



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 25 March 2015



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**ECONOMY, ENERGY AND TOURISM COMMITTEE**  
**10<sup>th</sup> Meeting 2015, Session 4**

**CONVENER**

\*Murdo Fraser (Mid Scotland and Fife) (Con)

**DEPUTY CONVENER**

\*Dennis Robertson (Aberdeenshire West) (SNP)

**COMMITTEE MEMBERS**

\*Chic Brodie (South Scotland) (SNP)

\*Patrick Harvie (Glasgow) (Green)

\*Johann Lamont (Glasgow Pollok) (Lab)

\*Richard Lyle (Central Scotland) (SNP)

\*Gordon MacDonald (Edinburgh Pentlands) (SNP)

\*Lewis Macdonald (North East Scotland) (Lab)

\*Joan McAlpine (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Graeme Blackett (Biggar Economics)

John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy)

**CLERK TO THE COMMITTEE**

Douglas Wands

**LOCATION**

The James Clerk Maxwell Room (CR4)



# Scottish Parliament

## Economy, Energy and Tourism Committee

Wednesday 25 March 2015

*[The Convener opened the meeting at 09:30]*

### Internationalising Scottish Business

**The Convener (Murdo Fraser):** Good morning, ladies and gentlemen, and welcome to the 10th meeting in 2015 of the Economy, Energy and Tourism Committee. I welcome all members and remind everyone to turn off, or at least turn to silent, all mobile phones and other electronic devices so that they do not interfere with the committee's work. We have received apologies from Johann Lamont, who hopes to join us shortly.

Under agenda item 1, we continue to take evidence in our inquiry into internationalising Scottish business. I welcome Graeme Blackett, director of Biggar Economics and the author of a report by N-56, "Export based growth: global competitive advantage from the Scottish brand", which was published in February. Thank you for coming along, Graeme.

We have about half an hour for the session, so I ask members to keep their questions short and to the point. Answers that are as short and to the point would help us get through the subject in the relatively short time that we have available.

Your report calls for an export-based growth strategy, which is an ambition that many people would like to see realised, and it talks a bit about the Danish model. How does that work in practice? What features of it could we copy in Scotland?

**Graeme Blackett (Biggar Economics):** There are probably many. Although I was the lead author of the report, we worked with a team of international consultants, including a Danish firm called DAMVAD. Kasper Lindgaard, whom I worked with, led the development of the Danish globalisation strategy. In development economics we talk about getting to Denmark, and what Denmark has achieved is often seen as the ambition for other countries. Ten years ago Denmark thought that it needed to do better, and globalisation was how it decided to do better.

There are two main lessons to draw from the Danish experience, one of which is the way that it went about it. It had a very collaborative process, in which the Prime Minister chaired a group that

was made up of business figures, trade unions, what we would call civic society, and the public sector. It went through a two or three-year process to identify how people wanted the country to develop and what policies were required for internationalisation. That is one of the lessons.

The other key lesson is that there is no easy answer. Doing one or two things will not suddenly make performance improve. In fact, the Danish globalisation strategy has a grand total of 360 policy measures, which gives an idea of its complexity. Many of those measures would not obviously come to mind when we think about exporting. A lot of them are about education policy, which is because the Danish recognise that productivity growth is really what globalisation is about. There is a strong correlation between companies that export and highly productive companies. I guess that when you think about that it is fairly obvious, because to compete in global markets a company needs to be very productive.

Looking at exporting is good from a business point of view, but it is also good from an economic policy point of view. The most productive companies tend to be the ones that export, and to export a company needs to be more productive, so exporting drives economic growth.

**The Convener:** The committee has looked at the role of organisations such as Scottish Development International and UK Trade & Investment, how they interact and the support that they provide. Do you have a view on how they are performing and what might be done to improve that performance?

**Graeme Blackett:** They have a particular role in helping businesses to understand market opportunities and introducing businesses to particular contacts that they might need to develop distribution channels. They do a good job of that, but I return to the point that the issue is wider than that, and although those organisations' role is necessary, it is not sufficient to enable exporting.

The other thing to note about the organisations and how we tend to think about exporting is that there is almost a need for an attitude change. A lot of businesses think that exporting is complex. Sure, there are things such as exchange rates and cultural differences that need to be considered, but exporting is really just about selling goods and services to customers, and people should just think about it in those terms. We should be careful not to overcomplicate the issue.

**Dennis Robertson (Aberdeenshire West) (SNP):** Your report focuses primarily on the role of Government. What role does the private sector have in taking forward the internationalisation of exports? For example what is the role of the

Scottish Council for Development and Industry or, indeed, Scottish Chambers of Commerce?

**Graeme Blackett:** The private sector has an important role to play. The people who benefit should be the people who drive things. We mention a couple of areas in which there is a role for the private sector, and we particularly mention collaboration between companies. Much of that concerns practical issues such as access to distribution channels. Some large Scottish companies have well-developed distribution channels in most countries in the world, and it would be interesting to see whether they might be prepared to open up those channels to smaller companies. There are potential advantages for both—for the small companies, it provides a way into the market, but it also allows the large companies to offer more products to their customers.

**Dennis Robertson:** We have heard some examples of small and medium-sized enterprises collaborating. For example, companies in Arran get together and fill a container for shipping and so on. That sort of thing is happening.

I am trying to tease out the issue of the role of SDI, the SCDI and Scottish Chambers of Commerce. On Monday, we were in Aberdeen and we spoke to Aberdeen and Grampian Chamber of Commerce, which seems to get together with, say, London chambers of commerce in taking forward trade mission initiatives, for example. However, it does not seem to join up with SDI or UKTI. Why do you think that is?

**Graeme Blackett:** To be honest, I am not sure. Companies tend to export because they have a particular area of expertise. There might be only one company in a certain area that has that expertise, so it might not be possible for that company to collaborate with companies that are close to it, which means that it might have to look further afield to find partners. That could be part of the reason.

**Dennis Robertson:** It seems that there is a partnership arrangement within the chambers, but the chambers do not seem to engage with each other on partnership working. Partnership working exists, but it does not seem to be joined up particularly well to enable private and Government agencies to work together in a collaborative and co-operative way. Is that the sort of thing that you are talking about when you say that cultural change is needed?

**Graeme Blackett:** There is certainly room for more collaboration, but it could simply be that those companies are working with different sets of companies. There is not always a need to collaborate. The public sector agencies might be working with companies that have less experience

of exporting, and the chambers might be working with companies that have more experience, in which case they might be concentrating on slightly different things.

**Dennis Robertson:** Do you think that the route with the greatest potential for the SME sector is through the private area, or would such companies have more opportunity if they were working through SDI or UKTI?

**Graeme Blackett:** It is probably different for every individual company. For some small companies, it would make sense to tie in with a larger company that is targeting the same market with a different product; for others, it might be more sensible to group together with a public sector agency. It really depends on the product or service and the individual company.

**Lewis Macdonald (North East Scotland) (Lab):** Your report follows hard on the heels of the report of the Wilson review on support for Scottish exporting. What conclusions did you draw from Brian Wilson's study that informed your own work?

**Graeme Blackett:** We do not refer specifically to that report, but what we say is probably consistent with its recommendations. Rather than looking at other work that had been done, we focused on overseas examples, so I hope that both the reports will contribute to the committee's inquiry.

**Lewis Macdonald:** One of the headline recommendations of the Wilson review was for a single-portal approach, which relates not only to the issue of the public and private sectors working together but to the idea of public sector agencies such as UKTI and SDI having a single portal that would be clearly flagged. Is that consistent with what you say about the way in which Scottish exporters are engaging with other people?

**Graeme Blackett:** I think that it is, although we have to be careful when we put such measures in place not to increase the complexity. That depends on the way that the recommendation is implemented: the principle is right, but care must be taken in the implementation.

**Lewis Macdonald:** An associated recommendation focused on access to export finance. Again, is there a specific benefit to be had from action in that area?

**Graeme Blackett:** Yes, that would certainly be of value. Access to finance is a broader issue, but for exporting it would be helpful.

**Lewis Macdonald:** We have UK Export Finance at present, and the Wilson review suggested that a Scottish export finance agency would be of value to Scottish exporters.

**Graeme Blackett:** That would certainly be of value.

**Lewis Macdonald:** How does the recommendation for a single-portal approach relate to your points about the branding and advertising of Scottish goods for export?

**Graeme Blackett:** It may be an opportunity to find a way to realise the recommendation for developing the brand. The examples that we looked at are set out in the report.

