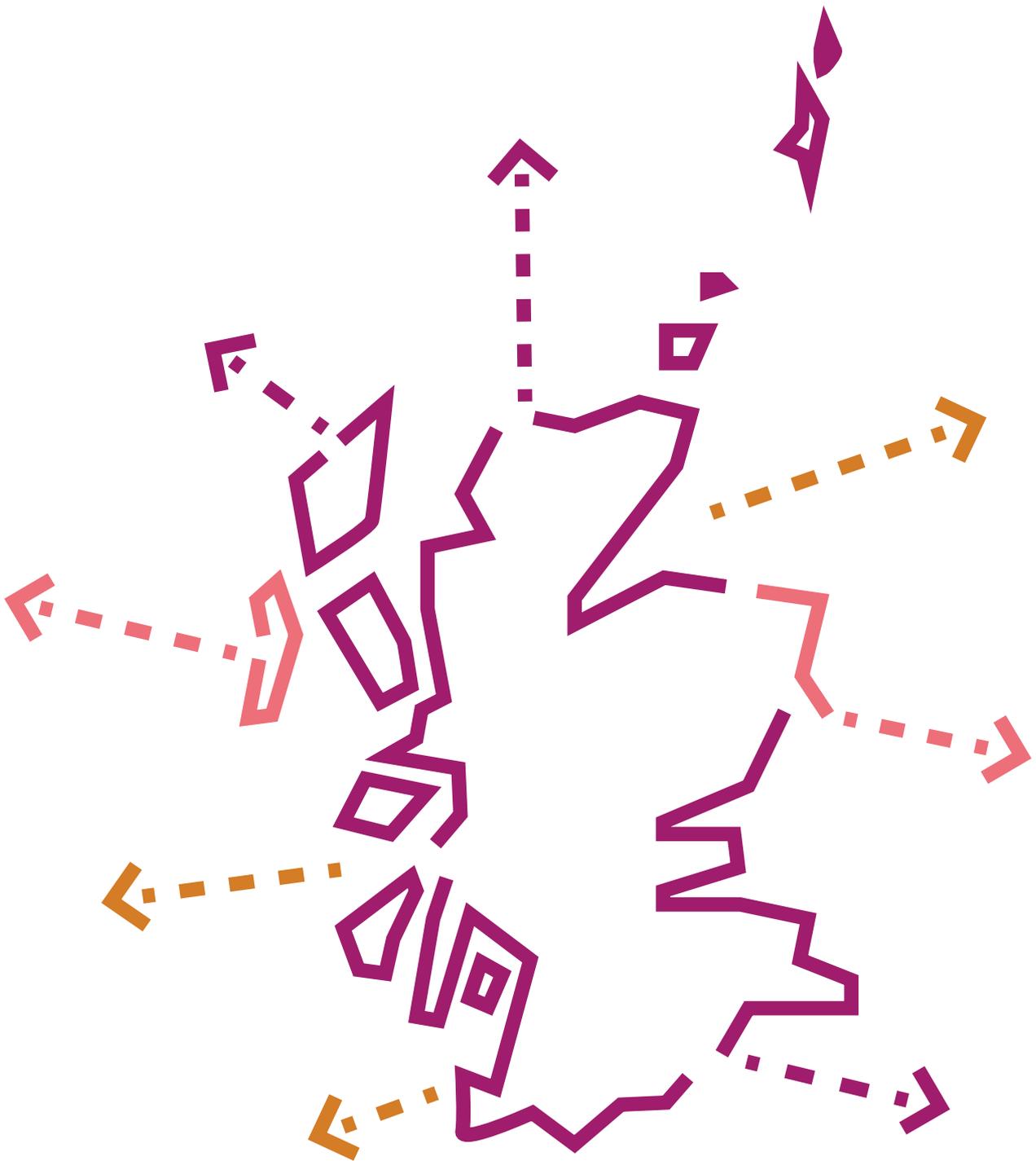




A Trading Nation - a plan for growing Scotland's exports



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MINISTERIAL FOREWORD



What is A Trading Nation?

In short, it's a plan for growth that will underpin our efforts to substantially grow Scotland's export performance and that sets out the actions we will take to do that. It provides a robust evidence base that helps us to better understand where Scotland performs well in exporting and where there are potential trade opportunities that we're currently not exploiting fully. That's important for a couple of reasons. We need to understand where our strengths lie so that we can protect those and ensure that we don't lose market share in areas where we currently perform well, particularly as we enter a period of real uncertainty in terms of what our future trading relationships are likely to be. We also want to be able to identify where there are markets and sectors that we're either not yet exploiting, or taking full advantage of, but that will help us to shift the dial and achieve a real difference in the growth of our exports.

Having that understanding and that evidence base also enables us to make important decisions about where we focus our resources and the types of interventions we make.

The latest Programme for Government outlined a substantial investment package for trade of £20mn over 3 years. This is over and above investment in international activity that our enterprise agencies are making over the same period. We want to ensure that this investment to support export activity – not just in terms of the money we spend but how we deploy the people we have on the ground – is targeted on where it will have the biggest impact by driving growth in exports, while maintaining our commitment to promoting democracy, the rule of law and human rights across the world. Of course, it's not just about what the Scottish Government does. We work with a whole range of partners on exporting activity and it's about how collectively we use our resources to make sure we're putting them to best effect.

Why do we need a plan for export growth?

Scotland's export performance has continued to improve in absolute terms. Data shows that the overall trend for Scottish export value has increased every year since 2005 and that we now export over £30bn worldwide.

While the value of exports has grown in recent years other data shows that we haven't internationalised our economy to the extent that we can and should and that exports as a percentage of GDP have remained largely flat over the past 20 years. To change this requires a change in approach. We need to refocus our efforts on countries, sectors and businesses where there is demonstrable scope to shift the dial on our export performance – that is where our analysis gives us the evidence we need to do that.

We already have world class businesses trading successfully across the globe. We must do more to help these businesses to innovate and improve their products which can help them export more in their current markets and help them diversify into new markets where there is a demand for their goods and services.

While I want to see an increase in the value of Scottish exports I also recognise that we need to see an increase in the number of businesses in Scotland that export. That will generate additional value for the Scottish economy – creating benefits for all of us across our communities – and ensure that our export base is diversified and more resilient. This plan includes support to help businesses move into exporting, for example, the First Minister's Export Challenge, a business-to-business mentoring programme. This plan covers only a small part of the existing wider business support environment which can help businesses to grow and to build capacity and capability to become exporters.

Why the focus on exports?

As Scotland takes on more tax raising powers it's critically important that we expand the business base and ensure that Scottish businesses fulfil their growth and productivity potential. One of the most effective ways for them to do that is to internationalise, to enter new markets and to grow their existing exports. We want to create the right conditions and provide the right support for them to do that. There are a number of reasons the Scottish Government is putting a much greater emphasis on export growth. In broad terms, a better net trade position helps to create a more balanced, sustainable economy bringing greater prosperity and jobs. That in turn will help to support a more inclusive economy where the benefits of trade are shared across the country.

Coming from a business background and having worked in a number of overseas markets, I have first-hand experience of how businesses that trade internationally tend to be more innovative, more productive and more competitive. Exposure to global competition and international standards drives business improvement. Figures from the Office of National Statistics suggest that, while only around 3% of businesses actually export, these businesses account for 60% of UK annual productivity growth and are, on average, 70% more productive than businesses that don't export. We also know that businesses and economies operating across a range of markets will tend to be more resilient and less vulnerable to economic shocks.

I also want Scotland to grow its international profile and presence. We have a lot to offer as a nation and international trade forms an important mechanism through which Scotland can enhance its place in the world. I want a Scotland that is confident and outward facing and that showcases its strengths and capability through trade and the exchange of ideas and people. Building international relationships and our reputation as a good global citizen through trade also enables Scotland to exert a positive influence on our international partners. This will become increasingly important in a post Brexit environment.

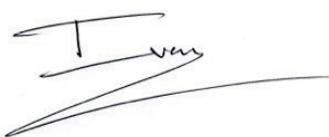
Where does this plan fit in with the other economic strategies and the wider strategic landscape?

It's strongly aligned with our National Performance Framework, Scotland's Economic Strategy, our innovation strategy and with the Economic Action Plan. It builds on the export element of our existing trade and investment strategy. I'm very clear that it complements those.

Internationalisation runs strongly throughout all these documents and I see *A Trading Nation* as an extension of those – a mechanism that really lets us drill down to what the evidence is telling us in terms of where the opportunities are, what our priorities should be and what actions we will take as a result of all that. I'm also very clear that this needs to be a living plan that will be kept updated and relevant. We need to be able to take account of changing circumstances and adapt our response to those accordingly.

And finally, who is *A Trading Nation* for?

As I've already indicated, *A Trading Nation* is for everyone working to grow Scotland's exports to provide them with the evidence base that will shape their priorities and direct their resources most effectively. I think it's also important that businesses find it a useful resource to identify potential international markets and opportunities as well as the advice and support that's available to help them access those. Ultimately it's businesses, not government, that will deliver the export growth that will really make a difference to the Scottish economy.



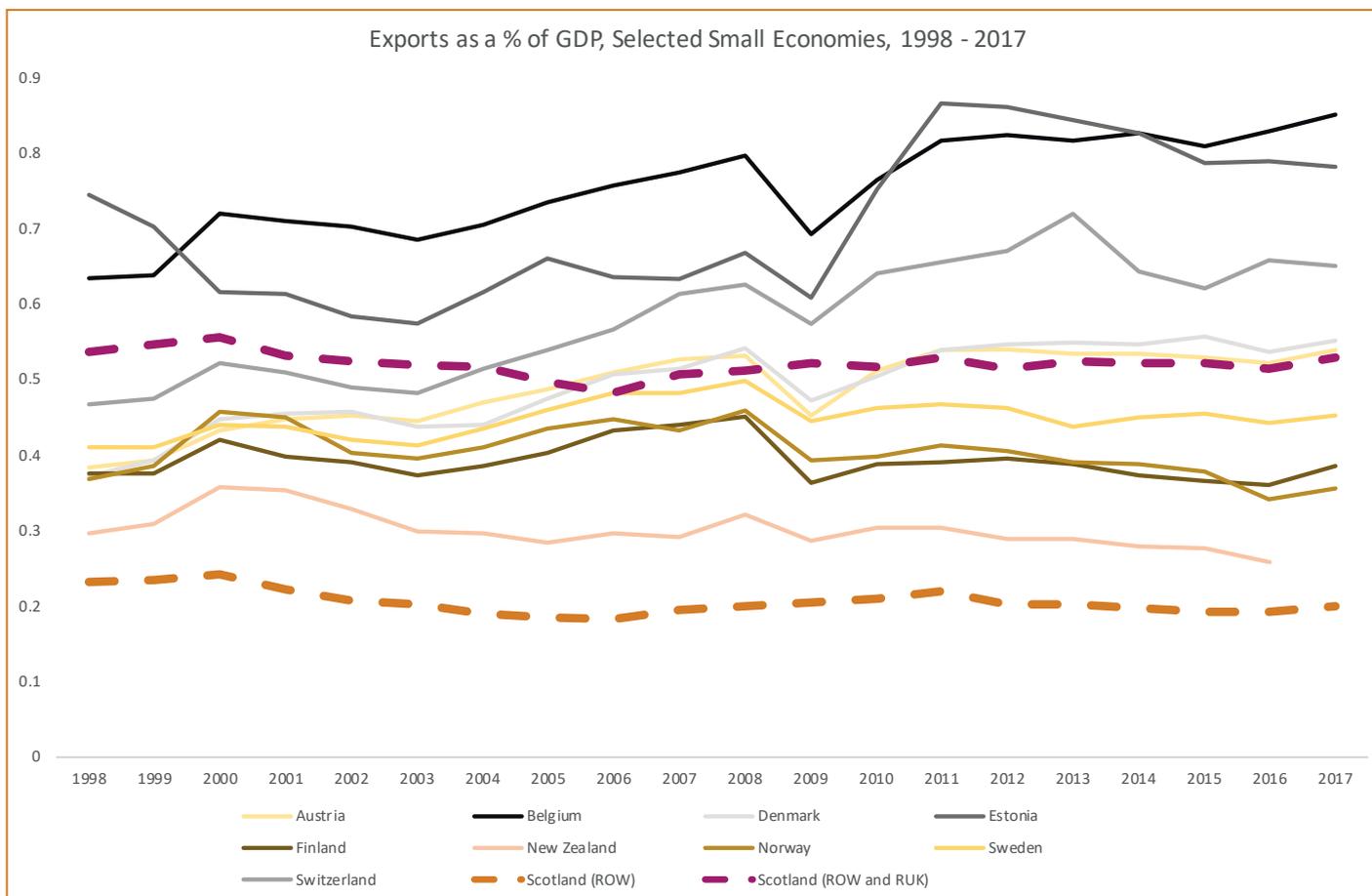
Ivan McKee MSP
Minister for Trade, Investment and Innovation

EXECUTIVE SUMMARY

Why develop a plan for growing Scotland's exports?

Scotland is a trading nation with a long and proud exporting history. Without exporters, Scotland's economic growth would be poorer. Economic growth is critical to driving job opportunities and living standards as well as generating tax receipts for the Scottish Government essential for the delivery of the public services we value. It is for all these reasons that driving the internationalisation of the Scottish economy, and ramping up the value of exports, is so important.

Whilst Scotland's exports have increased in value over the last 20 years they have remained broadly static as a proportion of the economy whilst many similar sized nations have improved. This means that Scotland has not been internationalising at the pace required to keep up with our competitors. The Scottish Government committed in its 2018 Programme for Government to develop *A Trading Nation* in recognition that exports could, and should, contribute more to the Scottish Government's goal of sustainable, inclusive economic growth.



Source: World Bank and Quarterly National Accounts Scotland

Ultimately it's businesses that will deliver the export growth that will really make a difference to the Scottish economy but the government can play an important enabling role. *A Trading Nation* sets out the scope and scale of the exporting opportunity available to Scottish business. The plan also seeks to sharpen the focus of the role the public sector and its partners can play in driving exports as part of a wider system of business support.

Through our enterprise agencies, Highland & Islands Enterprise and Scottish Enterprise, we spend around £300mn every year on business support. Of this around £85mn supports international trade and investment promotion and around £30mn of this is for export support. This plan sets an agenda to focus the existing trade support spend and a further £20m over 3 years, as outlined in the 2018 Programme for Government, to where it is likely to offer the greatest return on investment (ROI) to the Scottish taxpayer.

A great deal of valuable work has been done over the years to support Scottish businesses to export. Much of this effort has been focused on growing our exporting base and increasing resilience in our economy. This needs to continue and, at the same time, we need to identify actions that will support the growth of exports as a proportion of our overall economy.

We recognise that Brexit is one of the most significant challenges we face. The Scottish Government's opposition to it is clear. *A Trading Nation* was not devised as a direct response to Brexit. However, the plan will help us respond to this challenge by providing a clear understanding of likely future demand for our products and services and setting a clear direction for where we should align our resources. This will enable us to better advise and support our exporters in light of Brexit and other competitive challenges.

Ensuring that the rest of the world is aware of the innovative, high quality and globally competitive products and services that Scotland has to offer has never been more critical.

The scope of the plan

A Trading Nation sets a direction on how best to grow Scotland's exports and how to best focus resources and policies to deliver that growth. It uses data driven analysis and market intelligence to identify the priority sectors, markets and types of businesses most likely to deliver export growth.

We will work with partners to deliver the actions set out in this plan. These include business organisations and networks, industry groups, the Scottish diaspora, universities, local authorities, UK government agencies and other bodies. *A Trading Nation* builds on existing economic strategies and the work of the Enterprise and Skills Strategic Board. The plan will be a live document to be updated and developed on a regular basis as situations change and more evidence becomes available. This will also enable us to review and refine the actions and interventions that we make to ensure that they are delivering for businesses and for Scotland's economy.

Evidence based and co-produced

A Trading Nation is built on an unprecedented level of robust analytical data. More than 20 data sets were interrogated to build our understanding of current and future export growth opportunities. We analysed current and future global import demand in 100 countries across 66 industrial and 19 service sectors. Analytical work was also undertaken to examine key exporting businesses to understand their strengths, size, location, workforce, products and services.

This analysis was shared and tested in a comprehensive consultation exercise with a large number of key business partners and stakeholders to ensure the conclusions drawn reflected their real world experience.

Based on this work, the Office of the Chief Economic Adviser (OCEA) has developed new data tools for the exporting community that are a step change in our export intelligence. They include:

- Scotland's [Export Performance Monitor](#), comprising detailed data analysis interrogating our recent export history and trends is now published in a user friendly digital format.
- The **export value gap tool** which benchmarks our export performance in market-sector combinations against competitor countries to better understand where our exports are performing well against our peers and where opportunities for growth exist. We plan to make this data available to our enterprise agencies and their clients as part of their toolkit to support exporters.

Strategic choices: what, where, who and how?

A *Trading Nation* strives to find answers to four key questions:

1. What are the export strengths we should promote?
2. Where should we promote these strengths and when should we step up our presence in these markets?
3. Who should we work with most intensively to boost our export performance?
4. How do we best configure government and wider support to deliver our export goals?

Making these choices was not easy. Should we play to our current export strengths or should we put more effort into developing emerging products? Should we promote our exports to established markets of today or put more effort into emerging markets of tomorrow? When should we step up our presence in overseas markets and which are the businesses that we should work with most intensively to boost Scotland's exports? Should we work with established exporters or concentrate on creating new exporters and what is the right balance between government direct support and using partners at home and in-market?

We believe the approach set out below offers the best prospects for boosting exports for the benefit of our wider economy.

What export strengths should we focus our promotion efforts on?

Evidence¹ suggests that successful exporting countries specialise in a limited range of goods and services and make the overwhelming amount of their exports earnings selling to a limited number of countries. This partly reflects countries specialising in what they can produce most efficiently. It also partly reflects the reductions in cost that can be achieved through scaling up production, through so called 'economies of scale'. In addition, clustering of similar firms can result in positive networking and knowledge-sharing effects that help to drive innovation and greater efficiency of production.

This pattern of trade is repeated throughout the world and Scotland is no exception with our top 5 sectors accounting for 69% of our export value. Our export sectoral strengths are in: food & drink; engineering services & manufacturing; life & chemical sciences; technology, digital & media; financial & business services and energy.

Tourism, education and the creative industries are also significant contributors to our economy, in particular through the innate value they add to Scotland's overarching offer.

Where are the export markets to target for "today" and for "tomorrow"?

Where a business chooses to export is a commercial decision for them but, from a public sector perspective, we need to align our export support resources to where we think they will have the most impact. Through the work we have done we have estimated that over 68% of future opportunities to grow Scotland's exports are in 15 countries, with 80% of our strongest export growth opportunities in just 26 countries. These markets are predominately in Europe, North America and a small number of emerging markets. This plan takes into account not just the current value of exports to these markets but, importantly, blends that with a multi-dimensional view of how global exports to those markets will develop in Scotland's strongest sectors.

1 [The Power of Exports - World Bank - 1/07/2010](#)

Priority markets - immediate opportunities in multiple sectors

Export Priority Rank	Country	Share of Current Exports	Share of export value gap
1	USA	17.1%	10.7%
2	Germany	7.2%	13.7%
3	France	7.5%	6.5%
4	Netherlands	7.6%	7.8%
5	Switzerland	2.3%	3.1%
6	Norway	3.1%	3.4%
7	Poland	1.2%	3.8%
8	Belgium	3.1%	3.2%
9	China	1.9%	2.7%
10	Ireland	4.5%	1.9%
11	Denmark	2.7%	1.9%
12	Sweden	1.8%	3.0%
13	Italy	2.3%	3.5%
14	Canada	1.8%	1.2%
15	Spain	2.6%	2.2%

Source: Export Statistics Scotland and OCEA calculations

Markets of Interest - specific sectoral opportunities in the mid to long term

Export Priority Rank	Country	Share of Current Exports	Share of export value gap
16	Japan	1.6%	2.2%
17	Australia	2.2%	1.6%
18	Turkey	0.5%	0.8%
19	Mexico	0.5%	1.0%
20	India	0.7%	1.7%
21	Singapore	2.0%	0.5%
22	UAE	2.0%	0.1%
23	Nigeria	1.0%	0.2%
24	South Korea	1.0%	2.0%
25	Brazil	2.2%	0.5%
26	Indonesia	0.2%	0.2%

Source: Export Statistics Scotland and OCEA calculations

As demonstrated in the matrix below, these 15 markets offer strong demand across a range of sectors, with the prospect of business wins in the near term. The next 11 markets also offer good export opportunities, albeit across a narrower range of sectors, and we anticipate good prospects for export wins. No specific sectors are identified in Indonesia but there are general opportunities for the future to be gained here.

Summary matrix	Engineering and Advanced Manufacturing	Food and Drink	Technology, Digital and Media	Energy	Financial and Business Services	Chemical Sciences	Life Sciences
USA	MGX	MGX	VMGX	X	MGX	VMX	VMGX
Germany	VMGX	MGX	VMGX	MX	VMG	VMX	VMGX
France	M	MX	VMX	VMG	VMX	VMX	VMX
Netherlands	VG	VMGX	VMX	MGX	VMGX	VMX	MGX
Switzerland		V	VGX		V		VMGX
Norway	X	V	VX	X	X		X
Poland	V	V		V	V	G	V
Belgium	M	VM		MG	V	VMX	VM
China	VMG	VMG	MG			MGX	VMGX
Ireland	V	X	VX		MGX	VGX	MG
Denmark	X			MX		V	VG
Sweden				VM	VG		X
Italy	MG	VM	X		V	X	MG
Canada	MGX	MGX		VM	MGX	V	V
Spain	MG	MGX			X	VX	
Japan	M	MG	VMG		VGX	M	MGX
Australia	X	VX	V	VG	X		X
Turkey						G	
Mexico	MG		MG			G	
India	G	G	VG	VG	M	M	
Singapore	X	X	MG	VMG		M	
UAE	X	X	X	X	X		
Nigeria	X						
South Korea	VGX	G	MG	VG	MG	MX	VG
Brazil				GX	MG		
Indonesia							

Key:	
V	in top 10 export value gaps for sector
M	in top 10 importing countries of products from sector
G	in top 10 import growth countries for sector
X	in top 10 Scottish export markets for sector

Source: OCEA calculations based on Export Statistics Scotland and UN Comtrade data

Who: the businesses that can boost our exports most

As illustrated below, of the 346,000 businesses in Scotland only 11,000 of them export. Of those that export, 100 businesses account for around 60% of our exports. The next 400 businesses account for around a further 20% of exports with the rest (around 10,500) accounting for the remaining 20%. We have looked at similar small developed economies and this profile is typical.



Increasing the exports of the 500 businesses responsible for 80% of our exports by 50% would increase overall exports by £13bn. By contrast, increasing the exports of the other 10,500 by 50% would only increase exports by £2.9bn. If we want to help Scotland's businesses succeed internationally and drive the growth of exports, the Scottish Government and its enterprise agencies will need to dial up and develop bespoke support for these businesses. At the same time, we must ensure that the right products and services continue to be available to support the broader pipeline of businesses.

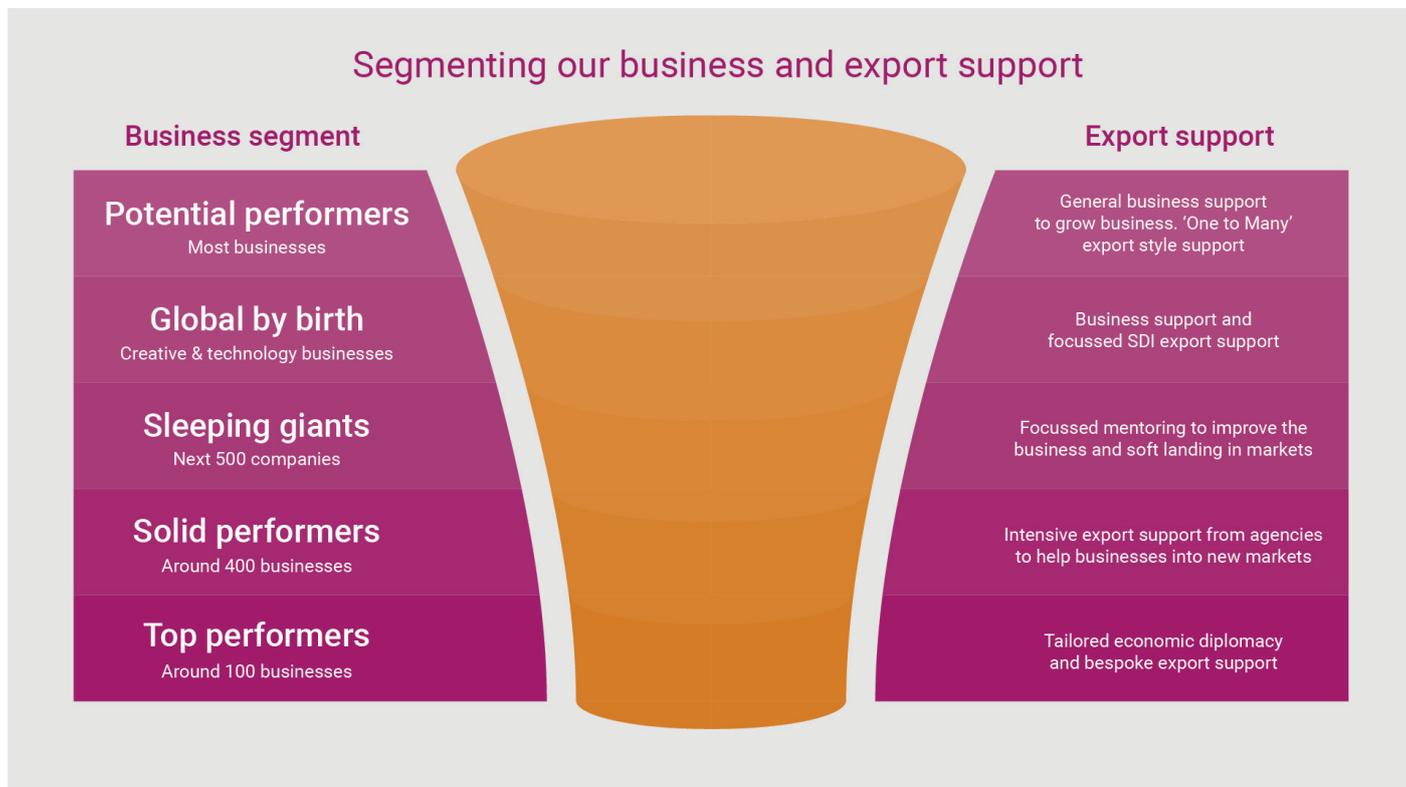
We need to continue our programmes to assist new and inexperienced exporters, to help grow the exporting base and to make best use of new technology to deliver these services in different, less resource intensive ways. We also need to work with a range of partners to deliver existing business support services. **This means that our expert international trade advisers will spend the balance of their time with those businesses whose growth can disproportionately benefit our export performance and the wider economy.** We believe this approach will help ensure businesses get the advice and support that best meets their needs.

Working in the same way with all our exporters, or potential exporters, would not make best use of resources or represent good value for the taxpayer. Many of the top exporting businesses will need little or no support, however, they will be able to provide advice and support to businesses that export less than them and also be able to work with their supply chain to help them internationalise.

Many other businesses have the potential to deliver significant increases in their exports, enough to shift the dial on Scotland's overall export performance. They will need intensive and holistic support to realise their potential.

To cater for these differing needs in the most resource effective way, whilst maintaining our focus on overall export performance, we will implement a segmentation strategy which provides focused support to different types of businesses depending on their export profile.

We will deliver this export support through smart segmentation of businesses based on their distinct characteristics, with a focused plan of support tailored to each of the 5 segments.



Our **top 100 performing exporters** are typically global businesses that are unlikely to need export support services but may require “economic diplomacy” support in the form of political intelligence, introductions and advice to exploit opportunities in new markets. We will encourage them to mentor other firms and we will seek to understand their requirements, in particular where we can support them to further embed their supply chains in Scotland or to consider further investment.

Our **solid performers**, which are predominately SMEs, may have limited internal resources and are likely to need a blend of intensive export support services and, where needed, economic diplomacy interventions.

Our **sleeping giants** are businesses which have a solid performance of selling into the Scottish or rUK markets, in sectors where their products are likely to be in demand internationally and are of a scale where they have the management bandwidth to support export activity. As fledgling exporters they will need access to business support services to grow their business, innovate their products and when a strong opportunity arises, access to export support. We will also seek to provide focused mentoring support.

Global by birth are typically small businesses in sectors which, by their nature, are global in outlook, for example, in the technology or creative sectors. These businesses need to be treated differently as they are often internationally focused from the outset. They will often already be on enterprise agency scale-up programmes. Given this, we propose they have access to enterprise agency business support services and export support services as needed.

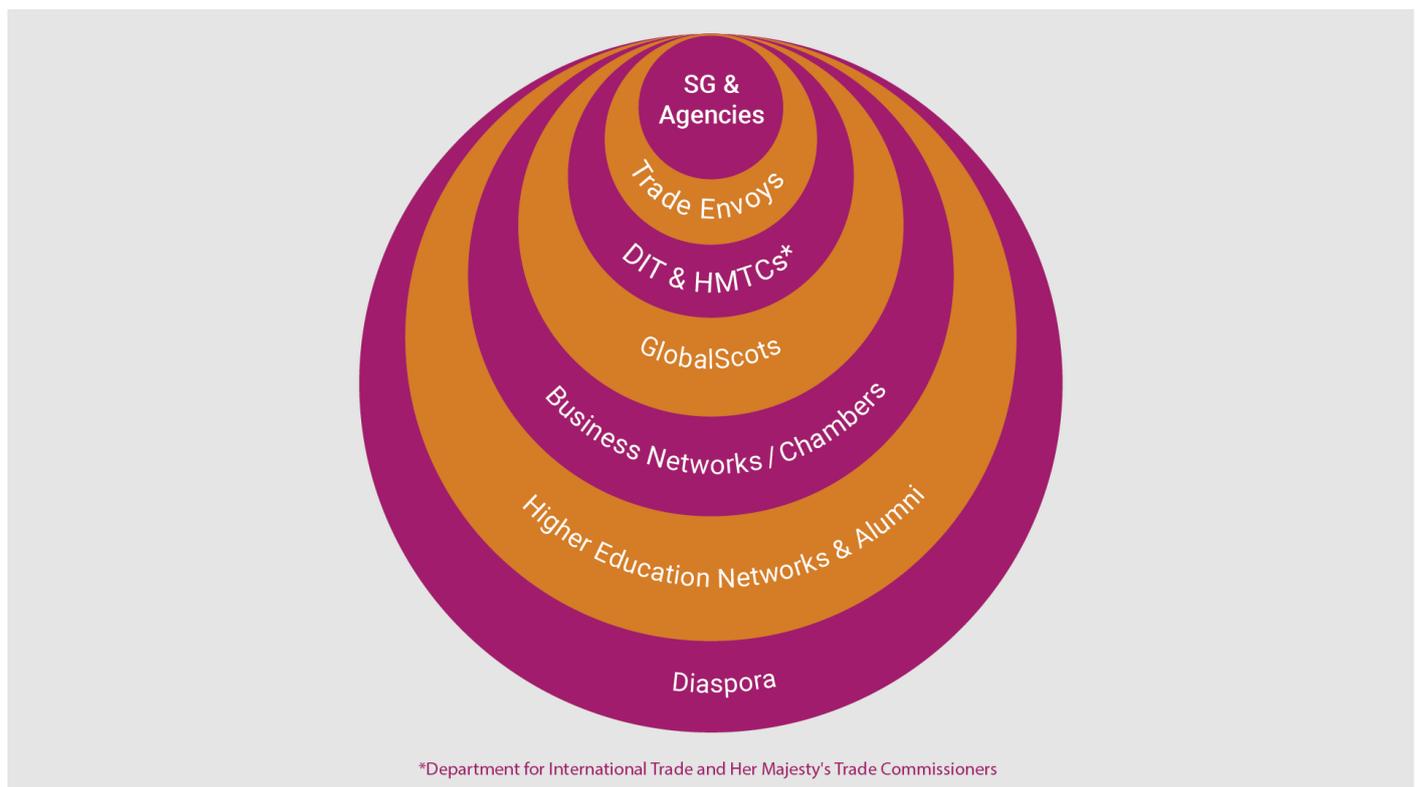
Potential performers refers to the majority of businesses that are already exporting, or aspire to, but typically at a smaller scale. For these businesses existing support services are in place to grow their business, supplemented by export support services (most likely delivered by partners such as Chambers of Commerce) delivered in a “one to many” format such as workshops and (self-help) digital services. The Local Export Partnership pilots led by Chambers of Commerce, with regional partners, including local authorities, is undergoing evaluation and the results of that will feed into our development of future export support services for these businesses.

How: getting the best from a One Scotland approach

Collaborating to deliver the One Scotland approach are the Scottish Government, enterprise agencies and agencies supporting education, tourism and specific industrial sectors.

We also have an international footprint including 30 SDI offices in 20 countries, including Scotland Europa sitting alongside the Scottish Government in Brussels, and Scottish Government offices in eight countries. VisitScotland also has offices in London and Toronto. This network gives us a range of diplomatic relationships and trade and investment specialists across the globe.

Beyond these government networks we can call on the wider support of the Scottish diaspora including alumni, GlobalScots, Trade Envoys, Chambers of Commerce and the extensive networks of the British Council and the UK government’s Department for International Trade (DIT), Her Majesty’s Trade Commissioners (HMTCS) and the Foreign and Commonwealth Office (FCO). All of these will be valuable partners in advancing our export agenda. The chart below illustrates our networks and the chart in the following section indicates how each partner can help our exporters.



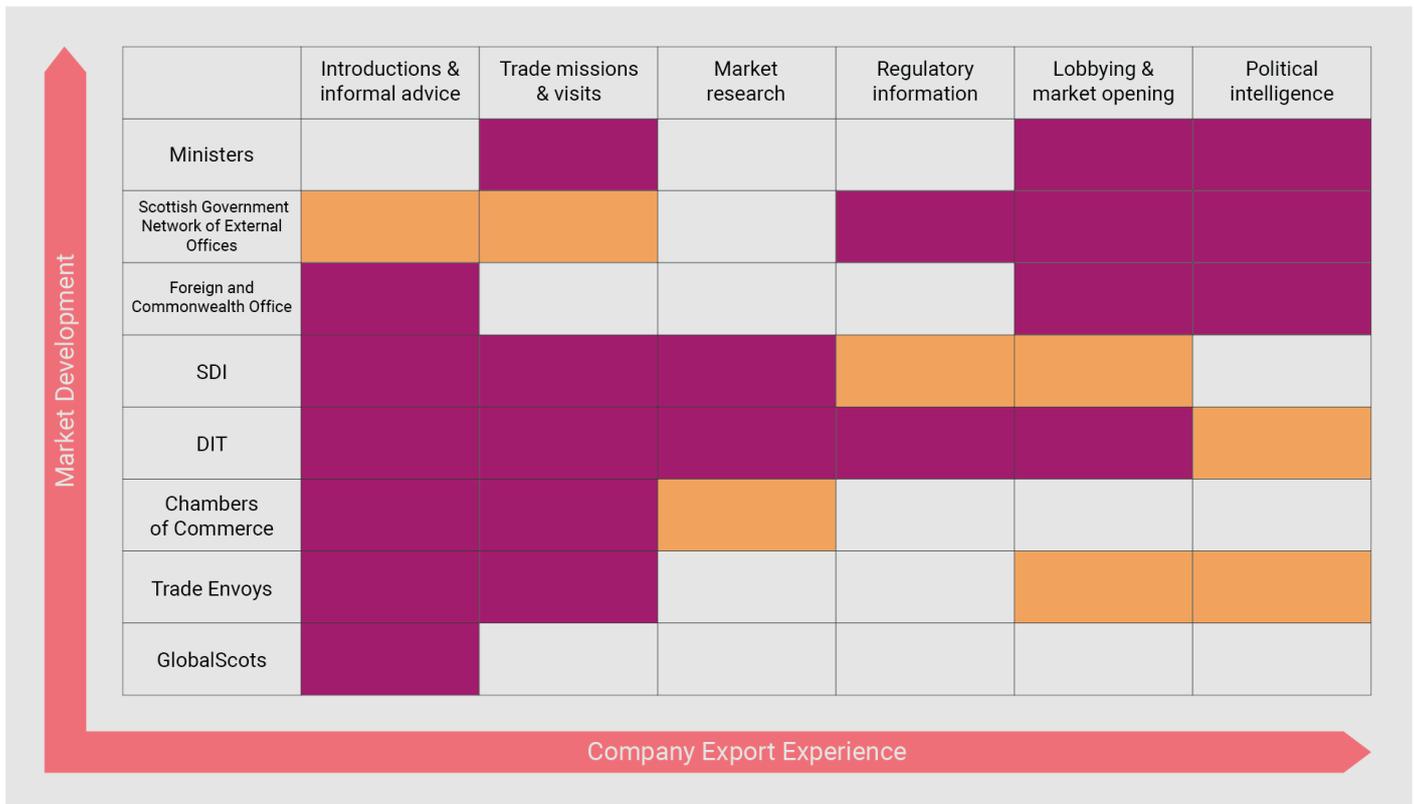
How: aligning export support to market demands and business' needs

The Scottish Government, Scottish Development International, our enterprise agencies and delivery partners will need to realign resources and tailor services to meet the needs of exporters based on the analysis that underpins this plan.

The export support needs of a business will differ depending on their level of experience and on how developed, well regulated and transparent their target market is. Well developed markets tend to be stable and have high levels of regulatory predictability that make it easier for businesses to obtain market information and meet relevant contacts. This is not always the case in emerging markets.

Less experienced exporters often require more traditional export support services, such as basic market research provided by agencies or private sector providers, and introductions provided by Chambers of Commerce, GlobalScots and other networks. More experienced exporters are often more self-reliant and generally need different types of export support such as political intelligence and, if required, economic diplomacy or ministerial interventions.

The Scottish Government, SDI and our partners will tailor our services and export support to Scottish businesses dependent on need, as the chart below illustrates.



Given the strong opportunities in our priority markets, we will strengthen and realign our export resource to target key growth sectors within the 15 priority markets and the 11 markets of interest. We will also strengthen our GlobalScot networks in these countries and seek to build on the strength of Scotland’s alumni network and the wider Scottish diaspora.

We recognise that there are opportunities for Scottish businesses in other emerging markets and we will continue to monitor them closely and scale up our in-market support as required.

Wider considerations

In addition to the strategic choices above, the plan also includes analysis on other issues of critical importance to our export drive, including connectivity to markets by air and through our ports, issues around export finance, how we use set piece events like Dubai Expo and opportunities to further leverage the One Scotland delivery model to support our export performance. We also highlight Scotland's place as a 'good global citizen' with respect to wider considerations, including human rights and the environment.

Key actions

In collaboration with Scottish Development International, our enterprise agencies and other delivery partners we have identified a number of strategic decisions and policy actions that, when delivered in concert, will help adjust our export support ecosystem to better boost export performance and grow the economy.

Actions in the plan are a combination of those delivered in Scotland to increase awareness of export opportunities and to raise the level of ambition across the business base to improve export performance, as well as measures to ensure that businesses have the capacity and capability to capitalise on the opportunities identified in the plan. These measures are complemented by actions in market to ensure that the right support is available to enable Scottish based businesses to expand and exploit these opportunities. As this is a live plan, we will continue to monitor, evaluate and adjust the actions to ensure that we are providing the most effective support possible.

Actions to scale up trade promotion and Scotland's overseas reach & profile

1. Scale up the GlobalScot network, expanding from 600 to 2000 business people in key markets, including doubling to 500 in Europe by 2020 with clearer "asks" and "offers" of support from a revamped SDI support platform.
2. Enrolling our leading exporters in growing a world-class brand Scotland to support all exporters as part of Scotland is Now.
3. Scale up our trade promotion activity with an expanded international missions and exhibitions programme building on SDI's current 68 global events and the Chambers' international programme and at major international events, including the Rugby World Cup 2019, Dubai 2020 and the Tattoo in China 2020.
4. Strengthen our network of overseas in-market specialists by adding up to 15 in-market specialists focused on the 15 countries that make up two thirds of our export opportunities and in the sectors that offer the "best bets" for growth.
5. Twelve of our priority markets are in Europe so we will continue to do all that we can to remain in the EU or, as a minimum, remain in the Single Market and Customs Union.

Actions in Scotland to ramp-up our support for firms' export capacity

Restructure and refocus Scottish Development International to:

1. Separate into specialist divisions for export and investment attraction work building on a successful pilot in the food & drink sector.
2. Shift the bulk of its resource into priority markets that offer the biggest opportunities for Scotland's sectoral strengths by reorganising SDI's footprint to capitalise on priority markets.
3. Focus on growing existing exporters (by diversifying into new markets or new products) and high potential early stage firms (in industries like digital and life sciences).
4. Develop new support to help more 'global by birth' businesses scale up rapidly.
5. Integrate SDI more closely with enterprise agencies to help more domestic businesses graduate to exporting.
6. Continue to work with Chambers, Business Gateway, sector leadership bodies and others to grow new exporters.
7. Increase the digital offer of training, advice and resources through the new enterprise agencies' "single access portal".
8. Boost the skills of relevant businesses through export qualifications and qualifications to help deliver a step change in sales and marketing skills.
9. Expand the reach of business networks, including up to £2m for the Chambers of Commerce for a number of trade missions over 3 years and support the Scottish Business Network to exploit trade opportunities from London.

Monitoring and evaluation

At the heart of this plan is the need to increase exports as a percentage of GDP. **We will set a target of increasing exports to 25% of our GDP by 2029.** Meeting this target will require around a further £25bn of exports by 2029. The economic impact of meeting this target would be to add around £3.5bn to GDP and to create around 17,500 more jobs with an increase in annual tax take of around £500m².

To understand whether we are making progress against this target there are a number of indicators that we will monitor. We will develop a monitoring framework that will track key performance indicators, including the overall value of exports, the value of exports to particular countries, the value of exports from particular sectors, the value of exports from specific businesses and the number of exporters. We will regularly evaluate our actions to ensure that we continue to focus on those measures that are delivering results.

² Cash figures are presented in 2016 prices.

| 1. Introduction

1. INTRODUCTION

The objective of this plan is to understand how best to grow Scotland's exports, and then to focus resources and policies to deliver that growth.

We have done this by using data driven analysis and market intelligence to identify the priority sectors, markets and types of businesses that are most likely to drive growth in exports.

We have developed this plan with our partners – business organisations and networks, industry groups, the Scottish diaspora, universities, local authorities, UK Government agencies and other bodies. We will continue to work with them as we deliver the actions in this plan around a shared agenda to improve Scotland's export performance.

A Trading Nation builds on existing Scottish Government economic strategies and the work of the Enterprise and Skills Strategic Board. It is aligned with our priorities of inclusive growth and the wider internationalisation agenda, ensuring ethical business practices are observed, including respect for human rights and the rule of law. The plan is a live document and will be updated and developed on a regular basis as situations change and more evidence becomes available.

1.1. Why exports are important

In the modern interconnected and interdependent world, nations that export and trade internationally do better across all economic indicators.

Access to international markets drives business performance and scale and facing international competition drives business innovation and productivity growth. Without exporters the ability for Scotland's economy to grow would be constrained. Economic growth is critical to driving job opportunities and higher living standards as well as the tax receipts critical for the delivery of the public services that are so important to the country. This is particularly true under the current fiscal settlement for the Scottish Government. It is for all these reasons that driving the internationalisation of the Scottish economy and increasing the value of exports is so important.

Evidence indicates that there is a strong correlation between exporting and innovation. Innovative businesses are more likely to export and the experience of exporting can also be a strong driver of investment in innovation and R&D as businesses compete in new markets. We also know that businesses and economies operating across a range of markets will tend to be more resilient and less vulnerable to economic shocks.

Figures from [ONS](#) and the [Department for Business, Energy and Industrial Strategy](#) suggest that businesses that export, while only being 3% of the business base in Scotland, account for 60% of UK annual productivity growth and are, on average, 70% more productive than businesses that don't export.

If we are to be a successful nation it is important for Scotland to grow its international profile and presence. Scotland has a lot to offer and international trade forms an important mechanism through which Scotland can enhance its place in the world. A Scotland that is confident and outward facing can showcase its strengths and capability through trade and the exchange of ideas and people. Building international relationships and a reputation as a good global citizen through trade also enables Scotland to exert a positive influence on our international partners.

1.2. Strategic context for A Trading Nation

The importance of improving Scotland's export performance is central to the internationalisation component of Scotland's economic strategy and is a key element of all the strategic policy documents that consider how best to grow Scotland's economy, both now and in the future.

Businesses that export are more innovative and more productive, delivering additional benefits to the Scottish economy.

A Trading Nation is aligned to these strategies, the National Performance Framework and to the Government's Economic Action Plan to provide a coherent approach to direction and delivery.

[Scotland's Economic Strategy 2015](#) set a target of boosting exports by 50% over the period 2010 to 2017. Latest figures show Scotland's exports grew 35% over this period. The need to accelerate export growth is a significant driver of the need for this plan and the robust evidence based approach it uses to focus resources on delivering results.

The Economic Strategy also identified a number of key sectors where Scotland has a distinct comparative advantage:

- Food & drink (including agriculture & fisheries)
- Creative industries (including digital industries)
- Sustainable tourism
- Energy (including renewables)
- Financial & business services
- Life sciences

Priority markets to grow exports from these sectors are identified in this plan.

A key element of the Scottish Government's approach to delivering economic growth is that it should be both sustainable and inclusive. Exporting can boost productivity which allows businesses to hire more staff and create better jobs. This is particularly important in regions where we have unfulfilled economic growth potential.

