

**Scottish Development International Submission to the Enterprise and Business  
Committee, National Assembly of Wales**

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## **INTRODUCTION**

Scottish Development International has been invited to give oral evidence to the Committee's inquiry. This paper gives background information to support this, it briefly summarises the approach to supporting greater trade from Scotland and greater investment into Scotland. It details how SDI works with partners to increase Scotland's Trade and Investment performance.

## **THE SCOTTISH GOVERNMENT'S EXPORT AMBITIONS**

The Scottish Government has set an ambitious export target of a '50% increase in international exports by 2017', with the overall priorities set out in the Government's economic strategy:

### **The Scottish Government Economic Strategy**

(International Trade & Investment extracts)

We are ambitious for Scotland's companies and are confident in their ability to compete successfully in global markets. In March 2011 we published Scotland's International Trade and Investment Strategy which set out the opportunities and priorities for increasing Scotland's trade and investment performance.

In order to promote international trade and investment we will:

- Set an ambitious target for Scottish businesses to deliver a 50% increase in the value of international exports by 2017;
- Support growth companies to extend their exports particularly into fast growing markets. As part of this, the Scottish Investment Bank will prioritise lending to support SMEs with international ambitions and our Export Support Initiative will continue to deliver advice and support to SMEs with significant export potential;
- Widen our export support to encourage more businesses to become active exporters. Scottish Development International (SDI) will work with partners to support 8,000 - 10,000 more businesses develop the skills to go international by 2015;
- Support the continued international ambitions of our universities and colleges, recognising both the £0.5 billion per annum export contribution that international students already make by studying in Scotland as well as the commercial opportunities from their truly global research excellence and educational strengths;
- Focusing on attracting strategic inward investment which enhances the competitiveness of our growth sectors (for example by promoting Scotland as a destination of choice for low carbon opportunities).

## SCOTLAND'S TRADE AND INVESTMENT STRATEGY 2011-15

The Government launched Scotland's Trade and Investment Strategy in March 2011. This sets out the Government's key objectives and priorities to increase Scotland's international trade and investment performance as detailed overleaf:

Objective	Priorities
<b>Increasing International Trade</b>	<ul style="list-style-type: none"><li>• More Scottish businesses trading internationally</li><li>• Greater support for Growth businesses</li><li>• International exploitation of Scotland's education sector</li></ul>
<b>Attracting inward investment</b>	<ul style="list-style-type: none"><li>• Greater focus on strategic inward investment</li><li>• Embedding companies, encouraging expansion and developing supplier links</li><li>• Low carbon opportunities</li></ul>
<b>Promoting Scotland</b>	<ul style="list-style-type: none"><li>• Focus on growth opportunities in sectors</li><li>• Ensuring a global footprint focused on opportunity</li><li>• Emerging markets</li></ul>
<b>'Team Scotland' delivery</b>	<ul style="list-style-type: none"><li>• Customer focused delivery</li><li>• Aligning the work of the public and private sector</li><li>• Wider promotion of Scotland</li><li>• Influencing and providing business intelligence</li><li>• Harnessing the potential of international networks</li><li>• Integrated business planning</li></ul>

The Scottish Government's International Framework and country plans also inform our work and allow trade and investment objectives to be delivered in a way which fully complement the wider international objectives of the Scottish Government.

## SCOTTISH DEVELOPMENT INTERNATIONAL

### *Who we are*

Scottish Development International (SDI) is the trade and investment arm of: the Scottish Government (SG), Scottish Enterprise (SE), and Highlands & Islands Enterprise (HIE). It is a joint venture between these three partners.

SDI provides professional expert international support to Scottish businesses wishing to trade internationally and inward investors wishing to invest in Scotland. SDI is the Government's single point of contact for all international trade and investment needs.

### *Close to Customers, Close to Markets*

SDI staff in Scotland are co-located in local offices with SE and HIE staff and have in depth-trade and investment and sectoral knowledge.

SDI also has a network of overseas trade & investment offices, with over 120 sales professionals promoting Scotland through 27 regional offices across the world (planned to increase to 29). They are on hand to facilitate opportunities for Scottish businesses in new markets as well as work with potential inward investors. SDI also

have full access to the 150 UK Trade and Investment offices which cover 98% of world GDP.



## GROWTH SECTORS

SE & HIE will continue to work in an integrated manner to focus efforts on growth sectors and technologies where Scotland is/ can be globally competitive. These growth sectors are: Creative Industries, Energy (Oil & Gas, Renewables), Food & Drink, Tourism, Financial & Business services, Life Sciences, Technologies, Universities. SDI also continues to focus on the international trade and investment opportunities in other sectors important to the economy including: Chemicals, Textiles, ADM (Aerospace, Defence, Marine), Forest Industries, Healthcare, Education and Construction.