What is striking about those countries—particularly New Zealand and Finland—is what they did with regard to their brand. They did not get in marketing consultants to design a brand. A realistic and authentic brand was required, and those countries went through a collaborative process in which they invited companies and other organisations to contribute suggestions on where they would like to see the country going and what they felt the country offered the world. The brands were based on that work. In the case of New Zealand, the idea was that goods were 100 per cent pure, and for Finland it was about providing innovative solutions for the world. The process was important.

**Lewis Macdonald:** Looking at our existing strong export sectors, products such as Scotch whisky or Scottish smoked salmon have a very strong brand that is specifically Scottish, whereas oil and gas services, for example, are sold on a competitive commercial basis rather than a brand basis. Is that not an example of the success of an organic process in which exports have grown and will continue to develop, in contrast with an approach of treating everything as if it was the same?

**Graeme Blackett:** It is, but if we look at areas in which a successful brand has been developed, and at the analysis of where Scotland is ranked according to the various indices, it is clear that we do very well. For example, VisitScotland has done some good work in that area, and it is no accident that we do well in perceptions of tourism, given that we have a very well-developed tourism brand.

On innovation, however, Scotland does not rank so highly, in spite of our actual track record. Our record is not that well known, and the absence of any kind of brand identity in that area is part of the issue.

**Joan McAlpine (South Scotland) (SNP):** Your report mentions the success of the Irish approach in maximising diaspora links. Is Scotland doing enough to capitalise on its own diaspora?

**Graeme Blackett:** No—we could do much more on that. The structures are in place, and we have the global network in place, but we do not make enough use of it. I think that there are many

people around the world who would be willing to help, but who are perhaps not as engaged as they could be.

**Joan McAlpine:** We have been given some figures that show that there are quite a number of global Scots—about 600, I think—but the feedback that we are getting suggests that they are not used very much.

**Graeme Blackett:** No—it is clear that there is an information challenge in that regard, and perhaps a matchmaking challenge, if you like, in identifying individuals who can help particular companies. More could be made of that network.

09:45

**Joan McAlpine:** What is your view on high-profile events such as Scotland week in the USA as a way to promote exports?

**Graeme Blackett:** They are of use in their own right. They are also important because they help to put the issue of thinking about exporting into the public domain and so might encourage businesses that do not currently export to at least think about it. The more of that sort of activity there is, the more businesses might be encouraged to think about exporting.

**Joan McAlpine:** There has been quite a lot of talk about UKTI and SDI. How do the agencies in Scotland work together to promote a team Scotland approach? Do you think that it is good enough?

**Graeme Blackett:** It probably is not, no. That probably goes back to the start of the discussion about drawing on the Danish experience and how it is necessary to have a wide range of policies. Every agency tends to focus on its own area of activity. If someone is looking for export advice, they might well go to SDI and it might well help them. However, if a training need is identified as part of their export strategy, it might well be more difficult for them to access that help.

**Joan McAlpine:** Who should lead on bringing together the different organisations?

**Graeme Blackett:** That question might highlight the need for an export strategy that feeds into the overall economic strategy. I do not think that there is a need for one agency or organisation to be in charge overall, but something like that could help to co-ordinate and ensure that every area has somebody with lead responsibility.

**Joan McAlpine:** Your report touches on the issue of freight terminals, which I have raised before in relation to Professor Alf Baird's submission to the committee. He made the point that, because some of our ports are privatised, people are actually paying a private export tax and

the investment is not there in some ports. Is that a major problem?

**Graeme Blackett:** Yes. It is probably part of the wider need for more investment in infrastructure for the practical matters of trade at freight port. That applies to air links, too.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** You state in your report:

"The UK's share of global trade has been declining and the value of UK trade is now lower than the average large advanced economy and well behind Germany. Scotland's exports have been growing and Scotland's total trade volume is equivalent to 129% of GDP".

Given that Scotland is performing comparatively better than the rest of the UK, what would be the benefit of joining the Nordic Council? That is your recommendation 6, if I remember correctly.

**Graeme Blackett:** Yes. That point is a bit like the point that I made about Scotland week. If we promote the idea of internationalisation more regularly, more people will think about it in their own circumstances. We are saying that what applies to businesses should also apply to the Government.

Although the per capita trade volumes of Scotland are higher than the UK average, we would expect that, given that we are looking at a smaller economy. They are well short of the average for a small advanced economy and we would need trade volumes to increase by about 40 per cent to match the average. Any strategy should seek to be above average.

Applying to join the Nordic Council, which includes devolved territories as well as independent countries, would mean that it would be possible to tap into some of the work that it is doing jointly, particularly around the green growth initiative, for example. That looks at developing new technologies in energy and other areas where there are opportunities to collaborate across countries. Part of it is about the brand type issue and getting the reputation as the place to come to for those emergent technologies.

**Gordon MacDonald:** If we were to join the Nordic Council, would there be any adverse effects on Scotland's other key markets, such as the USA and France, or our target growth markets of India, China and Brazil?

**Graeme Blackett:** All the members of the Nordic Council export to those countries, which suggests that the answer is no.

**Gordon MacDonald:** My last question is about recommendation 2, which says:

"continued access to global markets is critical with Scotland's continued membership of the European Union providing the easiest access to markets."

Why did you feel that it was necessary to make that a recommendation?

**Graeme Blackett:** There has been much political discussion in recent years about membership of the European Union, and I wanted to make the point that, in terms of access to European markets and to markets in other parts of the world, through the EU's agreements, membership of the EU very much lowers the barriers to trade. If the position were to change, the barriers would become much higher and it would be far more difficult for businesses to export.

**The Convener:** You spoke about trade volumes from Scotland in response to Gordon MacDonald's first question. When you talk about exporting, are you measuring trade that goes from Scotland to places outwith the UK?

**Graeme Blackett:** We are measuring both, but we have also considered trade from Scotland to the rest of the UK, because we are now benchmarking against other small economies, and we want to compare like with like.

**The Convener:** When you factor in Scotland's trade with the rest of the UK, how do we compare, relative to other countries?

**Graeme Blackett:** Per capita, we are more than the UK, but—

**The Convener:** But we are still behind.

**Graeme Blackett:** About 40 per cent below, yes. In fact, if we take oil out of the equation, the gap is even bigger.

**Dennis Robertson:** I want to follow up Gordon MacDonald's point about Europe. Are companies reluctant to enter into markets because of the uncertainty around the European question due to the possibility of there being an in/out referendum? Is that a barrier at the moment?

**Graeme Blackett:** Clearly, that is something that businesses will consider, but I would be surprised if any business did not export goods because of that. In fact, the reason why I am here today and was not at the committee's session on the same subject last week is that I was in Switzerland, which is going through what we might call a difficult negotiation with the EU as a result of its referendum on immigration and the free movement of labour. However, that does not seem to be stopping its companies investing in exporting activities.

**Chic Brodie (South Scotland) (SNP):** Yesterday, I chaired a session of the cross-party group on the Scottish economy, with guests from the Economic Development Association Scotland and Scottish Enterprise. One of the three elements that we focused on was innovation. Last night, at



the cross-party group on China, the issue of culture and the connectivity challenge was raised, and we heard that the Chinese apparently recognise Scotland's ability to innovate. However, we never seem to be able to transfer that into technology.

What are the universities doing wrong—if anything—that is stopping them translating research and development and innovation into marketable products? Do they understand that, apart from selling education, which is important, they have a capability to transfer products and services?

**Graeme Blackett:** A point that is worth making in introducing the issue is that the university sector is one of our exporting strengths. Universities are very much global businesses. With regard to innovation, the universities come up with new inventions and potential products, but it is not necessarily their role to turn those into marketable products. That is the role of business.

**Chic Brodie:** Stanford University in California does that successfully.

**Graeme Blackett:** Stanford did some work on how it impacts on silicon valley and found that that impact involves not so much the spin-out companies as the graduates. What has happened there concerns the wider issue of how investment is secured.

What is often called long-term patient finance is at the centre of the issue. Although California's silicon valley has a reputation for being venture-capital driven, long-term patient capital is often much more available through public sector funds. The same thing is seen in Germany, which is good at turning ideas into successful companies because the finance is there. That involves looking beyond a two, three or four-year timeframe, with investors being happy to look at a return over 10 or 20 years. We have a gap there.

**Chic Brodie:** Is it the philosophy of our universities, in comparison with Stanford University, that it is nice to do but not nice to sell? Universities engage in equity participation, but they do not generate funding for further R and D to the extent that that happens in silicon valley, where I have spent time. The situations are miles apart.