[Global Scotland: trade and investment strategy 2016-2021](#) set out Scotland's overall approach to improving trade and investment performance. The strategy set out plans to boost Scotland's export performance by inspiring, enabling and supporting more businesses to sell more goods and services to a wider range of international markets.

A number of the actions in that strategy are further developed here. In particular the focus on working in partnership across the public and private sector and taking a Digital First approach to helping more businesses easily access the information, advice and support they need to help them export.

The strategy also resulted in the formation of the [Ministerial Trade Board](#) which has been instrumental in contributing to the development of this plan and some of the actions within it. The doubling of SDI trade resources in Europe was announced following the strategy. The merit of this investment has been borne out by the detailed data analysis underpinning the identification of the priority markets and sectors in this plan.

Sustainable Growth Commission

In its report [Scotland – the new case for optimism](#) the Sustainable Growth Commission set out a number of ideas, measures and recommendations, including the development of an export growth strategy, to boost economic growth and improve Scotland’s public finances – both now in the aftermath of the EU referendum and in the context of independence. One of the clearest messages was that **Scotland, in particular in the context of the EU referendum result, must become more, not less engaged in the global and European economy to boost growth.** This aspiration is fully supported by this plan which highlights a number of EU countries as being a significant source of potential export growth across all of Scotland’s areas of export strength.

Much of the evidence underpinning the report, in particular drawing on the experience of comparator countries like Ireland and Denmark, has informed the development of this plan. We have also developed the plan in consultation with representatives of the main exporting sectors and wider business organisations.

We share the Sustainable Growth Commission’s view that we must work to increase the value of exports overall, measured both in absolute terms and as a percentage of GDP. We also recognise the importance of innovation in supporting this goal and the role that inward investment plays in attracting export orientated businesses to Scotland.

There are a number of other recommendations and measures outlined in the report that have either already been taken forward or have been adopted or developed through the actions in this plan, including:

1. The formation of a Directorate for International Trade and Investment which works closely with our Directorate for External Affairs and delivery partners to ensure an integrated approach to trade, investment and economic diplomacy;
2. The further expansion of the Scottish Government’s external network of offices providing a platform for, and a more joined up approach to, existing and new activity by the Government, partners and businesses in strategic locations;
3. Retaining the link between internationalisation and wider business support through the trade services provided by the enterprise agencies and Business Gateway to grow the number of domestic firms engaged in exporting activity;
4. Increasing spending on export support with an additional £20 million investment over the next 3 years;
5. Strengthening our trade promotion effort by using Scotland’s exports as part of our marketing effort through the development of a multi-channel business pillar of the Scotland is Now campaign;
6. Supporting the provision of international business support to Scottish based businesses with high export potential to accelerate and expand their international activity;
7. Supporting ecommerce programmes that enable Scottish exporters’ access to new customers through digital platforms;
8. A refreshed approach to the GlobalScot network and an expansion of our cadre of Trade Envoys.

Enterprise and Skills Strategic Board

The Enterprise and Skills Strategic Board³ was formed following the conclusion of the [Enterprise and Skills Review](#). The board, which draws its membership from the boards of the enterprise and skills agencies alongside respected and influential members of the academic and business community, has a mandate to improve the enterprise and skills system in Scotland.

The [Strategic Plan](#), published in October 2018, set out direction for the agencies but also made recommendations to government. Exporting was one of the 4 “missions” addressed in the strategic plan and we have drawn on much of the same evidence in developing this plan.

The actions for partners outlined in the Strategic Plan are complementary to those outlined in *A Trading Nation*, including;

1. The creation of a ‘new national exporting service’ – providing a One Scotland approach to export delivery organisations and services, strengthening national and regional partnerships and offering enhanced digital support services;
2. Exploration of a new public/private sector partnership to provide support to scale up, and refresh, export support resources utilising the expertise and global connectivity of the business community; and
3. The development of digital, sales and international language training programmes for exporters.

We are also pleased to be delivering on a number of the recommendations for Government highlighted in the Strategic Plan including:

1. Increased ministerial visibility in existing and potential trading partner countries and fast growing priority markets through a programme of frequent international visits by the Minister for Trade, Investment and Innovation;
2. Exploring the full potential of the international dimension of colleges and universities by working closely with the education sector to make Scottish universities the destination of choice within the UK for overseas students and to skill our workforce with exporting expertise, including leadership teams within businesses with the opportunity to export;
3. Increasing the involvement of private sector expertise and world-wide resources through our refreshed approach to the GlobalScot network, the expansion of our network of Trade Envoys and business-to-business mentoring amongst experienced exporters.

The Strategic Board “export mission” *“seeks to increase export growth through the number of businesses and value of exports – sustaining and growing the value of Scotland’s trade with new and emerging markets by better understanding product, services and in-country demand and increasing the number of exporters through broader and deeper reach at regional levels.”*⁴

Whilst this plan is supportive of the wider objective stated above, the analysis that underpins *A Trading Nation* has helped us to refine where the balance of our agencies and partners efforts should be focused in order to deliver the greatest returns for businesses and for Scotland’s citizens.

3 Strategic Board Members – Nora Senior – Chair – former Chair, Scottish Chambers of Commerce, and former President, UK Chambers of Commerce, Wendy Alexander – University of Dundee, Karen Betts – Scotch Whisky Association, Liz Cameron – Scottish Chambers of Commerce, Mike Cantlay – Scottish Funding Council, Sara Carter – University of Strathclyde, Lorne Crerar – Highlands and Islands Enterprise, Audrey Cumberford – Edinburgh College, Jeanette Forbes – PCL Group, Russel Griggs – South of Scotland Economic Partnership, Poonam Gupta – PG Paper Company, Steven Heddle – COSLA, Bob Keiller – Scottish Enterprise, John McClelland – Skills Development Scotland, Gerry McCusker – Dog Digital, Chair of BIMA Scotland, Scott McLarty – Spirit Aerosystems, Grahame Smith – STUC, Willie Mackay (interim) – Scottish Enterprise (winter 2019) Frank Mitchell – Skills Development Scotland (winter 2018)

4 Working Collaboratively for a better Scotland, October 2018, Page 35

UK Government Export Strategy

The [UK Export Strategy](#) was published in August 2018 and broadly welcomed by Scottish Ministers. It sets out to increase UK exports as a proportion of GDP from 30 to 35% with action grouped around 4 broad themes, many of which read across to this plan:

- 1. Encourage** and inspire businesses that can export but have not started or are just beginning, placing a particular focus on peer-to-peer learning;
- 2. Inform** businesses by providing information, advice and practical assistance on exporting;
- 3. Connect** UK businesses to overseas buyers, markets and each other, using DIT sector expertise and networks in the UK and overseas; and
- 4. Place finance** at the heart of the offer.

The UK's Export Strategy builds on the UK Industrial Strategy which was published in November 2017 and is one of the UK Government's strategic priorities alongside trade policy. The UK Export Strategy highlights that the Department for International Trade will promote UK Industrial Strategy Sector Deals - partnerships between the UK Government and industry aimed at increasing sector productivity - through international events and overseas trade missions. The Scottish Government is fully committed to continuing to work with the UK government to ensure that Scotland's strengths are reflected in each sector deal.

Links to related Scottish Government strategies:

[Scotland's Economic Strategy](#)

[Scotland's Trade and Investment Strategy](#)

[Scotland's Economic Action Plan](#)

[Scottish Government: International Trade Policy](#)

[Scottish Enterprise: Support for Businesses](#)

[Scottish Government: Ministerial Trade Board](#)

[Scottish Enterprise: Business Guides](#)

[Global Scotland: trade and investment strategy 2016-2021](#)

[Scottish Parliament - Report on Internationalising Scottish Business](#)

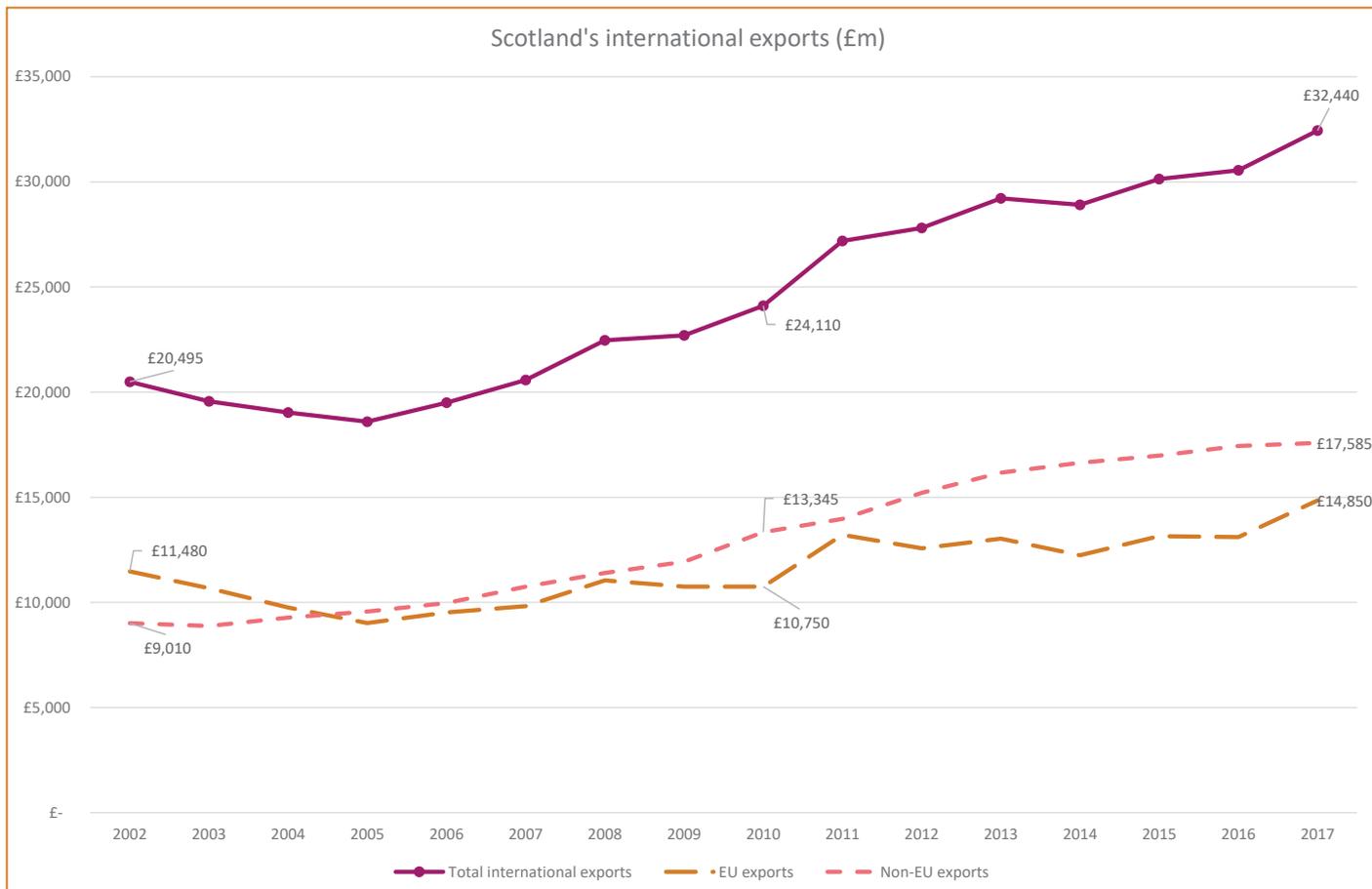
[The Cole Commission on Exports - A plan from business](#)

[Wilson Review of support for Scottish Exports](#)

[Working Collaboratively for a Better Scotland: Strategic Plan - Enterprise and Skills Board](#)

1.3. Scotland's export performance

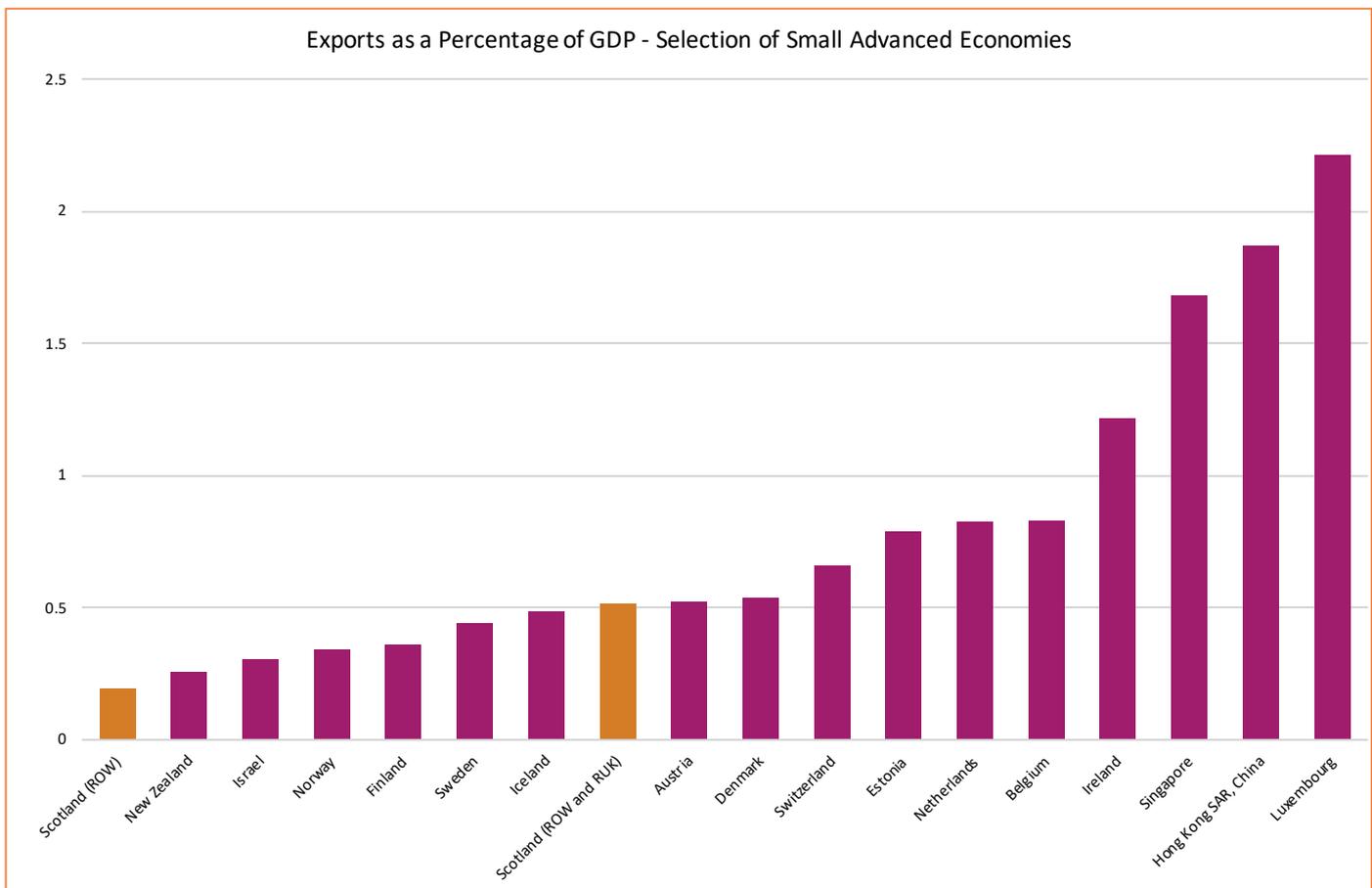
Scotland's international exports⁵, excluding oil and gas, have grown at an annualised rate of 3.1% since 2002. Since 2007 that rate has increased to 4.7% compared to a UK rate of 4.4%.



Source: Export Statistics Scotland 2017

When considering exports as a % of GDP and against the performance of our international competitors, however, Scotland's performance is not so encouraging.

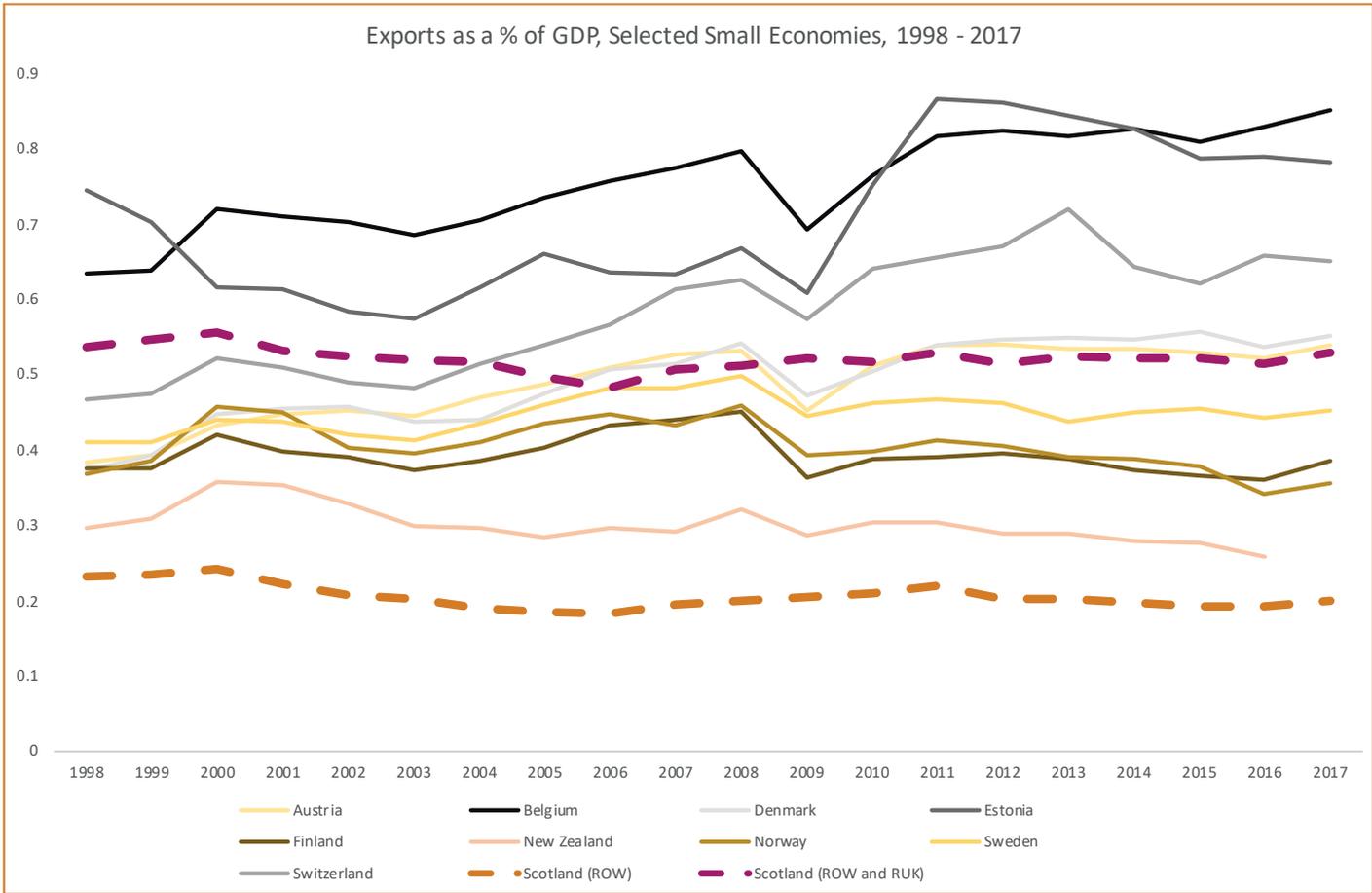
⁵ Export Statistics Scotland. Excludes Oil and Gas from the UK continental shelf



Source: World Bank and Quarterly National Accounts Scotland

The chart above shows that Scotland has considerable potential to increase exports as a percentage of GDP to match the performance of other medium sized economies. Even including trade with the rest of the UK (rUK,) Scotland still lags behind many comparable nations on this key measure. Scotland lags all countries in this comparison when trade with rUK is excluded.

Scotland's performance on this key measure has been broadly flat over the past 20 years. The growth in the value of Scotland's exports has simply been keeping pace with growth in the economy as a whole.



Source: World Bank and Quarterly National Accounts Scotland

There is no doubt that Scotland’s economy has the potential to internationalise and match the performance of other comparable nations. Scotland’s inherent strengths in a number of sectors underpin this potential. This plan for export growth sets out to understand what needs to be done to enable this performance improvement and maps out the actions required to deliver it.

1.4. Learning from others

Whilst Scotland has achieved some notable successes in its approach to boosting exports, such as the collaborative approach in the food & drink sector, it is important that we remain alert to global best practice. To help understand better how Scotland can close its export performance gap we have considered the experience of other comparable medium sized economies and looked at the ways in which they frame and monitor their export targets and provide support to businesses to boost export performance. Where appropriate to the Scottish context, these learnings have been incorporated in this plan.

Ireland

The [Ireland Connected](#) Strategy of March 2017 sets a goal for increasing indigenous Irish exports by 26% by 2020 and, crucially in a post Brexit context, seeking to increase the percentage of indigenous exports going to markets outside of the UK to 80%. This is seen as being particularly important for the resilience of the economy in Ireland which has traditionally relied on the export performance of its base of inward investors and predominantly on exports to the UK market.

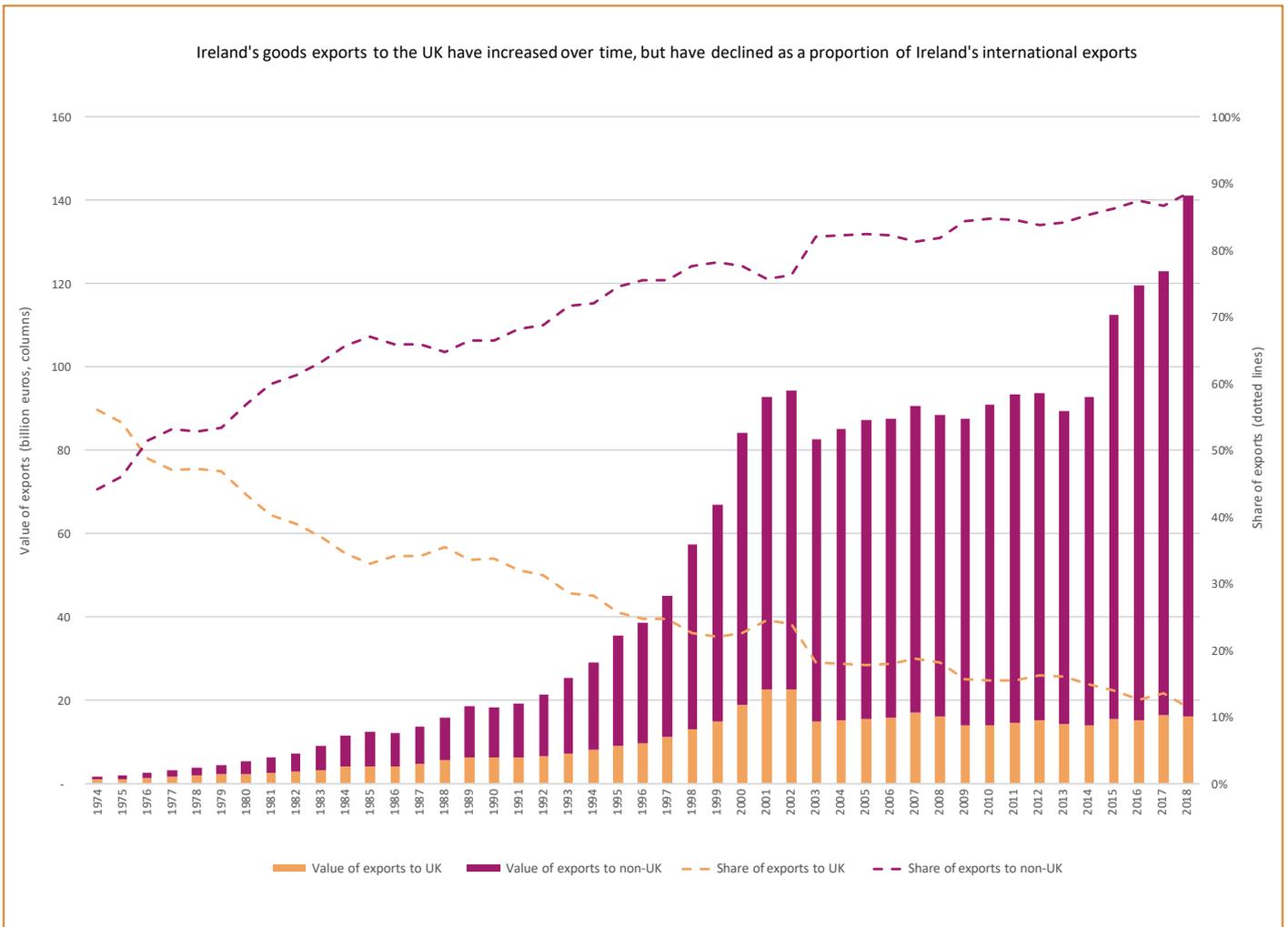
The strategy sets out strategic direction to 2025, with a range of targets across export, investment and wider business support measures;

- *Increase our indigenous exports, including food, to reach €26 billion by 2020 – up by 26% from 2015.*
- *Generate 30,000 more jobs in tourism by 2020 and €5 billion in overseas tourism revenues by 2025.*
- *Secure 900 new foreign direct investments in the period 2015-2019.*
- *Increase our international student numbers by 27% to reach 176,500 by the academic year 2019/2020.*
- *Intensify and diversify 80% of indigenous export growth to 2020 to be outside of the UK market and maintain exports of at least €7.5 billion to the UK.*
- *Increase investment in developing innovative products, services and solutions by 50% in Irish owned enterprises to reach annual RD&I spend of €1.25 billion.*
- *Increase the number of our Irish owned businesses of scale by 30% seeing a greater number exceed turnover thresholds of €3 million, €20 million and €100 million.*
- *Increase value to the economy with an uplift of 25% spend in the economy from Enterprise Ireland supported businesses, and a 20% uplift from IDA Ireland supported entities.*

Source – [Ireland Connected: Trading and Investing in a Dynamic World](#), page vi, March 2017

Ireland also takes a “whole of government” approach to working with businesses and this is something we would be keen to see replicated in Scotland through the efforts of the Strategic Board. Consistent with our approach, Ireland also identifies several areas of competitive advantage on which to focus its efforts (ICT, life sciences, agrifood, internationally traded services, engineering/industrial products). It also has a strong reputation for meaningful evaluation of the effectiveness of its initiatives.

Ireland’s export growth over past decades has been significant. The Irish performance has also been characterised by a significant diversification away from its traditional UK markets over time. While exports from Ireland to the UK have increased at an annualised rate of 3.0% since 2003, they have fallen as a % of Ireland’s total exports from 33% to 21% due to even faster growth in other markets. Longer term trends on goods (data is not available on services), show that Ireland exported over 60% of its goods to the UK at the start of the 1970s and this has reduced to 11% in 2018.



Source: OCEA analysis based on Ireland Central Statistics Office data

We will continue to learn from colleagues in Ireland in developing our own approach, including in relation to its evaluation framework for assessing the effectiveness of interventions and the way in which it mobilises its diaspora as advocates for all it has to offer.

The experience of Ireland suggests that indicators that we would also seek to monitor through this plan will include:

- Increasing the value of international exports and the share of international exports as a proportion of overall performance; and
- Maintaining or improving our existing sales performance to the rest of the UK.

Denmark

Denmark has a high proportion of exports to GDP given its proximity to major European markets, in particular Germany. Exports to Europe account for 70% of Denmark's exports. Other priorities are the high volume US and Asian markets. The Danish enterprise support environment is particularly decentralised and fragmented. In 2014 there were efforts to simplify this landscape through the strategy on [Export Promotion and Economic Diplomacy](#).

This sets out 9 key measures, underpinned by 40 initiatives to deliver improvements in export performance.

1. *Streamlining and coordination of export promotion programmes and easier navigation for businesses.*
2. *Strengthened inter-ministerial efforts for Danish economic interests globally.*
3. *Strengthening Foreign Service contributions to growth and employment.*
4. *Optimisation of Trade Council efforts in cooperation with the Danish business community.*
5. *Global presence, focusing on growth and volume markets.*
6. *Better cohesion between development aid and commercial efforts.*
7. *Facilitating access to financing for businesses.*
8. *Boosting SME internationalisation and exports.*
9. *A better framework for effective and business-oriented export promotion campaigns.*

Source - Government Strategy on Export Promotion and Economic Diplomacy Economic Diplomacy - More trade. New jobs. Page 8, May 2014

There are a number of measures here that are broadly similar to those being outlined in this plan or already underway through the recommendations of the Strategic Board.

New Zealand

Having had to significantly refocus the balance of its exports in the 1970s following the UK's decision to join the EU and having a small domestic market, exports are a critical part of New Zealand's economic growth strategy.

In a bid to improve performance, New Zealand Trade and Enterprise (NZTE) has decided to focus the balance of its efforts on high growth potential firms. This is part of a concerted effort to shift the focus in export terms from volume to value.

This initiative, Focus 700, includes a structured process to identify high growth firms that are committed to work intensively with NZTE. Resources are allocated disproportionately to these high growth potential firms.

Recent figures indicate that those 700 businesses grew their international revenue by about \$3.5 billion, rising by 9.2% more than the benchmark group of exporters⁶.

NZTE works with the Focus 700 firms in an intensive manner, and in a way tailored to the firms' needs. Support can include management capability building, strategic advice, market intelligence and advice, in-market support, as well as targeted financial support. This assistance is provided by NZTE staff (many of whom have prior business experience), by NZTE advisory boards and with third party providers.

6 <https://www.beehive.govt.nz/release/strong-export-growth-face-global-headwinds>

Firms are assessed regularly to ensure that they are tracking towards their specified key performance indicators and that they are working with NZTE in the manner agreed. There is the ability to drop firms from this programme if they do not meet the requirements of the programme.

Scotland's plan for export growth will seek to learn from this approach through a strategic focus on those businesses most likely to drive a shift in export value.

1.5. Our ambitions

Scotland's National Performance Framework defines the outcomes and key performance indicators which guide government policy.



A *Trading Nation* will make a positive contribution to a number of the [National Performance Framework](#) outcomes. In particular:

Economy – *We have a globally competitive, entrepreneurial, inclusive and sustainable economy*

International – *We are open, connected and make a positive contribution internationally*

Fair work and business – *We have thriving and innovative businesses with quality jobs and fair work for everyone.*

The value of Scotland's international exports is a national indicator of economic performance. However, simply looking at the headline value is not sufficient. We know that exports as a percentage of Scotland's GDP has remained flat for many years and lags behind comparator countries.

To really determine whether our interventions are having a positive impact on the economy we will focus on tracking the percentage of our GDP that comes from international exports and making this our key measure of success.

This approach was supported in the **Sustainable Growth Commission** report published last year. The report suggested that;

“Increasing overseas exports from 20% of GDP to 40% of GDP would be a reasonable target to set in order to close the export gap with small advanced economy benchmark countries, implying an increase from under £30 billion to more than £60 billion.”

As a first step towards that longer term ambition we will set a target of increasing exports to 25% of our GDP by 2029.

The [UK Government Export Strategy](#) published in August 2018 also adopts a long term national ambition to grow the share of UK GDP from exports from 30% to 35%. In current performance terms the UK is at the mid-point in the G7 rankings, in a similar position to France, Italy and Canada but substantially behind Germany.

When Scotland is compared with other medium sized open economies like Norway, Finland Denmark and New Zealand our performance by this measure lags substantially behind.

Country	Exports as % of GDP 2017
Scotland	20%
Norway	35%
Finland	39%
Denmark	55%
New Zealand	27% (2016)

Source: World Bank and Quarterly National Accounts Scotland. 2017 data for New Zealand unavailable

While tracking international exports as a percentage of GDP is important as an overall measure, there are other influencing factors in the wider business support environment that create the conditions for exporting to thrive.

We will:

- Work with colleagues across government, our enterprise agencies and with other delivery partners to co-produce a performance monitoring framework. This will build on existing KPIs and performance data and learn from international experience to develop a range of specific and measurable indicators to track Scotland’s export performance and progress towards achieving our ambition.

1.6. Role of government

Exporting is more complicated than selling to a customer in the same country. Often the exporter has to find information about the buyer, the laws, regulations, customs and business practices of the country that they want to sell to. This can be time consuming and expensive. Most exports happen without government support. Nonetheless, government agencies, such as Scottish Development International, can help exporters obtain the information they need, introduce them to prospective customers and provide valuable advice on how to succeed in overseas markets.

The type of support offered by government agencies (and our partners) will be different depending on how experienced the exporter is and what country they want to export to. New exporters often need advice about the process of exporting and how to better plan in order to find customers. For experienced exporters, they tend to need less information about the exporting process but more information on new markets, contacts and opportunities.

Government agencies provide a wide range of services and advice to exporters both in Scotland and in overseas markets. Measures in Scotland are focused on increasing awareness of export opportunities and to raise the level of ambition across the business base and to improve export performance as well as services and support to ensure that businesses have the capacity and capability to capitalise on the opportunities identified in the plan. These measures are complemented by actions in-market to ensure that the right support is available to enable Scottish based businesses to exploit these opportunities.

Support to businesses comes from a range of other sources, including banks, lawyers, accountants, local authorities, Business Gateway, the enterprise agencies, Scottish Development International, the Department of International Trade and business organisations such as Chambers of Commerce, CBI, SCDI and the IOD. It is the role of Scottish Government to ensure that the system as a whole supports the range of businesses that are exporting with appropriate interventions that facilitate the growth of exports and that the balance of effort for these interventions is placed where they will provide the most economic benefit to the Scottish economy.

1.7. Scotland: A good global citizen

International trade and investment are vital to improving Scotland's competitiveness and reducing economic inequality. The Scottish Government is committed to ensuring Scotland is a modern, inclusive nation which protects, respects and realises internationally recognised human rights. We embed equality, dignity and respect in everything we do. As a nation, we seek to promote sustainable development, diversity, democracy, the rule of law and human rights across the world. We expect Scottish based businesses to adopt ethical business practices, conduct appropriate due diligence on business partners and to be aware of local business conditions in export markets.

The [UN Global Goals](#) also put significant emphasis on the role that trade plays in promoting sustainable development. Scotland was one of the first countries to show political leadership in committing not just to the Global Goals, but also to our intended method of domestic implementation, through the National Performance Framework.

To empower exporters to conduct appropriate due diligence, the Scottish Government's Directorate for International Trade and Investment (DITI) has produced a document [Investment: Due Diligence Checking](#) which sets out the importance of carrying out appropriate due diligence on businesses, including their human rights record, before entering into an relationship with them.

The UK government's [Overseas Business Risk Service](#) also provides geopolitical and economic analysis on overseas markets to new and expanding exporters. The guides provide information on potential risks, including human rights issues, bribery and corruption, terrorism, criminal activity and intellectual property.

We encourage all Scottish based businesses to make good use of these services when evaluating new export opportunities.

1.8. Brexit

We recognise that Brexit is one of the most significant challenges we face. All the economic analysis, from the UK and Scottish Governments and others, shows that all forms of Brexit will severely impact economic growth. The Scottish Government continues to believe that staying in the EU is the best option for Scotland and the whole of the UK and continues to make the case for this to protect Scotland's economy, businesses and exports.

Scotland's Place in Europe, our [substantive policy response](#) published in December 2016, makes the case for remaining in the European Single Market and Customs Union as a minimum to protect Scotland's trade with Europe. Increasing exports is something we recognise is necessary for Scotland's economic development regardless of Brexit, but the additional hurdles created by leaving the European Single Market and Customs Union – and exiting the third party trading arrangements the EU has already secured with more than 40 other countries – clearly makes our task harder.

If the UK leaves the EU it will need to agree new trading arrangements as part of its development of the Future Economic Partnership with the EU and with countries with which the EU currently has trade deals which the UK would no longer benefit from. The Scottish Government will work to ensure Scottish interests are fully represented and protected in the development of these new trading relationships.

In a situation where the UK leaves the EU without a deal, then the impact on Scottish trade will be immediate. Exporters will face EU most favoured nation tariffs on many products that are exported to the EU. This will have a significant impact on their competitiveness. Exports to non-EU countries will also no longer be able to benefit from preferential trade deals unless the UK government has made its own agreements with these third countries. Tariffs on imports would be set by the UK government, whose temporary tariff regime involves significant elimination and reduction of tariffs from both EU and non-EU countries. This could result in Scottish exporters facing a situation where their goods are less competitive internationally while also being exposed to greater competition in the domestic market from tariff-free non-EU imports.

For services exports, the impact of Brexit is particularly damaging. By leaving the single market, Scottish firms will cease to benefit from the free movement of people and the ability to do business in any country in the EU. Different national requirements regarding work permissions and mutual recognition of qualifications will apply, creating complexity and barriers to trade for businesses exporting to the EU. The most significant barriers to trade in services for Scottish businesses are those which have been removed or addressed in the single market for services in the EU (i.e. establishment, regulatory compliance, restrictions on access, mutual recognition of professional qualifications and restrictions on annual travel). No free trade agreement in the world provides the degree of freedom of movement in services that is lost by leaving the single market and it is difficult to see how such a loss could be made up. With 75% of Scotland's economy based on services, representing a third of our trade with the EU, Brexit will seriously hamper our ambitions to grow our services exports and the opportunities for businesses to expand and become international players. This makes the shift in focus of our resources towards those businesses most likely to be able to drive growth in exports even more important.

Whilst *A Trading Nation* was not devised as a direct response to Brexit, it provides a better understanding of likely future demand for our products and services and where we should align our resources to better support our exporters in light of Brexit and other competitive challenges. As yet we still don't know what Brexit looks like but we recognise that we will continue to have to review and update our priorities and approaches once the UK's future trading relationships become clearer.

2. Strategic choices and our approach to developing the plan

2. STRATEGIC CHOICES AND OUR APPROACH TO DEVELOPING THE PLAN

2.1 The scope of A Trading Nation

This plan aims to understand how best to grow Scotland's exports and how to best focus resources and policies to deliver that growth. We have done this by using data driven analysis and market intelligence to identify the priority sectors, markets and types of businesses where export growth will come from. We will work with partners – business organisations and networks, industry groups, the Scottish diaspora, universities, local authorities, UK government agencies and other bodies – to deliver this growth. The Export Plan will build upon existing economic strategies and the work of the Enterprise and Skills Strategic Board. The plan will be a live document, to be updated and developed on a regular basis as situations change and more evidence becomes available.

2.2 Our strategic choices: who, what, where, when and how

A Trading Nation strives to provide answers to four key questions.

- **What are the export strengths we should promote?**
- **Where should we promote these strengths and when should we step up our presence in these markets?**
- **Who should we work with most intensively to boost our export performance?**
- **How do we best configure government and wider support to deliver our export goals?**

Answering these questions presents a number of dilemmas. Should we play to our current export strengths or should we put more effort into developing or emerging strengths? Should we promote our exports to established markets of today or put more focus on emerging markets of tomorrow? When should we step up our presence in overseas markets and which businesses should we work with to boost Scotland's exports? Should we work with established exporters or concentrate more on creating new exporters? How do we best focus and align support in key markets?

A Trading Nation answers these questions and sets out the evidence based strategic choices we have made to focus our efforts and drive up Scotland's exports performance.

2.3 An evidence based approach

A Trading Nation uses an evidence based approach to identify where activity should be focused. This includes evidence in its widest sense – both quantitative and qualitative. **The analysis behind this plan is the most detailed examination of Scotland's international export performance alongside market opportunities ever undertaken by the Scottish Government.**

The starting point was to examine and utilise the existing data that Scotland has on exports. The [Export Statistics Scotland](#) publication provides the most complete picture of exports from Scotland. This draws on a range of data sources, not least a direct survey of Scottish businesses through the Global Connections Survey. This data has been collected and published for the last 20 years but has never been used fully as a tool by business or government to identify export trends.

Scottish Government analysts in the Office of the Chief Economic Adviser (OCEA) have also used this data to create a more user friendly tool which will help businesses to interrogate the data more effectively. This tool, the [Export Performance Monitor](#), was published online in November 2018.

The next stage of this work examined international data to identify potential opportunities to grow Scottish exports. This work used a range of data from sources such as UN Comtrade to identify Scotland's performance compared to a range of comparator countries – Denmark, Ireland, Finland and Norway – across a range of market-sector combinations. The Office of the Chief Economic Adviser has built the **export value gap tool** from this work which highlights potential export opportunities to investigate for each sector in a range of countries. More information on the export value gap tool can be found in the methodology paper that goes alongside this plan.

2.5 Co-production with partners

This plan has been developed using a data driven approach, drawing on analysis from a range of sources.

However, data must be placed in a real world context to deliver maximum value and the conclusions reached must be tested at industry level to ensure they reflect the experience and knowledge of businesses on the ground. The Scottish Government places great importance on this consultation process and sees it as crucial to the overall success of the plan's development and implementation.

Throughout the development of this plan officials in the Directorate for International Trade and Investment have consulted with agencies, industry and industry representative bodies across a number of sectors, including: tourism; life sciences; financial and business services; chemical sciences; mining; energy; engineering; construction; food & drink; textiles; creative industries; forestry and timber technologies and the digital sector. We have also engaged with other key stakeholders such as SCDI, Chambers of Commerce, CBI Scotland, IoD, FSB, Universities Scotland, and the Fraser of Allander Institute. In total more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the export plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, the plan is reflective of that evidence. Our vision is for *A Trading Nation* to be a genuine demonstration of a joined-up plan, developed with our partners and stakeholders, that will make a real difference to businesses in Scotland.

We are committed to continuing to work with sector stakeholders and partners to refine and improve this plan over time.

It is important to note that we are not seeking to replicate any of the extensive work that may already be progressed at a sectoral level. Instead, we are interested in adding value to that and understanding how best government can support those activities.

3. Strategic Choice 1:
How best to support our
exporting businesses?

3. STRATEGIC CHOICE 1: HOW BEST TO SUPPORT OUR EXPORTING BUSINESSES?

3.1. Scotland's business profile

There are approximately 346,000 businesses in Scotland. Of these businesses, around 238,000 do not have any employees. Of the 108,000 that do employ people, 85,000 are micro businesses (less than 10 employees) and a further 17,000 are classed as small businesses (less than 50 employees). Data from the Office for National Statistics estimate that only 11,000 businesses in Scotland export – approximately 3% of the business population.

Of those 11,000 businesses that do export, the vast majority export small amounts in value. Data from the Export Statistics Scotland publication estimate that the top 100 exporters in Scotland export around 59% of all exports (over £19bn of exports). The next 400 exporters are estimated to export 23% of all exports (over £7bn of exports). This means that over 80% of exports are delivered by just 500 businesses – 0.1% of the business population.

This is not unusual. Other business statistics show that just 0.7% of businesses in Scotland are responsible for 45% of employment and 59% of turnover in Scotland. While not as stark as the trade data, this does still highlight the concentration of economic activity within a small number of businesses.



This is also not unusual in an international context. A recent study of seven European countries found that 'the top 5% of a country's exporters account for 69-86% of total exports'⁷. It is the performance of these large exporting firms that shapes overall export performance.

The United Nations Convention on Trade and Development (UNCTAD) estimates that the top 1% of exporting firms account for 57% of (non-oil) exports in 2014 and that the 'concentration is even more extreme at the top of the distribution: the largest 5 firms accounted for 30% of national exports and the top 10 firms accounted for 42%'⁸.

7 <http://bruegel.org/wp-content/uploads/2015/07/Europe-export-superstar.pdf>

8 [United Nations Conference on Trade and Development, Trade and Development Report 2018 – Power, Platforms and the Free Trade Delusion](#)

3.2. Ownership profile of top 500 exporting businesses

Of the 100 businesses exporting the most from Scotland, the vast majority are owned outwith Scotland - with only 14% being owned in Scotland. Another 19% are owned in the rest of the UK.

This contrasts with the ownership profile of the next 400 exporters with over a third owned in Scotland.

