment, Scotland's EU and international engagement will be critical to sustaining and enhancing its EU policy influence, international profile and pursuit of international collaborations to further its inclusive growth aspirations.

The policy and geographic focus of Scottish Government's international engagement requires periodic review and refocusing, in light of domestic policy developments and a changing international environment.