**Graeme Blackett:** I am sure that we can learn lessons. My experience of working in other countries might help. I have been in different countries because we are doing work with the university sector. We secured that work because Scotland is one of the places that the rest of Europe looks to on how to do things—not how to grow technologies but how to bring them to the initial market phase and get them out of the lab and made into a product. As I said, we are not so

good at taking a product and turning it into a successful company. That is where the gap is, rather than in the generation of ideas, which many people around the world think that the Scottish universities are very good at.

**Chic Brodie:** I agree.

**The Convener:** You make an interesting point in the report about growth sectors and say that the state or its agencies should not pick particular sectors in which to provide export support. Why did you come to that conclusion?

**Graeme Blackett:** From a business perspective, it is sensible to export, because we are looking at a global market, which is clearly much bigger than a local market. That makes it possible to focus on the areas that we are good at and where we are highly productive. However, from a strategic point of view, it is difficult to pick the sectors where that might be the case, because there are probably companies in every sector to choose from.

**The Convener:** You think that our Government agencies should be neutral on the sector that any particular company is in and that they should not prefer one sector over another.

**Graeme Blackett:** Any preference should be for high-productivity companies. Those companies may be in particular sectors, but that is not an absolute.

**Chic Brodie:** Why are Germany's Mittelstand companies so successful?

**Graeme Blackett:** That is a good example, because such companies cover many sectors. To return to the earlier discussion, many of the founders of those companies are basically inventors who come up with a product. The companies sustain because, as they go through the generations, they interact with universities to pull out a new product. The products tend to be based on engineering-type skills, but the companies are in different sectors of the economy. They also take a long-term view on returns.

**Patrick Harvie (Glasgow) (Green):** Good morning. To follow on from the convener's question about your suggestion that picking winners should not figure in the approach, throughout your report is a predictable and familiar focus purely on volume—on the amount of exports and on measuring the success of our exports in narrow metrics such as gross domestic product only. Surely it is important to think about the social benefit that Scotland receives and how a developing economy aligns with public priorities.

It would conflict with current Scottish Government priorities—not all of which I support—if we had export growth and achieved N-56's goal of Scotland becoming the fifth-richest country in

the world, or whatever it is, but the bulk of that wealth was being hoarded by a small minority, so we were becoming an ever more unequal society. That would conflict with the Government's national performance framework.

It would be equally undesirable if we saw the growth only of forms of export that are environmentally or socially damaging in other countries or globally. Why does nothing in your report look at the nature, rather than the scale, of export, and how that can be aligned to public policy priorities and the social benefit that flows from it?

10:00

**Graeme Blackett:** I agree that those issues are important. There is almost a failure in how we measure things. In the report, we have picked up on the way in which things are normally measured, because that is how we get the international comparisons.

I suggest that increasing exports is consistent with the two issues that you mentioned, because it is associated with productivity growth, which is essentially about more outputs for the same inputs. An increase in productivity can therefore—although not necessarily—be consistent with sustainable development. High-productivity companies can provide—although again, it is not necessarily the case—greater income and therefore the possibility to provide reasonably well-paid, high-quality jobs, because we are focusing resources on the areas that we are best at.

**Patrick Harvie:** I agree with how you have expressed the point—such things open up the possibility, although they do not necessarily create social benefits. How can the Scottish Government, the UK Government and the various agencies ensure that those social benefits flow from increased exports and internationalisation of businesses, rather than merely acknowledging them as possibilities, crossing our fingers and hoping for luck?

**Graeme Blackett:** It is difficult to ensure that that happens, but the way to make it most likely is to keep the focus on high-productivity areas. That is the mechanism to deliver both those things. If the focus of resources is on companies that are highly productive, that is the outcome that we will get.

**Patrick Harvie:** I am not quite sure that the history of what I would call late-stage capitalism bears out that parallel.

My final question is on air passenger duty, which I do not think has come up so far. APD is not mentioned in your report, although you talk about tourism to some extent and acknowledge

the projections that tourism—including international tourism—will continue to increase. You do not include any recommendation on APD, either in relation to the Government's previous policy, its newly refined policy or any other options.

When Brian Wilson gave evidence to us a few weeks back, he said with reference to APD that

"I do not think that it makes a huge difference from a trade point of view"

and that

"It is not obvious to me that it is a deterrent to flying because flying continues to increase. There is such variation in air fares that prices are affected by factors other than APD."

Do you broadly agree with his line of reasoning?

**Graeme Blackett:** Although we do not refer to APD in the report, N-56 has previously recommended that it be reduced or abolished, because we see it as a barrier. It is true that flying has increased anyway, but APD may influence where people fly. It might not be an issue for trade and products, but it might well be an issue for a small company that is seeking to enter the export market for the first time, which might be very cost sensitive. APD could make the difference in some cases.

**Patrick Harvie:** Brian Wilson was previously the spokesperson for the industry's attempt to lobby against APD's continuation. He told us:

"I am not sure that I would want to transfer APD to some other tax. Someone is going to be taxed to pay for getting rid of APD, so it would seem to be more of a gesture than a substantial benefit."—[*Official Report, Finance Committee*, 4 March 2015; c 26.]

**Graeme Blackett:** I still see APD as a barrier to export that we could lower. If the effect of that was more exports from highly productive companies, the net effect could be positive in terms of the environmental impacts.

**Patrick Harvie:** I would be fascinated to see the figures to support that comment.

**Graeme Blackett:** It is possible.

**The Convener:** Thank you for coming along, Mr Blackett. We need to call a halt there.

10:05

*Meeting suspended.*

10:07

*On resuming—*

**The Convener:** I welcome our second panel. We are joined by John Swinney, the Deputy First Minister and Cabinet Secretary for Finance,

Constitution and Economy, and Jessie Laurie, who is a policy manager in the European and structural funds division of the Scottish Government. Welcome to you both. Mr Swinney, before we get into questions, do you wish to make an opening statement?

**The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney):** I will make a brief opening statement. The Government welcomes the committee's inquiry into internationalising Scottish business. The inquiry is clearly relevant to our economic strategy which—as members will be aware—is focused on the concepts of strengthening innovation, investment, inclusive growth and internationalisation. Many of the issues that are raised by the inquiry will be relevant to our further consideration of those topics.

Growing and diversifying Scotland's export base by helping Scottish companies to recognise and grasp international opportunities is essential to rebalancing the Scottish economy and improving long-term economic performance. That concept is implicitly recognised and accepted in our economic strategy.

The committee will be aware from its work in the inquiry that Scotland has many successful and growing trade links around the world. That has helped to increase Scottish exports by 20 per cent between 2010 and 2013, which is giving us confidence that we are on track to achieving our target of increasing the value of exports by 50 per cent between 2010 and 2017.

Although Scotland's overall export performance has improved since the committee's inquiry into support for exporters and international trade back in 2010, opportunities for further growth remain. The Government will of course consider the issues that are raised by the inquiry as part of that effort.

Companies face challenges in undertaking international business activity. The "Wilson Review of Support for Scottish Exporting" identified access to finance as

"the most significant barrier faced by SMEs seeking to turn themselves into exporters".

The latest "SME Access to Finance Report 2014", which was published today—I believe that it has been shared with the committee—shows that Scottish firms seeking funding are finding it easier to access finance now than they did two years ago.

The Government will publish an updated international framework, which will set out our strategic objectives to enhance our global outlook, strengthen our external relationships, build our reputation and international attractiveness, and encourage engagement with the European Union.

The updated framework will set out how activity in support of those objectives will help us to achieve our internationalisation goals.

We are also working on an updated trade and investment strategy to build on the strategy that has been in place from 2011 to 2015. We expect the updated strategy to be published in the autumn, which will give us the opportunity to reflect on the issues that are raised by the committee's inquiry.

**The Convener:** Thank you very much, Deputy First Minister. We have about 1 hour and 15 minutes for this session, so I ask members to keep their questions short and to the point. It would be helpful if the answers were short and to the point as well, so that we can get through the topics in the time available.

We want to look at a range of issues, including the Wilson review and some of the conclusions from that, the roles of UKTI, SDI and other agencies, global Scots, and the role of universities. I am sure that a number of other issues will come up.

The broad question of how the Government agencies and other bodies interact is of interest to a number of members. SDI, UKTI, the chambers of commerce and the SCDI all have some activity in this field. We have picked up that there is a bit of concern about lack of co-ordination. For example, some committee members were in Aberdeen on Monday, meeting the Aberdeen and Grampian Chamber of Commerce. When we were there, we found out that the chamber is currently running a trade mission for its members, in collaboration with the London Chamber of Commerce and Industry, to east Africa—to Kenya and Uganda. More or less concurrently, SDI is running a trade mission to east Africa—to Mozambique and Tanzania. In effect, those two trade missions are in competition with each other. The SDI trade mission attracts a degree of public funding and a degree of support to its participants; the chambers of commerce trade mission does not. Surely there is a need for better co-ordination? It does not make sense to have two separate organisations running trade missions to the same part of the world at the same time. What can be done to try to improve the situation?