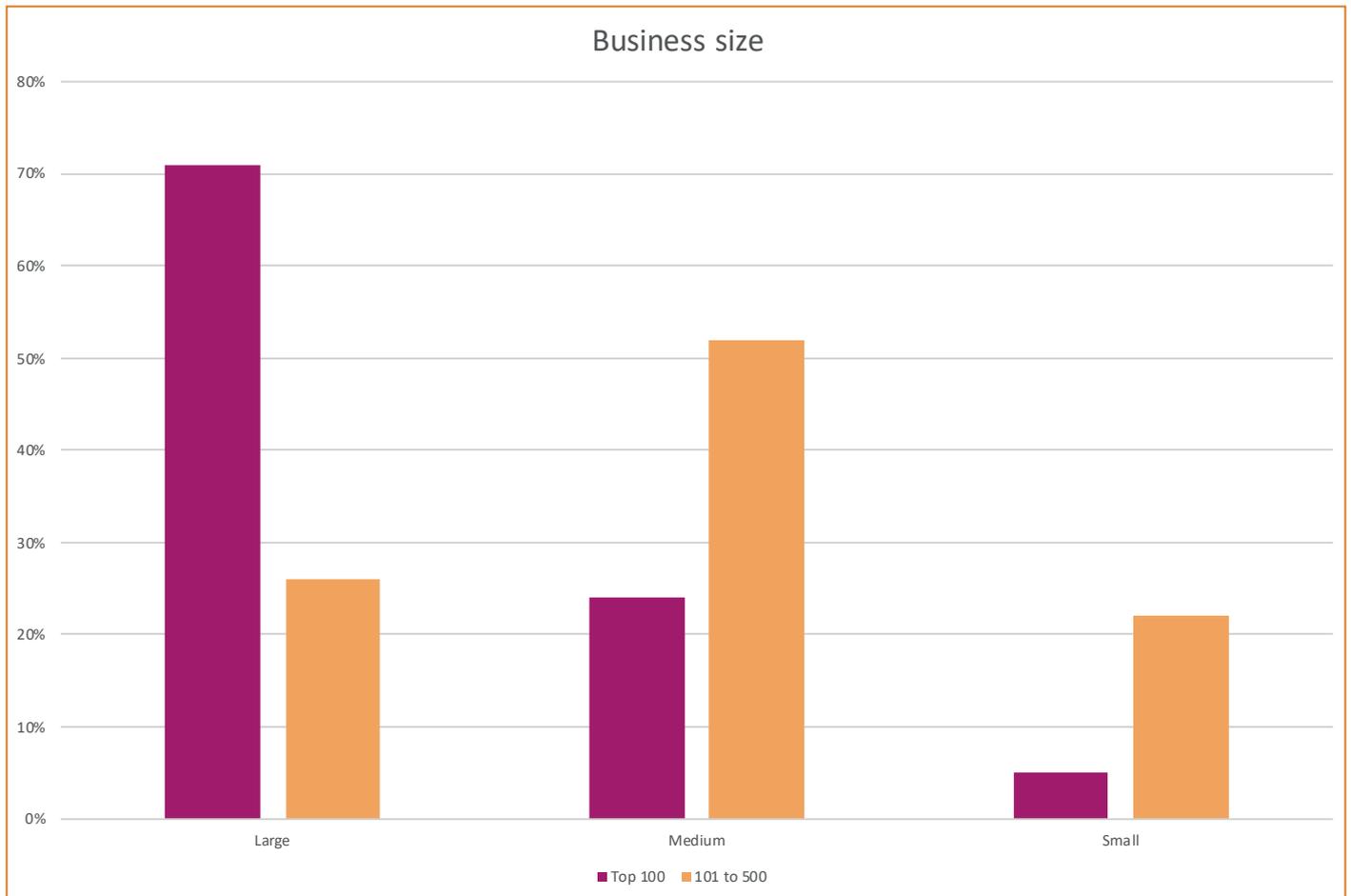


Source: Based on data from Export Statistics Scotland 2017

This chart also highlights the importance of foreign direct investment (FDI) to exports given that 60% of exports are delivered by the first 100 exporting businesses and 67% are owned outside the UK. **Increasing FDI can have a further positive impact on exports as foreign owned businesses tend to be more internationally focused and export orientated.**

Size of top 500 exporting businesses

While a high proportion of businesses in the top 100 exporters are large businesses, it is interesting to note that 74% of businesses in the next 400 exporters are SMEs.



Source: Based on data from Export Statistics Scotland 2017

3.3. Who should export?

It is recognised that exporting is not for everyone. There are many businesses in Scotland who are perfectly well served by the domestic market and would not yet be in a position to meet the demands of exporting their products or services. For these businesses, a more effective strategy is to focus on first growing their domestic sales. However, exporting is an important way to expand a business where there is an ambition to do this and where there is a product or service that is in demand in countries outside Scotland.

For businesses that are not currently exporting there is a wide range of business support to help get businesses ready for exporting. The single portal currently being developed by Scottish Enterprise and partners will allow businesses to access the support that is right for them to move them along their exporting and business growth journey.

3.4. Maximising impact

The actions in this plan are focused on closing the gap in export performance between Scotland and some other comparable economies, at scale and at pace. Doing this requires us to make choices about where we put the balance of our effort. Whilst we will continue to ensure that support and advice is available to any business in Scotland with the ambition to export, the statistics show that most of the value of exports are driven by a relatively small number of businesses. Therefore, a transformative shift in the value of Scotland's exports will only come through shifting the performance of our top exporters and those capable of exporting at scale.

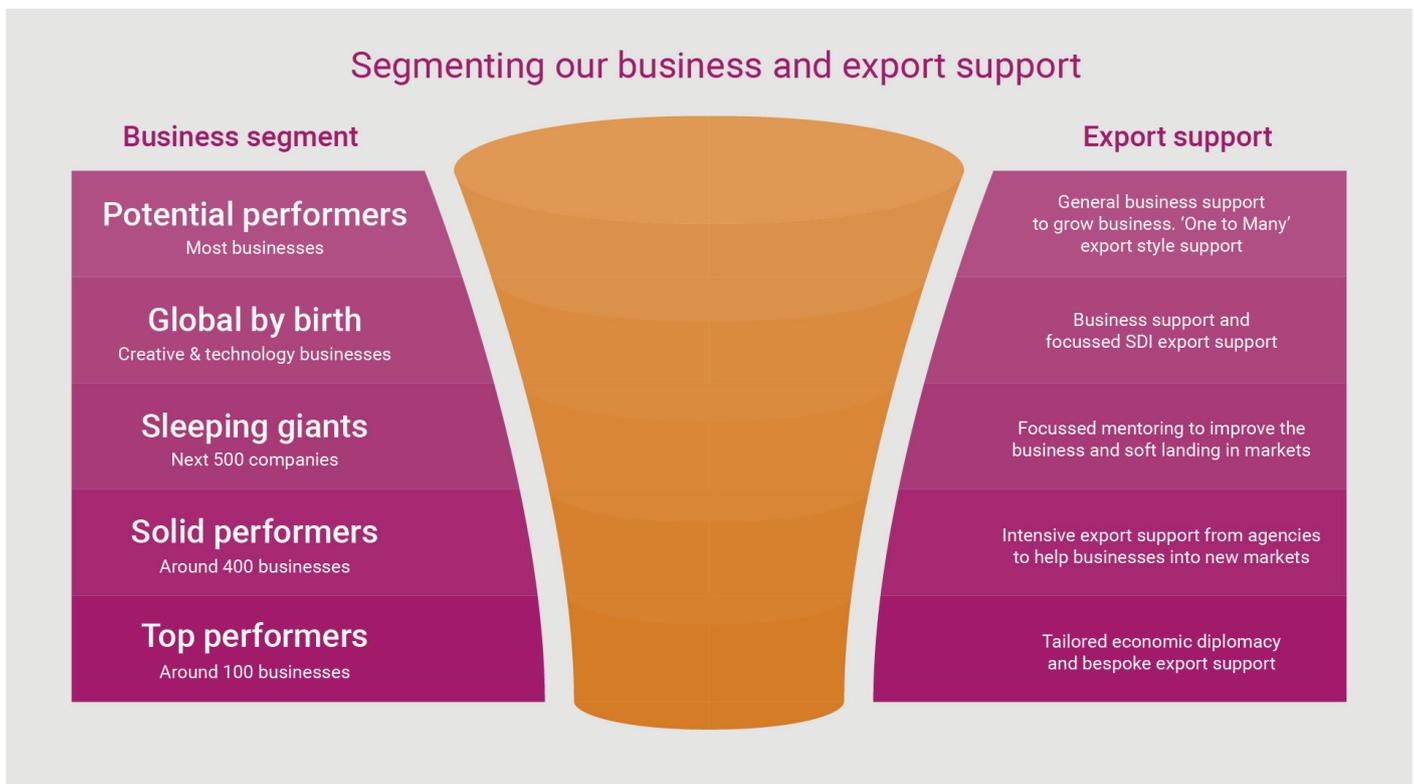
The average value of exports from each of the top 100 exporters is £194mn. The average value of exports from each of the next 400 exporters is £19mn. The average value of exports from each of the remaining Scottish exporters is only around £470,000. While there is a quite a lot of variation on the value of exports within these groups, this does show the relative scale of impact from interventions with different types of businesses.

To illustrate this further, increasing the exports of the top 500 exporters by 50% would increase overall exports by £13bn whereas increasing the exports of the other 10,500 by 50% would increase exports by less than £3bn.

Working in the same way with all our exporters, or potential exporters, would not make best use of resources or represent good value for the taxpayer. Many of the top exporting businesses will need little or no support, however, they will be able to provide advice and support to businesses that export less than them and also be able to work with their supply chain to help them internationalise.

Many other businesses have the potential to deliver significant increases to their exports, enough to shift the dial on Scotland's overall export performance. They will need intensive and holistic support to realise their potential.

To cater for these differing needs in the most resource effective way, whilst maintaining our focus on overall export performance, we will implement a segmentation strategy which provides focused support to different types of businesses depending on their export profile.



Our **top 100 performing exporters** are typically global businesses that are unlikely to need export support services but may require “economic diplomacy” support in the form of political intelligence, introductions and advice to exploit opportunities in new markets. We will encourage them to mentor other firms and we will seek to understand their requirements, in particular where we can support them to further embed their supply chains in Scotland or to consider further investment.

Our **solid performers**, which are predominately SMEs, may have limited internal resources and are likely to need a blend of intensive export support services and, where needed, economic diplomacy interventions.

Our **sleeping giants** are businesses which have a solid performance of selling into the Scottish or rUK markets in sectors where their products are likely to be in demand internationally and are of a scale where they have the management capacity to support export activity. As fledgling exporters, they will need access to business support services to grow their business, innovate their products and, when a strong opportunity arises, access to export support. We will also seek to provide focused mentoring support.

Global by birth are typically small businesses in sectors which, by their nature are global in outlook, for example, in the technology or creative sectors. These businesses need to be treated differently as they are often internationally focused from the outset. They will often already be on enterprise agency scale-up programmes. Given this, we propose they have access to enterprise agency business support services and export support services as needed.

Potential performers refers to the majority of businesses that are already exporting, or aspire to, but typically at a smaller scale. For these businesses, existing services to support growth are in place, supplemented by export support services (most likely delivered by partners such as Chambers of Commerce) delivered in a ‘one to many’ format such as workshops and (self-help) digital services. The Local Export Partnership pilots led by Chambers of Commerce, with regional partners, including local authorities, is undergoing evaluation and the results of that will feed into our development of future export support services for these businesses.

Growing the exporting base

While the main driver of the plan is to grow the value of exports from Scotland, this does not mean that there isn’t an ambition to grow the base of exporters. This is both important for a resilient economy but is also important to the productivity of individual businesses in Scotland – and therefore the productivity of the economy as a whole.

It is important to recognise that there is a wide range of support available to businesses in Scotland that can help them prepare to grow and to move towards exporting or exporting more. More details on the wider business support landscape can be found on the [Economic Action Plan website](#).

There are actions in this plan to increase the exporting base, including the business to business mentoring programme in the First Minister’s Export Challenge, work on finance for exporting, improved market intelligence and work supported by our enterprise agencies, the Scottish Chambers of Commerce and other business networks.

Social enterprise

In addition to these business segments, our strong political and economic support for social enterprise in Scotland has created a world-leading ecosystem of support. It has created the conditions where Scottish social enterprises can thrive and has given rise to a growing number of social enterprises with an international outlook and impact.

As well as playing an important role in raising Scotland's reputation and standing as a good global citizen, research indicates that 7% of Scottish social enterprises are already collaborating with international partners, contributing to the development of international projects, or selling overseas.⁹ The Scottish Government is working with Scottish Development International to raise export awareness and ensure access to a tailored suite of support products for social enterprises taking their first steps into international markets.

We will:

1. Work with Scotland's top exporters to offer tailored support according to their level of export maturity.
2. Identify our 'solid performers' and provide intensive support, including market access, mentoring and focused support to drive up their export levels.
3. Identify our 'sleeping giants' and reach out to them as potential significant exporters of the future, offering them tailored support to expand their international presence.
4. Offer new, early stage or inexperienced businesses focused support - either through the FM Export Challenge or through other appropriate measures.
5. Monitor closely the growth of 'global by birth' businesses through existing enterprise agency growth schemes to ensure they internationalise at the rate we expect.
6. Support the wider base of Scottish exporters, and potential exporters, in partnership with SDI, DIT, the Chambers of Commerce network and through other appropriate mechanisms.

⁹ CEIS, Social Enterprise and International Trade Research, 2016

4. Strategic Choices 2 and 3: What and where?

4. STRATEGIC CHOICES 2 AND 3: WHAT AND WHERE?

4.1. Choosing our priority sectors and countries

This plan makes use of robust analytical and qualitative data sets to enable decisions to be made around the key strategic choices identified earlier.

Evidence suggests that successful exporting countries specialise in a limited range of goods and services and make the overwhelming amount of their export earnings selling those goods and services to a limited number of countries. This pattern of trade is repeated throughout the world and Scotland is no exception, with our top 5 sectors accounting for 69% of our export value and the top 5 export destinations buying 44% of our goods and services.

An analysis of current export markets clearly shows European and North American markets dominate Scotland's current export performance with these markets accounting for around 72% of total exports and the top 10 export destinations all being in these geographies.

However, given the rise of emerging markets, there are clearly some decisions to be made around the balance of focus between existing markets and potential high growth future markets.

One of the key outcomes of the of *A Trading Nation* will be a refocusing of government and agency effort towards supporting exports to countries and specific sectors that offer the most promising growth opportunities. We have taken an evidence based approach to this refocusing work, drawing on quantitative data from a range of sources. Qualitative data and feedback has also been used to challenge the countries and sectors highlighted by the data. Where a business chooses to export is a commercial decision for them but, from a public sector perspective, while we will always strive to support exporters, we need to align our export resources to where we think they will have the most impact.

In the analysis, we identified our priority countries and then our priority sectors. The analysis then looked at countries and sectors together to identify which sectors offer the best opportunities in which countries.

4.2. Choosing the countries

Using a suite of 15 economic and other indicators, a ranking of future export growth potential has been compiled. This work takes into account current export performance, future growth potential, the performance of comparable exporting nations and the specific features of Scotland's key exporting sectors to derive a list of priority markets for Scotland's future export growth potential.

This analysis rated and weighted each indicator to calculate an overall ranking for each country. Sensitivity analysis was then used to check the impact of the weighting for those indicators. Adjusting these weightings did not have a significant impact on the country rankings which suggests we have confidence that our choice of countries is robust. More detail on the methodology used can be found in the analytical methodology paper accompanying this release.

Based on this analysis we have divided global markets into 3 categories. Each category will benefit from a different support model most appropriate for the scale and type of opportunity available. This approach allows us to sustain both a 'today' strategy – focusing on key high value markets to drive the top line of export value, and a 'tomorrow' strategy – which allows us to build connections and capacity in markets which do not yet have the scale to shift the dial on our export ambitions but do have growth potential in future.

4.2.1 Priority 1 markets which offer immediate opportunities

Our analysis identified a priority list of countries where we expect the bulk of future growth to come from. These are mostly, though not exclusively, in mature markets and most are in close to home markets, with some notable exceptions. They account for 66% of current exports and 69% of 'export value gap'¹⁰ potential. Our resources will be focused mainly on these countries to increase exports in the fastest and most resource efficient manner.

The table below shows the market where there are immediate opportunities. For information, 2 of the 15 indicators used in this categorisation are also shown – the % share of Scotland's current exports and the % share of Scotland's total export value gap. It should be noted that this isn't necessarily a target for Scotland's future export share, but an indication of where opportunities exist based on the trading data of comparator nations. More information on this approach is given in the methodology section.

Export Priority Rank	Country	Share of Current Exports	Share of export value gap
1	USA	17.1%	10.7%
2	Germany	7.2%	13.7%
3	France	7.5%	6.5%
4	Netherlands	7.6%	7.8%
5	Switzerland	2.3%	3.1%
6	Norway	3.1%	3.4%
7	Poland	1.2%	3.8%
8	Belgium	3.1%	3.2%
9	China	1.9%	2.7%
10	Ireland	4.5%	1.9%
11	Denmark	2.7%	1.9%
12	Sweden	1.8%	3.0%
13	Italy	2.3%	3.5%
14	Canada	1.8%	1.2%
15	Spain	2.6%	2.2%
	Total	66.8%	68.6%

Source: Export Statistics Scotland and OCEA calculations

Priority markets will benefit from the following focused support:

- SDI in-market presence.
- Trade Envoys, often with a focus on specific sectors.
- GlobalScot expansion.
- Priority for in-market sector specialists.
- Priority for trade missions and ministerial visits.

¹⁰ The export value gap is defined as the difference in value between Scotland's exports to a certain market and the exports of similar competitors to that same market.

4.2.2 Priority 2 markets which offer mid to longer term, sector specific opportunities

The second group of markets of interest for Scotland identified by our analysis consisted of key emerging markets, some mature yet distant markets and some markets where there are strong opportunities but in specific sectors.

These markets account for 14% of current Scottish exports and 11% of the export value gap model potential for Scottish exporters.

These markets are shown in the table below, together with their current share of Scottish exports and their % of Scotland's total identified export value gap.

Export Priority Rank	Country	Share of Current Exports	Share of export value gap
16	Japan	1.6%	2.2%
17	Australia	2.2%	1.6%
18	Turkey	0.5%	0.8%
19	Mexico	0.5%	1.0%
20	India	0.7%	1.7%
21	Singapore	2.0%	0.5%
22	UAE	2.0%	0.1%
23	Nigeria	1.0%	0.2%
24	South Korea	1.0%	2.0%
25	Brazil	2.2%	0.5%
26	Indonesia	0.2%	0.2%
	Total	14.0%	11.0%

Source: Export Statistics Scotland and OCEA calculations

These markets will benefit from the following support:

- Possible SDI in-market presence, otherwise FIFO (fly in fly out) SDI support.
- Trade Envoys, often with a focus on specific sectors.
- GlobalScot expansion.
- Close working relationship with UK DIT to maximise leverage of their in-market presence.

4.2.3 Priority 3 markets in the rest of the world

These are markets where, while there may be specific opportunities for certain businesses, they are unlikely to deliver significant additional exports to shift the dial on our export ambitions. As a consequence, these markets will not be prioritised for Scottish Government funded support. These markets will be supported through:

- Close working relationship with , DIT to maximise leverage of their in-market presence.
- Possible GlobalScot or wider diaspora presence in-market to support Scottish businesses in those markets.

It is important to note that through a process of regular review and updating of this plan, changes to our prioritisation of markets will occur where the evidence is clear that this is needed.

Impacts of Brexit on market focus

The bulk of the markets our analysis has identified as priorities for current and future export opportunities are in Europe. Any form of Brexit will negatively impact our ambitions to increase exports to those markets and to other countries that currently enjoy trade deals with the EU. Our analysis shows that the relative scale of export opportunities to EU markets is such that any strategy to refocus on emerging markets would come nowhere close to replacing even a fraction of the trade that is at risk as a consequence of Brexit. The most effective strategy in that context is to redouble our focus on maintaining and expanding our trade with our European neighbours.

The number one priority market is the USA and the UK government has indicated that a comprehensive free trade agreement with the USA is a priority. While this is likely to offer opportunities for Scottish businesses, these need to be set against the fact that any trade deal with the USA will involve reciprocal measures to open up domestic markets to suppliers from the USA, which may involve some adjustment costs for Scottish firms. There is also the risk that any trade deal with the USA could be contingent on the lowering of environmental, food quality or other standards, or access by USA companies to the Scottish public sector which would not be in Scotland's wider interests.

In addition, Canada and Japan have recently agreed their own comprehensive free trade agreements with the EU. While the UK is keen to sign its own agreements with these countries to maintain the benefits of the EU deals, agreement has not yet been reached with Canada and the Japan agreement looks unlikely to be extended to the UK in the short term. This will make Scottish exporters to these countries less competitive relative to EU exporters and importers may be reluctant to choose products and services from the UK over those from EU as a result of uncertainty over future trading arrangements.

As noted previously, *A Trading Nation* was not devised as a direct response to Brexit. The analysis in the plan gives us the most complete picture of Scotland's export performance and international demand for our products and services as well as the breakdown of the businesses responsible for the majority of that performance as things are today. We will continue to revisit the analysis in this plan in light of changing global circumstances, including the challenge posed by Brexit.

We will:

1. Focus Scottish Government resources to prioritise key growth markets.
2. Shift the balance of our trade related effort and resource to pursuing opportunities in the first 15 priority markets while maintaining sufficient trade resources to develop our understanding of opportunities in the next 11 markets where there are sector specific opportunities in the mid to longer term.
3. Work with sectoral groups and agencies to identify the best approach to sector specific support given the characteristics of each priority sector.
4. Continue to review our priority markets in light of changing global circumstances, including the challenge posed by Brexit.

4.3 Choosing the key sectors

Evidence suggests that successful exporting countries mostly specialise in a limited range of goods and services and make most of their exports earnings selling those goods and services to a limited number of countries. This pattern of trade is repeated throughout the world and Scotland is no exception with our top 5 sectors accounting for 69% of our export value.

The analysis of sectors was carried out in a similar fashion to the country analysis but this time used 11 indicators (detail in annex 2) and a further check looking at a comparative advantage indicators. These indicators fall into a similar set of categories:

- Size of current market;
- Proximity of country;
- Growth in-market;
- Opportunity;
- Comparative advantage.

Carrying out the analysis using a variety of weightings to test sensitivities identified that our export strengths are **food & drink; engineering services & advanced manufacturing; life & chemical sciences; technology, digital & media; financial & business services and energy.**

The table below provides a fuller breakdown of our exports by sector:

Sector	Share of Exports	Key Consultees (In addition to SE/SDI/HIE)
Food and Drink	19.6%	Scotland Food and Drink, Scotch Whisky Association
Engineering and Advanced Manufacturing	17.6%	Association for Consultancy and Engineering (ACE), Scottish Engineering, Aerospace, Defence, Marine and Security ILG.
Life & Chemical Sciences	14.6%	Life Sciences Scotland, Life Sciences ILG, Chemical Sciences Scotland
Energy	11.7%	Mining Institute of Scotland, Scottish Renewables, Oil and Gas Industry Leadership Group, Energy Industry Council
Technology, Digital & Media	10.3%	Technology Scotland, TIGA, ScotlandIS
Financial and Business Services	10.3%	Scottish Financial Enterprise, Association of British Insurers, Fintech Scotland
Education	2.4%	Universities Scotland, Scottish Funding Council
Tourism	1.0%	Visit Scotland, Tourism Scotland

Source: Scotland's Export Performance Monitor

4.3.1 Sector definitions

There is a recognition that while these sectors are useful for analysis and are based on Standard Industry Classifications (SIC) they do not necessarily help businesses to understand what they actually are. We have therefore worked with stakeholders to develop more user friendly definitions, for example 'mining and mining support' in the Scottish context is more accurately described as 'energy support services'. The table below sets out the sector definitions used in this report.

Sector	Includes the following sub-sectors
Engineering and Advanced Manufacturing	Metal Manufacturing Advanced Manufacturing Transport Equipment Engineering Services Other Manufacturing
Food and Drink	Food Drink
Energy	Energy Support Mining and Utilities
Financial and Business Services	Financial Services Activities Insurance and Pensions Financial Support Activities Legal and Accounting Management Consultancy Business Support Activities
Technology, Digital & Media	Manufacture of Computer, Electronic and Optical Digital Industries Publishing and Audio Visual IT & Telecommunications
Life & Chemical Sciences	Chemical Sciences Pharmaceuticals Research Manufacture of Medical Equipment
Education	Education
Tourism	Sustainable Tourism

4.3.2 Cross sectoral impacts

The traditional use of sectoral classifications also often fails to recognise the increasing tendency for businesses, and markets, to be cross-sectoral in nature. Indeed, groundbreaking innovation is often the result of the combination of two or more sectors to generate new technology, opportunities or markets. While we have relied on traditional sources of data and industry classifications which are the best sources currently available, we are well aware of the power of cross sectoral innovation and the need to enable this to happen. Indeed, we see significant opportunities for Scotland to lead in this area given the close proximity of our research institutions to businesses and to each other on a cross-sector basis and our deep and world leading expertise in several developing technologies. The opportunity to create new markets – not just to satisfy existing ones – is something we have identified as a significant future opportunity. Scotland’s universities and innovation centres will have a significant role to play in identifying and realising some of these emerging opportunities.

4.4 Country by sector focus

The table below provides a summary of the country and sector analysis. The table also highlights where there are particular sector opportunities and strengths by each country. This shows that the top 4 countries (USA, Germany, France and the Netherlands) have opportunities and strengths in all the priority sectors. The rest of the priority countries have opportunities in a subset of the priority sectors. No specific sectors are identified in Indonesia but there are general opportunities for the future to be gained here.

Summary matrix	Engineering and Advanced Manufacturing	Food and Drink	Technology, Digital and Media	Energy	Financial and Business Services	Chemical Sciences	Life Sciences
USA	MGX	MGX	VMGX	X	MGX	VMX	VMGX
Germany	VMGX	MGX	VMGX	MX	VMG	VMX	VMGX
France	M	MX	VMX	VMG	VMX	VMX	VMX
Netherlands	VG	VMGX	VMX	MGX	VMGX	VMX	MGX
Switzerland		V	VGX		V		VMGX
Norway	X	V	VX	X	X		X
Poland	V	V		V	V	G	V
Belgium	M	VM		MG	V	VMX	VM
China	VMG	VMG	MG			MGX	VMGX
Ireland	V	X	VX		MGX	VGX	MG
Denmark	X			MX		V	VG
Sweden				VM	VG		X
Italy	MG	VM	X		V	X	MG
Canada	MGX	MGX		VM	MGX	V	V
Spain	MG	MGX			X	VX	
Japan	M	MG	VMG		VGX	M	MGX
Australia	X	VX	V	VG	X		X
Turkey						G	
Mexico	MG		MG			G	
India	G	G	VG	VG	M	M	
Singapore	X	X	MG	VMG		M	
UAE	X	X	X	X	X		
Nigeria	X						
South Korea	VGX	G	MG	VG	MG	MX	VG
Brazil				GX	MG		
Indonesia							

Key:	
V	in top 10 export value gaps for sector
M	in top 10 importing countries of products from sector
G	in top 10 import growth countries for sector
X	in top 10 Scottish export markets for sector

4.5 Maximising impact

The Scottish Government will work with its agencies and partners to shift publicly funded export support to focus on the countries and sectors which have been identified as priorities. These resources include in-market specialists from SDI, Trade Envoys and GlobalScots. It is recognised that it will take time for agencies to shift their resources fully in this way and also that there may be a need for more resources to meet the priorities.

4.6 Country and sector briefs

As part of this plan we have developed a set of country and sector briefs. These briefs provide some factual information and market intelligence which may help businesses and sector bodies to identify potential opportunities. The briefs do not attempt to outline all of the complex issues which face individual sectors or which are applicable for individual countries so businesses should continue to undertake normal due diligence and seek appropriate advice.

We will continue to work with sector bodies to help explore the opportunities and barriers further and to determine actions which will support businesses to access new markets and increase their exports.

4.7 Enabling sectors

While this analysis is very useful in helping us understand the relative importance of, and opportunities available in, traditional sectors, it does not fully convey the importance of what we term 'enabling sectors'. These are sectors which by their nature offer significant additional export and economic development opportunities through 'technology push' or 'market pull' factors that are often difficult to capture in raw export statistics. They do this by attracting customers, capital or skills to Scottish businesses, products and services across the wider economy.

We have identified three core enabling sectors – education, creative industries and tourism.

The sections below outline a summary of these sectors. More details can be found alongside the other sector briefs for this plan.

4.7.1 Tourism

Tourism is an important export for Scotland. Using traditional figures on exports it is estimated that tourism exports are valued at £570mn (around 1.2% of all exports). However this does not take into account the full impact of the sector. The Scottish Government's Growth Sector briefing for April 2019 indicates that 206,000 people were employed in the sustainable tourism sector in 2017. The ONS publication 'Travel Trends: 2017' also reports that:

- In 2017, almost £2.3bn was spent by overseas visitors in Scotland; and
- Over 3.2m overseas visitors came to Scotland in 2017.

Tourism also supports Scotland's exports by giving tourists exposure to Scottish products which they may look to access back in their home countries – opening up potential new markets.

We will:

1. Continue to work closely with VisitScotland and the Scottish Tourism Alliance to ensure that we are maximising the export potential of tourism.
2. Ensure that the business pillar of Scotland is Now/Brand Scotland recognises the key role that tourism plays in driving further exports.

4.7.2 Creative industries

The creative industries are industries that have their origin in individual creativity, imagination, and curiosity. Trading in products and services that have their roots in intangible cultural, expressive and emotional values, they create new insights, delights, products and experiences. The Scottish Government defines the sector as made up of 16 distinct industries: advertising; architecture; crafts and antiques; computer games; cultural education; design, fashion and textiles; film and video; libraries and archives; music; performing arts; photography; TV and radio; software and electronic publishing; writing and publishing and visual arts.

Most creative businesses have an intrinsic international outlook and flourish as a result of international collaborations and connections. Trading in intangible values through, for example, music, film, design, publishing or computer games, they can reach international audiences and customers more easily than many other sectors. Cross-border collaboration between creative professionals is also fundamental to the free flow of creative ideas and expression and, ultimately, the continued development of the sector.

Creative businesses also play a key role in building brands and promoting Scotland on the world stage. They bring benefit to the wider economy by increasing business competitiveness and international distinctiveness.

We will:

- Work with the Creative Industries Advisory Group to support the wider impact of the creative industries on exports.

4.7.3 Education and skills

The higher and further education sectors make a significant contribution to Scotland's exports. Course fees received by Scottish institutions, together with the spend on living costs and in the general economy made by foreign students, are included as part of Scotland's export statistics. Also included is the value of courses delivered by Scottish institutions on international campuses or on digital platforms internationally.

These revenues of themselves make higher and further education a significant export earning sector for Scotland. Estimates suggests that international students bring a net economic contribution of £1.94bn¹¹.

In addition, our higher and further education sectors contribute indirectly to Scotland's export performance in other ways, including:

1. International students, who provide a significant contribution to the Scottish economy and additionally students that stay on and work in Scotland, contribute to the businesses they become part of, particularly where those businesses are trading, or want to trade, in the country the student originates from;
2. Supporting business exports through innovation and research & development partnerships;
3. Through international research collaboration, which helps create stronger links to other markets, opening doors as well as driving up the quality of research in Scotland;
4. Through providing courses on exporting, helping to develop the exporting capabilities of Scottish businesses.
5. Through leveraging the extensive alumni network internationally as a source of business links to help Scottish exporters.

¹¹ <https://www.gov.scot/publications/impact-international-students-scotland-scottish-government-response-migration-advisory-committees/pages/4/>

All of these areas bring substantial value to the Scottish economy. It is therefore important that the education sector is key to our aims of delivering increased exports.

We will:

- 1.** Support Scottish universities and colleges to be the destination of choice for international students. This involves supporting education institutions in promoting their international offering under the 'Scotland is Now' brand.
- 2.** Work with Talent Scotland and Universities Scotland to identify ways to increase the number of international students choosing Scotland as a destination for study and to ensure Scotland retains a proportionate share of international graduates.
- 3.** Support Scottish universities and colleges to access international opportunities and support our universities to build strategic research collaborations with markets that are investing heavily in research.
- 4.** Work with our education institutions to ensure our workforce has the skills to support exporting, including leadership teams within businesses with the opportunity to export.
- 5.** Support businesses to access professional training on exporting.
- 6.** In light of the UK government International Education Strategy, work with DIT and the UK government's Department for Education (DFE) in all relevant areas (including those mentioned above) to ensure that Scotland benefits from at least its proportionate share of growth in education exports.

5. Strategic Choice 4:
How we will align
support in-market

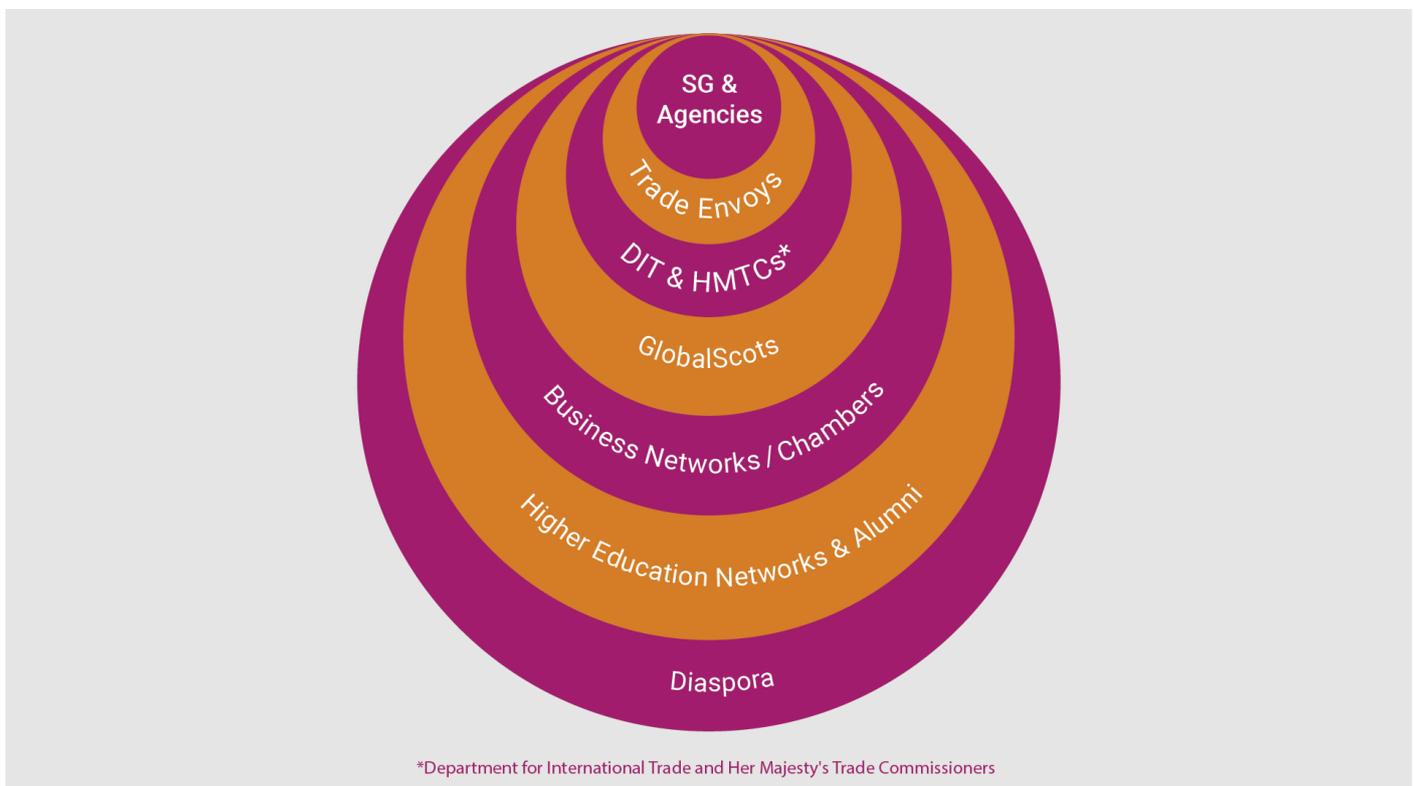
5. STRATEGIC CHOICE 4: HOW WE WILL ALIGN SUPPORT IN-MARKET

Scotland is an open, connected and outward-looking country with a long and proud history of intellectual, cultural and economic exchange. Scots have settled across the globe and Scotland has welcomed and benefited from inward migration.

Harnessing the immense goodwill, knowledge and experience of those with a connection to or affinity with Scotland and translating that into action that supports Scottish based businesses to achieve their export ambitions is a critical part of this plan.

Other countries have achieved much more effective utilisation of these resources. We want to learn from their success and to make some significant changes in how we utilise those assets to best effect to support exporting businesses in-market.

This section will focus on energising our public and private sector resources as well as mobilising our wider business and diaspora networks to support our exporters overseas. This diagram illustrates those involved in our One Scotland approach in-market.



5.1 Scotland's international footprint

Some of the most significant changes we expect to see as result of this plan are the change in extent, nature and connectivity of Scotland's international footprint.

Actions to boost Scotland's overseas offer include:

1. Additional **SDI in-market specialists** in priority markets
2. The revitalisation and significant expansion of our **GlobalScot** network so that it is more accessible and can bring Scotland to the world as well as bringing business to Scotland
3. Expansion of our **Trade Envoy** network in key markets
4. A clear role for our vast **alumni** networks

5.1.1 Scottish Development International (SDI)

With 30 offices in 20 countries the SDI overseas network is our primary platform to deliver in-market support to Scottish businesses.

SDI has a presence in the priority markets identified in this plan and has already started to make adjustments to their in-market resources so that they are equipped to deliver our export ambitions.

The addition of food and drink sector specialists located in key markets has been recognised as a key positive development in driving our exporting activities. These specialists are able to provide sector specific advice and market intelligence to exporting businesses. This model is now being rolled out to the energy sector and it will be evaluated to consider how best to add further in-market sector specialists across these and other sectors in key markets.

SDI will restructure and refocus in-market to:

1. Separate into specialist divisions for export and investment attraction work building on a successful pilot in the food & drink sector.
2. Shift the majority of their resource into priority markets that offer the biggest opportunities for Scotland's sectoral strengths.
3. Identify opportunities to add to the team of in-market sector specialists where they will add most value in our priority markets and sectors.

5.1.2 Scottish Government's external network of offices

In addition to the in-market presence of our enterprise agencies, the Scottish Government's external network of offices provide a platform for, and a more joined up approach to, existing and new activity by government, partners and businesses to increase exports and attract investment to Scotland.

The Scottish Government's external network of offices are located in China, Germany, Belgium, France, Ireland, UK, USA and Canada. The network delivers and supports activity by the Scottish Government, its agencies and public and private partners in key locations outside Scotland, building on established expertise.

The scale, scope and focus of this activity varies depending on the specific opportunities in a particular location, however, as a whole, the network is tasked with:

1. Improving Scotland's international profile.
2. Attracting investment to Scotland.
3. Helping businesses to trade internationally.
4. Promoting and securing Scottish research and innovation capability, partnerships and funding.
5. Protecting and enhancing Scotland's interests in the EU and beyond.

As well as the tasks listed above, our offices will be upskilled to undertake economic diplomacy work, where they can help identify barriers to Scottish exports and, in conjunction with Foreign and Commonwealth Office and DIT partners, take actions to mitigate them.

5.1.3 Ministerial support for exporters in-market

Ministerial visits and trade missions have an important role in facilitating exports from Scotland, as well as supporting our inward investment activities. The presence of a minister can open doors in government and in the business community which can facilitate trade, raise Scotland's international profile and enhance our reputation, as well as providing strategic opportunities to engage with the parent businesses of some of our key exporters in their domestic market.

The Scottish Government and its agencies will use this plan to direct resource and effort into supporting **defined trade and investment objectives** where ministerial intervention and support adds value.

Typically we will ask ministers to:

- 1. Lead export missions or events:** where a ministerial-led delegation to a key country or event can add profile to our events, open doors, and help progress our objectives.
- 2. Help close deals** where this can involve providing government encouragement or assurances so that a business decision be taken.
- 3. Provide economic diplomacy** where the minister can meet in-market institutions and build a greater understanding of Scotland.
- 4. Meet existing inward (and capital) investors** to help ensure continued investment or increased investment. As many inward investors are also exporters of goods and services from Scotland, this also supports our export growth objectives.
- 5. Meet new inward (and capital) investors to** help businesses/investors understand the Scottish market.

The Minister for Trade, Investment and Innovation will undertake monthly overseas visits to markets. Other ministers will also undertake trade and investment activity and the above objectives will help shape their interventions.

Whether the weight of a visit pivots around **opening doors** (facilitating access to decision makers) or **raising Scotland's profile overseas** (positioning Scotland effectively at key global events) we will work hard to ensure the business case for requesting ministerial participation demonstrably moves forward a clearly articulated inward investment relationship or advances an export campaign.

5.1.4 Trade Envoys

The Trade Envoy network was established in 2017. Trade Envoys are honorary appointees of the Scottish Government working in a non-political capacity to represent Scotland in promoting its trading interests and to support the growth of Scottish exporting businesses. They are a key part of Scotland's overseas network. Their primary focus is to identify strategic opportunities for Scottish businesses and, as appropriate, to represent the Scottish Government overseas when ministers are unavailable. Typical Trade Envoy duties can include:

1. Identifying specific business opportunities and liaising with SDI and others to make appropriate connections with businesses in Scotland.
2. Providing market intelligence, helping to build greater awareness of the target sectors and businesses in those countries.
3. Building relationships with key decision makers and influencers within businesses, local trade and government organisations and helping Scottish businesses and organisations to establish connections.
4. Hosting events, including trade missions and visits from Scotland.
5. Accompanying Scottish Government ministers on trade visits, or to substitute for ministers representing Scotland in such visits where appropriate (noting the non-political nature of the envoy role).

There are currently four Trade Envoys, who were appointed in late 2017, for an initial term of two years. They are:

- Wendy Alexander, Vice Principal, University of Dundee
- Nicholas Maclean, Managing Director – CBRE, Middle East North Africa & Turkey in Dubai
- Ainsley Mann, chief representative of Swire Properties and Chair of the British Chamber of Commerce in Indonesia
- Martyn O'Reilly, a wealth management professional, based in Poland

The Trade Envoys report to the Minister for Trade, Investment and Innovation and are supported by the Directorate of International Trade and Investment.

The Scottish Government will continue to develop the network of Trade Envoys to support Scotland's aspiration to grow exports. Our priority is to grow the Trade Envoy network to represent:

1. Markets where there are significant cultural, linguistic and business differences.
2. More distant markets that are less visited by ministers.
3. Specific sectors of established growth markets where we perceive our export performance is lacking.
4. Growing emerging markets where we do not yet have a permanent Scottish trade development presence.

The expansion of the network will be subject to identifying and recruiting suitable candidates.

We will:

- Evaluate the existing Trade Envoy network with a view to trebling the number of Trade Envoys from the current 4 to 12, subject to a review of the current arrangements and the identification of candidates with the right knowledge, experience and connections in the right markets.

5.1.5 Working with the Department of International Trade

The UK government provides a range of support for exporting businesses across the globe. This includes the efforts of the Department of International Trade (DIT), as well as UK government Trade Commissioners who cover specific geographies. These resources are, of course, paid for by Scottish taxpayers and are tasked with supporting all UK businesses to increase exports.

The focus of DIT is built around key UK priority sectors, High Value Campaigns and large exporters. These do not always align well with the needs of Scottish businesses and sectors. Food and drink, a key Scottish export sector, for example, is not included as a DIT priority sector and much of Scotland's focus will be on developing exports from our SME base in addition to existing large exporters. For those reasons our approach will be to leverage DIT resource where it can support our export plan activities and to continue to drive Scottish business needs as far up the DIT agenda as we can, while using Scotland's international presence to support our export plan priorities.

In particular, we will ensure that UK government colleagues leading on development and delivery of high value campaigns, the Industrial Strategy and sector deals are aware of the priorities in this plan and of the strength of the Scottish businesses behind them.

We will ensure that connections between our partners in-market are made to ensure that businesses based in Scotland receive their share of support from DIT, particularly in markets where we do not have a dedicated Scottish presence.

We will also ensure that businesses based in Scotland are fully aware of the support that is available to them through the Department for International Trade and well positioned to take advantage of it. We will build on good practice in the development of digital tools and ensure that there is no wrong door for businesses to access the export support that they need, whomever is providing it.

We will:

- Ensure that Scottish businesses are front and centre in the development of DIT high value and other campaigns.
- Maintain links with UK government Trade Commissioners to ensure they are aware of Scotland's export priorities.

5.2 Energising our diaspora and in-country networks

5.2.1 GlobalScots

GlobalScot is a volunteer business-to-business network that was introduced in 2001 to leverage the experience and connections of senior international business leaders that were Scottish, or had an affinity to Scotland. The network was created to support the ambitions of Scottish businesses looking to do business internationally. Unlike Trade Envoys, they do not represent the Scottish Government.

Today, the GlobalScot network comprises 665 members in over 50 countries across the globe as noted below:

Membership	AMERICAS	ASIA PAC	EMEA	SCOTLAND	ENGLAND	TOTAL
Total Members	218	109	139	124	75	665
% of total members	34%	18%	21%	19%	8%	100%

GlobalScots will typically support Scottish exporters and potential exporters by:

1. Advocating for Scotland and its exporters, promoting Scottish products and services in a way that resonates with their local market.
2. Providing Scottish businesses with market insight and market entry advice based on their experience of working and living in international markets.
3. Introducing Scottish businesses to local contacts and networks in markets where there is a fit for their product or service.
4. Mentoring executives within Scottish businesses to raise international ambition in businesses that may not be exporting but have the capability to do so.
5. Hosting international trade delegations in global markets, raising the profile of Scotland and ensuring visiting delegates are connected to the right contacts at the right time.
6. Meeting directly with businesses when visiting Scotland or through themed masterclasses designed to raise awareness of market opportunities and what is needed to address them.

The GlobalScot network, while highly valued, needs to further evolve and refocus around the ambitions and strategic choices laid out in this plan. The network needs to grow and it needs to be more open thereby creating an international movement of Scots and Scots with an affinity to Scotland that can support Scottish businesses to internationalise.

We will:

1. Scale up the GlobalScot network, expanding from 600 to 2000 business people in key markets, including doubling to 500 in Europe by 2020 with clearer “asks” and “offers” of support from a revamped SDI support platform.
2. Expand the membership of GlobalScot in markets that align with our strategic focus, scaling the current global membership from the hundreds to the thousands.
3. Enable and encourage ‘openness’ across the network through a redeveloped digital platform that promotes connectivity directly between members and exporters.
4. Use our new digital footprint to harvest data in a way that allows us to better understand engagement levels, outcomes and enables us to shape relevant support for the network in real time.
5. Develop the network to support and align with our Brand Scotland ambitions, as well as wider international networks, including diaspora and alumni.
6. Provide resources to support these enhancements.