Overall our international activities are driven by industry-led strategies as shown below:

Industry Strategy → SE/HIE Plans → Trade & Investment Priorities

## INCREASING INTERNATIONAL TRADE

Given both the present & longer term economic prospects, and the market potential to increase trade & inward investment, the importance of internationalisation in our work has greatly increased. More emphasis has to be placed throughout our operations to deliver against this.

### ***Key barriers to international trade***

Generally, companies over-estimate the risks involved in exporting and entry into new markets. This dichotomy is one of the greatest hurdles that businesses need to overcome in order to take that first step abroad

Businesses wishing to trade overseas face irreversible sunk costs involved in both entering and exiting new markets. This is, in particular, an issue for smaller companies that can often lack specialised resources (e.g. a marketing manager) which enable them to begin exporting.

Businesses often become locked into markets and activities and don't consider exporting as an option. An outside stimulus can make a company be open to a change direction and consider new markets.

**Scotland's international trade performance**

Scotland already has a strong export base with world class firms in a range of sectors. Scottish international exports (excluding oil and gas) totalled £23.9 billion in 2011.

Scotland continues to export more internationally each year this has increased by 29% in the last 5 years (2006 to 2011). The shifts in global trade, and a competitive exchange rate, make international trade a priority.

**Support for all businesses**

SDI is committed to supporting and working with any Scottish business that wants to trade internationally. In doing so it provides a range of products and services that can be accessed by businesses at all stages of growth, development and international ambitions. A diagram summarising this suite of services is shown below:



Companies at an early stage of development, who are yet to be in a position to engage in international markets, can access a comprehensive catalogue of services and information via Business Gateway, including online self help tools, practical guides to exporting, and industry overviews and regulations.

Depending on the needs of the company SDI can work with them on a project-by-project basis, e.g. supported attendance at an international trade show, or it can work with the business to develop a co-ordinated suite of activities to support market expansion.

### ***Support for Growth Companies***

Growth companies are account managed by SE and HIE because of their potential to achieve growth and deliver economic impact. Account management starts with the preparation of a growth plan which sets out the milestones and objectives on the path to achieving growth. The support for companies is then tailored to the needs of the business in relation to this plan and in many cases includes expert international support through SDI.

An independent evaluation of SDI showed that for every £1 SDI spends on supporting international trade, an additional £7 is generated for the Scottish economy.

### ***SDI Delivery in 2012-13***

We are investing more resources to help companies across Scotland internationalise. For 2012/13 this included:

- SDI supported more than 2,000 companies through a range of trade and investment activities, such as workshops, trade missions and in-market support an increase of 50% from the year before.
- This included 1,300 Scottish high potential companies were assisted to target new international markets an increase of 24% from the year before.
- 229 International Projects – significant projects with the potential to achieve additional international growth of £1m within three years – were achieved with a value of £818m projected sales over the next three years.
- Since its launch in 2010 over 4,900 Scottish company delegates have benefited from Smart Exporter events and services

## **ATTRACTING INWARD INVESTMENT**

### ***Context***

There are over 2,100 foreign owned companies in Scotland employing 301,000 with a combined turnover of over £101 billion.

SDI can only attract investment if Scotland has a globally competitive proposition to offer therefore the continued development of our key sectors is critical. Attraction of investment then further strengthens the proposition e.g. attraction of an anchor tenant to the Bio-Quarter.

Mature economies remain the major source of potential FDI and will be for the foreseeable future. The attraction of inward investment requires an integrated approach. For example products developed and delivered by us (e.g. RSA, R&D+ and Training+) and partners (e.g. vocational training) are key to attracting and retaining investment in Scotland.

### ***Support to attract inward investment***

SDI sales and marketing approach is focused on promoting the competitive advantage that Scotland has to offer in our globally competitive sectors.

Scotland has maintained its position as the 2nd in the UK for attracting investment projects (only beaten by the South East which includes London). Just as importantly Scotland secured 19% of all R&D projects into UK.

In terms of employment generated by foreign direct investment, Scotland has been ranked in the top 2 locations within the UK in three of the past five years. An independent evaluation of SDI showed that for every £1 SDI spends on inward investment, an additional £11 is generated for the Scottish economy.

### ***Encouraging expansion and developing supplier links***

Many of our inward investment successes come from companies which already have operations in Scotland and see the benefits of further investment. We need to reward their decision to invest here and anchor them within our economy by encouraging both expansion opportunities and extending local and national supply chains. SE/HIE and SDI work with investors both corporately and locally to support this growth.

### ***SDI Delivery in 201-13***

- In 2012/13 more than 7,100 planned jobs in total were created or safeguarded, including 2,100 planned high value jobs
- SDI's overseas promotion of Scotland as the ideal location to do business has helped to ensure Scotland's status as among the top 10 destinations for investment.

## **CONCLUSION**

We trust that this submission is of use to the Committee in its deliberations, and we look forward to discussing these with you at the forthcoming session on 5 February 2014.