**John Swinney:** I welcome the contribution that a range of different organisations make to encouraging and supporting companies in undertaking export activity. Of the four organisations that you listed, two are Government organisations and two are not. The Scottish Government—and the United Kingdom Government, for that matter—is not really in a position to say to organisations that are not part of Government that they have to do this or that. They

make their own judgments and are welcome to do so. They undertake good and useful work.

It is certainly important to have as much co-ordination as possible. My sense is that the operational relationship as regards the activities of SDI and UKTI works well. I am not writing letters to UK ministers complaining about things, which must be a reasonable indication that things are working all right. There is a co-operative operational relationship. We have regular discussions with the SCDI and Scottish Chambers of Commerce. I saw the chief executive of Scottish Chambers of Commerce just last week—we were talking about exporting and international activity.

There are some areas of activity that individual chambers of commerce will wish to pursue, which is to be welcomed. It is a bit hard for me to make a commitment to the committee to draw all that activity together because those organisations have their own agendas that they are quite entitled to pursue.

On your point about trade missions to east Africa, I merely observe that the countries that the convener mentioned have large geographies and many opportunities. Given the size of the jurisdictions involved, it is unlikely that an SDI trade mission would inadvertently bump into the Aberdeen and Grampian Chamber of Commerce trade mission. Scotland does not have nearly enough business connections with that part of the world, so the more we can encourage and facilitate that, the better.

10:15

**The Convener:** Thank you for that. I think that we have heard in the past about examples of separately led trade missions happening within a short space of time of one another; we heard a few years ago about two separate trade missions from Scotland to Brazil, one of which was led by a Scotland Office minister and one of which was led by a Scottish Government minister, at more or less the same time. How much co-ordination is there between the Scottish Government and the Scotland Office or the UK Government in relation to ministerial engagement in trade missions?

**John Swinney:** On that particular occasion, if I recall correctly—I would have to look at the precise transactional dates—I am pretty sure that we had set up a trade mission to Brazil, and the then Secretary of State for Scotland decided to have one, too. What point am I making? My point is that there is a little bit of history—particularly in the run-up to the referendum—of the Scotland Office becoming keen to establish itself on some of this territory, if I can put it delicately. I am not here to answer for the Scotland Office. It can

answer for itself, although I hear that it stands up committees regularly.

We undertake a limited number of trade missions. There are plans for ministers to undertake international engagement this year in China, and it is likely that the same will be true for South America and perhaps Japan and Korea. Some of those trade missions will involve the participation of companies and some will be ministerial visits to work on expanding the connections and opportunities that are available for Scottish companies. In all those circumstances, we will have discussions with UKTI about the contacts that we are making.

For example, the last time I was in Korea, the first thing I did when I arrived was meet the United Kingdom ambassador in Seoul. Around the table were UKTI people, along with our SDI staff. There was an exchange of information points and contacts because, of course, UKTI might also be talking to some of the people that I am talking to. It is a perfectly orderly approach.

Around that time, representatives of the Department for Business, Innovation and Skills and—if my memory serves me right—the Secretary of State for Energy and Climate Change were in Korea and Japan. We work collaboratively to take matters forward—I hope that the Brazil experience that the convener described is the exception.

**The Convener:** You believe that that is all in the past.

**John Swinney:** Here's hoping.

**Dennis Robertson:** I want to focus on the Wilson review. In his review, Brian Wilson suggested that we should probably have a single portal to try to bring together, as he described it, the “plethora” of information out there. What is your view about a single portal, the recommendations about the export Scotland brand and the Wilson review as a whole?

**John Swinney:** Generally, the more convenient and practical we can make it for companies to access consolidated authoritative information that can help them to undertake their exporting activity, the better. There is merit in exploring the suggestion about a single portal.

I am confident that a company that is interested in exporting and that makes the connection with SDI will get a co-ordinated and consolidated support service that enables it to enter a particular market. That is my general experience—although I am sure that there are exceptions. SDI might not do everything, but it will certainly weave things together in a fashion that is useful, helpful and practical to companies.

The committee has explored the fact that there is a finite resource available for such activities, so there will be companies that may not be able to access a direct SDI contact to get that market access. In those circumstances, the more we can do to join up information to make it easily and readily accessible, the better.

**Dennis Robertson:** Do you see the private sector bringing that together and owning it, or do you see it as a partnership between you and the private sector?

**John Swinney:** That should be housed and led by Government; we should be the anchor point.

Mr Robertson also asked about the idea of having an export Scotland brand. I am less convinced about that. We have Scottish Development International out there; it is pretty well recognised within the marketplace. I would take a lot of persuading that we should tamper with that.

**Dennis Robertson:** What is your general overview of the Wilson report?

**John Swinney:** There is a pretty helpful range of suggestions in there, but I do not think that there is a magic bullet. It is territory that we have explored and continue to explore. The thinking in the Wilson review will be materially considered—just as we will consider the output of this inquiry—as we formulate our trade development strategy, which we will publish in the autumn.

**Dennis Robertson:** You will be aware that a group has been set up to look at the recommendations of the Wilson review. It includes the Scotland Office, the Scottish Government, SDI and UKTI. We have not yet been able to get an answer to the question who is chairing the group. We have asked different parties that question quite a few times and, although the group has been set up and has had meetings, no one seems to be able to tell us who is chairing it and taking it forward. Can you enlighten us on that?

**John Swinney:** I have read the *Official Report* of last week's meeting; I appreciate that it was far from clear from the dialogue who is chairing the group. I encourage the committee not to be fixated by that point. It is a grouping of relevant players getting round the table to try to agree some common working. We all have bits of it to lead. UKTI has responsibilities and we have our responsibilities through SDI. I am not sure what is the value of the role, or the purpose of, the Scotland Office in all this, however—I think that it is just duplicating effort. However, the Scotland Office commissioned the Wilson review and is now—let us call it this—convening the meetings to talk about how the Wilson review should be taken forward. However, as I said—

**Dennis Robertson:** So we are not looking for an individual; you are saying that the Scotland Office is convening the meetings—

**John Swinney:** No, Mr Robertson. I do not want to have words put in my mouth. I do not see what is the point of the Scotland Office's involvement on this issue—I do not understand what value is being added. I can understand the role of UKTI and SDI, and I can absolutely understand the need for those two organisations to work collectively and collaboratively. What the Scotland Office adds to the party, I have no idea.

**Lewis Macdonald:** That response is very surprising, given that the Wilson review was commissioned by the Scotland Office and the working party was drawn together by the Scotland Office. Does that not strike you as a useful contribution?

**John Swinney:** The commissioning of the Wilson review was a welcome intervention, but the Scotland Office simply commissioned the review. This Government has put together a trade and investment strategy for 2011 to 2015 in response to the committee's previous inquiry on export activity. We are reviewing and repositioning that strategy in autumn 2015, and we will reflect on the conclusions of this committee's inquiry and of the Wilson review.

The point that I am making about the role of the Scotland Office is that, operationally, I cannot see what value it adds to what I think is a perfectly good relationship between SDI and UKTI.

**Lewis Macdonald:** Is it more that you just do not like the Scotland Office on principle and find the fact that it is doing good things mildly irritating and a bit of a distraction?

**John Swinney:** The committee is asking me what value I see the Scotland Office adding to the process. My answer is that I do not see that the Scotland Office adds any value to the process.

**Lewis Macdonald:** We have heard in evidence that, in the past, Scottish trade missions have had support from both Scottish Government and UK ministers. Are you indicating to SDI that you do not see added value in, for example, Scotland Office ministers supporting missions where Scottish Government ministers are not doing so?

**John Swinney:** There are plenty of UK trade missions. This committee has looked at issues of duplication and additional confusion and complication. I am simply making the point that, as things stand, there is a perfectly good relationship between SDI and UKTI in which we take forward our interests. We are in touch with each other and we are talking about these things, but we also have the Scotland Office mucking about in here. It is an extra bit in the equation. What is it adding?

**Lewis Macdonald:** Take, for example, a trade mission that SDI is organising for Scottish companies to go abroad and promote Scottish exports. The Scottish Government may not be in a position to offer ministerial support. Would you encourage or discourage SDI to seek support from a Scotland Office minister to add value to that mission?

**John Swinney:** SDI will undertake a range of organised trade missions for which it judges that to be appropriate; it will make arrangements about appropriate ministerial involvement.