5.2.2 Scottish Chambers of Commerce

Strong relationships exist between individual Scottish Chambers and Chambers of Commerce worldwide, making use of organisations, facilities and contacts in-market. This is a powerful network enabling Scottish businesses to establish connections with businesses in many countries. In addition, many individual Chambers have focused on building strong links with specific overseas Chambers. Below is a list of the Chamber-to-Chamber links between Scotland and our priority markets.

COUNTRY	CHAMBER	REGIONS
USA	Glasgow	Manhattan, New England, Portland
Germany	Edinburgh Glasgow Inverness	- Berlin, Munich, Nuremberg Augsburg
France	Glasgow West Lothian	Paris
Netherlands	Edinburgh	-
Switzerland	No connections	-
Norway	Edinburgh	-
Poland	Edinburgh	-
Belgium	Edinburgh	-
China	Edinburgh	-
Ireland	Edinburgh Glasgow West Lothian	Dublin - Donegal, South Dublin
Denmark	No connections	-
Sweden	Dundee	Malardalen
Italy	Edinburgh Glasgow	- Turin
Canada	Inverness Aberdeen Lochaber	Ontario - Halifax
Spain	No connections	-
Japan	Glasgow	-
Australia	Glasgow	-
Turkey	No connections	-
Mexico	Aberdeen	-
India	Edinburgh	-

5.2.3 City to city links

Scotland has many long standing twinning relationships with towns, cities and regions across the globe. Most twinning arrangements are based on friendship and culture, however, some have a trade, educational and economic development focus within the relationship. We have mapped out all active twinning connections across all 32 local authority areas.

Currently only a few of the larger Scottish local authorities are actively maintaining their twinning partnerships.

We will:

- Work with local authorities to consider how existing twinning arrangements can best be used to support grow Scotland's exports.
- Work closely with local authorities to understand how they are developing new twinning arrangements and will encourage them to share best practice on how they identify twinning arrangements which will have the best economic benefits to them, particularly in terms of export performance.

5.2.4 Private business networks

In addition to those networks already mentioned, there are many private business networks that also have specific overseas connections. This is not an exhaustive list but gives an indication of some of the active networks and ways in which private business networks can support exporting.

[Scottish Business Network](#)

Formed in 2016, the Scottish Business Network aims to identify new commercial opportunities in London, SE England and internationally through a growing business diaspora network. Through their partnerships with others, such as Scotland House and GlobalScot, they are working together to provide a business development ecosystem that pools resources to support Scottish businesses increase their international sales and secure investment.

[Causeway Ireland Scotland Business Exchange](#)

Connecting businesses from Ireland, Northern Ireland and Scotland, and supported by both the Scottish and Irish Government, Causeway Ireland Scotland Business Exchange is a not-for-profit membership organisation that facilitates business connections from both sides of the Irish Sea. From networking events and direct engagement through to a dedicated members area or access to its LinkedIn Group, Causeway is a business development resource that has helped to facilitate and deliver international business opportunities between Irish and Scottish businesses.

[British-German Business Network](#)

The British-German Business Network offers a range of in-market services in Germany, from market research, interim management solutions to advice and support setting up a new business in Germany. The Network works on a commercial basis with UK and international businesses that are looking to grow their exports to Germany.

[China-Britain Business Council](#)

The China-Britain Business Council helps British and Chinese businesses and organisations work together in China, the UK and third markets around the world.

Its 1,000-strong membership includes some of the UK's largest and most established businesses, some of the UK's most dynamic and innovative SMEs as well as leading Chinese businesses. They also work closely with a range of Scottish organisations, including the Scottish Government, SDI, Scottish Chambers of Commerce, CBI Scotland and others to ensure that Scottish businesses are kept aware of the emerging opportunities in China and provide insights on targeting the Chinese market.

CBI

The CBI in Scotland represents a range of typically larger businesses, many of which are established exporters. It provides its members with support to help them achieve their international ambitions, most notably through its International Trade and Investment team, based across five countries: UK, China, Brussels, India and USA. This support can include:

- An opportunity to influence the international policy agenda on key global business issues.
- Access to vibrant business-to-business and business-to-government networks in the UK and its overseas locations.
- Insights and 'soft' intelligence on key international markets.
- Links to sources of advice and support in particular markets.

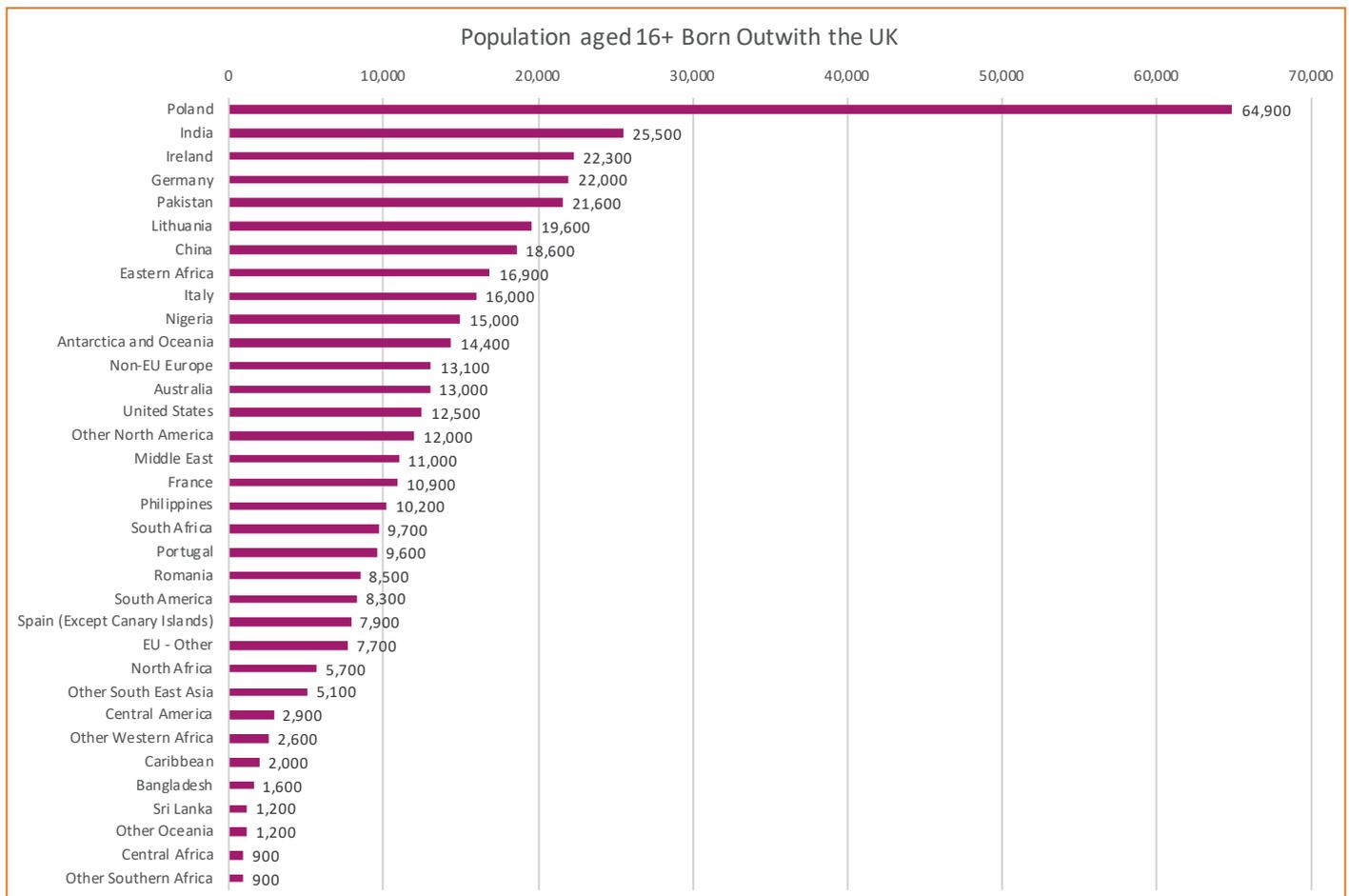
We will:

- Continue to identify business networks in our priority markets and engage with them in Scotland and in-market to expand the sources of support available to Scottish exporting businesses.
- Continue to work closely with the CBI International Trade and Investment team to share Scottish priorities and engage their support in the roll out of *A Trading Nation*.

5.2.5 New Scots

Scotland prides itself on being an open inclusive nation that provides a warm welcome to those who chose to live, work and study here. New Scots, and their communities, are an integral part of Scottish society. Many New Scots continue strong family and business links to their countries of birth. We see opportunities in supporting actions to strengthen those links to provide trade opportunities for Scottish businesses.

In the year ending June 2018 it was estimated that 419,000 people aged over 16 in Scotland were born outside the UK approximately 9% of the 16+ population in Scotland.



Source: Annual Population Survey - Jul 2017 to June 2018

It is estimated that 64,900 people born in Poland live in Scotland, by far the largest single group. This was followed by those born in India (25,500), those born in Ireland (22,300) and those born in Germany (22,000). Indeed 10 of the export priority countries for Scotland have significant New Scots populations already living in Scotland.

Many of these communities already have active business networks and organisations which would benefit from being connected to the work being done by Scottish Government agencies and our wider network in our target markets.

We will:

- Identify and connect with country specific New Scots business groups and Consular Corps networks currently operating in Scotland that can help create exporting opportunities in priority markets.

5.2.6 International networks of universities, colleges and their alumni

Scotland has a large and developed education sector, comprising our 19 Higher Education Institutions (HEIs) as well as colleges, and the education sector is a significant contributor to Scotland's export activity in its own right.

The sector also has strong and established links with similar institutions, and directly with businesses, in many countries around the world. These links are often underutilised and offer significant potential to support Scottish export efforts in a variety of ways.

In addition, their alumni networks are a powerful untapped resource to help drive up Scottish exports.

Over the past 18 years, the proportion of international students in higher education has grown from around 10% to 22% of the overall student body which represents 180 countries¹², meaning a significant proportion of our alumni are international and overseas.

While universities have been proactive in leveraging their alumni to serve their individual interests (e.g. philanthropic donations), the Scottish Government has not, as yet, fully capitalised on our global alumni network across different areas.

How can alumni be of benefit to Scotland?

1. Acting as ambassadors for Scotland and its universities and colleges to encourage potential students to consider Scotland as a destination for study and to inspire existing students.
2. Using their networks in various sectors to build connections and influence and to promote Scotland's international messaging.
3. In the case of more experienced alumni helping businesses to export by offering connections, opening doors and providing mentoring capacity.

We will:

1. Develop an approach that enables universities and colleges to partner with enterprise agencies to network with all of Scotland's alumni to further our trade and investment ambitions.
2. Connect with international students while they are studying in Scotland to build connections and relationships. This will include country focused business events and graduation events sponsored by Scottish Government with ministerial engagement.
3. Enable alumni to opt in to diaspora networking platforms.
4. Provide a route for experienced alumni to become GlobalScots.
5. Support Saltire Scholars to help connect them into networks.
6. Work with universities and colleges to link them to agencies and Scottish networks on a country by country basis identifying specific areas of focus and cooperation relevant to specific markets.

¹² HESA student and qualifier statistics 2001/02 and 2016/17.

5.2.7 Wider Scottish diaspora

We will also work to engage the wider Scottish diaspora, and those with an affinity to Scotland, who, while they may not participate in the formal structures identified above, can still contribute to Scotland's export success through:

1. Acting as global advocates for Scotland, promoting Scotland through social media channels, attendance at in-country events and liaison with their local international offices.
2. Using their own networks to build connections and influence and promote Scotland's international messaging.
3. Providing invaluable in-country intelligence on a wide range of topics that can benefit business decisions.
4. Facilitating in-country events.
5. Helping Scottish businesses understand the cultural challenges and preferences of their new country and helping with country specific messaging.

We will:

- Engage with this wider diaspora through the specific messaging of Scotland is Now's live, work, study, visit and do business pillars and provide opportunities for the wider diaspora to engage with our exporting efforts in-market.

5.3 Overseas missions, exhibitions and events

Overseas missions, exhibitions and events are a critical means of raising and enhancing Scotland's profile and for businesses to connect with their customers in-market.

Trade missions are a useful platform for exporters to learn about new markets and meet prospective customers. They can be particularly valuable to new and novice exporters who can benefit from the experience of other trade mission delegates. SDI currently organises around 60 overseas missions per annum. We will continue to support overseas trade missions, particularly those that are targeted towards our priority markets.

Scottish Chambers of Commerce and the Chambers network also organise a number of inward and outward trade missions to various countries.

The Scottish Government has committed up to £2m over the next 3 years to the Chambers network to support the development of a programme of inward and outward missions for Scottish businesses to markets identified in this plan.

This work will build on the existing trade mission activity already developed and delivered by the Chambers network in markets such as Ireland and China.

Outward missions are arranged in selected countries or regions and these are typically matched with a return inward visit to strengthen trade opportunities.

We will:

- Work with the Chambers network, in partnership with SDI, to develop a programme of inward and outward trade missions in line with the market priorities outlined in this plan, offering opportunities for businesses to realise their export ambitions.

5.3.1 Dubai Expo

The next World Expo will take place in Dubai between 20 October 2020 and 10 April 2021. The theme of this World Expo is *Connecting Minds, Creating the Future*. World Expos are a global gathering of nations dedicated to finding solutions to pressing challenges by offering a journey inside a universal theme through engaging and immersive activities. The Expo in Dubai is expected to be the largest held in the region, attracting 190 participating nations and around 25 million visitors worldwide.

Scotland intends to participate fully in the UK pavilion at the Expo to ensure we are showcasing our strengths across the themes and specifically focusing on trade and investment, culture and education and innovation. The Expo will provide the opportunity for Scotland to further raise and enhance its global profile, to promote our investment proposition and to pursue our export growth objectives.

As a global event there will be opportunities to use this as a platform for trade missions that reach out to businesses in many markets where Scotland has specific strengths. In addition to this, the United Arab Emirates, as a market in its own right, is Scotland's 15th largest export market, worth £645m in 2017¹³. It is, however, in the top 10 export markets for Scotland in some specific sectors, such as drink, machinery & equipment and services relating to oil and gas. Again, the Expo presents an opportunity to deepen business-to-business connections in this market. Our Trade Envoy to Dubai has played a valuable role in supporting SDI there and engaging with our key Expo stakeholders.

We will:

1. Work with SDI to develop a strong business programme for Expo 2020 that focuses on trade and investment activity aligned with the priorities in this plan.
2. Work across Scottish Government to ensure we are raising the profile of Scotland at Expo 2020 across all themes.
3. Capitalise on other global events like the Rugby World Cup in Japan and the Royal Edinburgh Military Tattoo in China to maximise opportunities for Scottish businesses to reach international markets.

5.3.2 International market intelligence

The export support needs of a business in overseas markets will often differ depending on how developed, well regulated and transparent their target market is, and how experienced they are at doing business in that market. Well developed markets tend to be transparent, predictable and have high levels of regulatory predictability that make it easier for businesses to obtain market information and meet relevant contacts. This is not always the case in emerging markets.

Less experienced exporters often require more traditional export support services, such as basic market research provided by agencies and introductions provided by Chambers of Commerce, GlobalScots or Trade Envoys. More experienced exporters are often more self-reliant and generally need different types of export support such as political intelligence and, if required, economic diplomacy or ministerial interventions.

13 [Export Statistics Scotland 2017](#)

Sound market intelligence is a key business tool that every successful exporter requires. As shown in the chart below, this intelligence can come from a variety of sources, including commercial businesses. The Scottish Government, partners, agencies and networks are also able to provide advice and support to exporters. This support can range from informal advice on the local market to structured, in depth reports on regulatory matters and potential customers. This support is delivered by a range of organisations and the table below provides an illustration of which can provide what. The Scottish Government, SDI and our stakeholders will tailor our services and export support to Scottish businesses dependent on need.

	Introductions & informal advice	Trade missions & visits	Market research	Lobbying & market opening	Political intelligence	Regulatory information
Ministers						
Scottish Government Network of External Offices						
Foreign and Commonwealth Office						
SDI						
DIT						
Chambers of Commerce						
Trade Envoys						
GlobalScots						

Political and business intelligence

Having an understanding of the political context of markets is a valuable way of de-risking the exporting process. This intelligence can give a view of the stability of the market and appetite for change or regulatory reform that may have a bearing on the business environment. Decision makers in foreign owned firms may not be based in Scotland. Scottish Government’s network of external offices and the UK government’s Foreign Office ambassadors and prosperity teams based in embassies overseas are often well placed to provide insights. Department of International Trade offices and our Trade Envoy network will also have an awareness of the political environment in their local countries. Ministers who have recently visited markets may also be able to offer insights.

Market research

Every exporter should take time to research a new market that they are planning to enter. SDI offices are able to undertake basic market research and DIT offices, through their Overseas Market Introduction Service, can (at a cost) provide an in depth assessment of the market and potential clients to meet. Some Chambers of Commerce also provide market research services to their members.

We will:

- Operationalise much of the data that underpins *A Trading Nation* by making it available to Scottish exporters in a user friendly format on an appropriate digital platform.

Sector specific regulatory information

A clear understanding of the regulatory requirements exporters are obliged to follow is essential as mistakes and misunderstandings can be lengthy and expensive to resolve. SDI, DIT and Scottish Government offices can direct exporters to the appropriate regulatory bodies and market research can often provide a basic understanding of regulatory requirements. In more complex technical matters, lawyers or the relevant trade or standards authority should be consulted.

Introductions and informal advice

One of the most important aspects of winning business is to be introduced to the “right person” in the buying organisation. This is where our extensive network of overseas offices, Trade Envoys and GlobalScots can play a valuable role in facilitating introductions and providing informal advice on how to approach the market. Exporters should make good use of them. Even if they do not know the right contact they will often know somebody who does.

Market access

Trade barriers and market challenges can hamper export growth. Exporters should make DITI, SDI and SG hubs aware of any practices in destination markets that they view as unfair so that we can investigate further and, if appropriate, take action with regulatory authorities using the local embassy, DIT office, Scottish Government office or SDI office. Issues of particular importance can be raised by visiting ministers with their counterparts.

6. Strategic Choice 4: How we will align export support in Scotland

6. STRATEGIC CHOICE 4: HOW WE WILL ALIGN EXPORT SUPPORT IN SCOTLAND

A *Trading Nation* has been developed to drive actions to grow the value of Scotland's exports. The level and type of support offered to businesses will be aligned to the segmentation strategy outlined in this plan. To achieve our ambition we will require the whole of the export ecosystem to support businesses whether they are new or experienced exporters. In parallel, the wider business support system will continue to help businesses to grow so that they may become export ready.

Scottish Development International

Many of the actions are focused on Scottish Development International as the primary delivery arm of our enterprise agencies, responsible for providing in-depth export support to Scottish businesses, both in Scotland and overseas.

In Scotland, their expert international trade advisers will work intensively with our 'solid performing' exporters and 'global by birth' businesses as well as seeking to rouse the 'sleeping giants' that could transform Scotland's export performance.

SDI will:

1. Separate into specialist divisions for export and investment attraction work building on a successful pilot in the food and drink sector.
2. Shift the bulk of their resource into priority markets that offer the biggest opportunities for Scotland's sectoral strengths by reorganising the SDI footprint to capitalise on priority markets.
3. Focus on growing existing exporters (by diversifying into new markets or new products) and high potential early stage firms (in industries like digital and life sciences).
4. Develop new support to help more 'global by birth' businesses scale up rapidly.
5. Integrate more closely with enterprise agencies to help more domestic businesses graduate to exporting.
6. Continue to work with Chambers, Business Gateway, sector leadership bodies and others to grow new exporters.
7. Increase the digital offer of training, advice and resources through the new enterprise agencies' single access portal.
8. Boost the skills of relevant businesses through export qualifications helping to deliver step change in sales and marketing skills.

In addition to SDI, there are other important partners we will work with to deliver some of the actions in this plan.

Scottish Chambers of Commerce

The Scottish Chambers of Commerce, through its network of 26 member Chambers, represents 11,000 businesses across Scotland. Many of these businesses are SMEs and the reach that the Chambers network offers gives us the opportunity to reach these businesses, support their export efforts and build further resilience across Scotland's economy. The Chambers already offer a range of services to support Scottish businesses to internationalise and this plan identifies a number of actions which can be taken to support the Chambers to extend this support and make it more effective.

The Scottish Chamber network can provide complementary support to businesses that wish to export by drawing on the connections across the whole network in Scotland, regardless of the region where that business is based and by drawing on the connections in the relevant Chambers in-market.

Locally, the Chambers network offer a variety of services to help support businesses develop their market entry preparation that can include the following:

- Business solutions
- Supply chain management
- Market research support
- Market entry plan development
- Import procedures and activities
- Online business support
- Finding a buyer, supplier or partner

Several local Chambers also provide international trade documentation, including:

- Certificates of Origin
- EUR1 & ATR1 Certificates
- Verification of trade documents
- Advice on international trade requirements

We have engaged with business organisations in Scotland in the development of this plan and will continue to work with them to deliver the ambitions within it, as well as shaping future approaches.

6.1 Business-to business mentoring – the First Minister’s Export Challenge

Governments don’t export, businesses do. We recognise that other businesses will often be more effective advocates of the benefits that exporting can bring and will be able to offer advice and support to their peers on the issues and challenges new or inexperienced exporters may face.

In November 2018, the First Minister launched the Export Challenge, a business-to-business mentoring programme, at an event organised by CBI Scotland in partnership with Scottish Development International and Bank of Scotland. The Export Challenge will invest up to £2mn over 3 years to support 50 existing exporters per year to ramp-up overseas activity and create 100 business-to-business mentorships per year to support new exporters.

For a business to become a mentor (or Export Champion) they must be an experienced exporter, interested in sharing expertise, knowledge and insight to support the growth of a Scottish based business. An Export Champion is expected to mentor at least one mentee business for a year, having a minimum of 6 high quality interactions per year with each mentee business and providing engagement/support to the mentee business from across other parts of their business.

For a business to be mentored they must have a product or service that is ready for market and be either new to exporting or have plans to enter into an international market. They should also demonstrate a commitment to increasing their exporting or internationalisation as a result of the programme.

A [portal](#) allows businesses to register interest in the Export Challenge and eligible businesses will be matched with each other according to need and expertise to ensure that the programme is as effective as possible.

Businesses participating in the programme can expect to work closely with their mentor business and will be able to access further sources of export advice and support. Demand will be closely monitored to identify any gaps in support that may be filled by bespoke products or services.

We will:

1. Continue the roll out of the FM Export Challenge, with the pilot phase implemented in 2019.
2. Implement robust evaluation metrics to guide development of the programme to maximise ROI.
3. Ensure relationship management is maintained with all business members within the programme, and open access to further sources of export advice and support where appropriate.
4. Engage effectively with delivery partners, including CBI Scotland, to ensure a One Scotland approach.

6.2 Wider business support

In addition to the specific export focused support delivered by SDI and other partners, there are wider business support policies in place to help businesses grow and develop. Further information can be found on the [Economic Action Plan website](#).

A key part of improving our exports is to improve the range and quality of products that Scottish businesses produce. This is supported through our investment in increasing innovation, improved business practices and linking closely with our higher education institutions and colleges. Future iterations of this plan will take into account changes in the strengths that Scottish businesses have and the changes in global demand for products to ensure that we can maximise the export performance of Scottish businesses.

The analysis in this document is designed to identify those sectors that provide the best opportunity to increase exports. This approach works in tandem with the growth sectors identified in the economic strategy that have a wider economic importance. The sectors identified as important for exporting in this plan include some or all of the Economic Strategy's growth sectors.

6.3 Export finance

Access to finance is an important issue for businesses in a number of ways but particularly when it comes to exporting. This can include insurance against risks of non-payment by customers in particular markets or working capital to support the potentially lengthy processes of supply into international markets. There is very little quantitative evidence on export finance, however, through our engagement with a range of stakeholders, including UK Export Finance (UKEF), banks and business organisations we have identified the following issues:

1. It can be confusing for business to understand the potential finance options available to them and how to access these options.
2. Private sector export finance is harder to secure in current market conditions, making the offer by UKEF even more important.
3. UKEF provide helpful support for specific problems but it is a complex process and requires a lot of time and support.
4. UKEF and banks are receiving very few referrals from other sources. This may be because businesses are not aware of what is available or are not meeting the complex requirements of both banks and UKEF.
5. There is a potential issue with businesses having access to and managing export insurances properly. It was also suggested that there was an information gap around this type of financial support.
6. Much of the feedback suggested that there was not a problem with export finance per se but that there was a gap in the understanding of what was available in business finance support more generally, particularly through the public sector.

We will:

1. Work closely with experienced exporters to understand uptake of export finance and to help them navigate the export finance system.
2. Use a marketing campaign to raise awareness of export finance to help businesses navigate the complex landscape around access to finance. This would be in partnership with private and public sector.
3. Work with SDI to extend the financial advice support available to businesses, building on the trade advisor work already taking place.
4. Continue to work with experts in the Trade Board to identify other actions we can take over the longer term to help businesses access appropriate export finance, including export insurance.

6.4 Digital support

Research tells us that more and more global trade is done via digital platforms, whether that is business-to-consumer or, increasingly, business-to-business trade. These new electronic sales channels are increasingly becoming the preferred way to trade especially in fast developing markets such as China. There is a clear need for Scottish businesses to get better connected into these new sales channels to be able to trade electronically and to avoid missing out on the huge global opportunities that these can deliver.

Working with our partners we will look to stimulate interest, raise awareness, build capacity and help equip Scottish businesses with the skills and knowledge they will need to seize the global opportunities via trading digitally.

Scottish Enterprise provides support on using [ecommerce](#). Here businesses can find advice on selling online to international markets, building an international customer base online, using online marketplaces such as eBay and Amazon and other international e-marketplaces, as well as information about joining free ecommerce workshops. A network of regional e-trade clubs will be established to assist with the growth of online selling.

There is significant scope to do more to increase the number of businesses managing their operations and promoting their products and services globally using digital platforms.

Using digital means to support exporting businesses can take a number of forms. As well as the sales channels described above, businesses seeking to grow and to potentially fulfil their ambition to enter new markets should have easy and quick digital access to the sources of advice and support they need. Work is well underway to develop a single access point to enable businesses to reach public sector support as and when they need it. It will provide a signposting and referral service which can be applied across the public sector to ensure business customers quickly get the right support at the right time. In addition, the [DigitalBoost](#) service is designed to offer digital check-ups, support and training for businesses to improve their digital capability. Businesses can also access funding through the [Digital Development Loan](#) scheme to improve their digital skills and processes in areas such as cyber security, data analytics and software engineering.

We will:

1. Continue to deliver and develop training programmes to support Scottish exporters to use online digital platforms effectively.
2. Continue work with partners organisations to increase awareness and develop expertise to support Scottish businesses selling online overseas.
3. Develop an e-marketplace International programme working with private sector partner organisations, including Amazon and eBay to enable Scottish businesses to gain awareness of the opportunities available, whilst enhancing their expertise and capability in digital platforms.
4. Establish a network of e-trade clubs to support growth in online sales.

6.5 Scotland is Now

Scotland is Now is the new, collective approach for the Scottish Government and partner agencies to market Scotland to the world as the best place in which to live, work, study, visit and do business and increase economic revenue from outside Scotland. This is part of Brand Scotland.

Scotland is Now is being delivered in partnership with the Scottish Government, VisitScotland and Scottish Enterprise/Scottish Development International, with support from Universities Scotland. The core strategy is to present Scotland's strengths in the context of current performance and create a clear, consistent narrative that is shared with stakeholders, media and partners across all the pillars at home and abroad.

The Scotland is Now campaign will be adapted to not only promote Scotland as a destination to live and study in but also a place to do business with. We will build a business theme, or pillar, to the current Scotland Is Now campaign to increase awareness in key markets of Scotland as a place for business, focusing on our values, talent, research, innovation, creativity and high quality exports. By opening doors for Scottish businesses overseas, its aim is to ultimately increase buying of goods and services from Scotland.

It has a longer term aim to inspire and engage with businesses across Scotland, encouraging them to seize global export opportunities and access the support available to them at every stage of their exporting journey.

The business pillar will support trade and investment activity, reflecting the objectives of the this plan and supporting its delivery by Scotland's enterprise and business support agencies, thereby enabling Scottish businesses to achieve:

1. Stronger market reach and recognition for their services and products
2. Access to a greater level of in-country market support
3. The benefits of a wider pool and reach of campaign activities, including events that promote Scotland and Scottish products and services in-market.

We will:

- Develop an effective business pillar to the Scotland is Now campaign which will both encourage and support businesses to export.
- Develop a set of measures to allow us to evaluate the effectiveness of the Scotland Is Now business campaign in supporting businesses to internationalise.

6.6 Leveraging exports from London

While the plan is focused on increasing Scotland's international exports, there is an understanding of the importance of the London market to help deliver this objective. As a first point for sales expansion outside of Scotland, the rest of the UK, and in particular London and the South East, offer some particular advantages for Scottish businesses.

As well as providing a substantial potential market for Scottish products and services, London is home to many international organisations across a range of sectors and hence provides easy access to international networks and selling opportunities without having to necessarily visit international markets to begin the sales process. It also provides opportunities for businesses to learn how to sell into new markets in an environment which has lower logistical, cultural or language barriers than international markets. This approach is something our counterparts in Ireland have successfully developed to support their internationalisation agenda and consideration will be given to whether Scotland should consider adopting a similar approach.

The Scottish Government, our enterprise agencies and VisitScotland are co-located in Scotland House in central London leading to a strong culture of collaboration. Traditionally, the SDI team has had a primary focus on securing Foreign Direct Investment (FDI) opportunities for Scotland, a mission that has proved particularly successful with Scotland being the top UK destination for FDI outside of London in each of the last 6 years.

Scotland House is a valuable resource for Scottish businesses moving into this market, providing a great venue for business and networking events. A key objective of the development of Scotland House, and a feature of Scotland's International Framework (2015), was to take advantage of London's status as a 'global gateway' for both trade and investment, supported by joint working between the Scottish Government and its agencies.

The Trade Board has commissioned a survey of Scottish businesses to better understand what trade support they believe would be useful in the London market and we will consider that information carefully.

The focus of this plan is on supporting the growth of international exports rather than domestic trade but we do recognise the importance of leveraging the rUK market to support business growth.

We will:

1. Support the establishment of stronger business networks in London.
2. Use the results of the Trade Board survey to determine what action is required to most effectively support Scottish businesses.
3. Support the Scottish Business Network over the next 2 years to build capacity that supports Scottish businesses to exploit opportunities in London and the rest of the UK.

6.7 Connectivity to markets

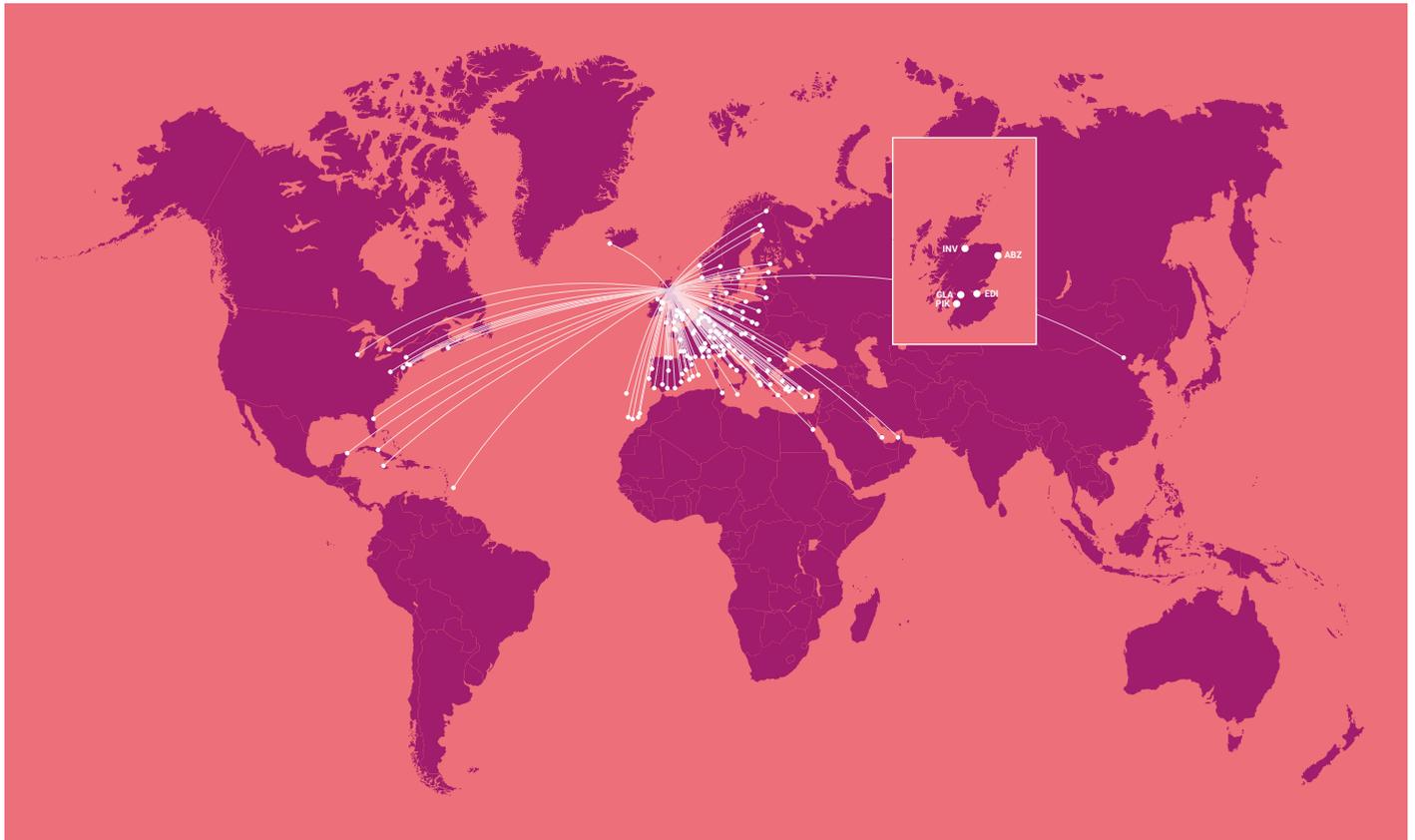
Transport Scotland's report [Transporting Scotland's Trade](#) demonstrated that the robustness of Scotland's transport infrastructure is key in supporting our ability to trade internationally. The Scottish Government's [National Transport Strategy](#), currently under review, will also consider gateways for export freight.

Scotland has had a trade surplus in goods for the past six years. This further emphasises the importance of maintaining a resilient transport network that will continue to support Scottish trade as we significantly ramp up the volume of our exports.

A safe, efficient, effective and sustainable transport system, for both passengers and freight, remains one of the key enablers for sustainable economic growth.

6.7.1 Air routes

We recognise the vital importance of a strong international air route network that connects Scottish businesses to their customers. Scotland currently has direct international air routes to 37 countries¹⁴.



Scotland has enjoyed significant growth in international air routes over the past 10 years. Scheduled services to international destinations have more than trebled since 2001. However, we do not have as many direct long haul flights when compared to similar sized European nations.

A cross-government partnership, including Transport Scotland, VisitScotland and the enterprise agencies, is working closely with Scotland's airports to address that and to help attract and retain viable international services which can be sustained over the long term, targeting both long and short haul services that will have the greatest impact on economic growth.

The three key drivers for this work are:

- Enhancing international connectivity to allow Scottish businesses to increase their earnings from markets outside of the UK.
- Enhancing connectivity to make Scotland more attractive to potential inward investors.
- Enhancing international connectivity to allow Scotland to attract more inbound tourism.

¹⁴ Air routes are subject to constant change and some routes are seasonal.

Where direct services are not commercially viable in the short term we will continue to seek better access to global hub airports like Amsterdam, Frankfurt, Madrid (for Latin America), Dubai, Doha, and Heathrow. Current priority markets for route development include:

- the USA, particularly the west and the Pacific Coast.
- China, particularly around Beijing, Shanghai and Hong Kong.
- India, particularly the regions around Mumbai and Delhi.

We will:

Explore the viability of improving air services to commercial centres in priority export growth markets such as:

- Poland
- Germany
- Mexico
- Japan
- Turkey

6.7.2 Ports and freight

In 2017 the Scottish transport network supported £53bn of trade. The vast majority of that trade is transported by road and sea. Our road freight exports are overwhelmingly to destinations in England. The volume of sea and rail freight exports is declining (in line with our changing economy) and air freight exports are small but growing. Seaports carry most of the volume of our international exports.

We are working with Transport Scotland to better assess and understand how Scotland uses its road, rail, air and sea capacity to transport goods outside Scotland and what the implications are of significantly increasing the volume of our exports to ensure that we address those.

We will:

1. Continue to work with Transport Scotland to explore how the National Transport Strategy can support and complement this plan and particularly to ensure that Scotland's transport network is able to support our export growth ambitions.
2. Consider how we ensure gateways to and from domestic and international markets are resilient and integrated into the wider transport networks to encourage people to live, study, visit and invest in Scotland.
3. Consider support measures to improve sustainable surface access to Scotland's airports and seaports.

7. Maximising the Economic Impact of Exports

7. MAXIMISING THE ECONOMIC IMPACT OF EXPORTS

This section considers both the economic impact of exports to the economy, including how different types of exports can add more economic value than others and the impact on exports of the Scottish Government's investment in this area – both as a result of the existing investment in the work of our agencies and the proposed additional spend committed to in this plan.

7.1 Economic impact of exports

Evidence shows that businesses which trade internationally tend to be more innovative, more productive and more competitive.

Economic theory and empirical evidence demonstrates the significant gains that can be achieved both at the individual business and wider economy level through exporting. Not only can higher exports boost economic growth by contributing directly to GDP but, in addition, trade improves productivity over time through the diffusion of new technology, increased competition, investment and exploitation of economies of scale. These economy wide benefits can also deliver benefits to individuals through creating job creation and wage growth.

Improvements in productivity support sustainable economic growth. Analysis of firm-level data in the UK suggests that businesses which report goods exports were around 20% more productive than businesses which do not trade, after controlling for their size, industry and ownership status¹⁵. Research has also found that exporters typically pay higher wages than non-exporters, reflecting their ability to exploit economies of scale and to realise productive gains.¹⁶

The economic literature suggests a strong two-way link between exporting and innovation, with innovation helping or encouraging a firm to export in the first place and exporting itself also driving investment in innovation and R&D. Evidence from the Small Business Survey Scotland 2017 shows that, in 2017, SME exporters were twice as likely as SME non-exporters to have innovated in the previous three years.

The benefits relating to exporting are particularly relevant to SMEs, which employ the majority of the labour force in Scotland. Smaller businesses typically have less access to learning opportunities than large businesses do. Engaging in international trade, however, gives SMEs greater access and knowledge of different markets and production technologies.¹⁷

Recent research has indicated that Scotland lags behind the rest of the UK in on a range of indicators relating to export performance.¹⁸ This highlights that there is a significant and continuous 'export gap' that is restricting a greater realisation of benefits from trade compared to the rest of the UK.

Our focus in this plan has been to increase the top line value of Scotland's exports. This gives us clear targets to aim for and metrics to track performance against. However, it is important to recognise that not all exports deliver the same level of economic benefit to Scotland's businesses, employees, places and, indeed, taxpayers.

Depending on the value of imports required to generate exports and the type and value of jobs created, the impact on the economy can vary widely. We consider some of these aspects here and recognise that deepening our understanding of these relative impacts is an ongoing process which we will develop with partners over time to better inform our resource allocation and strategic choices.

15 <https://www.escoe.ac.uk/wp-content/uploads/2018/07/ESCoE-DP-2018-09.pdf>

16 <https://www.oecd.org/site/tadicite/50286917.pdf>

17 <https://www.oecd-ilibrary.org/docserver/5k9gwprtbtxn-en.pdf?expires=1554288361&id=id&accname=guest&checksum=99D2BDA851261034A1505F4383E647B6>

18 https://www.strath.ac.uk/media/1newwebsite/departmentsubject/economics/fraser/vol42no3/FAI_Economic_Perspectives-Reappraising_Scotland_exports.pdf

International exports and imports from Scotland have increased over the past 20 years. Including oil and gas, experimental statistics¹⁹ show that Scotland has an international trade surplus, with exports consistently higher than imports. In 2016 this trade surplus was estimated to be around £2bn (1.2% of GDP). This compares with the UK which has shown a trade deficit in every year since 1998 and which currently sits at 1.3% of GDP.



Source: Whole of Scotland Economic Accounts Project (Experimental Statistics - 2016 data is provisional) and Quarterly National Accounts Scotland 2017

The actions in this plan will help to increase exports at a faster rate than in the past, helping further strengthen Scotland’s trade balance. However, this is not a given, particularly if the exports produced rely on high values of imports. This is why it is important that the wider business support system is considering how we can develop businesses to provide a supply chain to support these exporting businesses. While outwith the scope of this plan, ensuring that an effective supply chain is developed in Scotland will truly help to maximise the impact of increased exports.

Analysis by the Office of the Chief Economic Adviser has looked directly at the impact of increasing exports as a share of GDP over the coming years on GDP and jobs. This shows that increasing exports as a share of GDP by 5 percentage points by 2029, from 20% to 25%, could increase GDP by approximately £3.5bn and help support 17,500 jobs with an increased tax take of £500mn per annum, compared to what would be expected if they remained at their current level.²⁰

19 Experimental statistics are defined as new official statistics undergoing development and testing and are open to user consultation.

20 This analysis uses the Scottish Government’s Global Econometric Model (SGGEM). International exports were increased such that exports as a share of GDP increased from 20% to 25%. This was equivalent to international exports being 25% higher in real terms by 2029 relative to the baseline. This increase was phased in linearly between 2019 and 2029.

It is also important to note that jobs in exporting intensive industries tend to bring more to the economy. For example, the gross value added (GVA), a measure of economic output, per job in manufacturing in 2016 was £69,853, which is 54% higher than the overall GVA figure per job for all sectors. This is even higher in the manufacture of food and beverages at £85,513 per job (89% higher than the average GVA per job) and in the manufacture of refined petroleum, chemicals, pharmaceutical, rubber and mineral products at £90,641 per job (double the average GVA per job).

We will:

- Work with partners to deepen our understanding of the relative impacts of different types of exports and use this to inform our resource allocation and strategic choices in future. This will include opportunities for import substitution and growing the Scottish based supply chains that support our strongest export performers.

7.1.1 Maximising return on investment

The Scottish Government is committed to growing the value of Scotland's exports. We want to make sure that public funds are directed towards activities that will have an impact and deliver real benefit for businesses in Scotland and the wider Scottish economy. This includes measures to support businesses to export for the first time as well as intensive support to ensure that experienced exporters are able to fully capitalise on international opportunities. The total investment we will make in this area – running into several tens of millions of pounds – is targeted at increasing the value of Scotland's exports by several tens of billions of pounds.

The [Programme for Government 2018-2019](#) (PfG) outlines our commitment of £20mn over the next 3 years to support the actions in this plan. This does not represent the totality of our commitment to supporting Scotland's export efforts.

The Scottish government and wider public sector's export spending will be focused on accomplishing three things;

1. Raising **awareness** and building **ambition**
2. Developing **capacity** and **capability**
3. Supporting businesses to **expand** into new markets and to **exploit** new opportunities

Actions in these areas are focused on overcoming the barriers to export, both real and perceived. While this plan outlines government spending specifically on export support, there is an intrinsic link between the actions and resources in this plan and wider business growth support. Spend in both areas is aligned behind a shared objective of supporting businesses to grow, whether through domestic or international means.

7.1.2 Current Scottish Government spend on trade and investment

In addition to the £20mn outlined in the Programme for Government, the Scottish Government already supports businesses' export activities through our agency partners who run a programme of business support that helps businesses improve their performance across a range of areas, including innovation, growth and leadership and management.

The Scottish Government expects resources within our enterprise agencies and other public bodies to be aligned to delivering the priorities outlined in this plan.

As well as having responsibility for delivering wider business support, alongside Business Gateway and other organisations, the enterprise agencies, through SDI, provide international trade services. The Scottish Government, again mostly through SDI, invests around £30mn annually to support exports.

7.1.3 Partnership models

Scotland Food and Drink is one of the most successful and internationally recognised public sector/industry partnerships and is a model we would like other sectors to replicate.

Partners recognised a need for shared approaches, targets and specialist in-market support to identify the right contacts and to facilitate access to distributors and retailers of premium products. The result was an agreement to co-finance in-market specialists for the food and drink sector. These were jointly funded by industry, SDI and the Scottish Government. This investment is delivering results with £67mn of new sales expected to be generated by businesses over a three year period as a result of the work of the in-market specialists.

As a result, our 2018 Programme for Government outlines a commitment to publish a new 5 year Food and Drink Export Plan in 2019 and bring forward measures to further promote and market our produce in overseas markets.

Building on the success of this model, Opportunity North East (ONE), the Scottish Government and Scottish Enterprise are funding 5 in-market specialists in the energy sector with funding of £250K from the Scottish Government and £125k from SDI matched by £125k from ONE. If the results for energy are as successful as those for food and drink we would expect and encourage similar arrangements in other sectors.

We will:

- Work to identify opportunities for partnership arrangements across the full range of investment priorities identified in this plan.

7.1.4 Balance of spending

While this plan includes support for all businesses with the ambition to export, the majority of spending in the plan is directed towards the intensive, and therefore expensive, one-to-one support that will enable those who are already exporting successfully to do more, improving productivity, performance and profitability for their business and delivering wider benefits to the Scottish economy that can be shared by all citizens.

Similarly we expect that the majority of dedicated in-market support will be in those markets where there is the greatest concentration of opportunity, in particular in our priority export markets.