Ministerial involvement is not required for every trade mission; in some cases it is not appropriate for ministers to be involved because of the nature or stage of the discussions with companies and potential investors. There are correct and appropriate opportunities for ministers to be factored into that work. Not all trade missions have to have a minister, and it is not always appropriate for them to have one.

**Lewis Macdonald:** I completely accept that point. I am simply inquiring about the position regarding Scotland Office ministers where SDI thinks that they might add value. Do you have a line with SDI on that?

**John Swinney:** I am not aware of any circumstances in which that situation has arisen.

**Lewis Macdonald:** You are not aware of any circumstances in which ministerial control from the Scotland Office could add value to a trade mission.

**John Swinney:** I cannot see where that would be the case. UKTI undertakes trade missions that involve UK ministers and which may also involve Scotland Office ministers, for all I know, if UKTI judges that to be appropriate. It is not just a question for me—it depends on whether UKTI sees that there is any point in the Scotland Office being there.

**Lewis Macdonald:** Is that not a little bit territorial? Are you more or less saying that Scotland Office ministers are welcome to join UK trade missions but not SDI trade missions?

**John Swinney:** That would depend on whether UKTI believes that the Scotland Office has any useful purpose in that respect.

**Lewis Macdonald:** The Scotland Office is not, in your view, part of the equation for Scottish trade missions that are organised by SDI.

**John Swinney:** I do not see particular circumstances in which that issue has arisen in a practical or useful context.

**Lewis Macdonald:** I will move from the Scotland Office to UKTI, and probe a couple of points in that respect.

We heard in evidence, partly in relation to the Wilson review but also more generally, about the merits of co-location of SDI and UKTI functions in overseas markets. Do you see co-location, not in every case but in broad terms, as being of benefit to co-working between the two agencies?

10:30

**John Swinney:** There are benefits from that—yes.

**Lewis Macdonald:** I know that you would like to see more SDI representation overseas. Is co-location something that you would consider in looking at options in that regard?

**John Swinney:** There will be areas in which we attach a very high priority to market presence and we will have a distinct SDI presence to undertake that work. There will be other markets to which we will not, with the best will in the world, be able to attach such priority, so wider collaboration with UKTI becomes ever more significant in the process. That brings with it some helpful elements of co-location. There are benefits that arise from co-location in certain circumstances, but in other situations it makes more sense for us to have our own distinct presence.

**Lewis Macdonald:** Thank you.

Finally, coming back to the convener's initial questions and the questions from Dennis Robertson around public and private sector collaboration, I completely accept your response to an earlier question that it is not for you to instruct Scottish Chambers of Commerce or the SCDI on how to provide services to their members. However, do you believe that more could be done between the public and private sectors to inform and engage with regard to export promotion?

**John Swinney:** Yes, there will always be more to do. As I have said, I very much welcome and value the contribution that is made principally by Scottish Chambers of Commerce and the SCDI. I want both of those organisations to feel that they are welcome partners in the process.

**Joan McAlpine:** I have a quick supplementary, cabinet secretary. Last week, Guy Warrington of UKTI told us:

"I think that we have an excellent working relationship with SDI, as we have with the Welsh and Northern Ireland Governments. If people talk about a lack of visibility of UKTI in Scotland, that might concern how things are branded at the point of delivery. We do not sell our products actively as UKTI in Scotland; we rely on SDI to sell our product range, so to speak".—[*Official Report, Economy, Energy and Tourism Committee*, 18 March 2015; c 3.]

Much of the narrative in the committee's inquiry has focused on single portals and branding. It

struck me from listening to Guy Warrington that, although that is how the relationship is working at present, there is always room for improvement. If we want a Scotland brand and a single portal, is getting SDI to take the lead and maximise UKTI's services under its brand not the appropriate way to go?

**John Swinney:** I agree with Mr Warrington's observation; it expresses my own feelings on the matter. Coming back to my earlier point, I think that, if I was feeling aggrieved about our dealings with UKTI, I would be writing letters to UK ministers. I am not writing those letters. Mr Warrington's characterisation of the relationship in the quote that Joan McAlpine has just read out seems to me to be a good description of how it works. It is a very pragmatic way of operating, and we are able to co-operate and work with UKTI on the delivery of services.

We should always think about the consumer's perspective. They might meet someone from SDI who supports them with exporting, and the question whether they are being given a UKTI product or an SDI product is rather irrelevant to them. All that matters is that they are getting the right product. That is the benefit of the current arrangements.

UKTI's forum for co-ordinating work with the devolved Administrations, in which SDI participates, is a perfectly good working model. Of course, we need to look at it to ensure that it is working as effectively as it can, but I feel that it generally works well.

**The Convener:** Do you want to carry on with your other questions, Ms McAlpine?

**Joan McAlpine:** Okay. All I will say on the last point is that the feedback that we got in Aberdeen and from other businesses that we have spoken to is that SDI is their main point of contact, although they use the resources of UKTI. I do not think that businesses are asking for the landscape to be muddled further.

I want to ask about the globalscot network. Although it is highly regarded, it has been suggested in evidence to the committee that we could be making better use of it. What is your observation on the network?

**John Swinney:** I will say two things about the globalscot network. First, it is a very good resource for us, because it involves people who voluntarily contribute to boosting Scotland's international business activity. Secondly, we could use it more—and more effectively—than we do at the moment. When I am out in different marketplaces, I meet global Scots who express to me their frustration at knowing that they could do more.

I can think of particular developments and investments in relation to which the original concept of their happening in Scotland has been the spark for an intervention by a global Scot. A global Scot has said, "That would be a great thing to do in Scotland, and I'll get the people to make that happen in front of you." I can also think of developments that I have tried to persuade people to make happen when I have been in particular marketplaces and a global Scot has been my ally in making the case. That is very focused activity; with a particular investment or deal, we identify a particular person who would be a good ally in making our case, and they are lined up with a minister or our staff to make a pitch for that investment. I think that that side of things works well, but I do not think that it happens as comprehensively as it could. In fact, the other day, I was looking at material on some of the work that global Scots have done to assist us in making pitches in particular marketplaces, and I thought that that element has worked particularly well.

**Joan McAlpine:** Is it because of a hypersensitivity on the part of the agencies that liaise with the global Scots that we sometimes get the impression that they do not want the global Scots to be bothered all the time? Are they not used because they are overprotected, in a sense, or because using them requires a bit more input and work?

**John Swinney:** It is probably a bit of both. There will be a sense that global Scots are generally busy people. There might be an occasion when someone is needed, but their door has already been chapped on 10 times and they might not have the time. It might be the case that the resource has not been used appropriately. A lot of logistical work is involved in making things happen. However, those are not decent reasons for not using the globalscot resource. There is plenty of potential for such work to be undertaken.

**Joan McAlpine:** Do you have a plan to rectify the weaknesses that you have identified?

**John Swinney:** It is a recognised problem, and we have made it clear in our dialogue with SDI that we want that area to be strengthened. I would describe it as work in progress.

**Joan McAlpine:** Do you think that we use high-profile events such as Scotland week in the US enough to promote exports? I understand that no trade delegation is going out to this year's Scotland week.

**John Swinney:** Scotland week is slightly different. It is an awareness-raising and contact exercise, and plenty of business connections and contacts will be made in and around it.

The value of trade missions is determined by the quality of the specific connections that can be

made available for individual companies. When a trade mission goes into a marketplace, the success or otherwise of that programme will be determined by the quality of the engagements and contacts that are available for individuals to advance the development of their businesses. For that reason, trade missions must be very focused on the needs of the individual companies that are participating, rather than the more general awareness raising of Scotland that happens in Scotland week and which we use to open up new contacts and connections.

**Joan McAlpine:** Is there an argument for holding Scotland week in other key target markets in the world, including emerging markets?

**John Swinney:** There is certainly an argument for having that kind of awareness raising, but I would want to consider further the merits of having more Scotland weeks, because they are quite resource intensive and we have to be very sure about what we are doing. I am focused on ensuring that we use our existing contacts to generate economic benefit for participating companies.

**Joan McAlpine:** Finally, could we improve on Scotland week? You talk about it as an awareness-raising exercise but as I understand it quite a lot of different organisations have claimed ownership of it in the past. Could we perhaps make more of it?

**John Swinney:** A lot of organisations participate in Scotland week. Although it has a business development focus and a lot of business contacts are made during it, it has a more general purpose than simply business development.

The culture secretary has made a particular effort to ensure that there is an extensive cultural exchange programme. Cultural exchange programmes can be precursors to business development contacts; indeed, I can think of several examples where the process of cultural exchange and appreciation has led directly to business development. That is a good avenue for development.

**Joan McAlpine:** Thank you very much.

**Dennis Robertson:** On Scotland week, do we need more of an internal focus in Scotland to ensure that when businesses come over there is more of a global and international market at home? We could take advantage of the conferences that are put on here, for example, although I think that we already do that. Should we be doing more of that at home to ensure that we do not have to go to other markets, such as Asia, during Scotland week?

**John Swinney:** There will always be a role for in-market presence. Relying purely and simply on

encouraging people to come to Scotland will not be sufficient to develop the relationships that we require in order to get economic returns.

The committee is probably aware that I take a particular interest in the Japanese and Korean markets. When I am there, I call in on some of the long-standing investors in Scotland, not particularly because we believe that they are about to make another investment but because we want to ensure that they keep the investments that they have already made, which can be fundamental.

One example is the OKI development at Cumbernauld. I called in on OKI at a particularly difficult time for the company; its European business had had a significant failing, and it was considering the future of its Cumbernauld operation. I was able to make the call and pledge some joint working. With North Lanarkshire Council, we addressed the size and scale of OKI's premises, which were too big for the requirements of its current business mode, and averted a situation in which the entire facility would have been lost to Cumbernauld. The company relocated and took on a different scale and way of operating; however, we were able to avert the direct danger of that business leaving Cumbernauld and that contact and relationship were essential to ensuring continuity of operation for the OKI plant.

10:45

**Patrick Harvie:** Coming back to Joan McAlpine's questions on the globalscot network, I have no doubt that it has value, but is its value undermined if a member of that network ceases to be—as you have described them—an ally, and begins to attack and undermine Scottish interests or uses their status and profile to abuse and bully Scottish citizens? Does a bit of weeding not have to be done there?

**John Swinney:** I can think of one example —

**Patrick Harvie:** So can I.

**John Swinney:** I am sure that Mr Harvie and I are thinking of the same person. Obviously, in a network of several hundred individuals, we will encounter occasional difficulties. On the whole, though, the network is a great asset for us.

**Patrick Harvie:** The question is whether in that situation somebody should be able to continue to enjoy and use the status of being part of that network.

**John Swinney:** I understand the issue that Mr Harvie is raising but, from my perspective, the entire network has a big contribution to make, and I would want to encourage it to do so.



**Patrick Harvie:** The Deputy First Minister knows that I have been interested in the Government's national performance framework since it was created. Although we will not necessarily agree on every aspect of how it pans out, I see it as a positive step in terms of giving a broader range of economic indicators.

How can the Scottish Government ensure that the economic developments and changes that arise particularly from trade and from internationalising our business contribute to the Government's wider economic priorities, such as the social solidarity and sustainability targets? How do we ensure that there is an increase not just in the volume of the growth of exports but in the quality of the economic activity to support social and environmental priorities as well as other economic priorities apart from growth?

**John Swinney:** This is a very substantial issue. I can best answer Mr Harvie's question by indicating that the national performance framework and the policy framework that surrounds it should be used as a discipline in relation to the particular developments and opportunities that we try to pursue. Essentially, we must ensure a direct connection between the Government's priorities and commitments and what is done on our behalf to identify business development opportunities. That is probably the best way in which I can answer that question. We must ensure constancy and consistency of action between the policy framework and what is done in our name.

**Patrick Harvie:** Can you give an example of a way in which the Government's trade and export strategy attempts to ensure that our exports contribute to the social solidarity target of sharing wealth in our society?

**John Swinney:** A lot of our international activity is focused on increasing the value of productive employment in Scotland, with a particular focus on ensuring that we are successful in obtaining investments that enhance Scotland's technological capability and, by their nature, improve the levels of remuneration and the productive value of employment in Scotland. That is perhaps the best example that I can give.

Another example is based on my experience. I have spent the largest proportion of my time in the Korean and Japanese markets on trying to pursue opportunities for investment not only in renewable energy, which obviously contributes to our wider sustainability agenda, but in life sciences. By its nature, life sciences employment tends to be higher value, research intensive and focused on improving wider health and wellbeing. That type of investment and those opportunities are central to the agenda that we are pursuing, and the contacts that I am making are very well advanced in the

communication chain that SDI personnel will use in individual markets.

**Patrick Harvie:** The other obvious aspect is the Scottish Government's climate change obligations. Last week, the Government published figures indicating that Scotland's carbon footprint increased by 5.3 per cent, if I remember rightly, during the year to which the figures refer. A large part of that has to do with our consumption patterns—the outsourced emissions that are embodied in the goods that we import. If we export goods or services that have high embodied carbon, that will not contribute to our domestic carbon inventory. For example, if we export coal because we are not burning it any more in Scotland after next year, as seems most likely, that will contribute to emissions on somebody else's inventory, but it will contribute to our carbon footprint.

Do you agree in principle that the Government's export strategy and its goals for how we change the nature of economic activity in and out of Scotland need to be closely aligned to those social and environmental priorities, or they will fail to achieve the Government's stated objectives?

**John Swinney:** That alignment exists. That was the foundation of my answer to Mr Harvie's sequence of questions on that point. The adherence to the policy framework that supports the national performance framework is implicit in that process.

On the calculation of carbon emissions, we must be careful that we do not double count. Carbon emissions are somebody's responsibility. For example, we will declare the carbon emissions for the consumption of goods within Scotland and their transportation.

**Patrick Harvie:** The Climate Change (Scotland) Act 2009 requires two different approaches: one is the domestic emissions inventory and the other is consumption based, which is the carbon footprint figures that came out last week. You are right that there is an issue with double counting, but both those approaches are valid and important and need to be consistent with our international trade arrangements.

**John Swinney:** Yes, but the one caveat that I make is that we must be careful that we do not double count. The climate change targets are viewed as very demanding and, if we almost require double counting in them, they will be even more challenging than they were to begin with.

**Patrick Harvie:** That twin-track approach was agreed in the legislation and is a requirement.

**John Swinney:** I appreciate that, but we must be careful that we properly acknowledge the danger of double counting in some of our analysis.

That is not in any way to escape from the fundamental obligation to achieve the targets, which is very important. It is fundamental that we achieve them, but that caveat must be understood.

**Patrick Harvie:** Given the acknowledgement of the need for alignment between trade policy and those wider objectives, I am happy to leave it there.

**Chic Brodie:** I will ask three brief questions, the first of which might involve Ms Laurie, as it relates to European funding.

Deputy First Minister, you mentioned access to finance. There are three major European funds that would help Scottish business: the COSME—competitiveness of enterprises and small and medium-sized enterprises—fund, which would help small businesses and get them involved in export activity; the horizon 2020 programme for research and development and innovation; and the €26 billion trans-European transport network, or TEN-T, programme. Are we happy that those funds and how they might increase our internationalisation are widely enough known about in the business community? I know that Scotland Europa has done some work on that.

**John Swinney:** We will certainly want to ensure that that awareness exists. On whether I am satisfied with the awareness of those funds, invariably there is never perfect awareness of all the opportunities, but the Government will certainly be engaged, and our European team will be well versed in the issues. There will be an integrated approach involving different teams in the Scottish Government and our wider partnerships, and every effort will be made to maximise the impact of those funds in Scotland.

**Chic Brodie:** My second question is related to that, particularly to TEN-T. It is clear that we have to secure the movement of businesspeople, tourists and products. I will wrap three issues together, if I may.

First, what is the situation with air passenger duty? When do you foresee our having control of APD in Scotland?

The second issue relates to TEN-T. Is there adequate investment in Scotland's ports and transport connections? I know that that is not all within the Government's gift.

The third issue is perhaps the most contentious, at least for me currently. I had the privilege and pleasure of working with people in China to develop an economic friendship link between Dandong and East Ayrshire, which was consummated in January this year. The main protagonist from China planned to bring to East Ayrshire in April five fellow alleged millionaires to look at investment, but all their visa applications

have just been rejected. What can we do differently to ensure that that does not happen? It appears to happen fairly regularly.

My questions are about APD, ports and transport connections and the visa issue.

**John Swinney:** We expect that the devolution of power over APD to the Scottish Government will be complete some time after the 2016 Scottish parliamentary election. How far thereafter is not yet clear, but I can see no good reason why it should be any later than shortly after that election.

Mr Brodie highlighted that not all the ports are under the Government's control or responsibility, but there is certainly active investment in a number of ports in Scotland. I have seen at first hand a number of those developments, and they are very welcome. We need to encourage further investment.

Obviously, it would be a matter of concern if people who wish to come to Scotland to invest are unable to get visas. There would have to be a very good reason why that has not happened in a more co-operative way. However, without the detail of that case, I could not say much more than that.