7.1.5 Setting our spend priorities

In keeping with our analytical driven approach, the application of resources to initiatives to support the implementation of *A Trading Nation* will also be evidence led. Based on the work to clarify our strategic choices, a number of outcomes have been articulated. Behind each outcome sits a number of specific actions. A range of initiatives to deliver these outcomes has been identified. The process by which we expect these initiatives to deliver on our objectives is being mapped out and together with research into the effectiveness of past interventions – both in Scotland and further afield – an initial assessment of the impacts we can expect from each intervention is being quantified. Given the limited amount of hard data around this process, and complications such as counterfactuals, pre-existing trends and crossover effects, there is, at this stage, no single correct solution to the question of how best to allocate resources. We will continue to work on this approach to refine the most effective use of our spending.

7.1.6 Participatory budgeting

Alongside this analytical work, we will also engage with exporting businesses to understand their priorities for support to enable them to improve their export performance. This engagement will initially take place at the National Economic Forum in May 2019 and will continue on an ongoing basis.

Based on the output of the quantitative and qualitative processes described above we will commit resources to align with our initial expected outcomes. Through tracking a series of key performance indicators, we will monitor impacts and reassess the allocation of resources in future years, based on delivery.

This process, which we will develop over time, will provide an increasingly robust mechanism for the most effective allocation of resource.

We will:

1. Work with the enterprise agencies and other public bodies to align existing resources to support delivery of the opportunities identified in this plan.
2. Develop increasingly robust analytical processes to determine which interventions are the most cost effective.
3. Work in partnership with exporting businesses to take on board their views of export support priorities to inform our spending commitments.
4. Consider where additional resource from the £20mn commitment may be required to supplement or bridge gaps in provision until agencies are fully aligned.

7.2 Measures of success

This plan links with the National Performance Framework and states that we will work with colleagues across Government, our enterprise agencies and with other delivery partners to co-produce a performance monitoring framework. This will build on existing KPIs and performance data to develop a range of specific and measurable indicators to track Scotland's export performance and progress towards achieving our ambition. To support this, we will continue to work closely with industry bodies, as we did during the development of the plan, and with individual businesses to get feedback on how the interventions from this plan are progressing. Where we identify activity which is not adding as much value as possible we will seek to adjust this and work with businesses to identify activity which will allow businesses to increase the value of their exports.

| 8. Future actions

8. FUTURE ACTIONS

A Trading Nation will be a living document, to be updated as new evidence and effective approaches become apparent. Some key themes of work have already been identified to be added to the plan in the coming months. We encourage businesses, business organisations and other stakeholders to come forward with ideas for consideration to be included in future updates.

8.1 Policy alignment and engagement

During our conversations many consultees have noted the impact that wider policy actions may have on the ability of businesses to grow and to grow their exports. As part of our future engagement we will look to identify areas where there are opportunities to consider aligning or adjusting wider policies which may have a transformative impact on exports.

8.2 Sub-national plans

It is clear that in our key markets of USA and China there are significant sub-national differences between different regions within each country. For that reason, in order to make decisions on priority markets and sectors, it is our intention to complete analyses of each of these market at a sub-national level in order to understand better where the best opportunities lie for Scottish exporters. This work will be analytical in nature and follow a similar approach to that undertaken to the country and sector work in this plan.

8.3 Regional targeting to create deep relationships

Building on work started by Universities Scotland, and the planned work on sub-national plans, we believe there is an opportunity for Scotland to identify specific target markets where there is close alignment between local sectoral strengths and Scotland's strategic offering. This is likely to be in advanced technology sectors and where there are existing close academic links. We believe that a strategy and associated action to deepen those links, and create a significant Scottish presence in target markets in those sectors, would create opportunities for Scottish businesses in those target markets and enable them to benefit from close co-operation in innovation.

8.4 Strategic multi-sector offering

Traditional export promotion activity generally focuses on specific sectoral trade missions or in some cases cross-sectoral missions but without strategic coherence between the sectors. From work highlighted by Universities Scotland, we believe there is an opportunity for Scotland to pioneer an approach to export promotion which involves identifying specific challenges in target markets and then positioning a coherent strategic cross-sectoral offering, involving a number of businesses and potentially spearheaded by a higher education institution, which provides solutions to strategic problems in these markets. One such market could be the United Arab Emirates where, for example, there is a need to develop a quarter of its structures using 3D printing technology by 2030. In this model, innovation centres act as the hub for bringing consortia together for collaboration.

8.5 Sub-sector economic impact analysis

It is important to understand how the economic or GDP impact of increasing exports varies between different sectors and sub-sectors. The final value of a good or services aggregates the cumulative steps within the production process, i.e. the value chain. In some sectors, Scotland has deep indigenous supply chains and inherent natural or human resource advantages and most of the economic value will be added in Scotland. In other sectors, characterised by complex global supply chains where Scotland is only one link in the chain, the *proportion* of value added by Scottish businesses will be smaller. The latter will typically generate a lower return in terms of the contribution to overall GDP and tax revenues for a given level of exports. However, it may be that businesses in these sectors and sub-sectors are important in providing high wage, high productivity jobs. Moreover, if the scale of their production is higher, the *overall* value added may be at least as high if not higher. We will work to better understand these characteristics in more detail to further inform our sub-sector strategies to maximise positive impacts on the Scottish economy and to use the levers at our disposal to promote the development of indigenous supply chains.

Appendix 1: Country Profiles

Country Report



USA

Country brief

The USA has one of the most competitive and technologically advanced economies in the world and is the largest economy in the world.

Key market information

Economic indicators

GDP 2017*	£15,046bn
GDP per capita 2017*	£46,192
GDP annual growth rate 2013-2017	3.8%
GDP annual growth forecast 2018-2023	3.3%
Population 2017	325.7m
Projected population growth 2017-2050 (% change)	19%
Average tariff 2016	2.9%

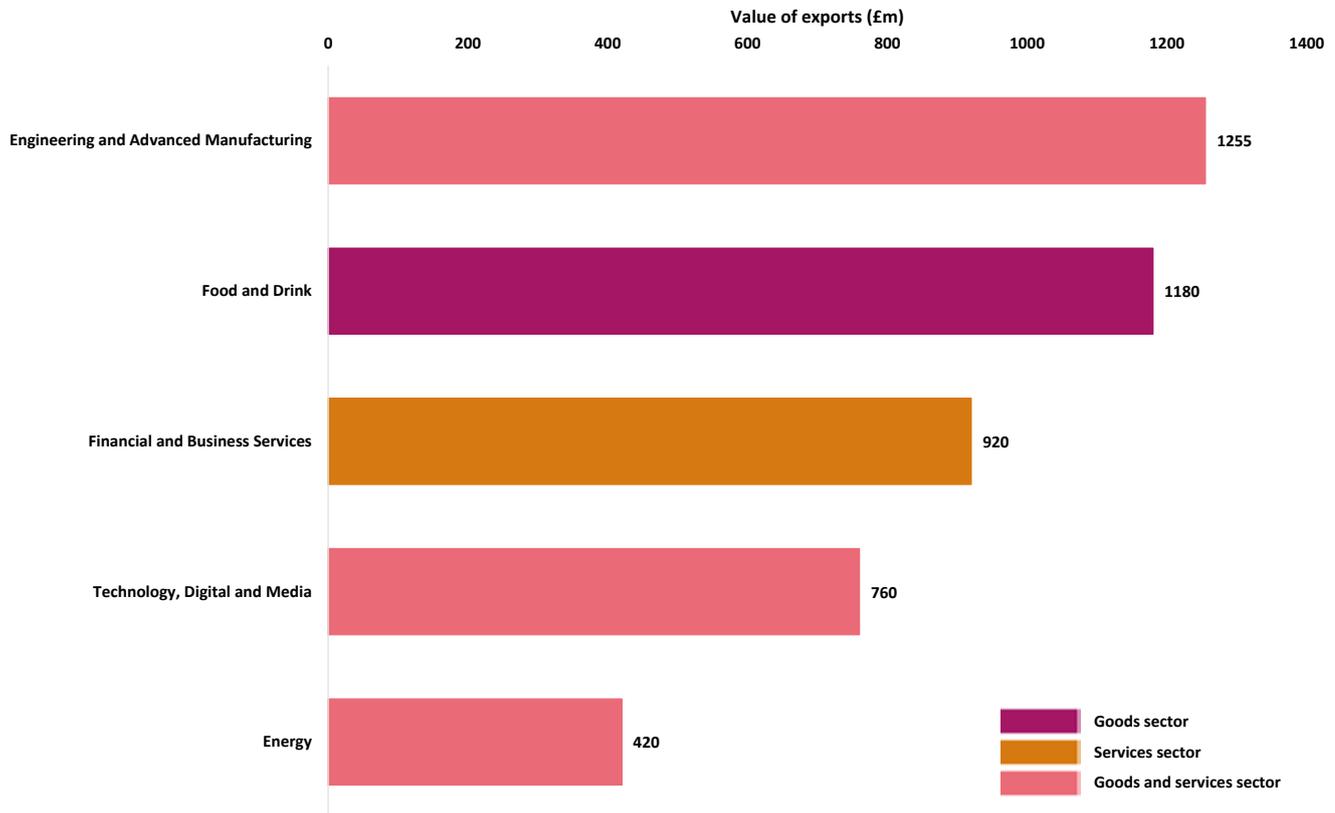
Scotland's exports to the USA

Scotland's exports to USA 2017 £5,545m

Average annual growth in Scotland's exports to the USA 2013-2017 4.6%

Country rank in Scotland's exports 2017 1

Scotland's Top Export Sectors to the USA, 2017



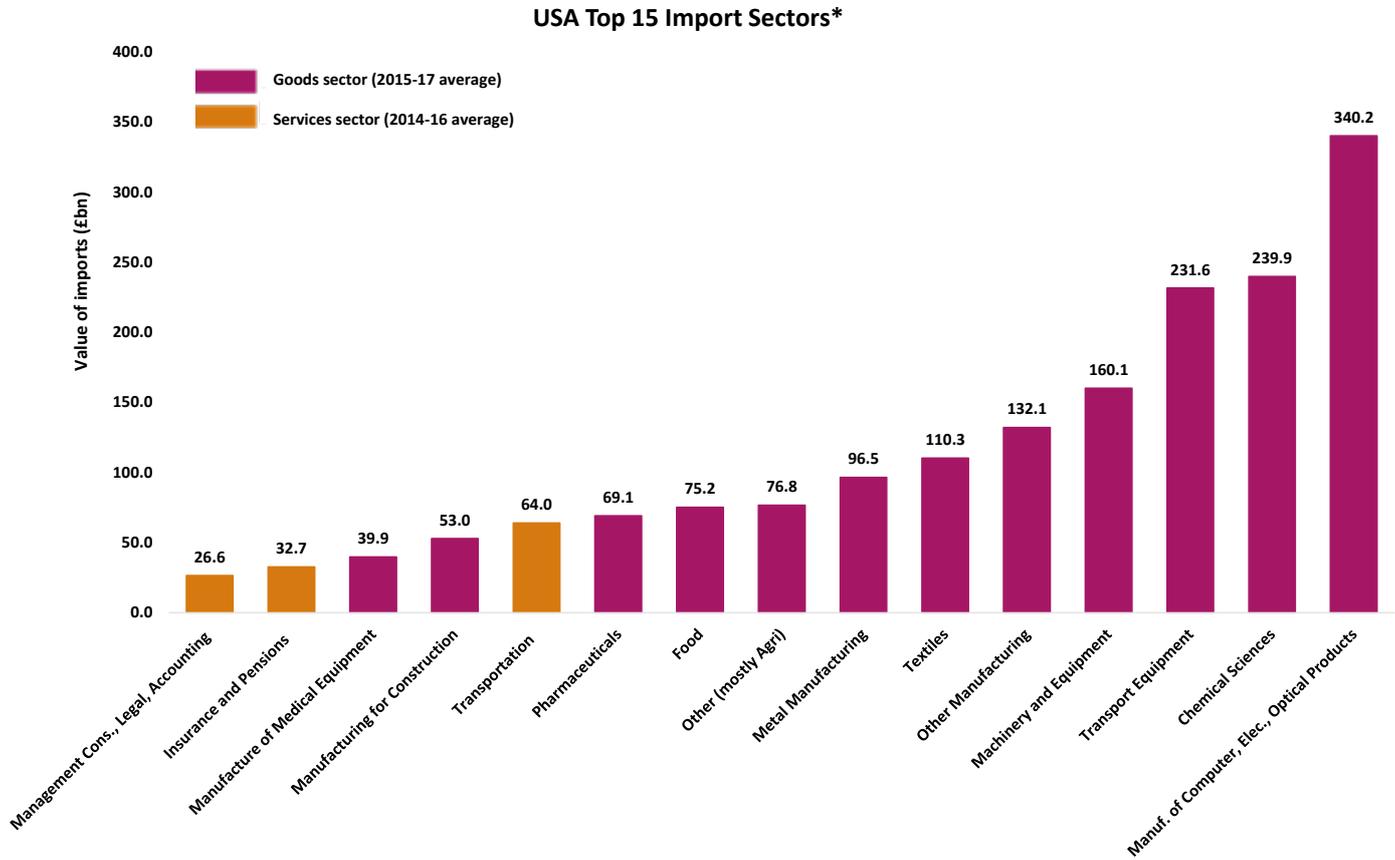
USA imports from the world

USA goods and services imports 2017*

£2,253bn

USA average annual import growth 2013-2017*

6.3%



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The US Economy

The United States is the world's largest economy with a GDP of around [£15 trillion](#) (\$20 trillion) and it has the world's largest private sector with access to the supply chains of many global businesses.¹

The USA is a vast country and it is important to conduct thorough market research in each of the states that you want to do business in, as there may be differences in laws from state to state.

Key economic indicators are:

- The US economy is growing strongly at 3.4% of GDP in 2017. (OECD)
- Exports as a percentage of the USA's GDP (Gross Domestic Product) were only 12% in 2017 despite the US being the world's third largest exporter. (OECD)
- Unemployment is low at 3.9% in 2018. (OECD)

The Department for International Trade guide to doing business in the USA can be found [here](#).

Strengths of the USA market

The USA ranks 8th, dropping from 6, out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

The USA is the world's largest market and has the world's largest private sector. It also has::

- low regulatory barriers
- no language barriers
- strong legal system

Potential challenges to trading in the USA

The vast size of the USA market can lead to some unique challenges such as:

- regional differences between the 50 markets/states
- strong competition, causing saturation of products or services
- high customer service expectations
- high cost of living in major cities
- significant time difference (between 5 and 8 hours behind the UK)
- high cost for business insurance
- litigation is common
- expensive and time consuming process for work visas

The USA is not a single national market; it is a federal system. Each state is a separate entity with its own rules and regulations. It is essential to determine whether to develop your business in a specific state, or whether national entry is possible for your product or service.

Benefits for Scottish businesses exporting to the USA

- UK and Scottish brands have a positive reputation in the USA
- English is the first language
- stable, large economy

¹ World Economic Forum

What Scotland exports to the USA

The USA is Scotland's top international export destination. Exports were worth £5.5 billion in 2017. 17.1% of Scotland's total international exports. (Export Statistics Scotland).

The top 5 Scottish export sectors are:

- Engineering and advanced manufacturing
- Food and Drink
- Financial and Business Services
- Technology, Digital and Media
- Energy

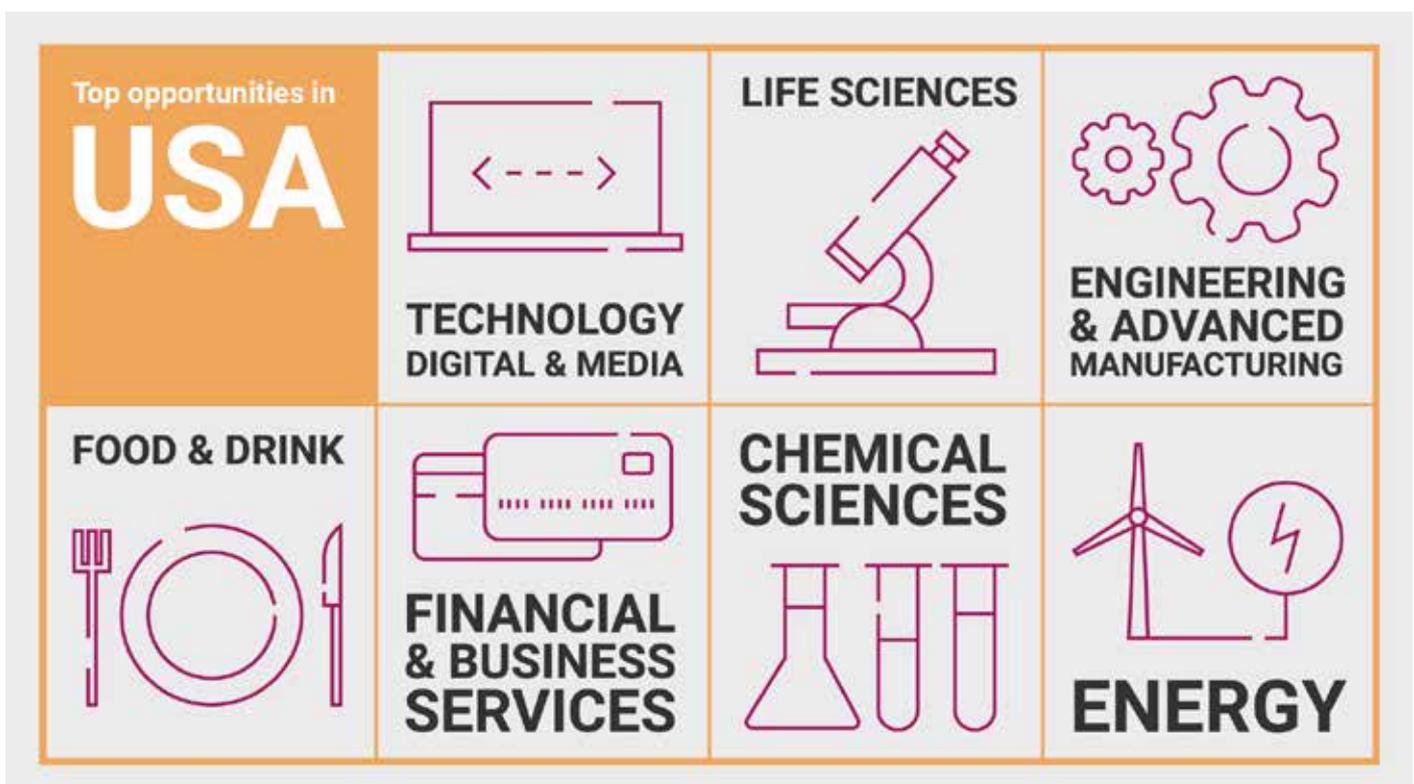
Priority sectors in the US for economic development include:

- Infrastructure
- Chemical Sciences
- Manufacturing
- Machinery

Sectoral opportunities for Scottish companies

When compared to the export performance of similar countries (Norway, Finland, Ireland and Denmark), the USA market presents potential export opportunities in the following subsectors:

- Chemical Sciences
- Manufacturing of computer, electronic and optical products
- Computer programming
- Research



Existing in-market support for Scottish businesses in the USA

Scottish Government Network of External Offices and Scottish Development International

The Scottish Government has a Scottish Affairs Office in Washington DC that promotes Scotland's interests in the United States, working closely with the Scottish Government's offices there, as well as with Scottish Development International's network of offices in North America.

The Scottish Government's office is based in the British Embassy and more details can be found in the [US Engagement Strategy](#).

[Scottish Development International](#) has offices in [Boston](#), [Chicago](#), [Houston](#), and [San Jose](#) with 5 members of staff supporting trade in the consumer industries, science and technology sectors.

[GlobalScot](#)

There are currently **191 GlobalScots** in the USA covering a wide variety of sectors. The USA is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in the USA](#) for more information and advice on opportunities for doing business in the USA.

[British American Business Council](#)

The British American Business Council is the largest transatlantic business network, with 22 chapters, and over 2,000 member companies based in major business centres throughout North America and the United Kingdom. The BABC can provide members advice and introductions to the American market.

Scottish University links

The USA is the top global collaborator in research with Scotland (Scottish Science Advisory Council report, 2019 pg. 57). [Harvard University](#) is the top single institution worldwide for academic collaboration with Scottish universities. Between 2007-2016 there were 16,983 joint publications between Scottish and US institutions.

[Heriot-Watt University](#) is collaborating with Purdue University, USA and [Helia Photonics](#) on a £100,000 [Engineering and Physical Sciences Research Council \(EPSRC\)](#) funded project, studying plasmonics, an extremely fast method of information transfer over very small wires, and the fabrication of novel nano-photonics devices.

Scottish Innovation Centre [The Datalab](#) has been working with Aggreko using [machine learning](#) to enable Aggreko to respond more quickly to generator maintenance issues from its remote operations centre in Louisiana.

Country Report



Germany

Country brief

Germany is Europe's largest economy. Its consistently strong economic performance offers long-term growth potential for Scottish businesses.

Germany is a similar market to Scotland with similar business risks and requirements.

If your product or service is successful in Scotland and the UK, there's a good chance it will be successful in Germany.

Key market information

Economic indicators

GDP 2017*	£2,859bn
GDP per capita 2017*	£34,574
GDP annual growth rate 2013-2017	3.8%
GDP annual growth forecast 2018-2023	4.6%
Population 2017	82.7m
Projected population growth 2017-2050 (% change)	-8%
Average tariff 2016	2.5%

Scotland's exports to Germany 2017

Scotland's exports to Germany 2017

£2,345m

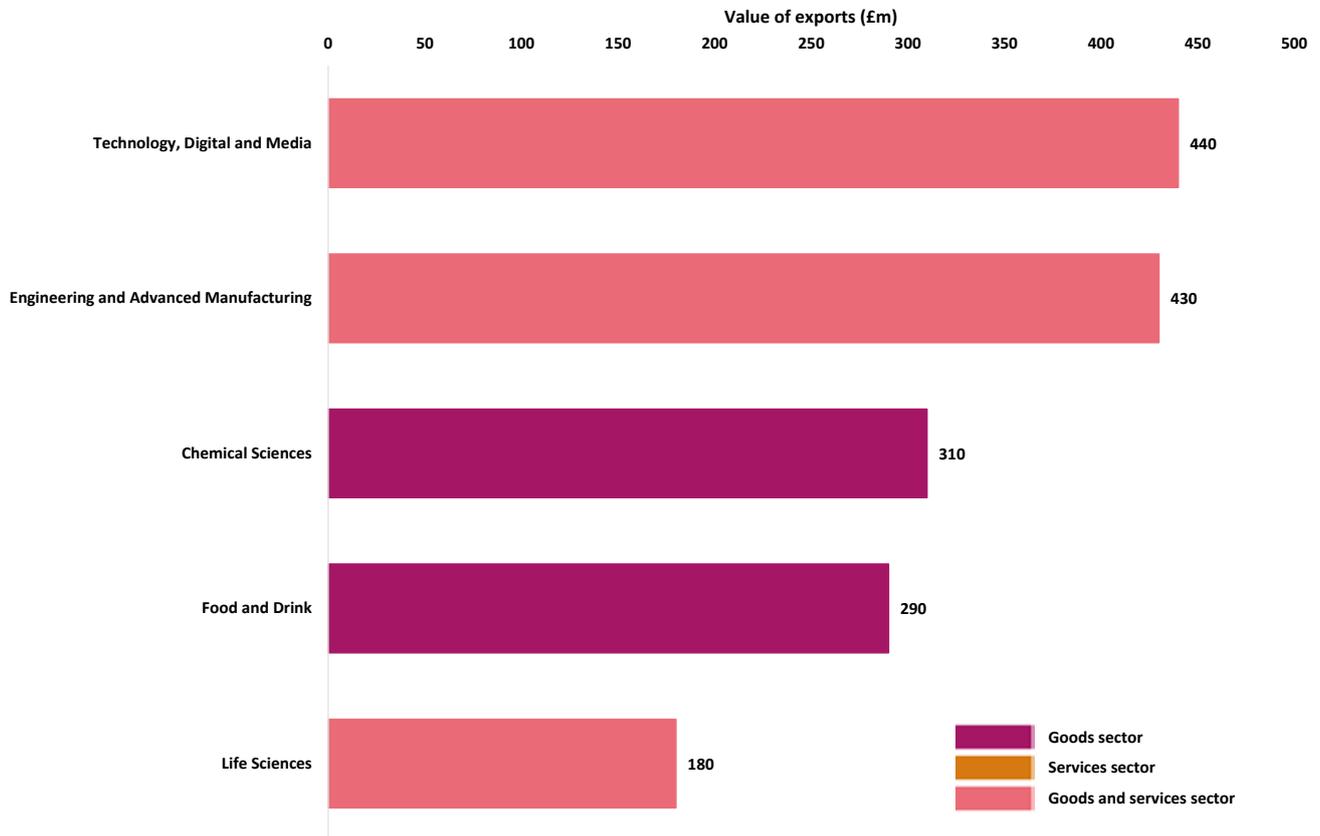
Average annual growth in Scotland's exports to Germany 2013-2017

7.4%

Country rank in Scotland's exports 2017

4

Scotland's Top Export Sectors to Germany, 2017



Germany imports from the world

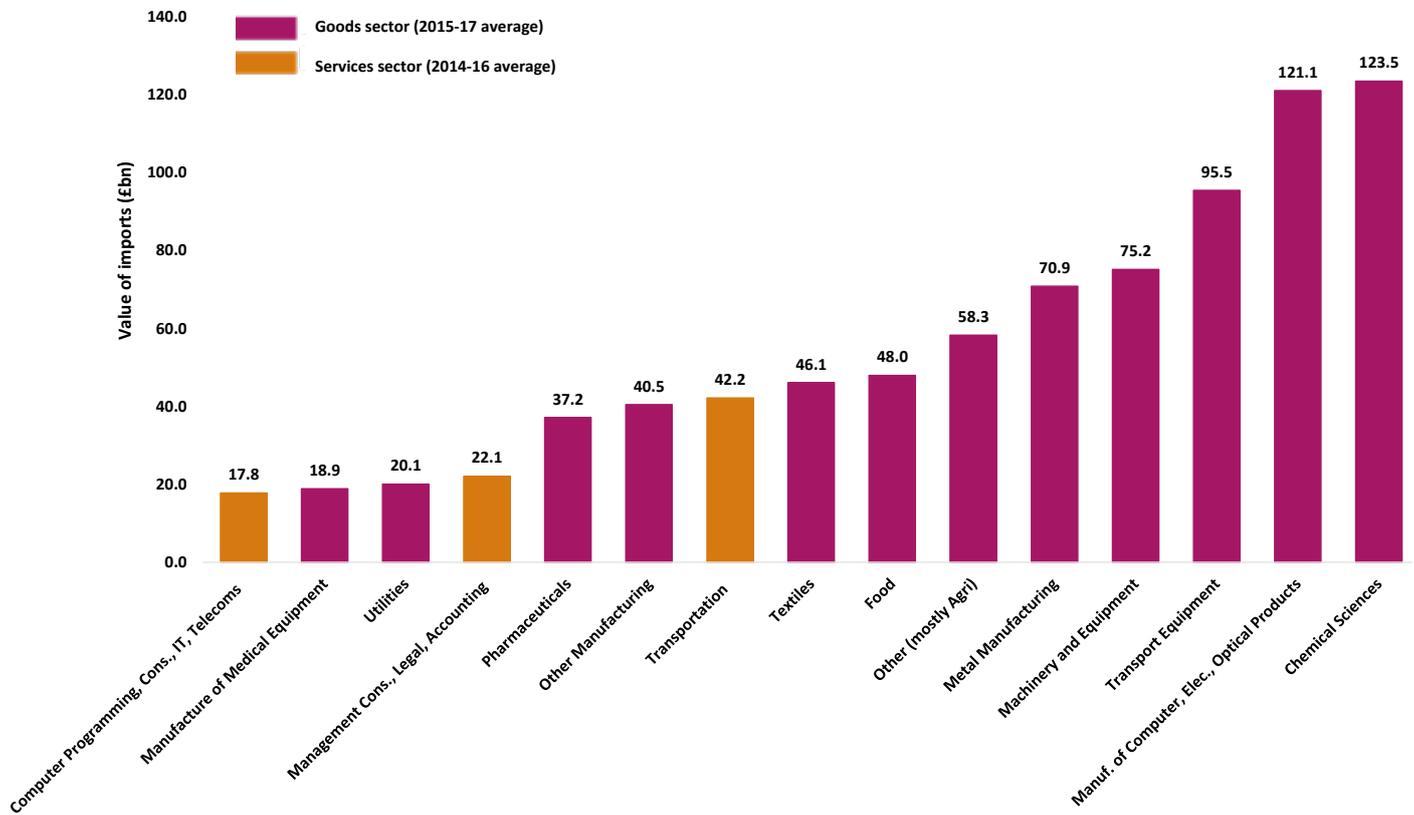
Germany's goods and services imports 2017*

£1,138bn

Germany average annual import growth 2013-2017*

4.7%

Germany Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The German Economy

Germany has a Gross Domestic Product (GDP) of more than €3 trillion. This makes it the largest economy in Europe and the fourth strongest economy in the world. In 2017, the country accounted for 28% of the euro area economy according to the IMF.

The economy is characterised by its small and medium-sized enterprises (SMEs) “Mittelstand”. 99.6% of all companies in Europe are SMEs, with most being family owned and passed from one generation to the next.¹

Key economic indicators are:

- The German economy has been growing moderately at 1.4% of GDP in 2018. (OECD)
- Exports as a % of Germany’s GDP (Gross Domestic Product) were 47% in 2018. (OECD)
- Germany has a low unemployment rate at 3.7% in 2017. (OECD).

The Department for International Trade’s guide to doing business in Germany can be found [here](#).

Strengths of the German market

Germany ranks 24th dropping from 20th out of the 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- The largest economy in Europe
- Efficient business culture
- Stable economy
- Innovative

Benefits for Scottish businesses exporting to Germany

- Long-term growth potential
- Similar market
- High standard of living
- Scottish and UK brands have a positive reputation

What Scotland exports to Germany

Germany is Scotland’s 4th largest export market. Exports to Germany were worth £2.3bn in 2017. 7.2% of Scotland’s total International exports. (Export Statistics Scotland).

The top 5 Scottish export sectors to Germany are:

- Technology, Digital and Media
- Engineering and Advanced Manufacturing
- Chemical Sciences
- Food and Drink
- Life Sciences

¹ BDI

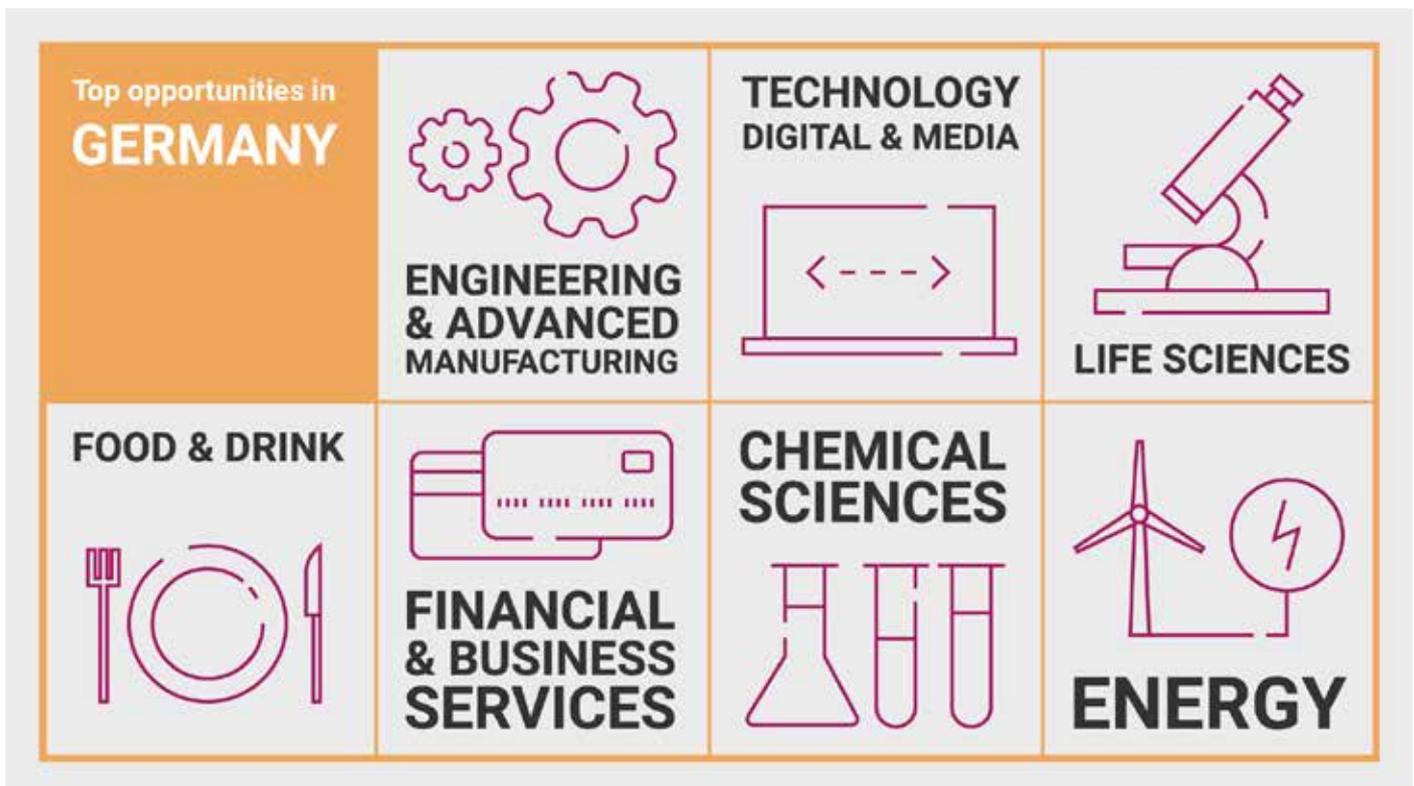
Priority sectors in Germany for economic development include:

- Transportation equipment
- Chemical Sciences
- ICT
- Renewable Energy
- Machinery and Equipment

Sectoral Opportunities

When compared to the export performance of similar countries (Norway, Finland, Ireland and Denmark), the German market presents potential export growth opportunities in the following subsectors:

- Machinery and Equipment
- Engineering Services
- Transportation Equipment
- Computer Programming
- Financial and Business Services
- Manufacturing of computer, electronic and optical products
- Chemical Sciences



Existing in-market support for Scottish businesses in Germany

Scottish Government Network of External Offices and Scottish Development International

The Scottish Government opened an office in [Berlin](#) in the Autumn of 2018. The office is a central point for the Scottish Government to engage across Germany and central Europe and adds to the existing network of SG offices in Europe (London, Dublin, Paris, Brussels). The office jointly houses Scottish Government and Scottish Development International staff and is located at Wilhelmstraße 70 in central Berlin.

As well as strengthening diplomatic relations the Berlin office also increases the potential to explore further research and innovation links by:

- promoting investment between German and Scottish businesses and organisations;
- increasing Scottish Government influence and engagement with Germany;
- encouraging collaboration between business, research, education and cultural institutions; and
- building on Scotland's reputation as a destination of choice to work, study and visit.

[Scottish Development International](#) also has an office in Dusseldorf with 4 members of staff supporting trade focused on the energy, science and tech and consumer industry sectors.

[GlobalScot](#)

There are currently 13 GlobalScots in Germany covering a range of sectors, including; life sciences, finance and business services, chemical sciences, engineering, creative industries, construction and energy. Germany is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in Germany](#) for more information and advice on opportunities for doing business in Germany.

[The British Chamber of Commerce Germany](#) can also offer member companies advice and introductions in the German markets through their office based in Berlin.

University links

Germany is the top EU partner for research collaboration with Scotland through the EU's flagship Horizon 2020 Research & Innovation programme and there are many long standing high quality collaborations across Scottish and German universities.

The Fraunhofer Institute for Applied Photonics is the first [Fraunhofer Institute](#) to be located in the UK, and is located at Technology and Innovation Centre, **University of Strathclyde**.

The **University of St. Andrews** signed a [strategic partnership](#) with the University of Bonn in December 2018. Staff and students from St Andrews will be given the opportunity to research, teach and study at Bonn, and vice-versa.

Country Report

France

Country brief

France is home to world leading companies in many innovative industries, such as the energy sector. France's leading electricity company, Electricite de France, is the largest utility company in the world. France is the most visited country in the world so tourism is a key component of the economy.

Key market information

Economic indicators

GDP 2017*	£2,005bn
GDP per capita 2017*	£29,866
GDP annual growth rate 2013-2017	2.0%
GDP annual growth forecast 2018-2023	4.2%
Population	67.1m
Projected population growth 2017-2050 (% change)	8%
Average tariff 2016	2.5%

Scotland's exports to France

Scotland's exports to France 2017

£2,425m

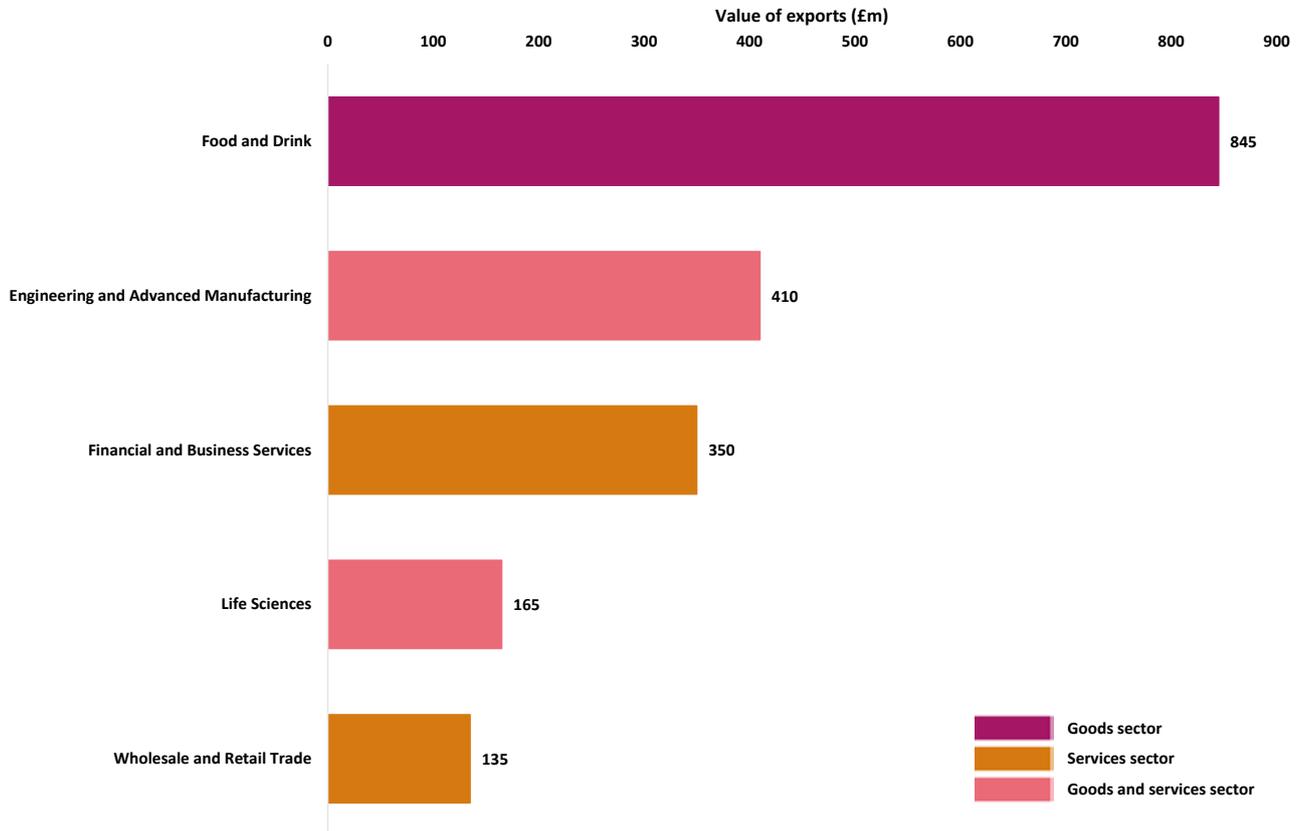
Average annual growth in Scotland's exports to France 2013-2017

7.0%

Country rank in Scotland's exports 2017

3

Scotland's Top Export Sectors to France, 2017



France imports from the world

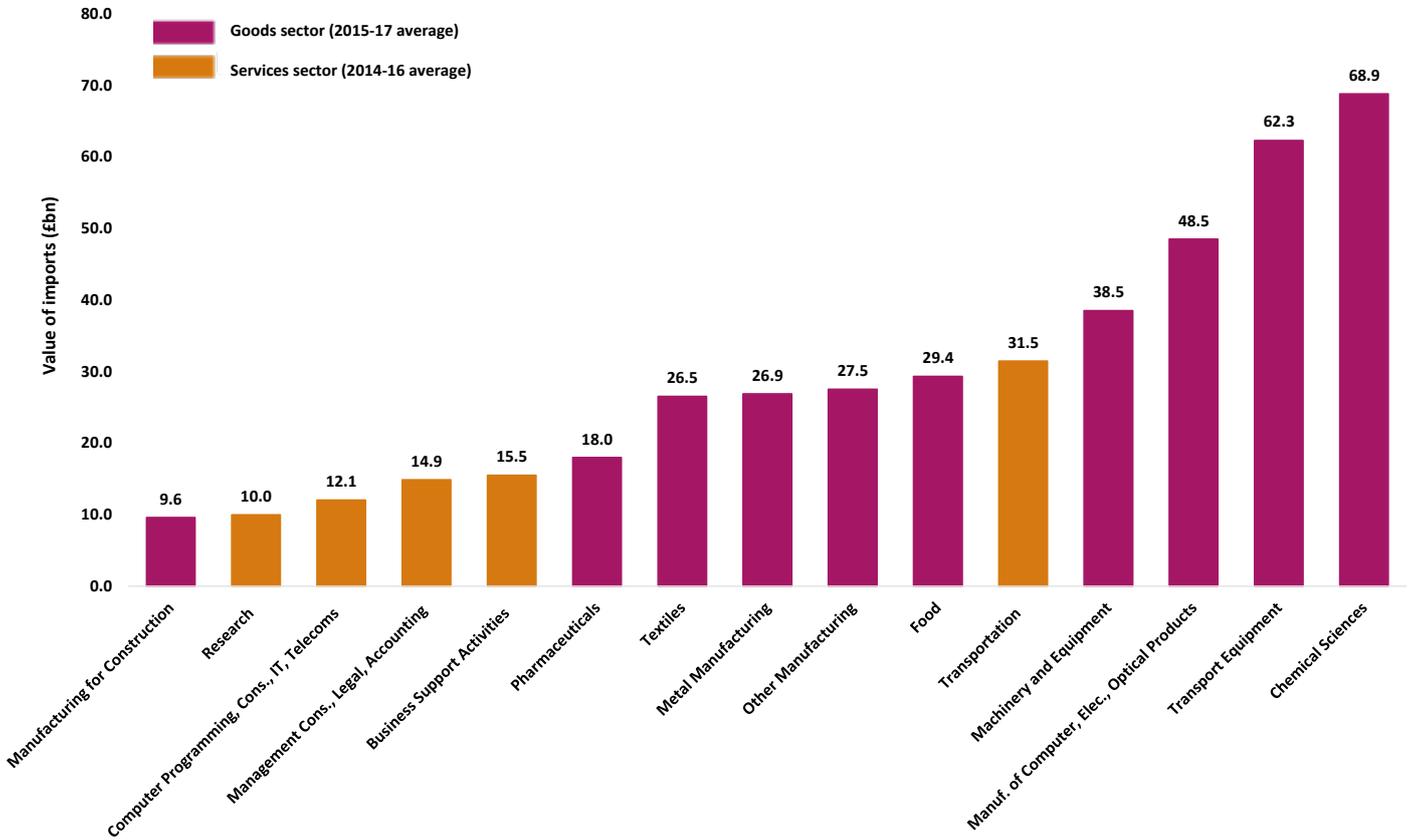
France goods and services imports 2017*

£663bn

France average annual Import growth 2013-2017*

4.6%

France Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The French Economy

France has the world's 6th largest economy (IMF, 2018). It has the 3rd largest economy in the European Union after Germany and the United Kingdom. France is a large, open and diversified market, and is within easy reach of Scotland and offers opportunities to sell Scottish products and services across all sectors. France has a similar market to Scotland with similar business risks. The chemical industry is a key sector for France.

Key economic indicators are:

- The French economy is growing moderately at 1.6% of Gross Domestic Product (GDP) in 2018. (OECD)
- Exports as a % of France's Gross Domestic Product (GDP) were 31% in 2018. (OECD)
- France has a relatively high unemployment rate at 9.4% in 2017. (OECD)

France is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide to doing business in France can be found [here](#).