**Chic Brodie:** The United Kingdom ambassador to Beijing was at the previous cross-party group on China meeting. It appears that it is to do with quotas. No matter what the priority is, if the quota is reached, that is it. It is hard luck to anybody else beyond that.

I thank the Deputy First Minister for his comments.

11:00

**Gordon MacDonald:** Earlier, we heard evidence from Graeme Blackett of Biggar Economics, who helped to produce the N-56 report "Export Based Growth: Global Competitive Advantage from the Scottish Brand". That highlighted the fact that, in 2013, Scotland had a balance-of-trade surplus of £12 billion, compared with a UK trade deficit of £34 billion. We also received evidence that 60 per cent of Scottish exports are dependent on just 100 companies. Is there concern about potential risks to future export growth by relying on such a small number of large exporters?

**John Swinney:** Yes, that is a danger for us. For that reason, we need to encourage more companies to become involved in export activity. A lot of the growth in export activity has been driven by the food and drink sector, and that is welcome—I am not complaining about it; that is an acknowledgement of fact. The next large component is refined petroleum and chemical products. Those are two very sizeable elements of our export profile. Whisky accounts for a

substantial part of the food and drink category, but a multiplicity of other enterprises are involved.

On that point in general, if I consider my experience, having been involved in different elements of the business development process for the best part of 25 years in Scotland and originally in the private sector, I note that the challenge for business development 25 years ago, when companies were being encouraged to become involved in exporting, was that everything seemed very far away and very difficult to do. My impression of the new-start business community in Scotland is that now, with digital connectivity, virtually every company thinks that it is starting off as a global player, because technology enables firms to be global players without it costing very much to get established and available via the internet.

As the committee knows, I spend a lot of time with the new-start business community, and I talk to people who advertise their services through social media. To take one example, the other week, I talked to somebody who operates a web development company from a village in my constituency. He told me that an inquiry suddenly came in and, before he knew it, he ended up doing website designs for various companies in Los Angeles. That was simply because of something that he saw on social media. That is enabled by good connectivity and vision on the part of companies. We have got better at those things.

The connectivity should help us to overcome some of the practical impediments that people might have felt were obstacles to their making progress on exporting. On Mr MacDonald's fundamental point about whether we need to encourage and motivate more companies to undertake that activity, my answer is yes.

**Gordon MacDonald:** What is the Government's strategy to increase and support the number of companies, especially SMEs, so that we are less reliant on a certain number of large companies for export?

**John Swinney:** A large part of that will be through the channel of SDI advice and support. A large part of it will involve some of the other business development interventions that we make, which encourage companies to think more broadly about what they are undertaking.

Referring to the example that I cited, many of the techniques and tactics that have been talked about in the new-start business community are encouraging people to think about exporting without needing to rely on the specific support of SDI. That resource will be finite, however much money we put in that direction. Ensuring that the support is well focused and well directed and ensuring that the new-start community is focused

on encouraging companies to participate are a couple of the steps that we can take to assist in that respect.

**Gordon MacDonald:** A few weeks ago, Iain McTaggart of the Scottish Council for Development and Industry said:

"Scotland benefits from many successful and established businesses that have done it all themselves; although they are now beyond the need for Government help, they are willing to contribute something back to the debate."—*[Official Report, Economy, Energy and Tourism Committee, 18 February 2015; c 3.]*

How does the Government intend to take advantage of that good will?

**John Swinney:** That is a helpful and practical suggestion. There are clear mechanisms by which we can enable that to happen. A lot of that will come down to the co-ordination of all the effort because, by its nature, it is disparate and diffuse, and we must find practical ways in which to encourage companies to make those offers and to assist them.

The most effective way to do that is probably through direct company-to-company activities, so that successful exporters that do not require Government support can share their experience and expertise with other companies. The chambers of commerce are well placed to support some of that activity, because they have direct company networks in almost all localities in Scotland.

**Gordon MacDonald:** We have heard evidence from Scotland Food & Drink about the benefits of an industry-led approach. We have heard from a number of companies that have been successful in exporting without SDI support, and you have mentioned that SDI has finite resources. According to Daniel Kawczynski MP's report "UKTI: Scrutinising efficiency and effectiveness", the Institute of Chartered Accountants in England and Wales

"called the knowledge among the business community of UKTI 'worrying'—81% of large companies that export and 69% of SME exporters are not familiar with UKTI."

Given that many companies have been successful without either SDI or UKTI support, should we not have a more industry-led approach to exporting?

**John Swinney:** I do not think that it is an either/or. Looking at the performance on our export figures and the fact that food and drink have comprised such a proportion of the increase, I would ascribe a lot of that to Scotland Food & Drink's endeavours. When I go round the country, I get strongly positive feedback about its effectiveness.

We should certainly encourage and motivate different industry-led organisations to play a part in

the activity. We have extensive industry dialogue through the industry leadership groups that Scottish Enterprise convenes, of which Scotland Food & Drink is one. An invaluable amount of experience and knowledge comes from that industry dialogue, which then shapes our priorities as a Government and, organisationally, through SDI, to ensure that we act on the best available industry intelligence.

**Gordon MacDonald:** Recommendation 2 in the N-56 report states:

“continued access to global markets is critical with Scotland’s continued membership of the European Union providing the easiest access to markets.”

What is the Government’s view on that recommendation?

**John Swinney:** Our interests lie in remaining full participating members of the European Union. That is the Government’s position.

**The Convener:** Chic Brodie has a brief follow-up question.

**Chic Brodie:** Deputy First Minister, you mentioned that one of your constituents developed a website for someone in Los Angeles. I do not want to incur the convener’s wrath, whose antipathy towards French is now well known, but I wonder whether we could encourage the translation of websites into foreign languages, because we do that here and we have that capability. That is not so much a question as a request.

**John Swinney:** It is undoubtedly an opportunity that could be pursued.

**Johann Lamont (Glasgow Pollok) (Lab):** One of the messages that we have got so far in our inquiry is about the importance of co-operation, which I am sure the Deputy First Minister would support. What can be done to support colleges and universities that have developed international links to ensure that the local businesses where they are located benefit from those links? For example, the college in my locality has many links abroad. How can that be taken into account when it hosts events locally? Is there a role for Government there?

Separately, what work has the Scottish Government done to support or encourage cities, in particular, to drive, support and internationalise business?

**John Swinney:** I am completely supportive of the point that Johann Lamont makes on further and higher education institutions. The higher and further education community is actively involved in international markets. The recruitment of students is one example of international collaboration, but there will be others. There is a fine balance to be

struck between enabling those organisations just to get on with it—they need to do that for their recruitment operations and purposes—and trying to put a Government wrapper around it.

I am keen to explore, as we will do in our international strategy, how we encourage various players to ensure that we communicate broadly the same type of message about Scotland so that, as a consequence of further and higher education institutions or companies having a presence in different markets, the general awareness of Scotland and the business opportunities that can be pursued here is increased. It is not just about higher and further education institutions; to take up Gordon MacDonald’s point, some companies are very actively involved in promoting Scottish products overseas.

There is a job of work to be done and the institutions are open to that discussion and dialogue, which is welcome.

On the point about cities, the channel of our discussions with the cities is through the cities alliance. I cannot give Johann Lamont a detailed answer about any specific city-based marketing efforts other than to say that I know that, through the cities alliance, there is dialogue with our enterprise agencies about how we can pursue opportunities within cities. If we are out in a marketplace trying to encourage investment in Scotland, it is crucial that we have the best possible awareness of, and perspective on, what the cities can offer in that regard. It is important that that message is reflected in what we share and communicate more widely.

**Johann Lamont:** Brian Wilson made the point that we have multiple brands—multiple business identities. For example, Glasgow has a particular pitch and the Hebridean brand, whether Stornoway black pudding or Harris Tweed, can be strong. Equally, the United Kingdom brand and the Scottish brand are strong. How will the agencies for which you have responsibility recognise those different brands, which are not necessarily in conflict with one another, and create a space for them to be given support internationally?

**John Swinney:** It is about ensuring that we properly reflect Scotland’s strengths so that those different characteristics can be visible to a wider audience. There is not necessarily anything in conflict; we just have to ensure that there is enough appreciation of the particular strengths that we have to offer.

One of the questions that I answered earlier was about focus. Given the vastness of the world, the more focused we can be about what we go after, the more chance we will have of finding it. Therefore, engaging in a dialogue with the cities, an industrial sector or individual companies about

what they are trying to achieve will help to inform the work that SDI can develop on behalf of—or in collaboration with—those cities, companies or areas of the country to ensure that we maximise the value and effectiveness of that contact.

**Johann Lamont:** How do you envisage collaboration and interest in some sectors being facilitated across the United Kingdom?

11:15

**John Swinney:** Let us look at the example of life sciences. There is a lot of collaboration between Scottish institutions on life sciences, from which a Scottish academic health sciences alliance has been created, which will market what people get on life sciences when they come to Scotland. It is a formidable proposition, involving the Edinburgh BioQuarter, the Beechwood campus at Inverness, the medical school in Dundee, the new south Glasgow hospital and all its connections with the university and the developments in stratified medicine. It is a strong and powerful proposition. I accept that there is a competition between that proposition and others that would be offered in the United Kingdom.

There is a competitive tension, because if Japan is going to make a life sciences investment somewhere in the world, we want to get it. We will try to minimise the areas of competition and encourage the areas of collaboration in Scotland as effectively as we can, but it is difficult for us to do that right across the United Kingdom.

**Johann Lamont:** If individual businesses recognise that they have a common interest with other businesses across the UK, should the Scottish Government and its agencies support that? At one level, one of the big messages from business is, "Support us, but don't get in our road." Should SDI have a role in supporting collaboration? I take your point about competition, but there will be areas where there should be a UK-wide pitch.

**John Swinney:** I return to my answer to Joan McAlpine's question. When a company talks to SDI about its perspective and its horizons, it might become apparent that there could be a partnership involving a company somewhere else in the UK. Through the UKTI connection, we can join all of that together and make such partnerships happen.

SDI and UKTI working together can facilitate collaboration between Scottish companies and English companies on a joint proposition to an international marketplace. I am confident that the arrangements that we have in place could enable that to happen.

**Lewis Macdonald:** We heard this week about the north-east Scotland trade group, in which

Aberdeen City Council, Aberdeenshire Council, Aberdeen and Grampian Chamber of Commerce, SDI, Scottish Enterprise, UKTI, the universities and Subsea UK all work together to share agendas and information on collaborations. Could that Aberdeen model be usefully and successfully applied to other cities and parts of Scotland?

**John Swinney:** Definitely. That illustrates the point that everything needs to be joined together and co-ordinated, and all that goes with that. The Aberdeen model is a very practical example of how that happens. Every one of those players has a role to perform. SDI can come up with some great idea in the international marketplace and suggest it to Aberdeen City Council and Aberdeenshire Council, but the councils might say that they do not have the land for it or that Scottish Water cannot provide the connection for it. Those things must be fixed to allow such ideas to be realised. The Aberdeen model is a perfect example of how collaboration can work effectively.

**Lewis Macdonald:** Excellent. Another suggestion that we heard from SDI this week was a community of practice to establish, for example, a single calendar of international market events across the public and private sectors. Would the Government support such discussions Scotland-wide?

**John Swinney:** Yes. They could help to avoid the type of circumstances that the convener talked about, of two trade missions going to the same continent, albeit that they might be going to several big countries in a very large continent.

**Richard Lyle (Central Scotland) (SNP):** Good morning, Deputy First Minister. You have covered some of the things that I was going to ask you about, but I ask you to go back over co-location. We have heard from businesses, SDI and UKTI on the benefits of co-location of offices with UK embassies in overseas markets. It is my view that we partly own the UK embassy network, but we do not use it to our full advantage.

You talked about the globalscot initiative and going to African countries, where we might not be totally established. Do we have any plans to increase co-location of offices with UK embassies? Do we have any resistance to that? Do we intend to follow up and see if we can improve the situation by taking on more offices?

**John Swinney:** We keep under review the location of the offices that we have. There has been an expansion of the office network such that SDI personnel have a significantly greater presence in India and Asia than they had five years ago. Comparing the present situation with the situation 10 years ago is like comparing night and day. Such matters are kept under review. As part of the process of looking at the international

trade strategy, we will explore further whether we have the right locations.

I am not aware of there being any resistance to joint working and co-location. I have hosted events in British embassies around the world in collaboration with the relevant ambassadors, and in my experience they have been perfectly acceptable, well-organised and productive events.

Mr Lyle asked whether we use the resources that are available enough. That is a fair point to raise. We must explore whether more opportunities could be taken to use those resources. As I said, I have been at a number of very successful events around the world that have been held in UK embassies. We should certainly give further consideration to that issue as we develop our strategy and our plans.

**Richard Lyle:** I welcome that, because I believe that we partly own those embassies. What other assets can Scotland use to support Scottish businesses?

**John Swinney:** I go back to what I said in response to Johann Lamont and Gordon MacDonald. We have many organisations out in the marketplace, whether they are higher or further education institutions or companies, along with global Scots. If we worked collectively on a more collaborative basis in those three areas of activity, we could significantly supplement Scotland's international presence.

**Richard Lyle:** Are there any other areas that you would like the committee to pursue in relation to our inquiry?

**John Swinney:** A key question here is how we can achieve focus in our international activity. We could spend a lot of time raising awareness of Scotland around the world, although we have done a pretty good job on that over the past 12 months through a combination of the Commonwealth games, the Ryder cup and the referendum. Therefore, there will—in general—be wider awareness of Scotland around the world, and it is essential that we make highly focused efforts to produce economic benefit as a consequence of that greater awareness.

The universities and colleges are very focused on the markets that they approach to recruit students and to encourage them to come to this country. In the business development choices that we make, we are looking at marketplaces to identify where the synergies are that we think we need to develop. My visits to Japan and Korea have been predominantly about food and drink, life sciences and renewables. They have not involved a scattergun approach on Scotland in general; they have been highly focused on encouraging investments and business opportunities in those areas.

**Richard Lyle:** You have mentioned your efforts with regard to Japan and Korea several times. Thank you for what you did for OKI in Cumbernauld in my region. Are there other countries that you or other ministers should develop links with?

**John Swinney:** Other ministers do that. I cite the Japanese and Korean examples because we have taken decisions to try to establish as much continuity in ministerial dialogue as we can in particular markets, because that helps to build up relationships. The former First Minister regularly visited China and built up sustained relationships there, which will be built on by our new First Minister. Humza Yousaf has been active in the Pakistan market and the middle east and has built up substantial contacts in that respect. Fiona Hyslop has been active in many of the European markets and particularly in Ireland. Given the nature of his responsibilities for the oil and gas sector, Fergus Ewing has been significantly involved in the United States, as have I, the former First Minister and Fiona Hyslop.

Across a range of ministerial portfolios, we pursue individual markets to enhance the work of SDI.

**Richard Lyle:** Thank you.

**The Convener:** I want to ask a question on an issue that we have not yet touched on. It reflects some of the evidence that we have received about support for Scottish companies.

Over a period of years, the committee has considered the support from Scottish Enterprise and Highlands and Islands Enterprise for account managed companies. We have heard that SDI has supported 6,000 companies since 2012, and a lot of them have been account managed companies or have been within priority sectors. However, the SCDI and Scottish Chambers of Commerce expressed some concern that not all Scottish companies would get the support that they needed, such as those that fall outwith those key sectors or are not account managed. How can we ensure that all companies, including the ones that do not meet those criteria, get the support that they need?

**John Swinney:** The best way to do that is by ensuring that there is a presumption in all our business advice that it will encourage and support businesses to undertake export activity.

I appreciate the issues that the committee has explored with regard to the account managed system, but I have confidence that it gives the appropriate deep support to companies to assist them in their business development, and I think that we are seeing the fruits of that in the returns that are being generated for the Scottish economy.

Every business in the country is able to access business development advice through the business gateway. We have to ensure that the business gateway is sufficiently equipped to provide every organisation with the foundations of how it might be able to take forward export activity. I return to one of my earlier answers about the atmosphere that I detect within the new-start business community in Scotland, some of which is coming out of business gateway and some of which is supported by organisations such as Entrepreneurial-Spark and Women's Enterprise Scotland. All of those organisations have an element that is focused on exporting and international business activity. That approach ensures that every company can get access to some of that advice.

If companies that are not account managed and have gone through the business gateway are identified as having the necessary characteristics and strengths that could make them successful exporters, SDI's mandate is to support those companies. That is about identifying growth potential. I think that that gives us reassurance that we have the arrangements in place that can do that comprehensively.

**The Convener:** Thank you. That concludes our session. On behalf of the committee, I thank you for coming along and assisting us with our inquiry.

## Subordinate Legislation

### Bankruptcy (Miscellaneous Amendments) (Scotland) Regulations 2015 (SSI 2015/80)

11:29

**The Convener:** We have an item of subordinate legislation to consider under the negative procedure. As members have no questions on the regulations, is the committee content simply to note them?

**Members** *indicated agreement.*

11:29

*Meeting continued in private until 12:12.*





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