Strengths of the French market

France ranks 32nd out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Strong legal system
- Low regulatory barriers
- Very developed economy

Benefits for Scottish businesses exporting to France

- High standard of living
- Open market
- Close to Scotland
- Diverse economy

What Scotland exports to France

France is Scotland's third largest export market worth £2.4 bn in 2017. This represents 7.5% of Scotland's total International exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to France are:

- Food and Drink
- Engineering and Advanced Manufacturing
- Financial and business services
- Life and Chemical Sciences
- Retail

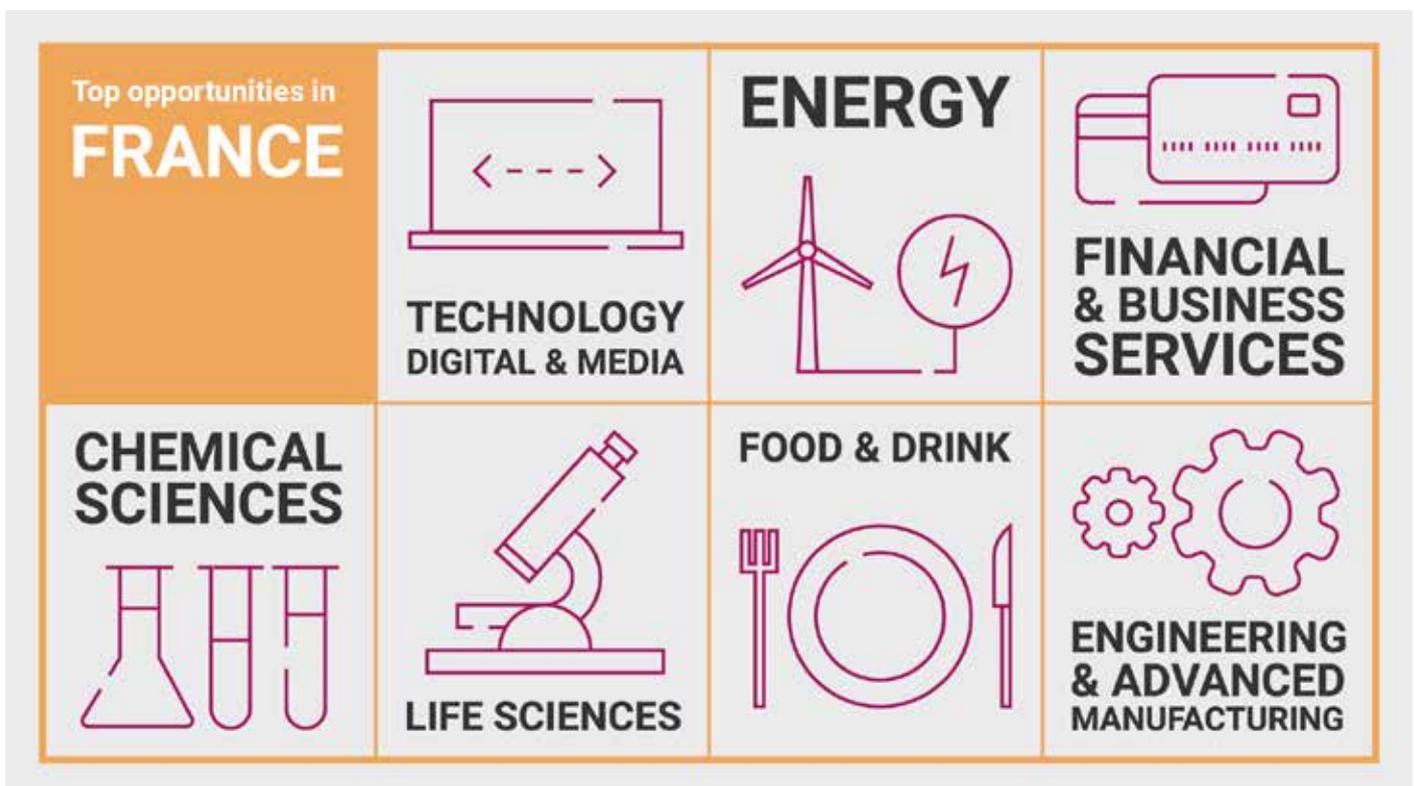
Priority sectors in France for economic development include:

- Machinery
- Chemical sciences
- Transport equipment
- Financial and Business Services

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), France presents potential export opportunities in the following subsectors:

- Chemical Sciences
- Metal manufacturing
- Transport equipment
- Textiles



Existing in-market support for Scottish businesses in France

Scottish Government Network of External Offices and Scottish Development International

The Scottish Government opened an office in [Paris](#) in the Autumn of 2018. The office is a central point for the Scottish Government to engage across France and adds to the existing network of SG offices in Europe (London, Dublin, Berlin, Brussels).

As well as strengthening diplomatic relations it also increases the potential to explore further research and innovation links. A Scottish-French [Memorandum of Understanding](#) was signed on 18 February 2019.

The office jointly houses Scottish Government and [Scottish Development International](#) staff. Co-locating helps to make the connections between policy priorities and trade and investment delivery. The office is located at 16 Rue d'Anjou in central Paris.

SDI has 4 members of staff in [Paris](#) focused on the energy, science and technology and consumer industry sectors.

[GlobalScot](#)

There are currently 8 GlobalScots in France covering a range of sectors, including energy, financial business services, food & drink, life sciences, technology & engineering and tourism. France is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in France](#) for more information and advice on opportunities for doing business in France.

The [Franco-British Chamber of Commerce & Industry](#) creates opportunities and connects people to assist members to promote and to develop their activity within the Franco-British business community. The chamber has developed a strong network of public and private partners both in France and in Britain. Their office is based in Paris with regional delegates in Dordogne, Toulouse et Midi-Pyrénées, Burgundy and Monaco.

University Links

France is one of the top 5 global collaborators in international research with Scotland.

Université Paris Saclay and Université Pierre et Marie Curie are in Scotland's top 5 academic international collaborators. ([Scottish Science Advisory Council report 2019, pg. 57](#)).

For example in humanoid robotics with a consortium, including the University of Glasgow and Centre National de la Recherche Scientifique – known as the [Multi-Modal Mall Entertainment Robot](#) (MuMMER).

Country Report

Netherlands

Country brief

The Netherlands is a small but very densely populated country with a population of 17.1 million (2017). It is the world's second-largest exporter of food and agricultural products (after the United States), owing to its fertile soil, mild climate, and intensive agriculture.

The port of Rotterdam makes the Netherlands a major hub for international freight.

Key market information

Economic indicators

GDP 2017*	£641bn
GDP per capita 2017*	£37,396
GDP annual growth rate 2013-2017	2.8%
GDP annual growth forecast 2018-2023	4.3%
Population 2017	17.1m
Projected population growth 2017-2050 (% change)	4%
Average tariff 2016	2.5%

Scotland's exports to Netherlands

Scotland's exports to Netherlands 2017

£2,475m

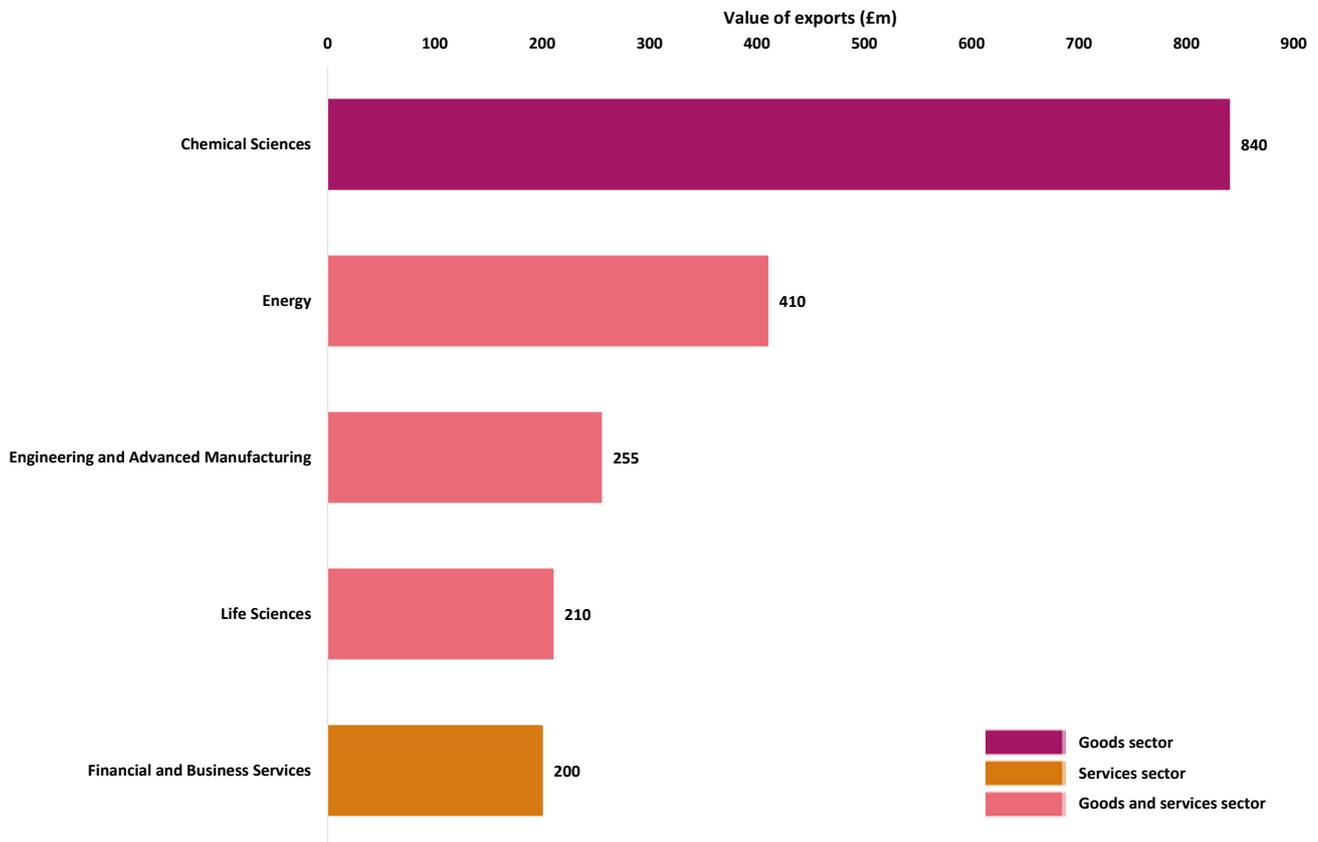
Average annual growth in Scotland's exports to Netherlands 2013-2017

1.6%

Country rank in Scotland's exports 2017

2

Scotland's Top Export Sectors to Netherlands, 2017



Netherlands imports from the world

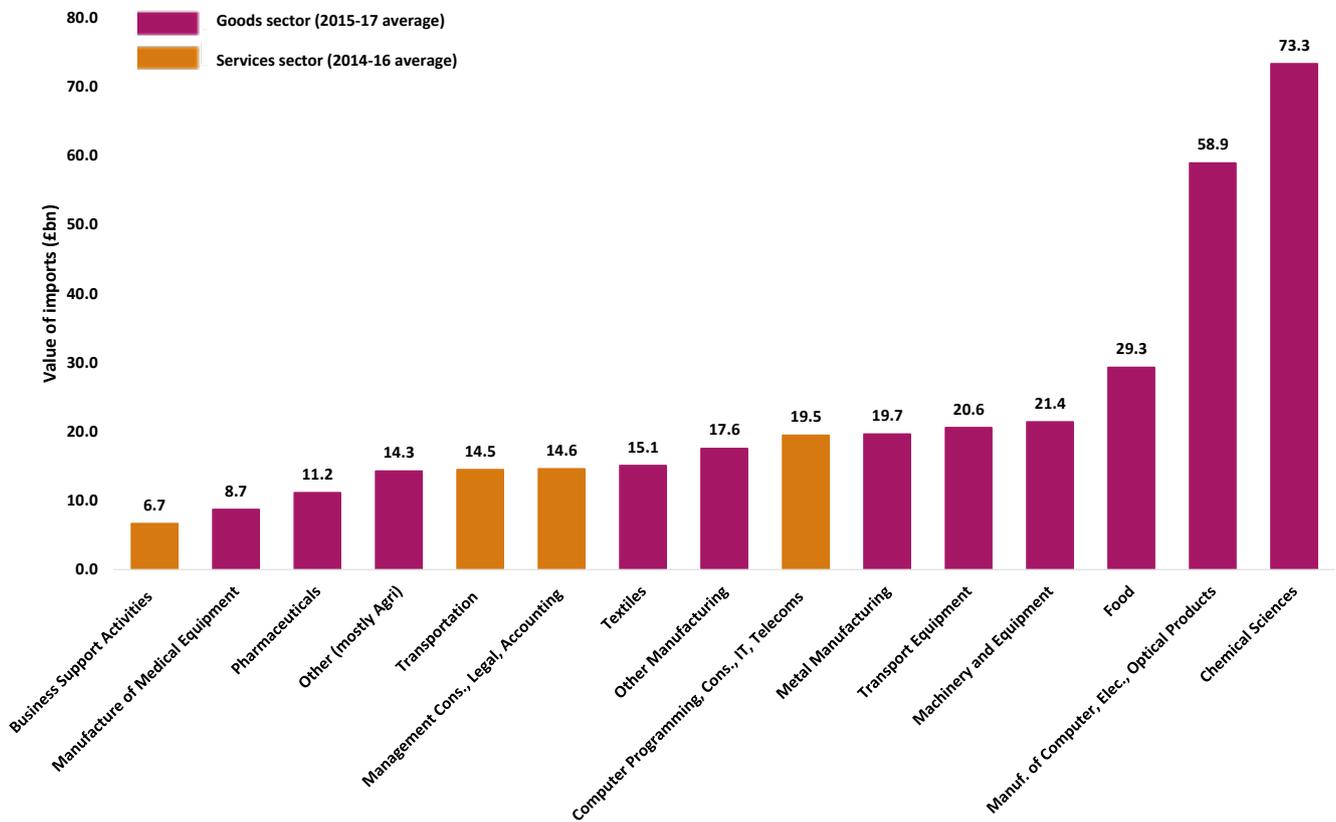
Netherlands goods and services imports 2017*

£467bn

Netherlands average annual Import growth 2013-2017*

-0.7%

Netherlands Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Dutch Economy

Despite being a small country, the Dutch economy is prosperous. The Netherlands economy, as measured by Gross Domestic Product (GDP), is the 18th largest in the world and the sixth largest in the European Union.

Key economic indicators are:

- The Dutch economy is growing steadily at 2.7% of GDP in 2018. (OECD)
- Exports as a percentage of the Netherlands's GDP (Gross Domestic Product) were 83% in 2018. (OECD)
- Unemployment is low at 3.8% in December 2018. (OECD).

The Netherlands is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide for doing business in the Netherlands can be found [here](#).

Strengths of the Dutch market include

The Dutch approach to business is similar to Scotland's so doing business there should not present major challenges. However, the Dutch market is very open and highly competitive. Businesses should be well prepared in order to beat the competition from both domestic and international companies.

The Netherlands ranks 36th out of 190 countries in the World Bank [rankings](#) for ease of doing business.

- Innovative
- Open Economy
- Efficient business culture

Benefits for Scottish businesses exporting to the Netherlands

- High living standards
- Stable economy
- Close to market
- Similar culture

What Scotland exports to Netherlands

The Netherlands is Scotland's second biggest export market. Exports were worth £2.5 billion in 2017. This represents 7.6% of Scotland's total international exports. (Export Statistics Scotland).

The top 5 Scottish export sectors to the Netherlands:

- Chemical Sciences
- Energy
- Engineering and Advanced Manufacturing
- Financial and Business Services
- Life Sciences

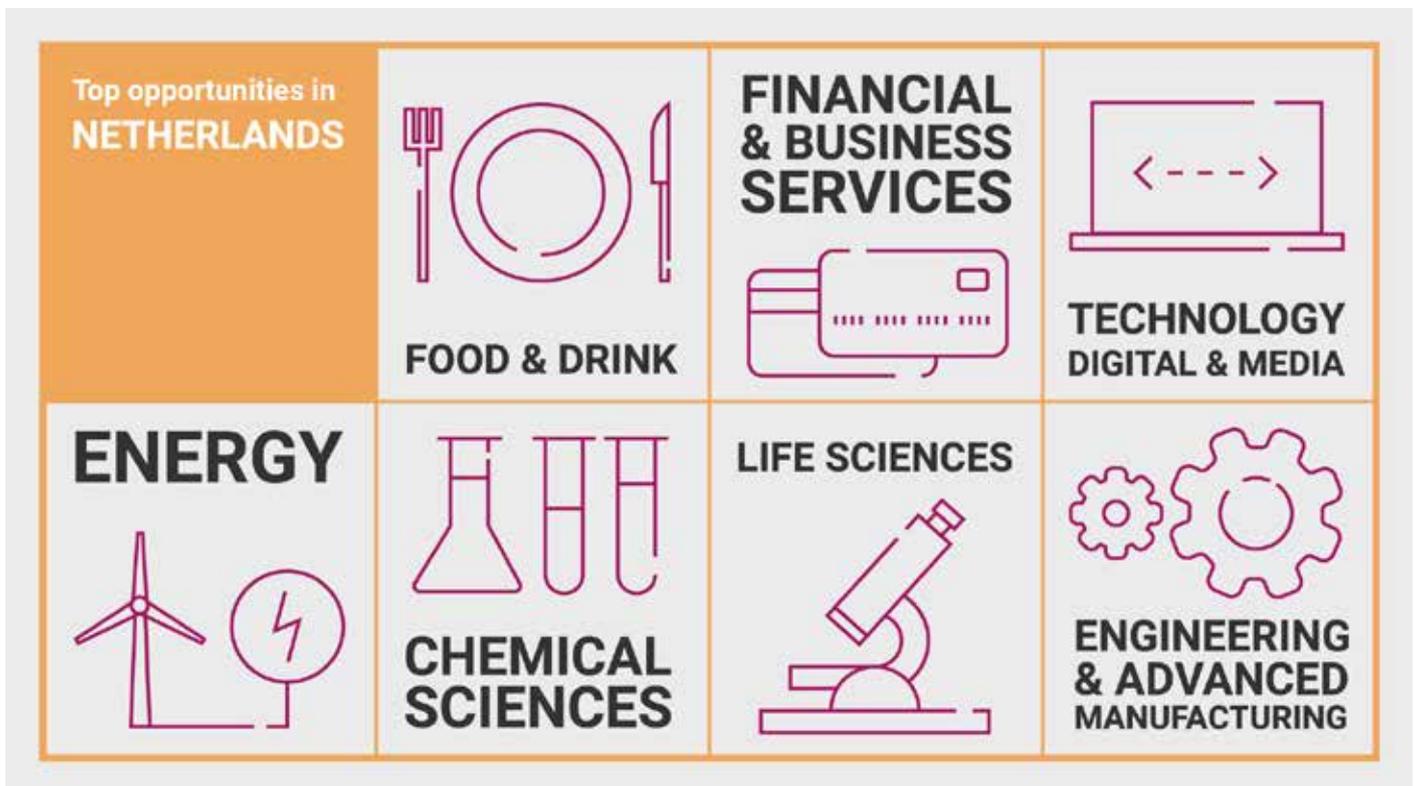
Sectoral Opportunities

When compared to the export performance of similar countries (Norway, Finland, Ireland and Denmark), the Netherlands market presents potential export growth opportunities in the following subsectors:

- Machinery and Equipment
- Financial Services
- Computer and IT Services
- Chemical Sciences

Priority sectors in the Netherlands for economic development

- Renewable energy
- Water management
- Food security



Existing in-market support for Scottish businesses in the Netherlands

[Scottish Development International](#) offers support from neighbouring Belgium for the BeNeLux countries. There is one member of staff supporting trade focusing on the consumer industries sector.

GlobalScot

There are **4 GlobalScots** in the Netherlands working in the energy and financial & business services sectors.

Department for International Trade

Contact the [Department for International Trade team in The Netherlands](#) for more information and advice on opportunities for doing business in the Netherlands.

Chambers of Commerce

The [Netherlands Britain Chamber of Commerce](#) can provide members with advice and introductions in the Netherlands market through their offices based in London and The Hague.

University Links

Strathclyde University has established a [Dutch Foundation \(Stichting\)](#) to support collaboration with European partners in the future. The main partner is TU Delft and the focus is on European Regional Policy.

University of Amsterdam and the **University of Edinburgh** signed a [Memorandum of Agreement in 2018](#), committing funding to support student and staff collaboration and activity in key focus areas such as artificial intelligence and law, logic, cognition and ageing, energy and sustainability.

Country Report

Switzerland

Country brief

Switzerland is one of the most developed countries in the world, with the highest nominal wealth per adult and the eighth-highest per capita gross domestic product according to the IMF.

Switzerland ranks at, or near the top globally in several metrics of national performance, including government transparency, civil liberties, quality of life, economic competitiveness and human development.

Zürich, Geneva and Basel have all been ranked among the top ten cities in the world in terms of quality of life, with the first ranked second globally, according to Mercer in 2018.

Key market information

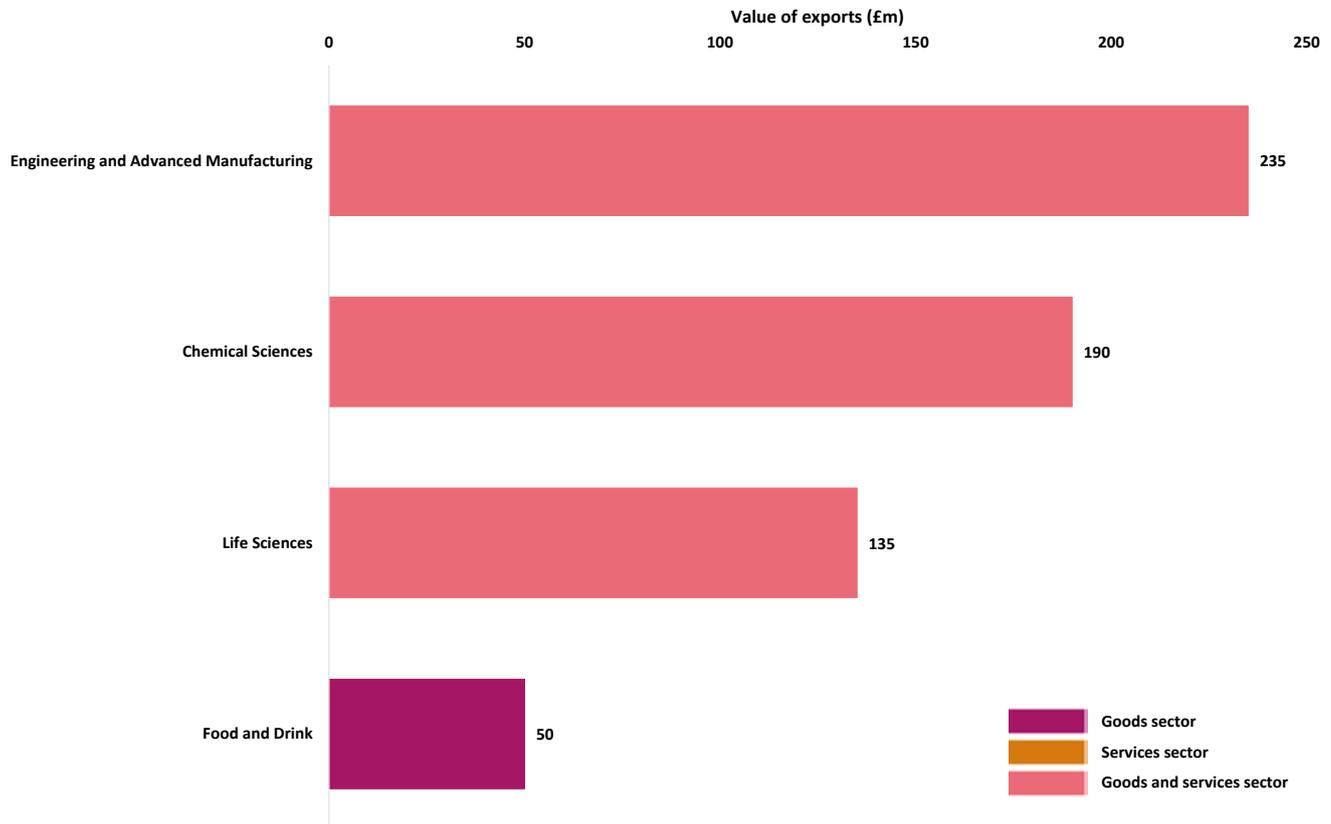
Economic indicators

GDP 2017*	£527bn
GDP per capita 2017*	£62,192
GDP annual growth rate 2013-2017	1.2%
GDP annual growth forecast 2018-2023	4.6%
Population 2017	8.5m
Projected population growth 2017-2050 (% change)	17%
Average tariff 2016	3.9%

Scotland's exports to Switzerland

Scotland's exports to Switzerland 2017	£735m
Average annual growth in Scotland's exports to Switzerland 2013-2017	12.5%
Country rank in Scotland's exports 2017	11

Scotland's Top Export Sectors to Switzerland, 2017



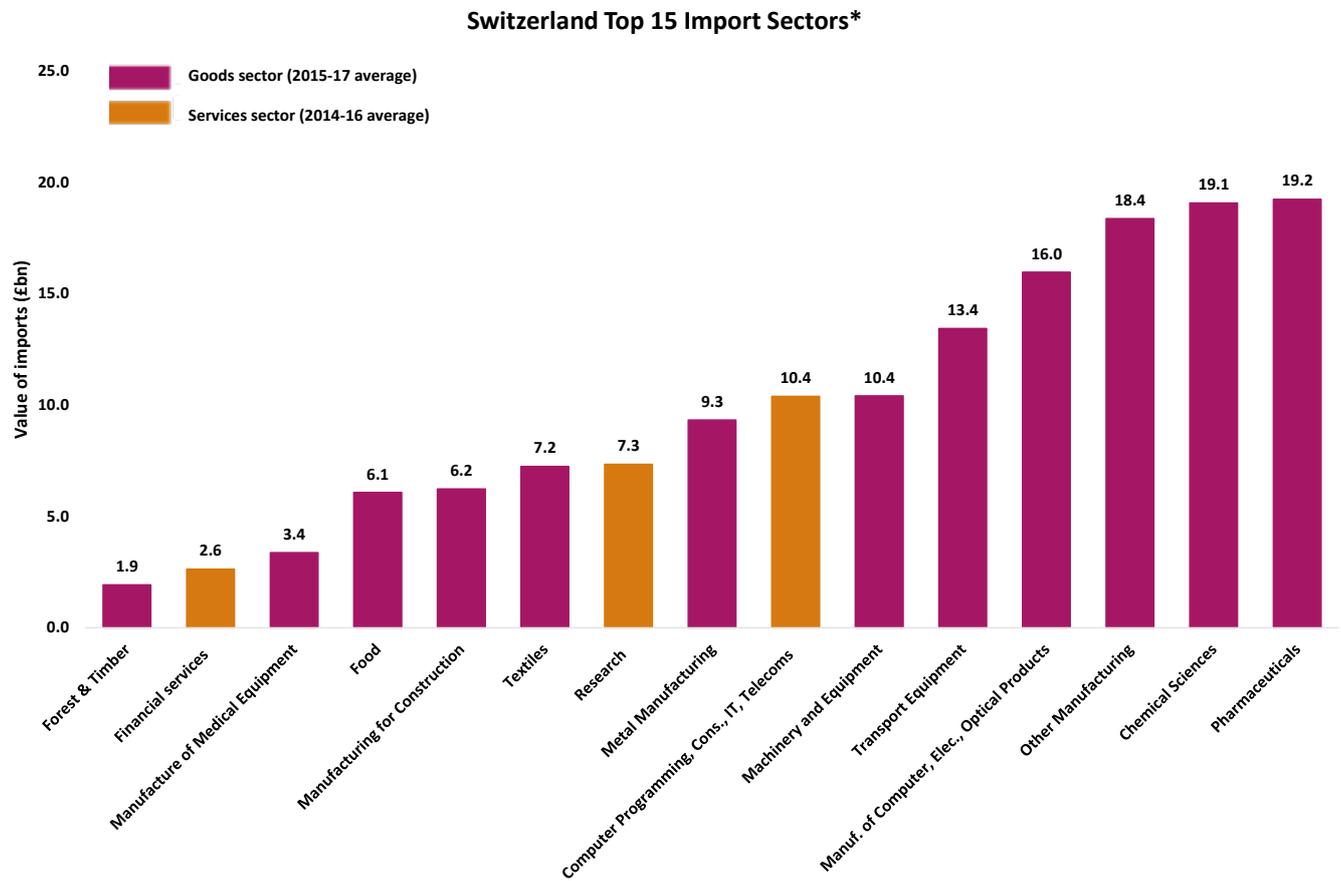
Switzerland imports from the world

Switzerland goods and services imports 2017*

£287bn

Switzerland average annual import growth 2013-2017*

2.1%



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Swiss Economy

Switzerland is a diverse and mature economy.

Key economic indicators are:

- The Swiss economy is growing steadily at 2.5% of GDP in 2018. (OECD)
- Exports as a percentage of Switzerland's GDP (Gross Domestic Product) were 65% in 2018. (OECD)
- Unemployment is low at 4.7% in 2018. (OECD)

Switzerland is not a member of the EU but is part of the single market and relations are governed by a series of [bilateral agreements](#). This means that, while Switzerland is not a member the European Economic Area (EEA), Swiss nationals have the same rights to live and work in the UK as EEA nationals.

Switzerland consists of 26 cantons and the city of Bern is the seat of the federal authorities. The Federal Government of Switzerland legislates in areas such as trade and commerce, banking, foreign affairs, defence and taxation. Other areas of legislation are dealt with by individual cantons.

Protectionist measures remain in some areas such as agriculture and recruitment services. The Swiss Federal Customs Administration has information on the importation of banned and [restricted](#) goods.

The Department for International Trade's guide to doing business in Switzerland can be found [here](#).

Strengths of the Swiss market

Switzerland ranks 38th out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- A highly skilled labour market
- Excellent public infrastructure
- Innovative, high spend on R&D
- Reliable legal and regulatory system
- Central location in Europe

Benefits for Scottish businesses exporting to Switzerland include:

- English is widely spoken
- Similar regulatory and legal environment
- Europe's highest per capita income
- multi-cultural market

What Scotland exports to Switzerland

Switzerland is Scotland's 11th largest export market. Exports were worth £735 m in 2017. 2.3% of Scotland's total International exports. (Export Statistics Scotland).

The top 5 Scottish export sectors to Switzerland are:

- Engineering and advanced manufacturing
- Chemical Sciences
- Food and Drink
- Technology, digital and media
- Life Sciences

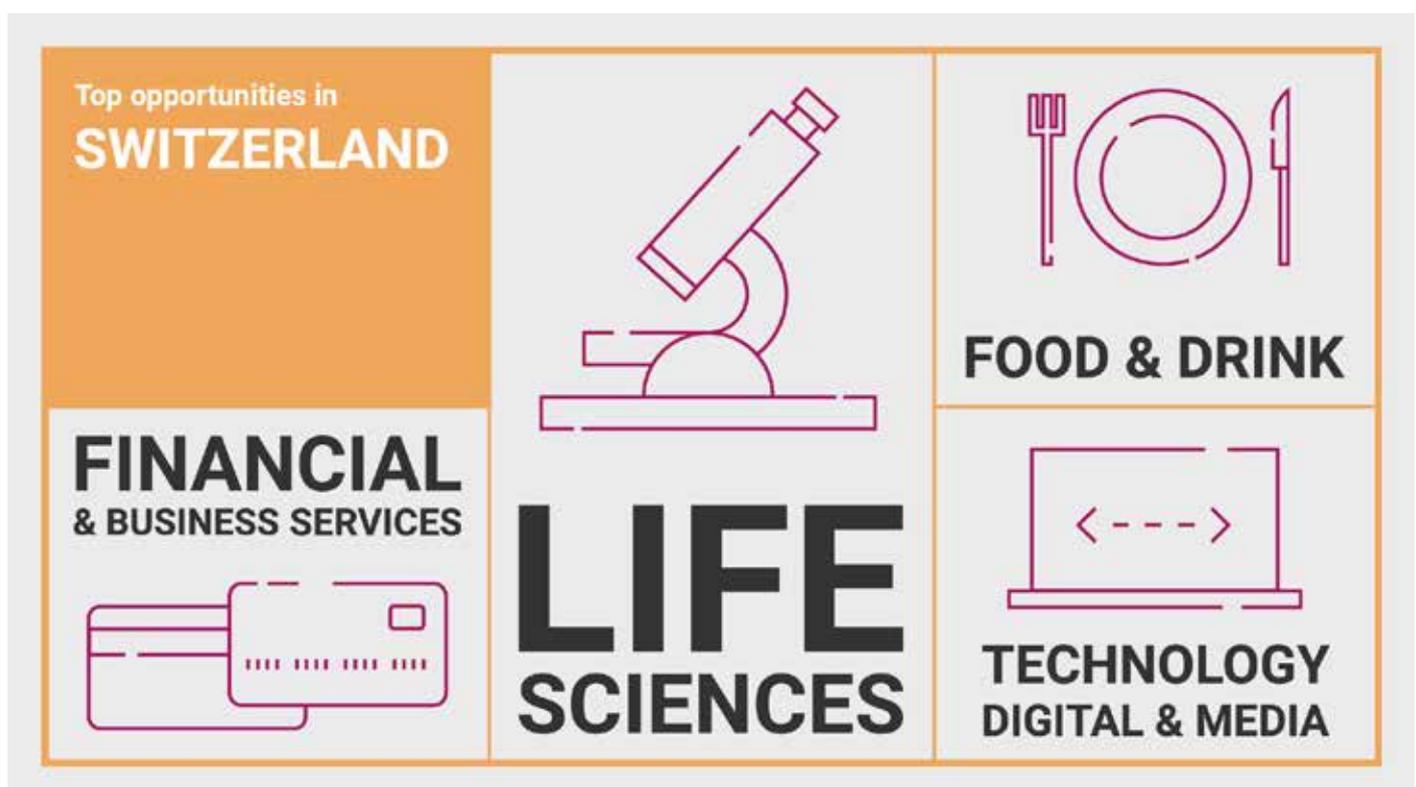
Priority Sectors in Switzerland for economic development include:

- Biotechnology and Pharmaceuticals
- Health care and medical technology
- Cybersecurity
- Large research centres
- Food and Drink
- Technology and Innovation
- Chemical Sciences
- Financial Services
- Retail and luxury

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), the Swiss market presents potential export opportunities in the following subsectors:

- Computer Programming and IT
- Financial Services
- Food
- Chemical Sciences
- Manufacture of Computer, electronic and optical equipment



What support is there for Scottish businesses in-market?

Scottish Development International

[Scottish Development International](#) has an office in Bern with 1 member of staff focused on the science and technology sector.

[GlobalScot](#)

There are currently 17 GlobalScots in Switzerland covering the financial services, life sciences and technology sectors. Switzerland is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in Switzerland](#) for more information and advice on opportunities for doing business in Switzerland.

British-Swiss Chamber of Commerce

More than 90 years after it was founded, the [British-Swiss Chamber of Commerce](#) (BSCC) today counts more than 650 members among its independent not-for-profit ranks.

It champions business relations between Switzerland, Liechtenstein and Britain and provides a platform for businesses to connect and network. The BSCC is active in Basel, Bern, Central Switzerland, Geneva, Liechtenstein, London, Ticino and Zurich and has teams specializing in public affairs, as well as legal and tax issues. The group also creates various publications given free to members and provides a business support service.

University Links

The **University of Edinburgh** and the **University of Glasgow** have partnerships with the **University of Zurich** through the [Universitas 21](#) network which recognises International Excellence in Higher Education.

Switzerland is the **top associated** country that Scotland collaborates with in the Horizon 2020 programme.

The Greater Glasgow Health Board are currently working with the **University of Basel** on the [Autism Innovative Medicine Studies](#) trials project. The study will be looking at biological markers to help identify who may benefit from particular treatments and is funded by **Horizon 2020** and due to run until 2023.

Country Report

Norway

Country brief

Norway is part of the Nordic and Baltic region and is the fourth largest country in Europe by area.

Norway is a sophisticated and established market, having a long and trusted trading relationship with Scotland and the UK. It has an educated and technologically advanced society looking for high quality products and services.

Key market information

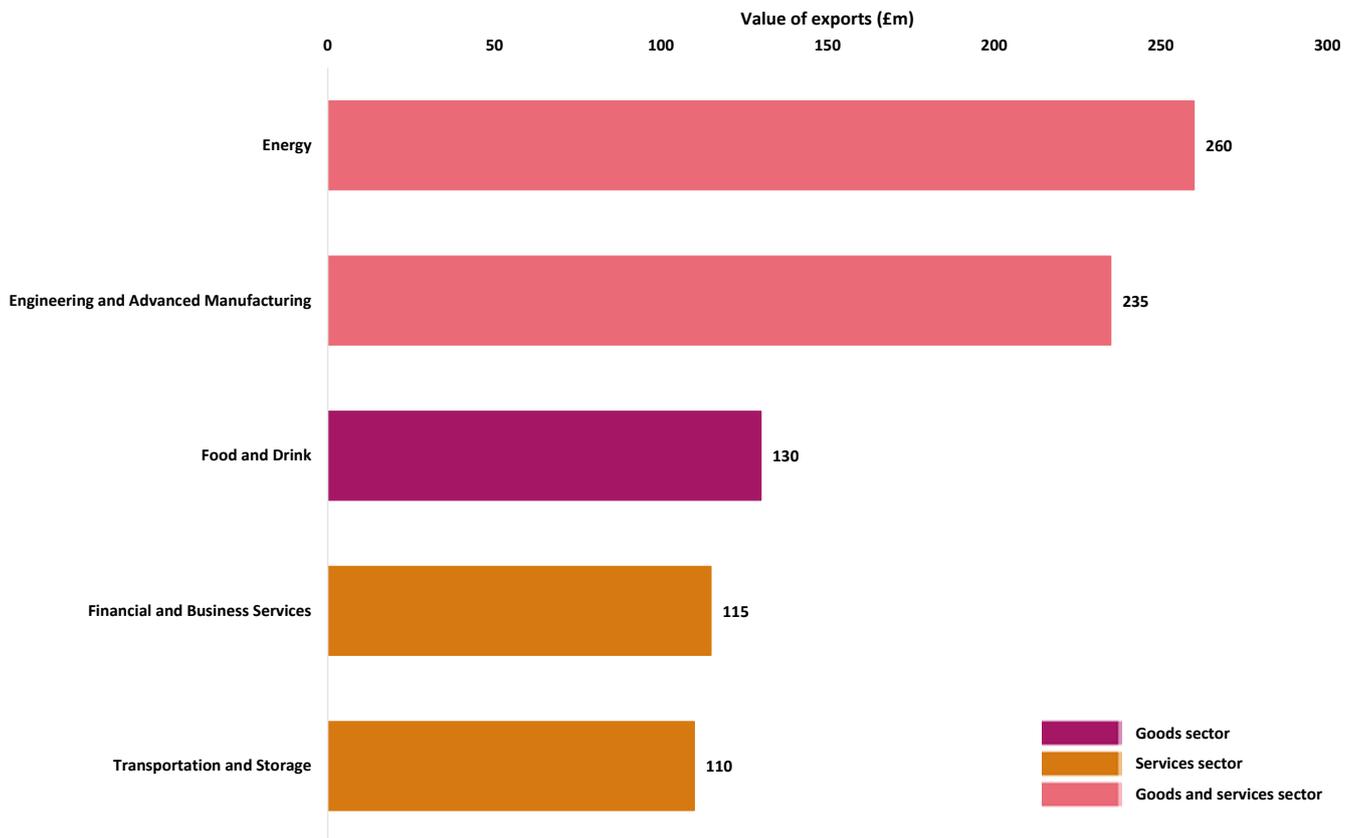
Economic indicators

GDP 2017*	£308bn
GDP per capita 2017*	£58,236
GDP annual growth rate 2013-2017	1.8%
GDP annual growth forecast 2018-2023	3.3%
Population	5.3m
Projected population growth 2017-2050 (% change)	23%
Average tariff	3.7%

Scotland's exports to Norway

Scotland's exports to Norway 2017	£1,015m
Average annual growth in Scotland's exports to Norway 2013-2017	-5.9%
Country rank in Scotland's exports 2017	6

Scotland's Top Export Sectors to Norway, 2017



Norway imports from the world

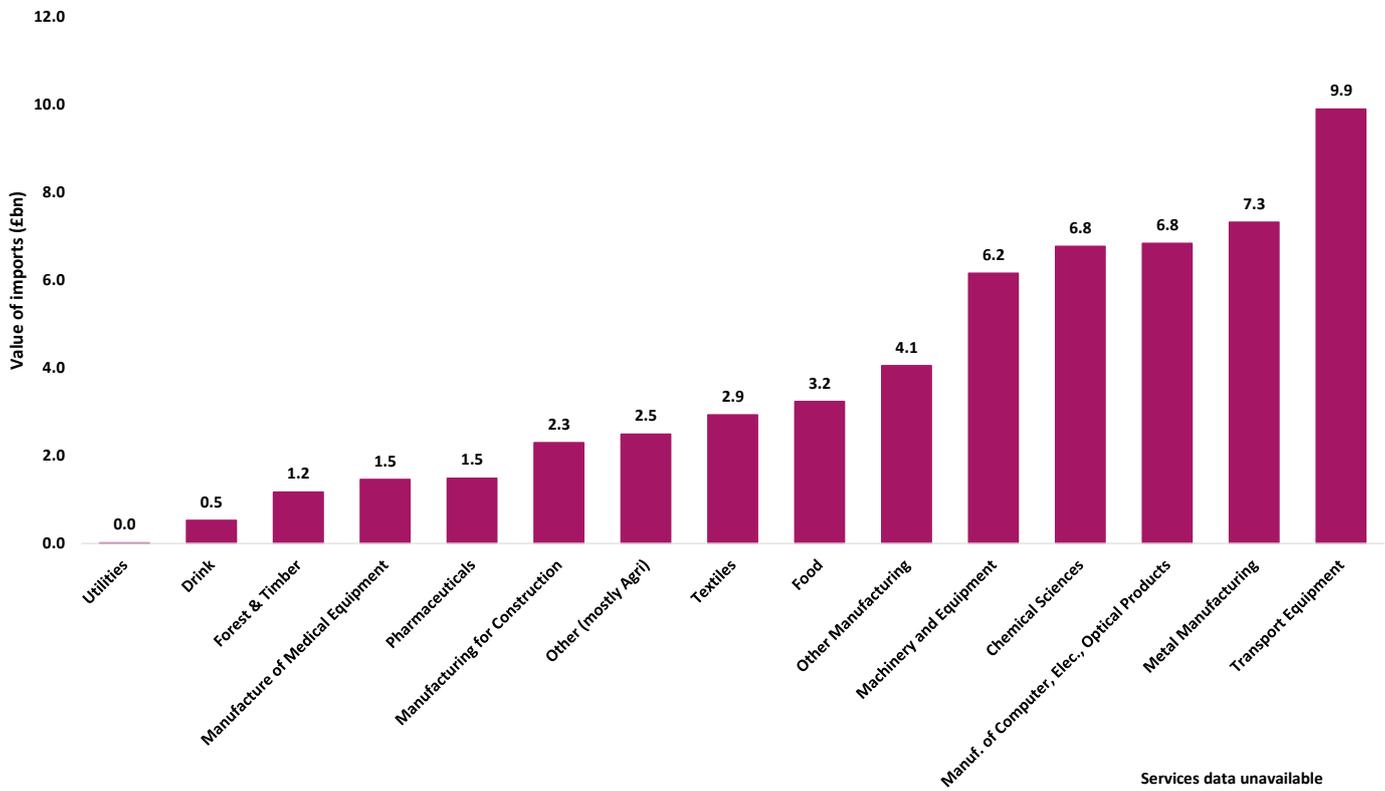
Norway goods and services imports 2017*

£102bn

Norway average annual Import growth 2013-2017*

2.0%

Norway Top 15 Import Sectors (Goods Only), 2015-17 Average*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Norwegian Economy

The Norwegian economy is dominated by the offshore oil and gas sector, which accounts for about 25% of economic activity. Crude oil, natural gas and electricity transmission account for two thirds Norway's exports. According to current estimates, Norway has enough oil for the next 50 years, and gas for the next 100 years.

Key economic indicators are:

- The Norwegian economy has been growing moderately at 1.4% of GDP in 2018. (OECD)
- Exports as a % of Norway's GDP were 38% in 2018. (OECD)
- Unemployment is low with the rate standing at 3.8% in 2018. (OECD)

Norway is not a member of the European Union (EU), but is a member of the European Economic Area (EEA). There are certain challenges regarding import and customs restrictions. Read the latest [Overseas Business Risk](#) report for Norway.

Norway negotiates free trade agreements with other countries through the European Free Trade Association (EFTA).

- Norway's free trade agreements are explained by Norway's [Ministry of Trade, Industry and Fisheries](#).
- The [EEA agreement](#) is the most important agreement regulating the relationship between Norway and the EU.
- Although Norway is not a member of the EU, it has signed up to the [Schengen Agreement](#).

The Department for International Trade's guide to doing business in Norway can be found [here](#).

Strengths of the Norwegian market include:

Norway ranks seventh out of the 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Vast natural resources
- Efficient business culture
- Low levels of corruption

Benefits for Scottish businesses exporting to Norway include:

- Scottish and UK brands have a positive reputation in Norway
- English widely used as business language
- High living standards
- Stable economy
- An open market

What Scotland exports to Norway

Norway is Scotland's **6th largest export market** worth just over £1 bn in 2017. This represents 3.1% of Scotland's total International exports. (Export Statistics Scotland).

The top 5 Scottish export sectors to Norway are:

- Engineering and Advanced Manufacturing
- Financial and Business services
- Transportation and Storage
- Energy
- Food and Drink

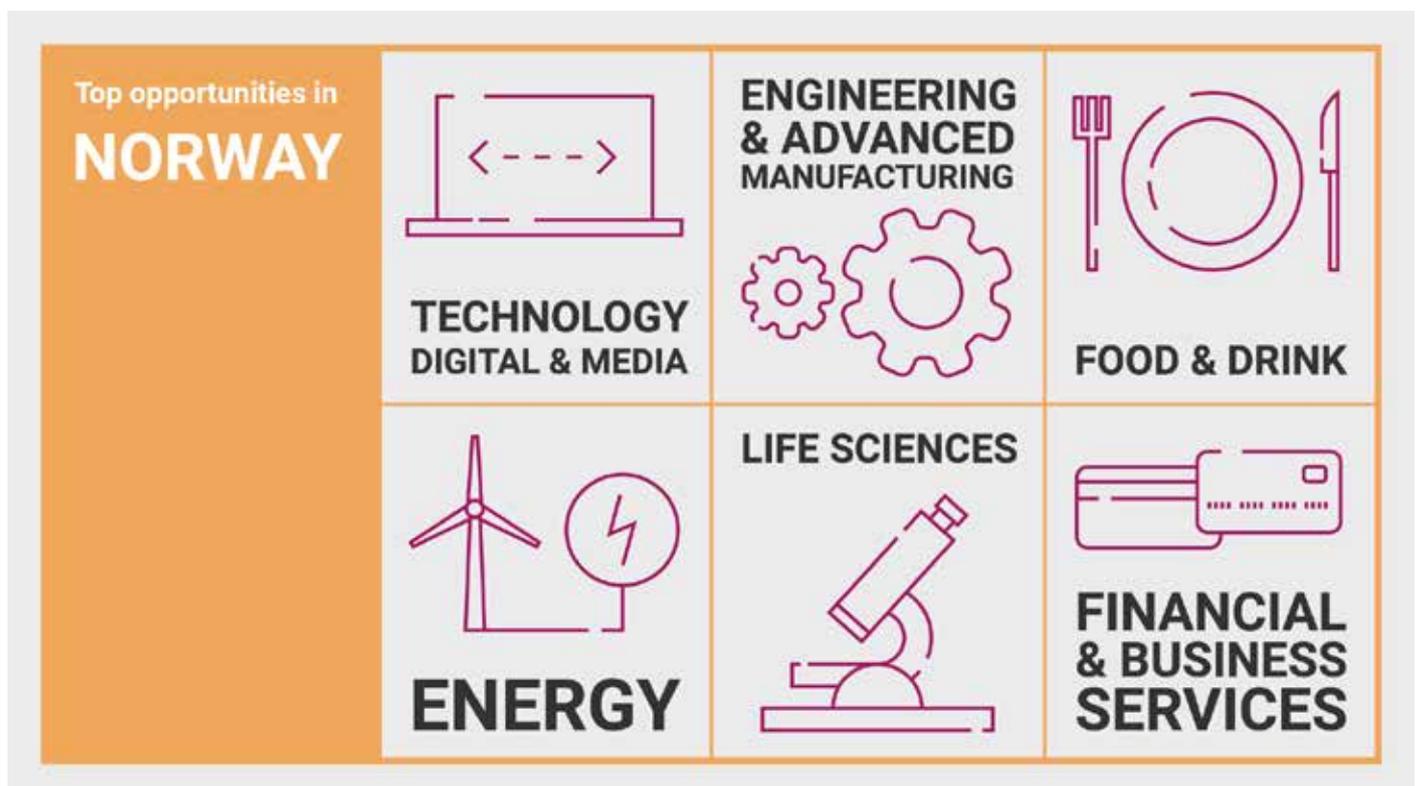
Priority sectors in Norway for economic development include:

- Oil and Gas
- Seafood, food processing
- Shipbuilding
- Mining
- Transport equipment
- Refinery products

Sectoral Opportunities

When compared to the export performance of similar countries (Finland, Ireland and Denmark), the Norwegian market presents potential export growth opportunities in the following subsectors:

- Manufacturing of computer and optical products
- Chemical Sciences
- Food



Existing in-market support for Scottish businesses in Norway

Scottish Development International

[Scottish Development International](#) has an office based in Stavanger with additional support offered from Copenhagen, Denmark. There are 5 staff members around the Nordic region supporting trade who are focused on the consumer industries, science and technology and energy sectors.

GlobalScot

There are currently 2 GlobalScots in Norway covering the energy sector. Norway is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in Norway](#) for more information and advice on opportunities for doing business in Norway.

The [Norway British Chambers of Commerce](#) are able to offer advice and support to member businesses as well as introductions in-market.

Country Report

Poland

Country brief

Poland has been one of the fastest developing countries in the EU in recent years. Poland is currently the eighth-largest economy in the EU (World Bank).

Poland is located at the crossroads of European trade and transport routes. It can be an entry point to other Central and Eastern European (CEE) countries as well as emerging markets further east.

Key market information

Economic indicators

GDP 2017*	£407bn
GDP per capita 2017*	£10,724
GDP annual growth rate 2013-2017	4.7%
GDP annual growth forecast 2018-2023	5.2%
Population	38.0m
Projected population growth 2017-2050 (% change)	-14%
Average tariff	2.5%

Scotland's exports to Poland

Scotland's exports to Poland 2017 £395m

Average annual growth in Scotland's exports to Poland 2013-2017 6.5%

Country rank in Scotland's exports 2017 20

Scotland's top export sectors to Poland, 2017**

1. Engineering and Advanced Manufacturing

2. Food and Drink

3. Technology, Digital and Media

4. Life Sciences

5. Wholesale and Retail Trade

Together, these sectors account for around 80% of Scotland's goods and services exports to Poland

Poland imports from the world

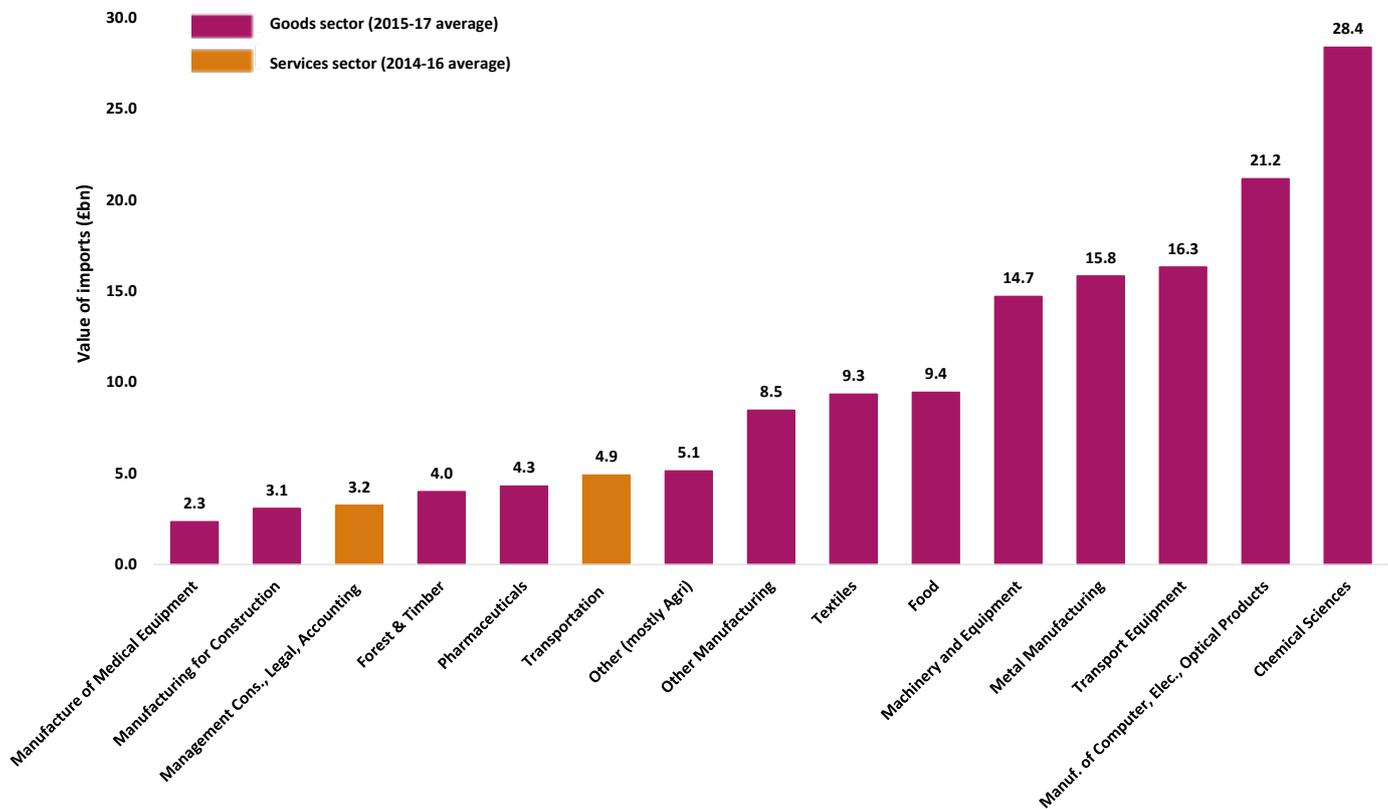
Poland goods and services imports 2017*

£206bn

Poland average annual Import growth 2013-2017*

-8.4%

Poland Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

**These figures have been suppressed to prevent disclosure.

The Polish Economy

The pharmaceutical industry, agriculture, mining, and the banking and financial services sectors are some of the largest parts of the economy.

Key economic indicators are:

- The Polish economy has been growing steadily at 5.1% of GDP in 2018. (OECD)
- Exports as a % of Poland's GDP (Gross Domestic Product) were 55% in 2018. (OECD)
- Unemployment is relatively low at 4.9% in 2017. (OECD)

Poland is a member of the [EU](#), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide to doing business in Poland can be found [here](#).

Strengths of the Polish market include:

Poland ranks 33rd out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Central location in Europe
- A large domestic market
- A highly qualified labour force
- Increasing transparency

Benefits for Scottish businesses exporting to Poland include:

- Access to emerging markets
- English widely spoken
- Strong, dynamic economy
- An open, maturing market

What Scotland exports to Poland

Poland is Scotland's 20th largest export market. Exports were worth £395mn in 2017. This represents 1.2% of Scotland's total International exports. (Export Statistics Scotland).

The top 5 Scottish export sectors to Poland are:

- Engineering and Advanced Manufacturing
- Food and Drink
- Technology, Digital and Media
- Life and Chemical Sciences
- Retail and Wholesale

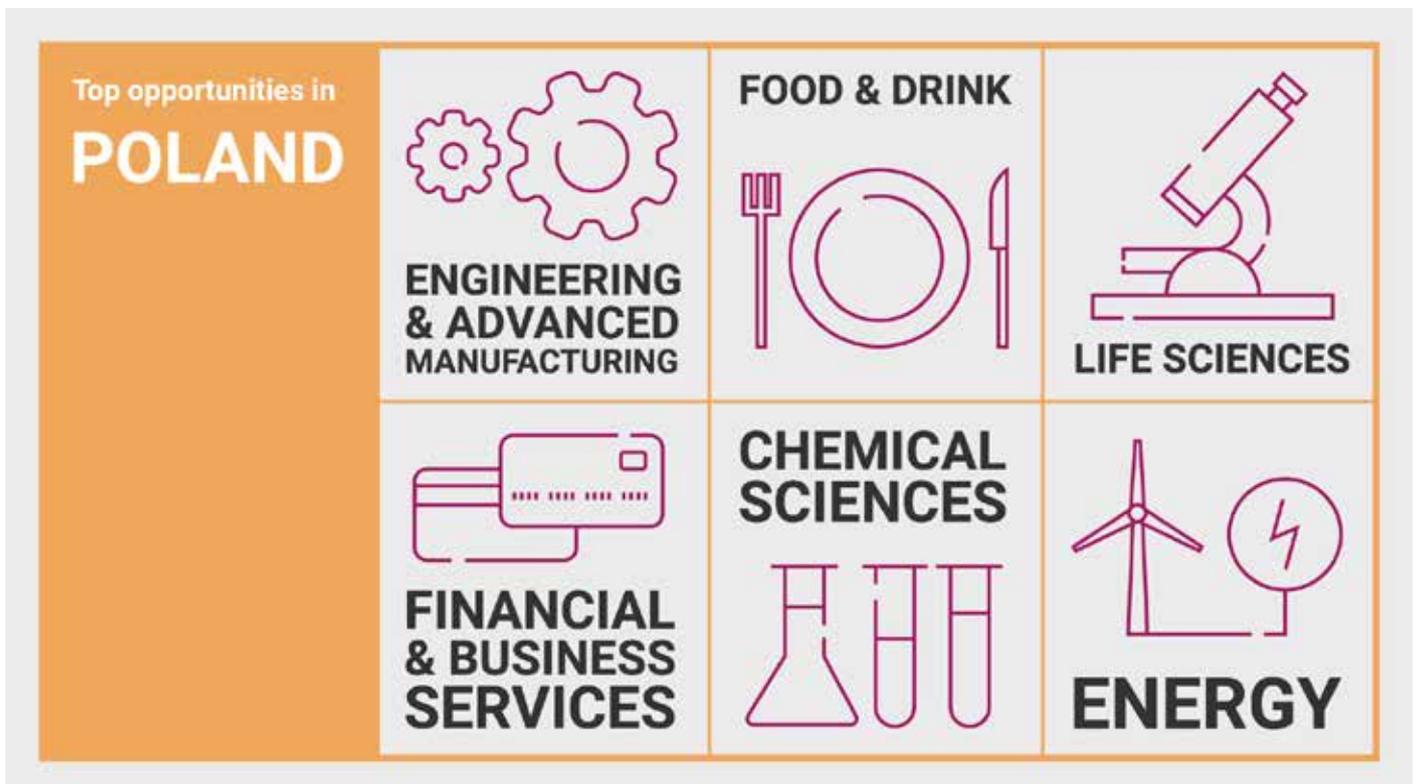
Poland's priority sectors for economic development include:

- Energy
- Railways
- Security
- Defence
- Financial Services
- Retail and Wholesale

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), the Polish market presents potential export opportunities in the following subsectors:

- Chemical Sciences
- Manufacture of Computer, Electronic and Optical Equipment
- Food
- Mining support
- Research
- Business Support
- Engineering
- Machinery and Equipment



Existing in-market support for Scottish businesses in Poland

[Scottish Development International](#) offer support from neighbouring Germany in their office in Dusseldorf. There are 4 staff supporting trade focused on the energy, science and technology and consumer industry sectors.

Trade Envoys

Martyn O'Reilly is the Scottish Government's Trade Envoy based in Poland and his role is to help make connections between businesses in Scotland and Poland, provide market intelligence and raise awareness of opportunities.

GlobalScot

There are currently 3 Global Scots in Poland covering financial services and construction. Poland is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in Poland](#) for more information and advice on opportunities for doing business in Poland.

[The British Polish Chamber of Commerce](#) can offer advice, support and introductions for businesses to the Polish Market Place through its office in Warsaw.

University links

The **University of Edinburgh** is collaborating with the Institute of Bioorganic Chemistry of the **Polish Academy of Sciences** on the Horizon 2020 project [EUDAT](#) which is helping bridge the gap between research infrastructures and e-Infrastructures.

The **University of Dundee** is involved in the [BEAt-DKD](#) project with Medical **University of Silesia**. BEAt-DKD is a Horizon 2020 project to help diagnose and improve treatment of Diabetic Kidney Disease.

Country Report

Belgium

Country brief

Belgium is a federal state with three culturally different regions: Flanders; Wallonia; and the capital city of Brussels, which hosts the headquarters of NATO and the European Union.

Key market information

Economic indicators

GDP 2017*	£384bn
GDP per capita 2017*	£33,755
GDP annual growth rate 2013-2017	2.9%
GDP annual growth forecast 2018-2023	4.1%
Population 2017	11.4m
Projected population growth 2017-2050 (% change)	9%
Average tariff 2016	2.5%

Scotland's exports to Belgium

Scotland's exports to Belgium 2017	£990m
Average annual growth in Scotland's exports to Belgium 2013-2017	4.6%
Country rank in Scotland's exports 2017	7

Scotland's top export sectors to Belgium, 2017**

1. Chemical Sciences

2. Engineering and Advanced Manufacturing

3. Financial and Business Services

4. Technology, Digital and Media

5. Food and drink

Together, these sectors account for around 88% of Scotland's goods and services exports to Belgium

Belgium imports from the world

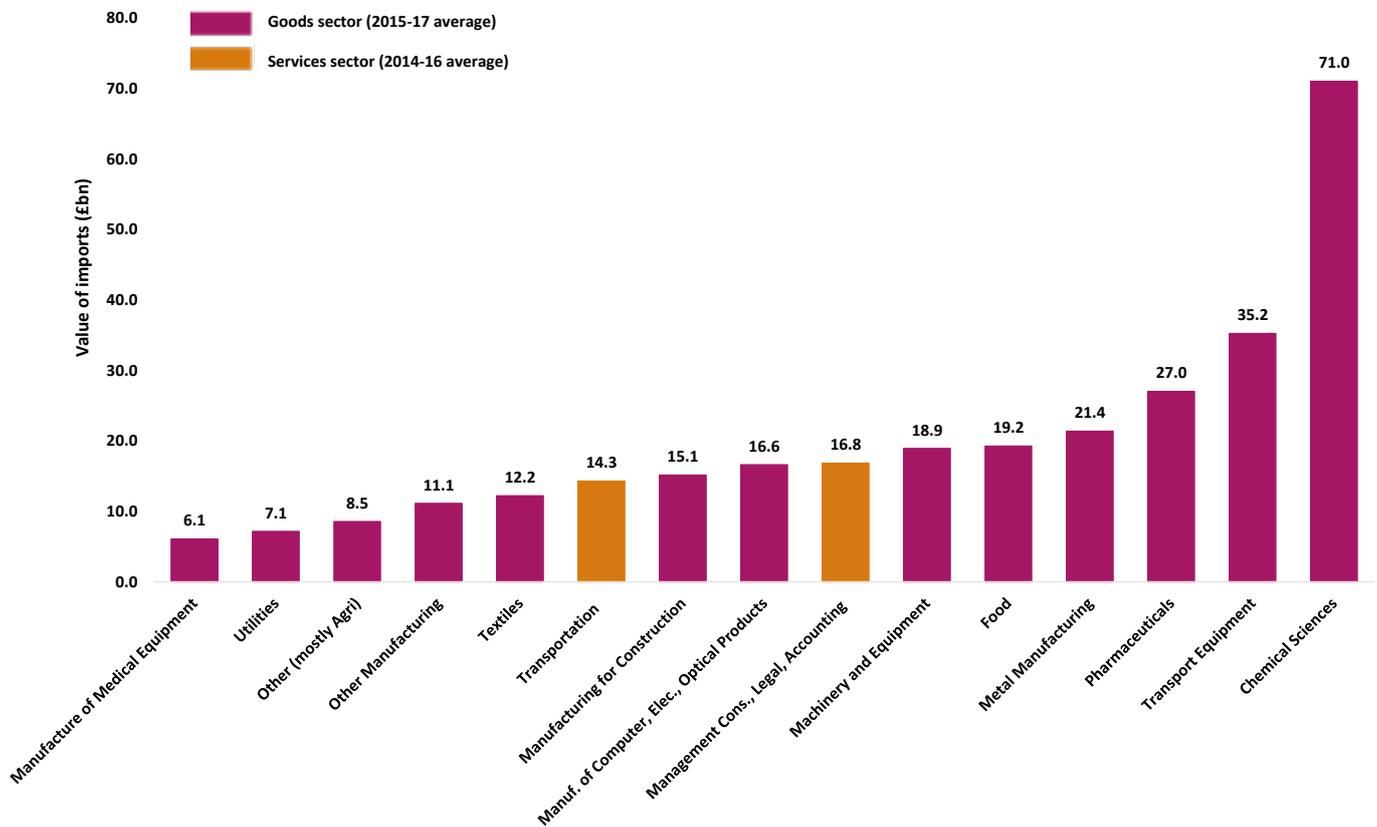
Belgium goods and services imports 2017*

£326bn

Belgium average annual Import growth 2013-2017*

4.6%

Belgium Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade)

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

**These figures have been suppressed to prevent disclosure.

The Belgium Economy

Belgium is a modern, open, and private-enterprise-based economy and it has capitalised on its central geographic location. It has an open and highly competitive market with opportunities in most sectors.

Economic growth slowed in 2018 and is projected to remain at around 1.5% in 2019 and 2020.

Key economic indicators are:

- The economy has been growing moderately at 1.4% of GDP in 2018. (OECD)
- Exports as a % of Belgium's GDP (Gross Domestic Product) were 88% in 2018. (OECD)
- Unemployment was 7.1% in 2017, just below the EU average of 7.8%. (OECD)

Belgium is a member of the EU and the [World Trade Organization](#) (WTO). This means that goods manufactured in the Scotland are exempt from import duties.

Contact the [SOLVIT team](#) if you have market access issues relating to the operation of the Single Market.

Department for International Trade's guide to doing business in Belgium can be found [here](#).

Strengths of the Belgian market include:

Belgium ranks 45th out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Stable economy
- Central location
- Excellent transport network

Benefits for Scottish businesses exporting to Belgium include:

- English widely used as business language
- Good transport links
- Close market to Scotland
- Scottish and UK brands have a positive reputation
- Barriers to market entry are low

What Scotland exports to Belgium

Belgium is Scotland's seventh largest export market. Exports were worth just under £1 bn in 2017 representing 3.1% of Scotland's total International exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to Belgium are:

- Life and Chemical Sciences
- Engineering and Advanced Manufacturing
- Financial and Business Services
- Technology, digital and media
- Food and Drink

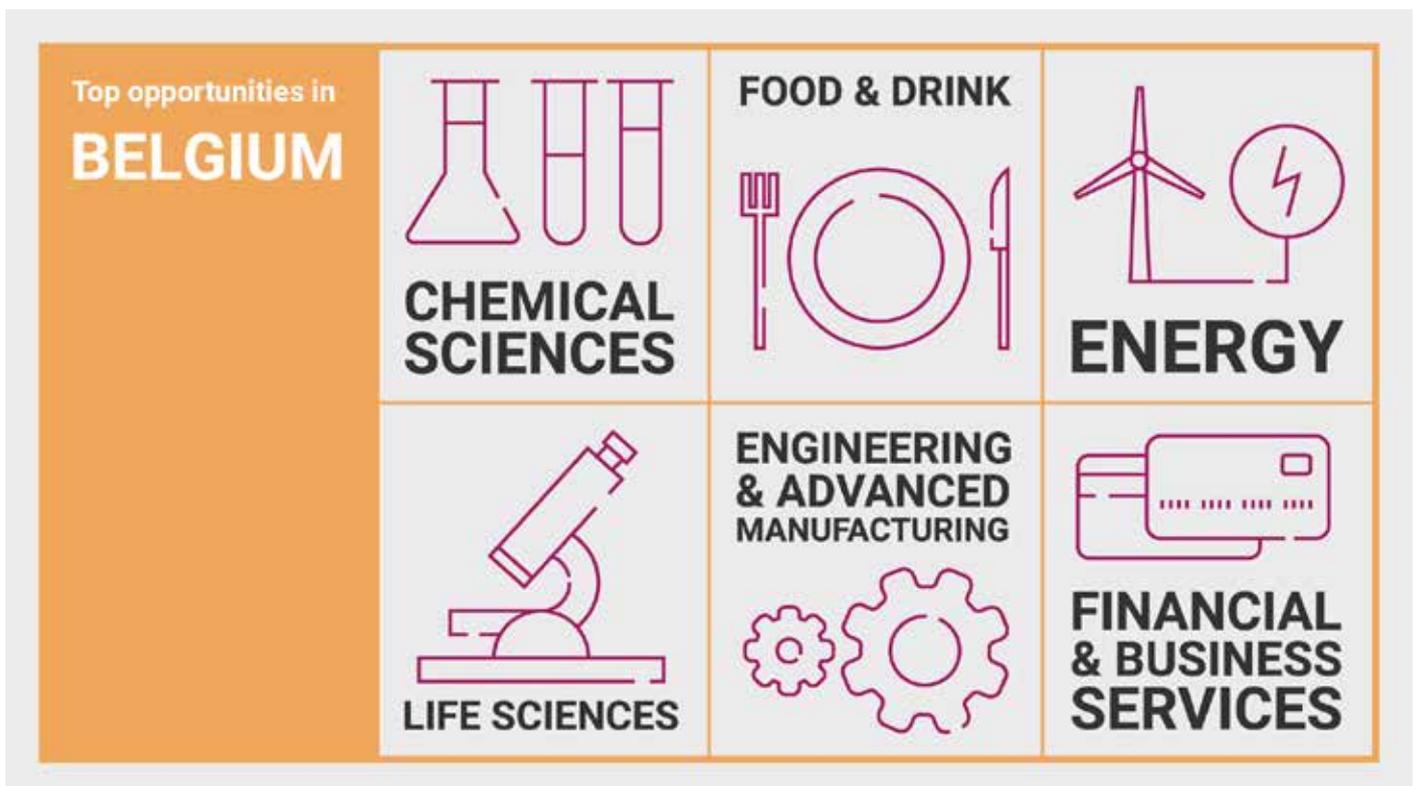
Belgium's priority sectors for economic development include:

- Transport and Logistics
- Biotechnology
- ICT
- Pharmaceutical sector
- Environmental technology

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), the Belgium market presents potential export opportunities in the following subsectors:

- Financial Services
- ICT
- Chemical Sciences
- Manufacture of computer, electronic and optical equipment
- Food
- Machinery and equipment
- Transport equipment



Existing in-market support for Scottish businesses in Belgium

Scottish Government Network of External Offices, Scotland Europa & Scottish Development International

Scotland has had a long-established presence in Brussels, including almost 20 years in Scotland House at Rond-Point Schuman, right in the heart of the EU quarter.

In line with Scotland's recently strengthened network across the EU in London, Dublin, Berlin, and Paris, Scotland House in Brussels has updated its operation to provide an even more effective platform to address the challenges of Brexit and to enhance the Scottish Government's commitment to playing an active role in Europe and supporting our collaborative approach to working with Scottish, EU and International stakeholders.

The partners of Scotland House Brussels are the Scottish Government, [Scotland Europa](#) and [Scottish Enterprise/Scottish Development International](#) covering diplomatic engagement, economic development and cultural promotion. Scotland House provides a platform to promote Scotland's innovation capability, attract EU investment to Scotland and to support Scottish organisations and businesses to build the skills, capacity, relationships and productive international networks in key opportunity areas.

[Scottish Development International](#) has 1 member of staff supporting the BeNeLux countries, focused on the consumer industries sector.

[GlobalScot](#)

There are currently 3 GlobalScots in Belgium covering the Life Sciences and Financial services sectors. Belgium is a priority country for expansion of the Global Scot network.

Department for International Trade

Contact the [Department for International Trade team in Belgium](#) for more information and advice on opportunities for doing business in Belgium.

[The British Chamber of Commerce in Belgium](#) can also offer member companies advice and introductions in the Belgian and EU market. Their office is based in Brussels.

University links

The Territorial Development Agency in Picardy Wallonia (IDETA) is working with Scottish company **Nova Innovation** and the **University of Edinburgh** through a Horizon 2020 flagship €20m advanced tidal energy project - the [Enabling Future Arrays in Tidal](#) ((EnFAIT). Led by Nova Innovation, the project builds on Nova's existing operational tidal power station in Bluemull Sound off the Shetland Islands in Scotland, the world's first grid connected offshore array of tidal energy turbines.

The **Royal Society of Edinburgh** has a [Memorandum of Understanding](#) with the **Royal Flemish Academy of Belgium for Science and the Arts** (KVAB) to strengthen scientific co-operation between researchers in Belgium and Scotland.

Country Report



China

Country brief

China is the second largest economy in the world and is increasingly playing an important and influential role in the global economy. Since 1978 China has shifted from a closed to a more open economy and has experienced rapid economic and social development. China has been the largest single contributor to world growth since the global financial crisis of 2008.

In recent years GDP growth has averaged nearly 10% a year lifting more than 850 million people out of poverty.¹

Key market information

Economic indicators

GDP 2017*	£9,322bn
GDP per capita 2017*	£6,724
GDP annual growth rate 2013-2017	8.6%
GDP annual growth forecast 2018-2023	8.9%
Population	1,386m
Projected population growth 2017-2050 (% change)	-3%
Average tariff 2016	7.9%

¹ World Bank

Scotland's exports to China

Scotland's exports to China 2017

£625m

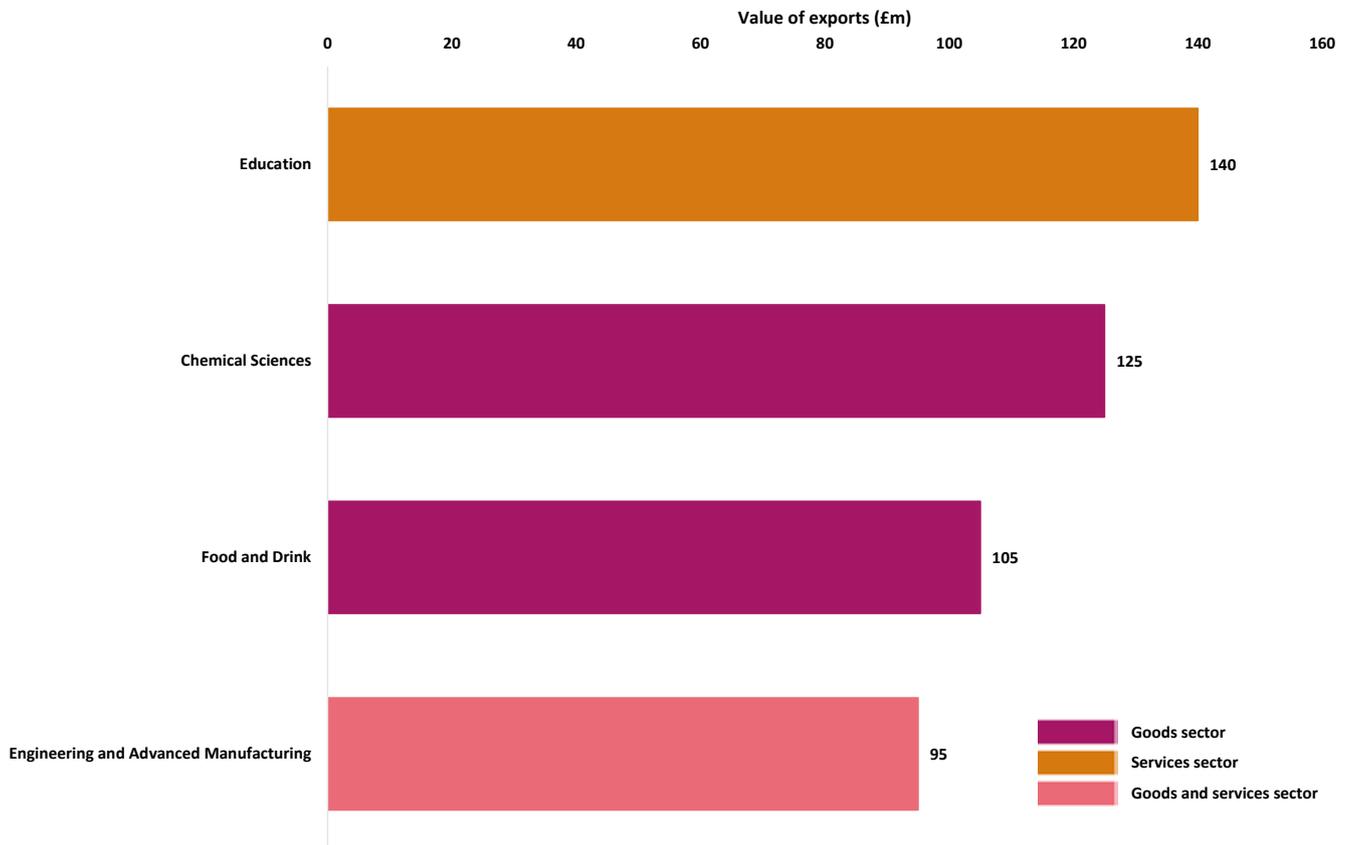
Average annual growth in Scotland's exports to China 2013-2017

1.6%

Country rank in Scotland's exports 2017

16

Scotland's Top Export Sectors to China, 2017



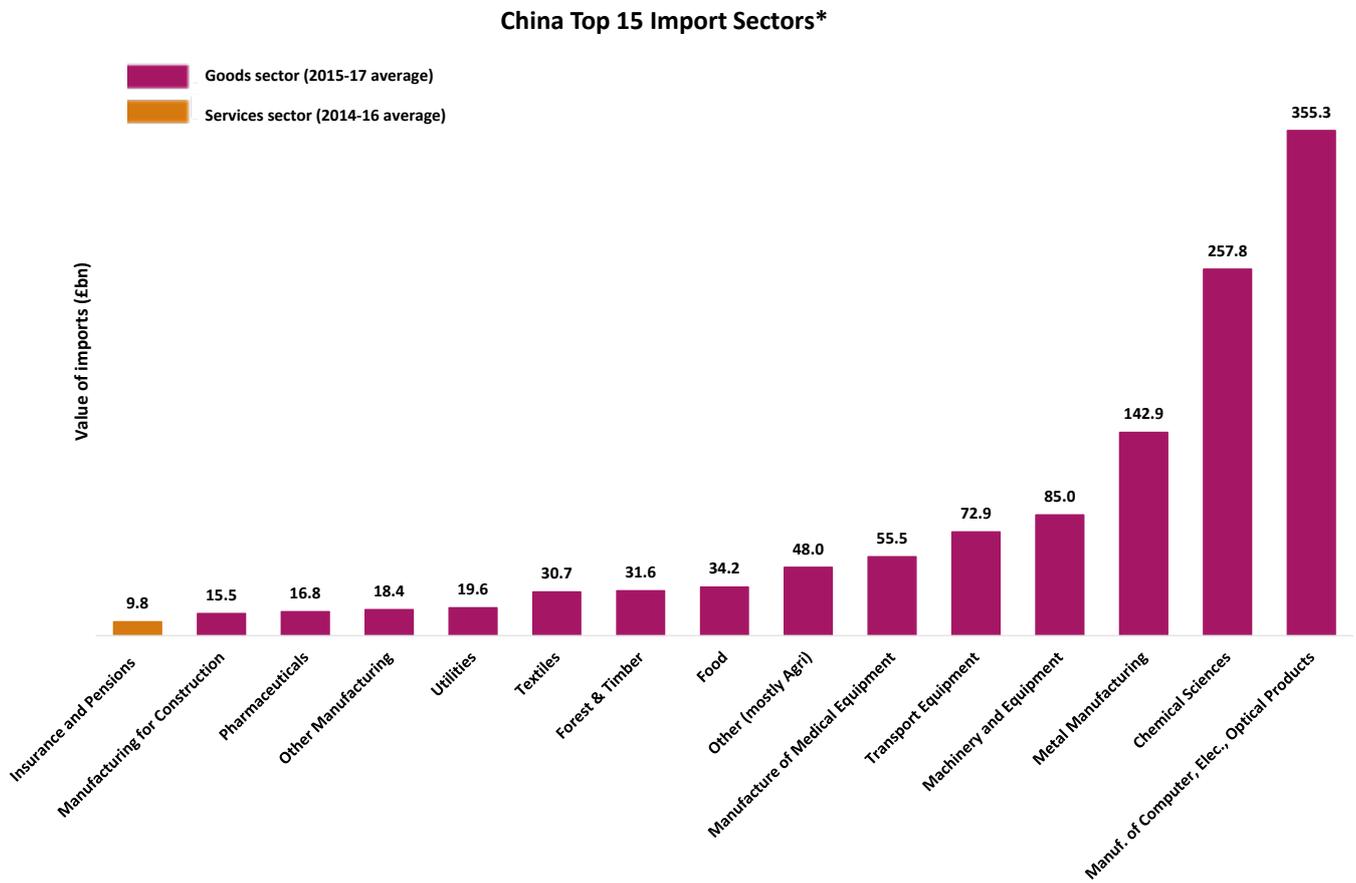
China imports from the world

China goods and services imports 2017*

£1,716bn

China average annual Import growth 2013-2017*

6.1%



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Chinese Economy

China is a huge and expanding market for Scottish businesses.

The economy is predicted to grow at about 6.3% in 2019 and 6.0% in 2020.

You can read about what China imports at [World's Top Exports](#).

Key Economic indicators include:

- The Chinese economy has seen consistently strong growth over time. GDP increased by 6.6% in 2018. (OECD)
- Exports as a % of GDP (Gross Domestic Product) were just 20% in 2017. (The World Bank)
- Unemployment is low at 3.9% in 2017. (The World Bank)

Export Challenges

There are some unique challenges when you are doing business in or with China. These include:

- large parts of the economy are still closed to full foreign participation
- strong competition from well-resourced and positioned state-owned enterprises
- finding and retaining the right skills in the local workforce
- complex business culture
- language barriers
- need for patience to build up trust and networks
- significant time difference
- weather extremes across the country and high levels of pollution in certain urban centres
- anti-monopoly legislation in relation to foreign firms

China is not one single market. There are different regional economies and economic hubs. You will need to understand the regional economic and cultural differences that could impact the success of your product and develop the right strategy.

Read about the different economic regions in the China-Britain Business Council [guide to choosing the right location](#).

You should do as much market research and planning as possible before starting to sell your products and services in China, using both desk research and visits to the market. As the market is so complex you should also consider getting specialist market research help.

You can contact the China-Britain Business Council's [business support service](#) to help you research the Chinese market.

The Department for International Trade's guide to doing business in China can be found [here](#).

You should ensure you take the necessary steps to comply with the requirements of the [UK Bribery Act](#).

Read the Foreign and Commonwealth Office's (FCO) [Overseas Business Risk](#) report for China.

Strengths of the Chinese Market

China is ranked 46 out of 190 countries in the World Bank [ranking](#) for ease of doing business in 2018. The ranking has jumped from 78 in 2017.

- A huge, growing market
- A stable economy
- Many opportunities in a maturing market

Benefits for Scottish businesses exporting to China

China's ambitious economic growth and infrastructure programmes, such as the **Belt and Road Initiative**, offer opportunities for Scotland's businesses and institutions.

- Scottish and UK brands have a very positive reputation
- Will become the world's biggest market for luxury goods in 2020
- Largest population in the world
- Fast growing market

What Scotland exports to China

China is Scotland's 16th largest export market. Exports to China were worth £625 m in 2017. This represents 1.9% of Scotland's total International exports.

Top 5 Scottish export sectors to China:

- Education
- Life and Chemical Sciences
- Food and Drink
- Engineering and Advanced Manufacturing
- Technology, digital and media

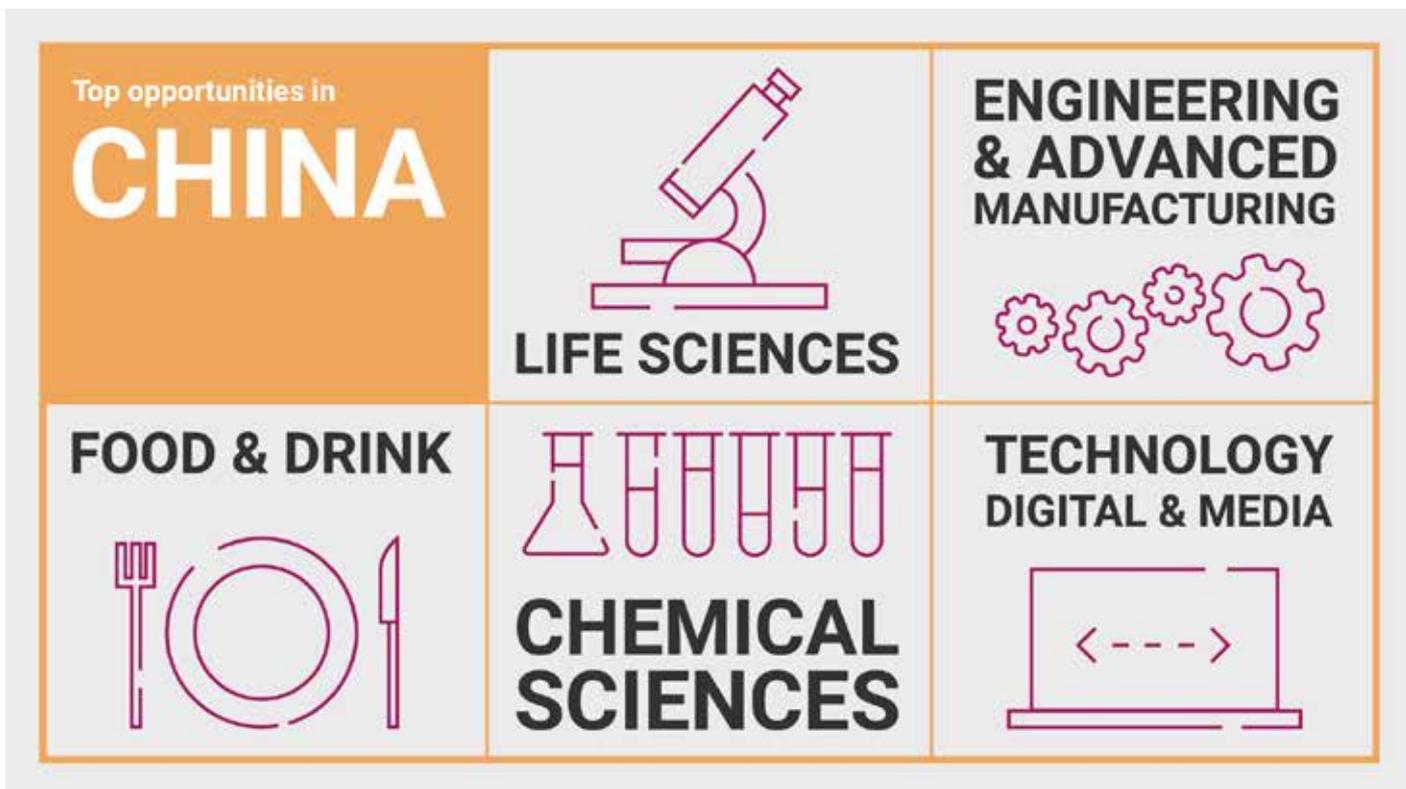
China's priority sectors for economic development include:

- Biotechnology and Pharmaceuticals
- Technology, digital and media
- Manufacturing
- Renewable Energy
- Infrastructure
- Financial and business services

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), China presents potential export opportunities in the following subsectors:

- Machinery and Equipment
- Manufacture of Computer, technology and optical equipment
- Food
- Chemical Sciences



Existing in-market support for Scottish businesses in China

Scottish Government Network of External Offices and Scottish Development International

We have [Scottish Government](#) offices in key locations around the world that work to promote Scottish interests overseas and strengthen our relationships with key countries and continents. Our Scottish Affairs Office in Beijing promotes Scotland's interests in China.

Staff in China are leading a sustained programme of engagement for the mutual benefit of both nations as detailed in our [China Engagement Strategy](#). Scottish Government also has a [Memorandum of understanding with China's Ministry of Culture](#) concerning the promotion of cultural collaboration and exchange.

[Scottish Development International](#) has 8 members of staff in Shanghai, Beijing, Hong Kong and Guangzhou focused on the consumer industries, science and technology and energy sectors.

GlobalScot

There are currently **7 GlobalScots** in China covering the energy and tourism sectors. China is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade team in China](#) for more information and advice on opportunities for doing business in China.

[The British Chamber of Commerce in China](#) can also offer member companies advice and introductions in Chinese markets through their office in Beijing.

University Links

18 Scottish Higher Education Institutions now have academic and research links with Chinese HEIs offering mutually beneficial research arrangements/study opportunities for students from Scotland and China, including:

A [Memorandum of Understanding](#) has been signed between the Edinburgh Centre for Robotics, which is run by **Heriot Watt University and the University of Edinburgh**, and **The State Key Laboratory of Robotics in Shenyang**.

The **University of Glasgow** is [collaborating](#) with **Beijing University of Technology** (BJUT) on a £2m, two year project part-funded by a grant from the Newton fund. The research will aim to address the challenges that hinders the commercialisation of renewable heat sources.

In 2018 **Abertay University** entered a 10-year strategic partnership with the major China-based entertainment and education company **Perfect World** with a view to sharing international expertise in the video games sector, training 100 Chinese students annually. The partnership will see the University - [number one in Europe for computer games courses](#) - deliver a new e-MProf (Executive Professional Masters in Games Development) in Beijing, while also exploring a range of future academic, research and business collaborations.

Human Rights

Respect for human rights and the rule of law is one of the key pillars of [Scotland's China Engagement Strategy](#). This means balancing economic development with social justice. The premise that increasing growth and tackling inequality are mutually supportive is at the heart of our engagement with China.

We aim to work collaboratively and constructively with China - promoting our values through sharing practical learning and experiences - to encourage an open, honest dialogue. This work will help us to collectively address global challenges, contribute to the UN Sustainable Development Goals and support UN human rights treaties.

Country Report



Ireland

Country brief

Ireland is an open globalised economy. Living standards are high and average wages are now comparable with the top tier of OECD countries.

The economy is projected to continue expanding over the next two years although at a slower pace. Foreign-owned multinationals are one of the main drivers of Ireland's economy.

Key market information

Economic indicators

GDP 2017*	£259bn
GDP per capita 2017*	£53,837
GDP annual growth rate 2013-2017	13.1%
GDP annual growth forecast 2018-2023	5.6%
Population 2017	4.8m
Projected population growth 2017-2050 (% change)	21%
Average tariff 2016	2.5%

Scotland's exports to Ireland

Scotland's exports to Ireland 2017	£1,470m
Average annual growth in Scotland's exports to Ireland 2013-2017	4.7%
Country rank in Scotland's exports 2017	5

Scotland's top export sectors to Ireland, 2017**

1. Chemical Sciences

2. Wholesale and Retail Trade

3. Technology, Digital and Media

4. Engineering and Advanced Manufacturing

5. Food and Drink

Together, these sectors account for around 71% of Scotland's good and services exports to Ireland

Ireland imports from the world

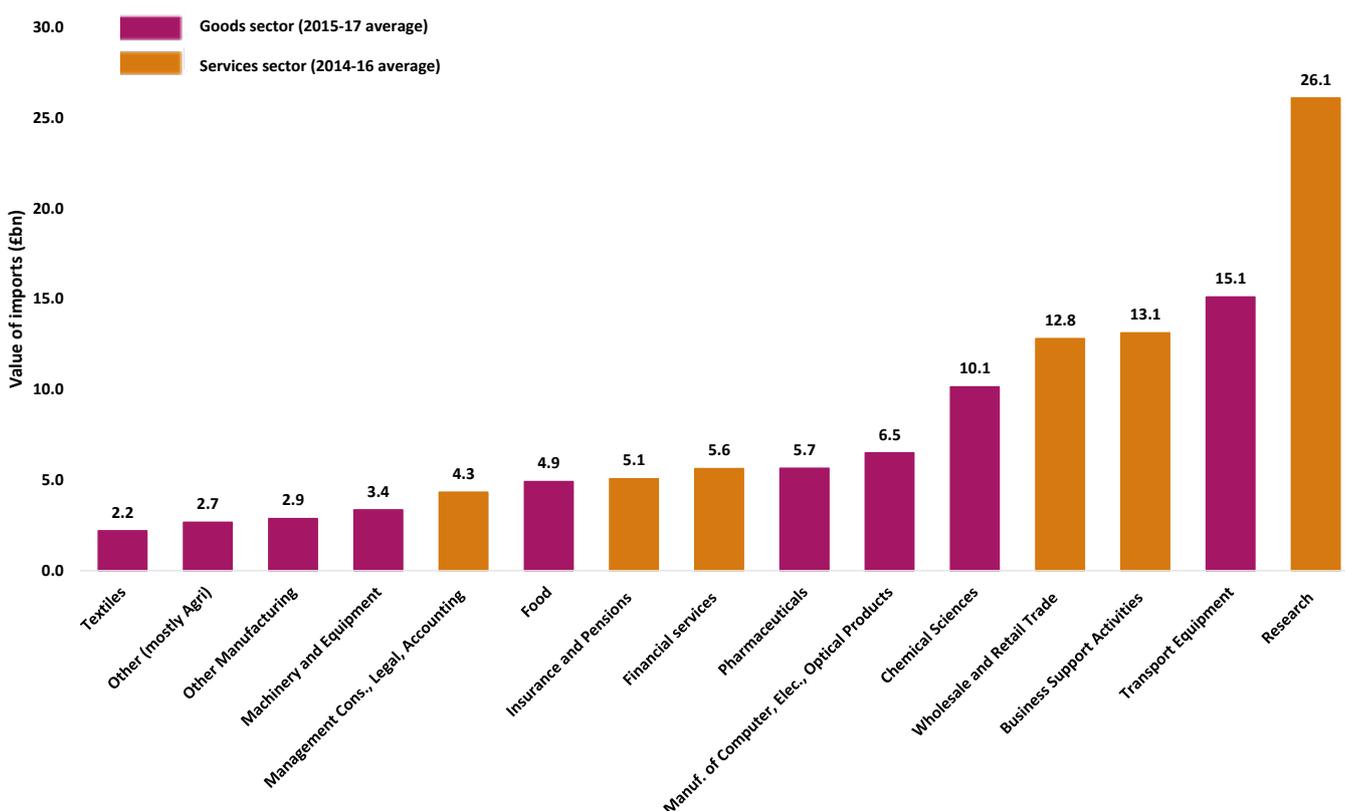
Ireland goods and services imports 2017*

£231bn

Ireland average annual Import growth 2013-2017*

18.4%

Ireland Top 15 Import Sectors*



Sources: economic indicators (World Bank, IMF World Economic outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade)

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

**These figures have been suppressed to prevent disclosure.

The Irish Economy

Ireland is an ideal first step market for Scottish companies. Top sectors in Ireland include food & drink, IT & business services and renewable energy.

There are export opportunities for Scottish businesses with high quality, competitively priced products and services, across all sectors in Ireland, particularly food & drink, ICT, construction, life sciences and energy.

Key economic indicators are:

- The Irish economy has been growing well at 6.7% of GDP in 2018. (OECD)
- Exports as a percentage of Ireland's GDP (Gross Domestic Product) were 121% in 2018. (OECD)
- Unemployment is relatively low at approximately 6.7% in 2017. (OECD)

Ireland is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide to doing business in Ireland can be found [here](#).

Strengths of the Irish market include:

Ireland ranks 23rd, dropping from 16th, out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Strong, developed economy
- Highly educated workforce
- Open economy

Benefits for Scottish businesses exporting to Ireland include:

- English is the first language
- Strong transport links
- Similar regulatory and legal framework
- Close to market

What Scotland exports to Ireland

Ireland is Scotland's closest International trading partner and 5th largest export market with exports worth £1.5bn going to Ireland in 2017. This represents 4.5% of Scotland's total International exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to Ireland are:

- Food and drink
- Technology, Digital and Media
- Wholesale and Retail
- Life and Chemical Sciences
- Engineering and Advanced Manufacturing

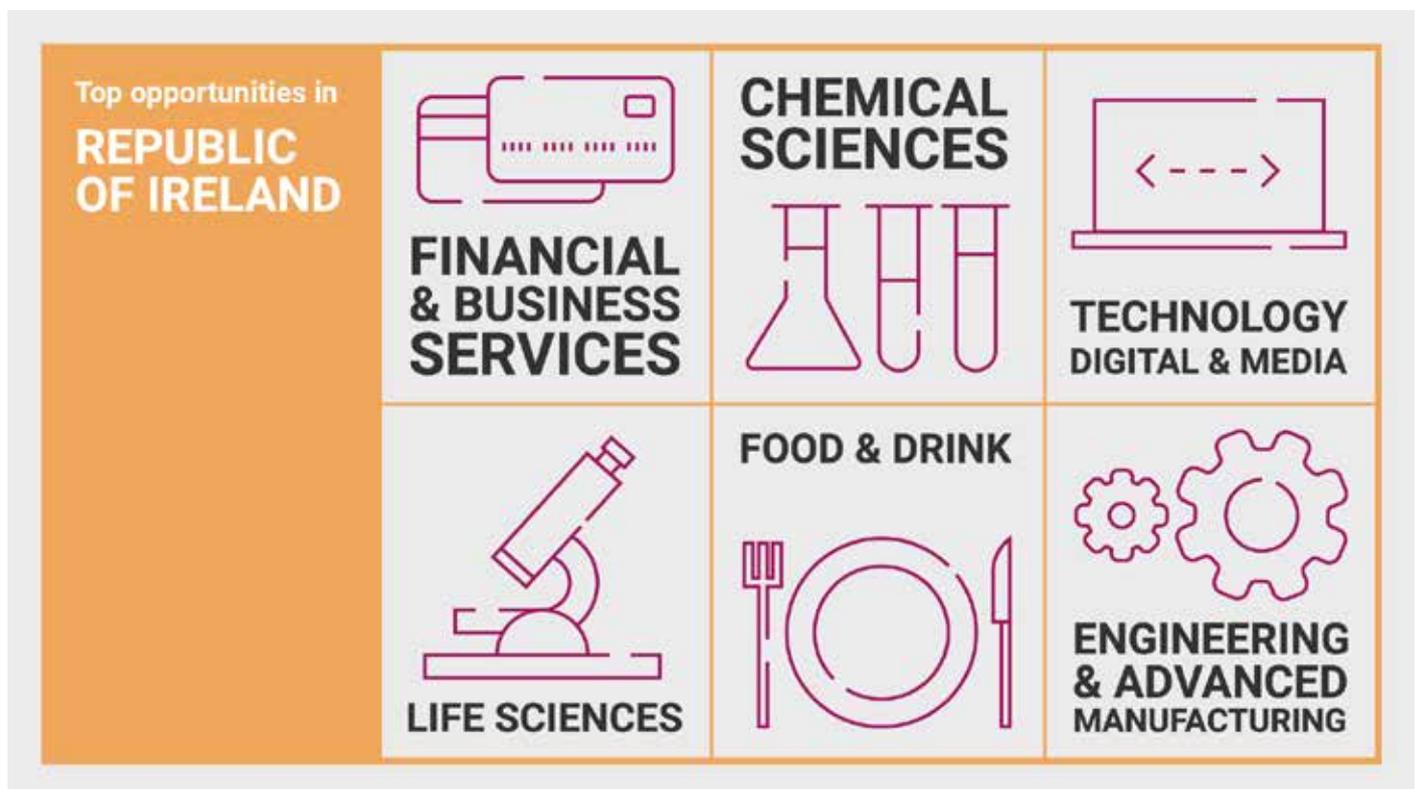
Priority sectors in Ireland for economic development include:

- Life sciences
- Renewable energy
- ICT
- Construction

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland and Denmark), Ireland presents potential export opportunities in the following subsectors:

- Transportation Equipment
- Machinery and Equipment
- Computer Programming and IT



What support is there for Scottish businesses in Ireland

Scottish Government Network of External Offices and Scottish Development International

The Scottish Government opened their office in [Dublin](#), in February 2016 to seek to build on the pre-existing links between Ireland and Scotland and to serve as our representation in Ireland.

The office in Dublin aims to bring together the Scottish Government and its agencies, as well as public and private partners to:

- promote trade and investment links;
- strengthen government-to-government relations; and,
- enable greater collaboration on economic, academic and innovation projects.

[Scottish Development International](#) is co-located with the Scottish Government office and has 1 member of staff focused on the technology and life sciences sectors.

GlobalScot

There are currently **3 GlobalScots** in Ireland covering the tech and life sciences sectors. Ireland is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade \(DIT\) team in Ireland](#) for more information and advice on opportunities for doing business in Ireland.

The [British Irish Chambers of Commerce](#) are able to offer member businesses support, advice and in-market introductions to member businesses.

University links

The [Scottish Funding Council](#) met with the Science Foundation Ireland, and with the Irish Minister for Business, Enterprise, and Innovation in Autumn 2018 to discuss the possibility of further R&I partnerships to better link Scottish and Irish academia and businesses and discussions are ongoing, including the Scottish Innovation Centre.

The Irish university sector including **University College Cork, Trinity College Dublin** and **Dublin City University** have collaborations with several Scottish universities. The **University of Edinburgh** and University College Dublin signed a [Memorandum of Agreement](#), including funding to support collaborative research in Autumn 2018 focused initially on Geosciences, migration studies and “one health”.

The **University of Glasgow** is leading on the [SalmoSim](#) project which aims to build an artificial salmon gut to better understand fish digestion. The three year project will work in collaboration with the Marine Institute and University of Cork in Ireland as well as Nofima, Alltech and Marine Harvest.

Country Report

Denmark

Country brief

Denmark is an open, wealthy and educated economy in the Nordic and Baltic region – it is one of the Nordic and Baltic eight.

Denmark has a high standard of living and the IMF (2018) ranked it as having the 9th highest GDP per capita in the world.

Key market information

Economic indicators

GDP 2017*	£252bn
GDP per capita 2017*	£43,690
GDP annual growth rate 2013-2017	3.1%
GDP annual growth forecast 2018-2023	4.7%
Population 2017	5.8m
Projected population growth 2017-2050 (% change)	9%
Average tariff 2016	2.5%

Scotland's exports to Denmark

Scotland's exports to Denmark 2017	£875m
Average annual growth in Scotland's exports to Denmark 2013-2017	-3.1%
Country rank in Scotland's exports 2017	8

Scotland's top export sectors to Denmark, 2017**

1. Energy

2. Chemical Sciences

3. Engineering and Advanced Manufacturing

4. Wholesale and Retail Trade

5. Life Sciences

Together, these sectors account for around 80% of Scotland's goods and services exports to Denmark

Denmark Imports from the World

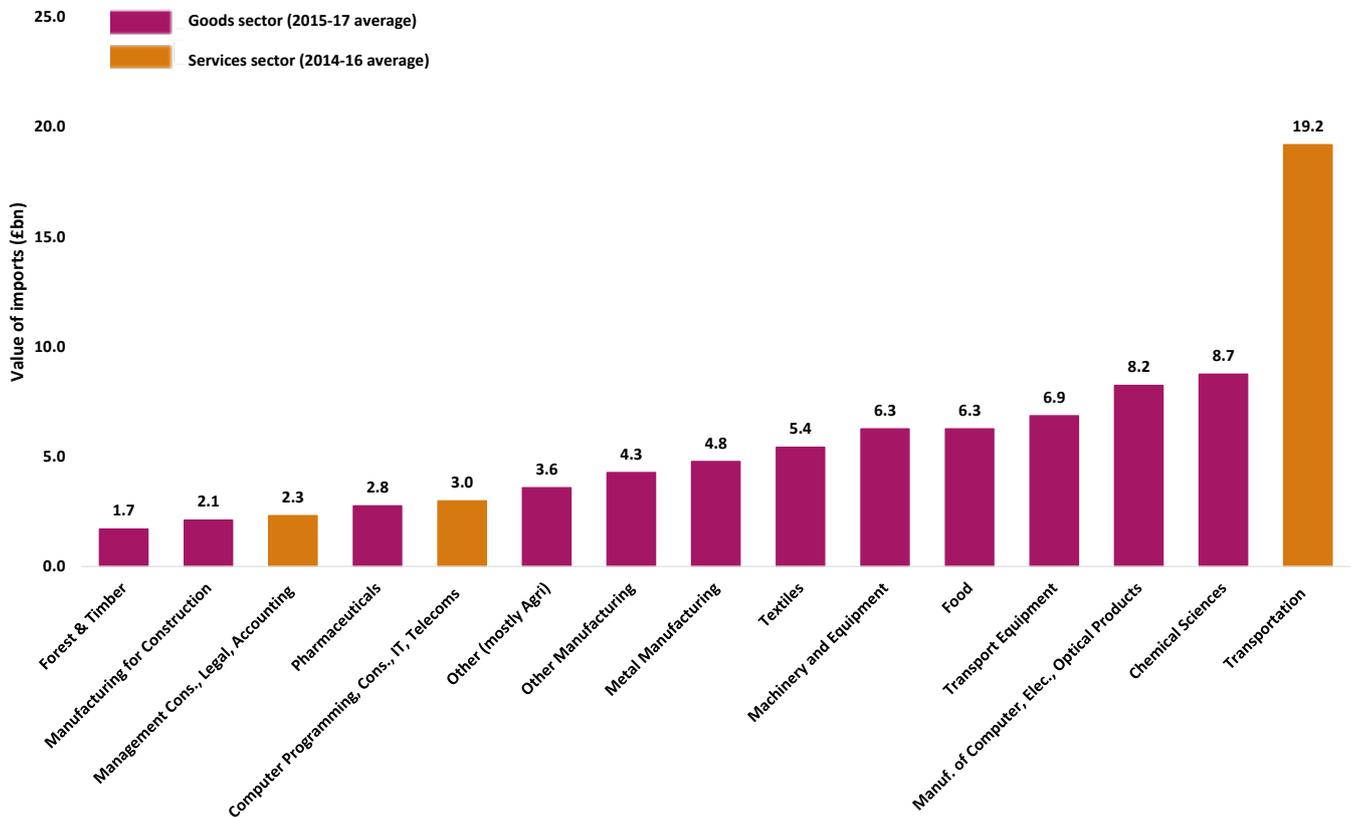
Denmark goods and services imports 2017*

£121.7bn

Denmark average annual Import growth 2013-2017*

3.5%

Denmark Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade)

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

**These figures have been suppressed to prevent disclosure.

The Danish Economy

Denmark has a highly developed and prosperous economy. Denmark is a similar market to Scotland for doing business so if your product is successful in Scotland and the UK then there is a good chance that it will be successful in Denmark.

Key economic indicators are:

- The Danish economy has been growing moderately at 1.4% of GDP in 2018. (OECD)
- Exports as a percentage of Denmark's GDP (Gross Domestic Product) were 55% in 2018. (OECD)
- Unemployment is relatively low at approximately 5.0% in 2018. (OECD)

Denmark is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide to doing business in Denmark can be found [here](#).

Strengths of the Danish market include:

Denmark ranks third out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Strong, developed economy
- Highly educated workforce
- Open economy

Benefits for Scottish businesses exporting to Denmark include:

- Similar market
- High standard of living
- UK and Scottish brands have a positive reputation

What Scotland exports to Denmark

Denmark is Scotland's eighth largest export market. Exports to Denmark were worth £875 million in 2017, 2.7% of Scotland's total international exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to Denmark are:

- Energy
- Chemical Sciences
- Engineering and advanced manufacturing
- Wholesale and Retail Trade
- Life Sciences

Priority sectors in Denmark for economic development include:

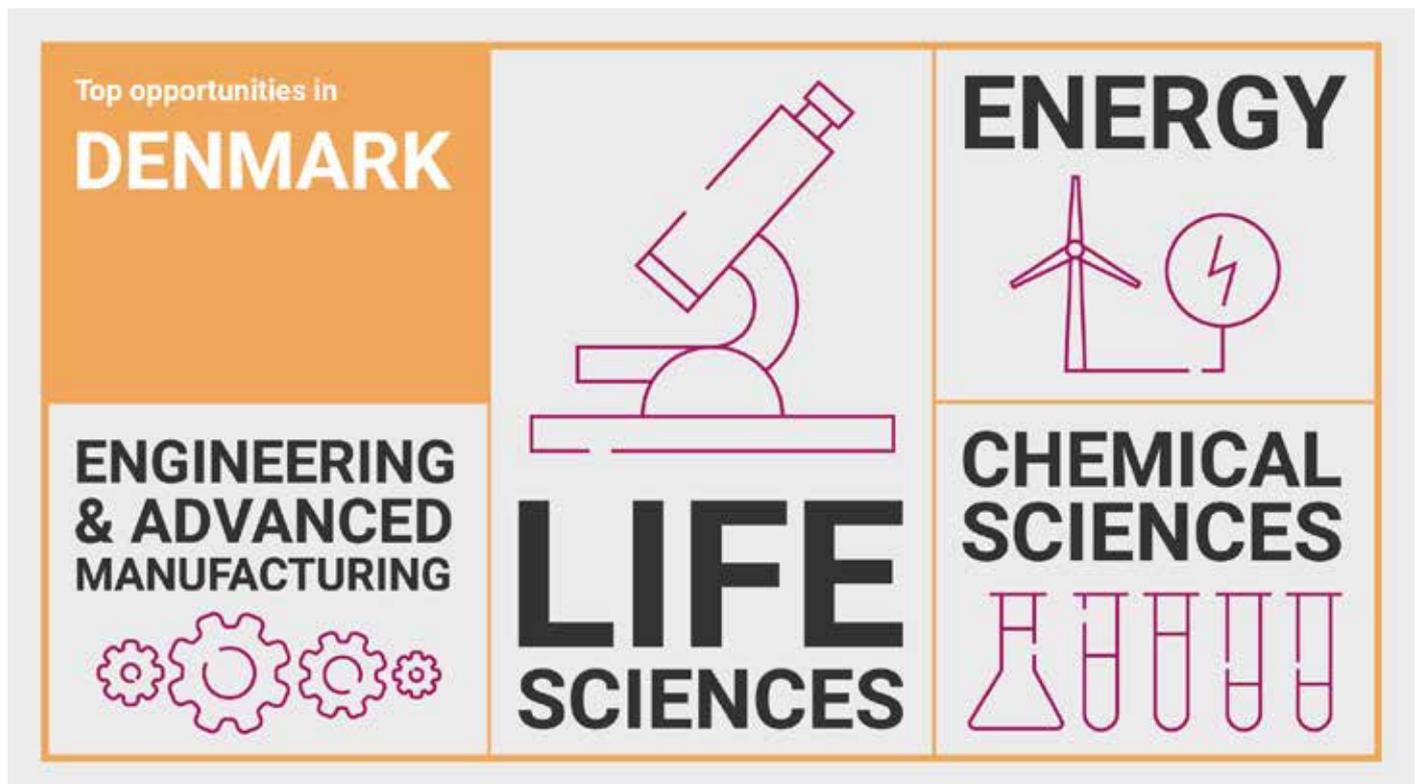
- Construction*
- Engineering*
- Transport*
- Energy
- ICT

*Denmark currently has extensive opportunities in construction, energy and transportation - including one of the largest rail innovation projects in Europe running until 2025.

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland) Denmark presents potential export opportunities in the following subsectors:

- Machinery and Equipment
- Computer and IT services
- Chemical Sciences
- Food
- Transport Equipment
- Financial Services
- Manufacture of computer, electronics and optical equipment



Existing in-market support for Scottish businesses in Denmark

Scottish Development International

[Scottish Development International](#) has an office in Copenhagen with additional support provided in Stavanger, Norway. There are 5 members of staff across the Nordic region supporting trade focused on the consumer industries, science and tech and energy sectors.

GlobalScot

There are currently **3 GlobalScots** in Denmark covering the financial services and life sciences sectors. Denmark is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade \(DIT\) team in Denmark](#) for more information and advice on opportunities for doing business in Denmark.

[The British Chambers of Commerce in Denmark](#) can also offer member companies advice and introductions in the Danish markets through their office based in Copenhagen.

University links

The University of Copenhagen is in the top 5 international institutions collaborating with Scottish institutions.

The Technical University in Denmark is collaborating with Scottish Hydro Electric Transmission PLC on [PROMOTion](#), a Horizon 2020 funded project to bring offshore grids and their associated technologies to the level of large scale real-life application.

The **Royal Society of Edinburgh** has an [informal agreement](#) with **The Royal Danish Academy of Sciences** to strengthen co-operation between researchers in Denmark and Scotland.

Country Report

Sweden



Country brief

Sweden is a wealthy, developed and prosperous country that is part of the Nordic and Baltic region and with a population of 10.1 million. It is the largest member of the Nordic and Baltic eight. It ranks 22nd in the world for GDP and, according to data from the IMF, it is ranked 12th for GDP per capita.

Sweden is a world leader in investment in research and development – spending 3% of GDP annually.

Key market information

Economic indicators

GDP 2017*	£417bn
GDP per capita 2017*	£41,466
GDP annual growth rate 2013-2017	5.0%
GDP annual growth forecast 2018-2023	4.4%
Population 2017	10.1m
Projected population growth 2017-2050 (% change)	19%
Average tariff 2016	2.5%

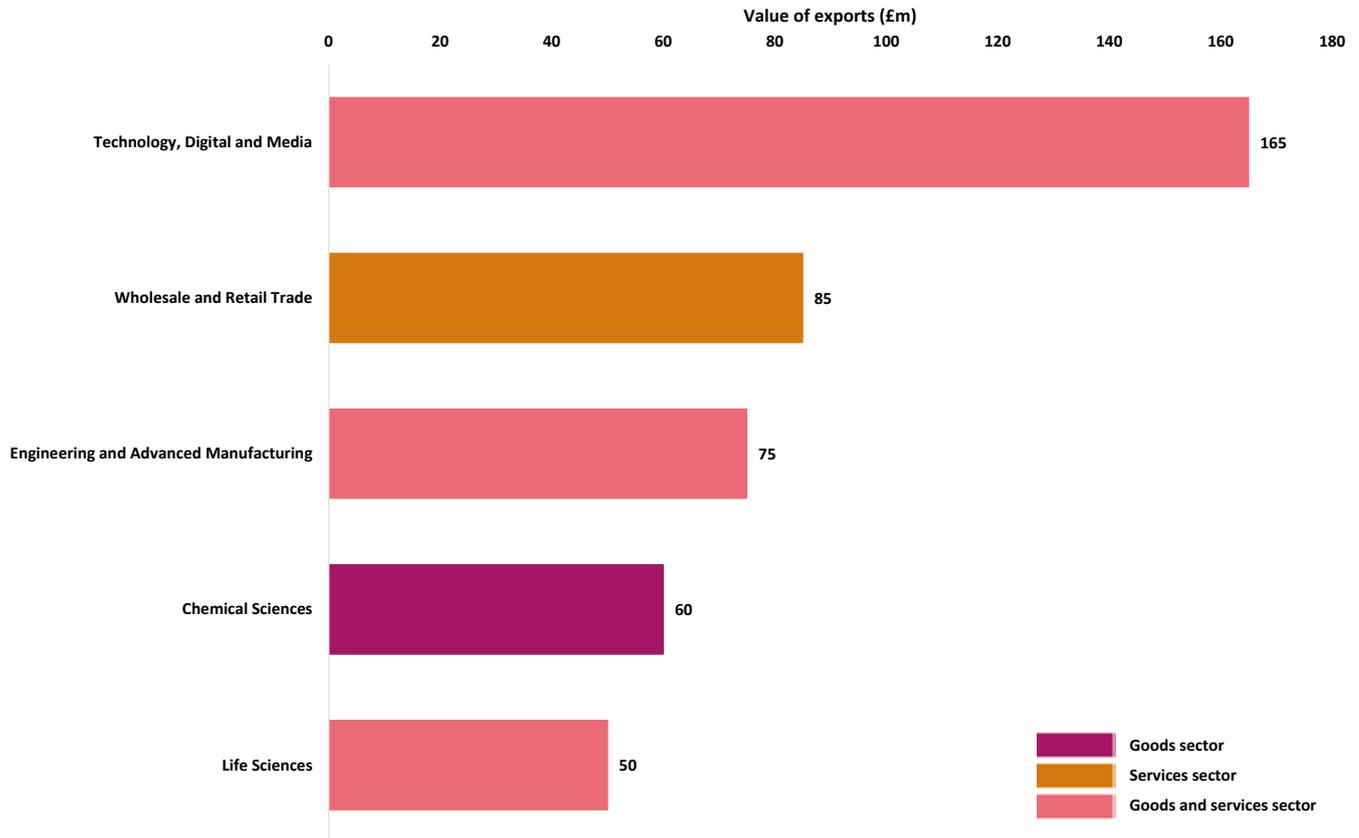
Scotland's exports to Sweden

Scotland's exports to Sweden 2017 £585m

Average annual growth in Scotland's exports to Sweden 2013-2017 -4.1%

Country rank in Scotland's exports 2017 17

Scotland's Top Export Sectors to Sweden, 2017



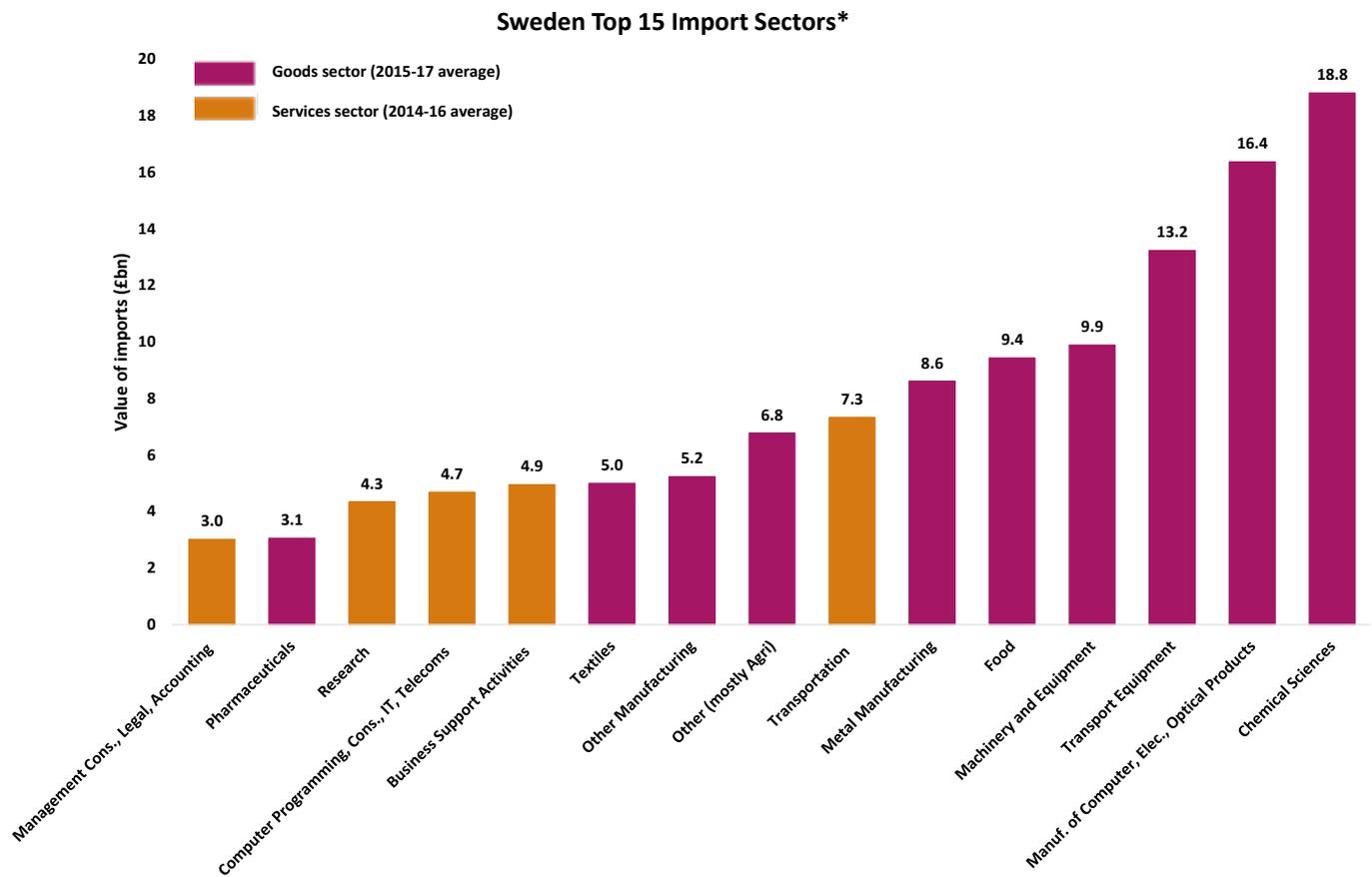
Sweden imports from the world

Sweden goods and services imports 2017*

£171.6bn

Sweden average annual Import growth 2013-2017*

4.6%



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Swedish Economy

Sweden is a developed, prosperous economy and has an educated and skilled workforce. It is a significant export market for Scotland, with Scotland's exports worth £585 million in 2017.

Key economic indicators are:

- The Swedish economy has been growing steadily at 2.3% of GDP in 2018. (OECD)
- Exports as a percentage of Sweden's GDP (Gross Domestic Product) were 47% in 2018. (OECD)
- Unemployment is relatively low at approximately 6.3% in 2018. (OECD)

Sweden is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide to doing business in Sweden can be found [here](#).

Strengths of the Swedish market include:

Sweden ranks 12th out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Strong, developed economy
- Highly educated and skilled workforce
- Open economy
- User friendly bureaucracy

Benefits for Scottish businesses exporting to Sweden include:

- English is widely used as a business language
- High standard of living
- Modern and efficient business culture
- Open market

What Scotland exports to Sweden

Sweden is Scotland's 17th largest export market with exports worth £585 million in 2017, 1.8% of Scotland's total international exports. (Export Statistics Scotland)

The top 4 Scottish export sectors to Sweden are:

- Technology, Digital and Media
- Wholesale and Retail Trade
- Engineering and Advanced Manufacturing
- Chemical and life Sciences

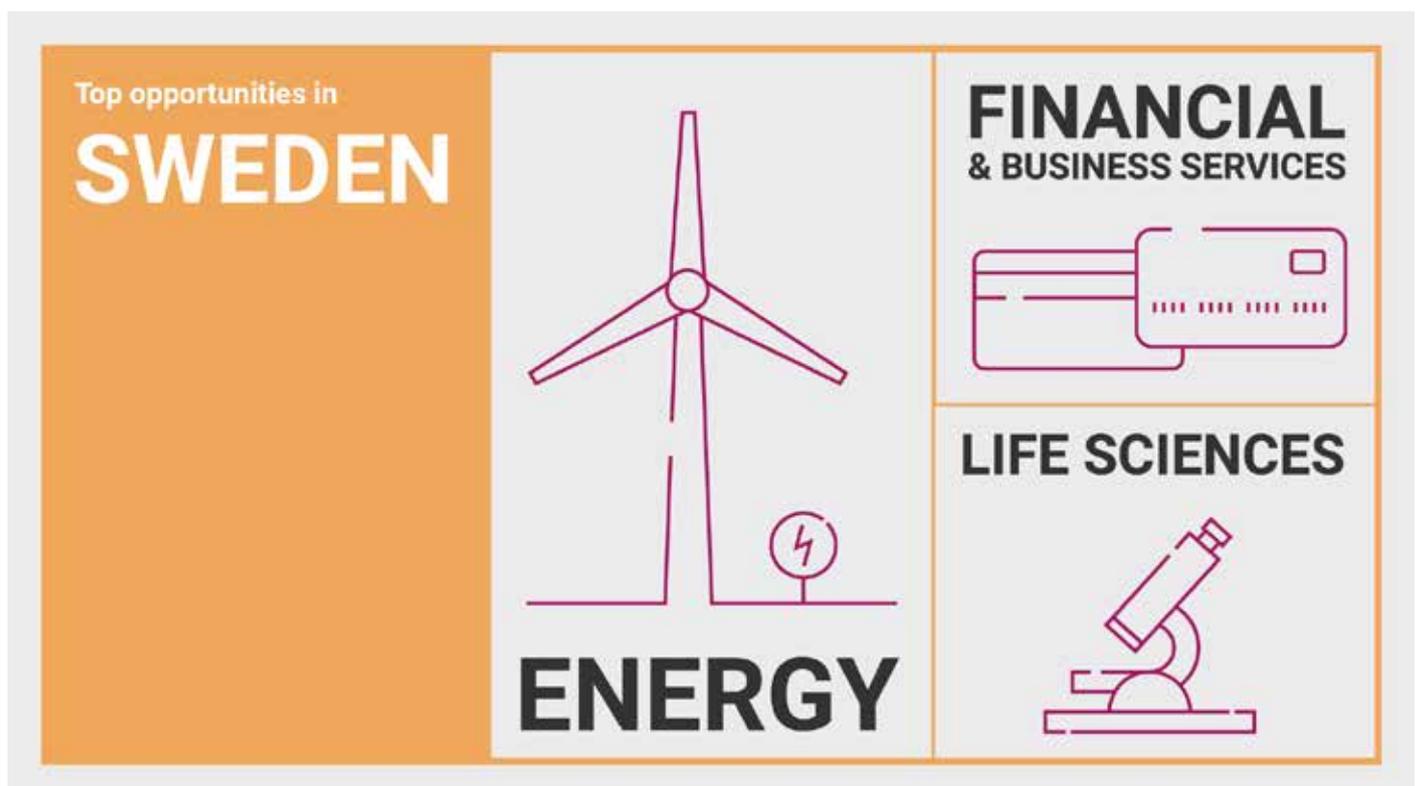
Priority sectors in Sweden for economic development include:

- Transport and Infrastructure
- Construction
- Renewable energy
- Life Sciences
- Cyber Security and Defence

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), Sweden presents potential export opportunities in the following subsectors:

- Computer and IT Services
- Financial Services
- Manufacture of Computer, Electronic and Optical Products
- Machinery and Equipment
- Engineering Services
- Business Support Services
- Food
- Transport Equipment



Existing in-market support for Scottish businesses in Sweden

[Scottish Development International](#) offers support from neighbouring Copenhagen in Denmark, and Stavanger in Norway. The combined offices have 5 staff members supporting trade who are focused on the energy, science and tech and consumer industries.

[GlobalScot](#)

There is currently **1 GlobalScot** in Sweden covering the construction sector. Sweden is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade \(DIT\) team in Sweden](#) for more information and advice on opportunities for doing business in Sweden.

The [British Swedish Chamber of Commerce](#) are able to offer member businesses support, advice and in-market introductions through their office in Stockholm.

University links

According to the [EU Innovation Scoreboard 2018](#), Sweden is the top EU collaborator with Scotland for research.

The **European Marine Energy Centre Ltd** is currently collaborating with **Uppsala University in Sweden** on the €17 million Horizon 2020 research project for [Clean Energy from Ocean Waves \(CEFOW\)](#), deploying advanced multiple wave energy convertors to demonstrate that they are able to survive challenging sea conditions.

Country Report

Italy

Country brief

Italy has a population of 60.6 million, making it the fourth largest country in the European Union and the third largest in the Eurozone by population.

Italy has a long-standing trading relationship with Scotland.

Key market information

Economic indicators

GDP 2017*	£1,501bn
GDP per capita 2017*	£24,792
GDP annual growth rate 2013-2017	1.8%
GDP annual growth forecast 2018-2023	3.2%
Population	60.6m
Projected population growth 2017-2050 (% change)	-7%
Average tariff 2016	2.5%

Scotland's exports to Italy

Scotland's exports to Italy 2017

£760m

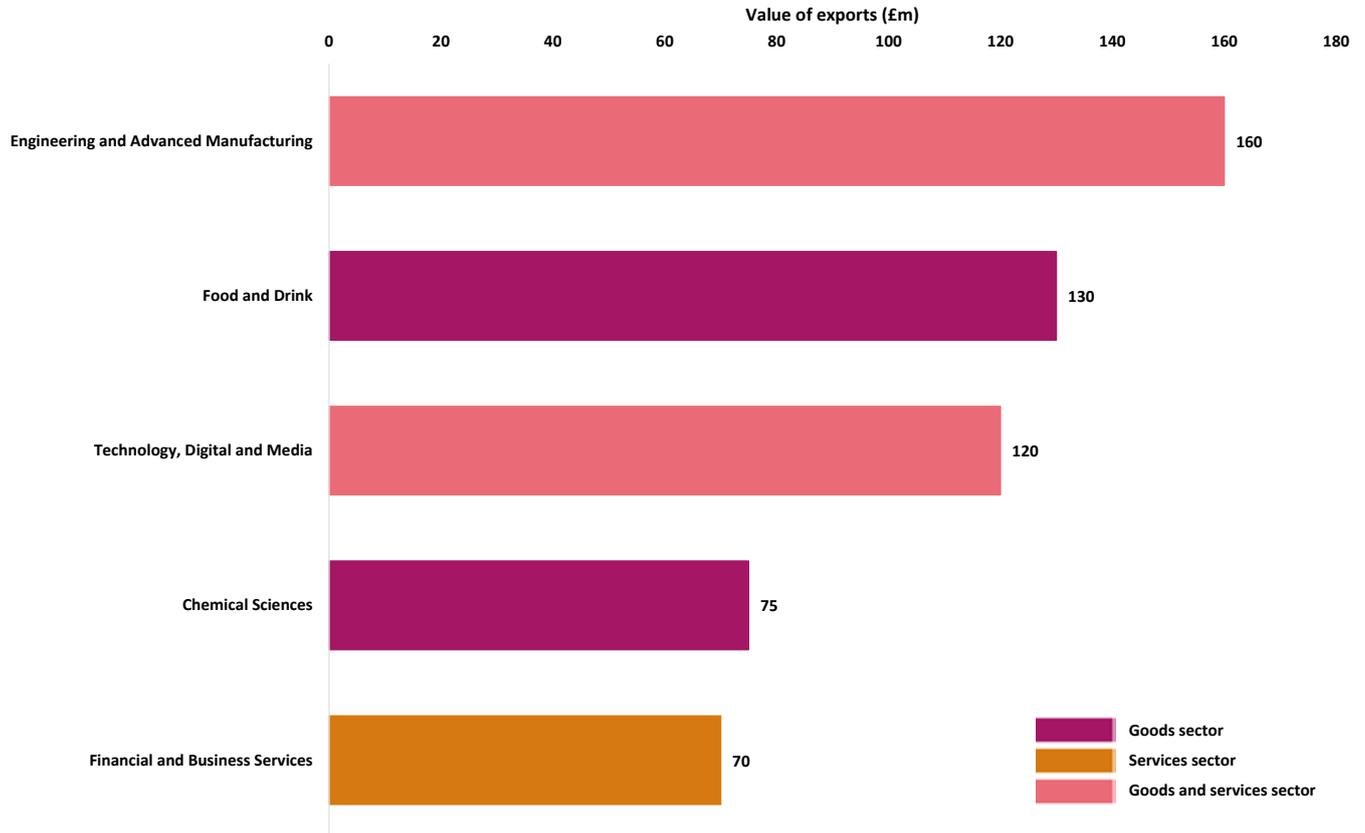
Average annual growth in Scotland's exports to Italy 2013-2017

3.9%

Country rank in Scotland's exports 2017

10

Scotland's Top Export Sectors to Italy, 2017



Italy imports from the world

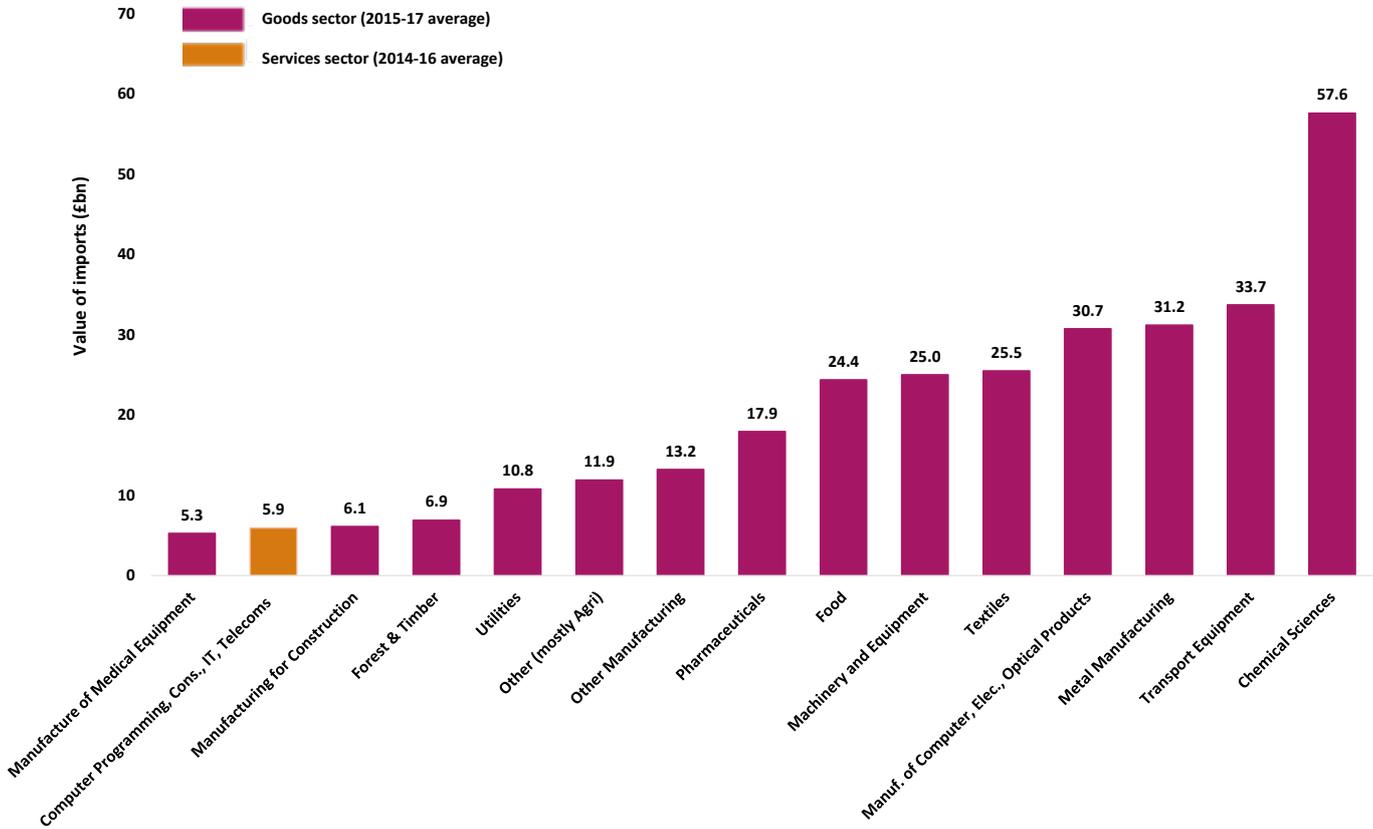
Italy goods and services imports 2017*

£425.8bn

Italy average annual Import growth 2013-2017*

4.1%

Italy Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Italian Economy

Italy is a major advanced economy and the Department for International Trade (DIT) reports that it is the second largest manufacturer in Europe behind Germany. The IMF ranked Italy as the eighth largest economy in the world in 2018 and Italy is one of the G7 group of countries.

Italy has a similar regulatory framework to Scotland in terms of doing business.

While the Italian economy contracted during the global financial crisis, it is now reporting growth again.

Key economic indicators are:

- The Italian economy has been growing slowly at 0.9% of GDP in 2018. (OECD)
- Exports as a percentage of Italy's GDP (Gross Domestic Product) were 32% in 2018. (OECD)
- Unemployment is relatively high at approximately 10.6% in 2018. (OECD)

Italy is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The DIT guide to doing business in Italy can be found [here](#).

Strengths of the Italian market include:

Italy ranks 51st out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Modern infrastructure
- High level of internationalisation
- Strong manufacturing and innovation
- Gateway to the Med and Middle East markets

Benefits for Scottish businesses exporting to Italy include:

- Similar regulatory framework
- Scottish and UK brands have a positive reputation
- Good transport links, including low cost flights

What Scotland exports to Italy

Italy is Scotland's 10th largest export market with exports worth £760 million in 2017, representing 2.3% of Scottish exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to Italy are:

- Engineering and Advanced Manufacturing
- Food and Drink
- Technology, Digital and Media
- Chemical and Life Sciences
- Financial and Business Services

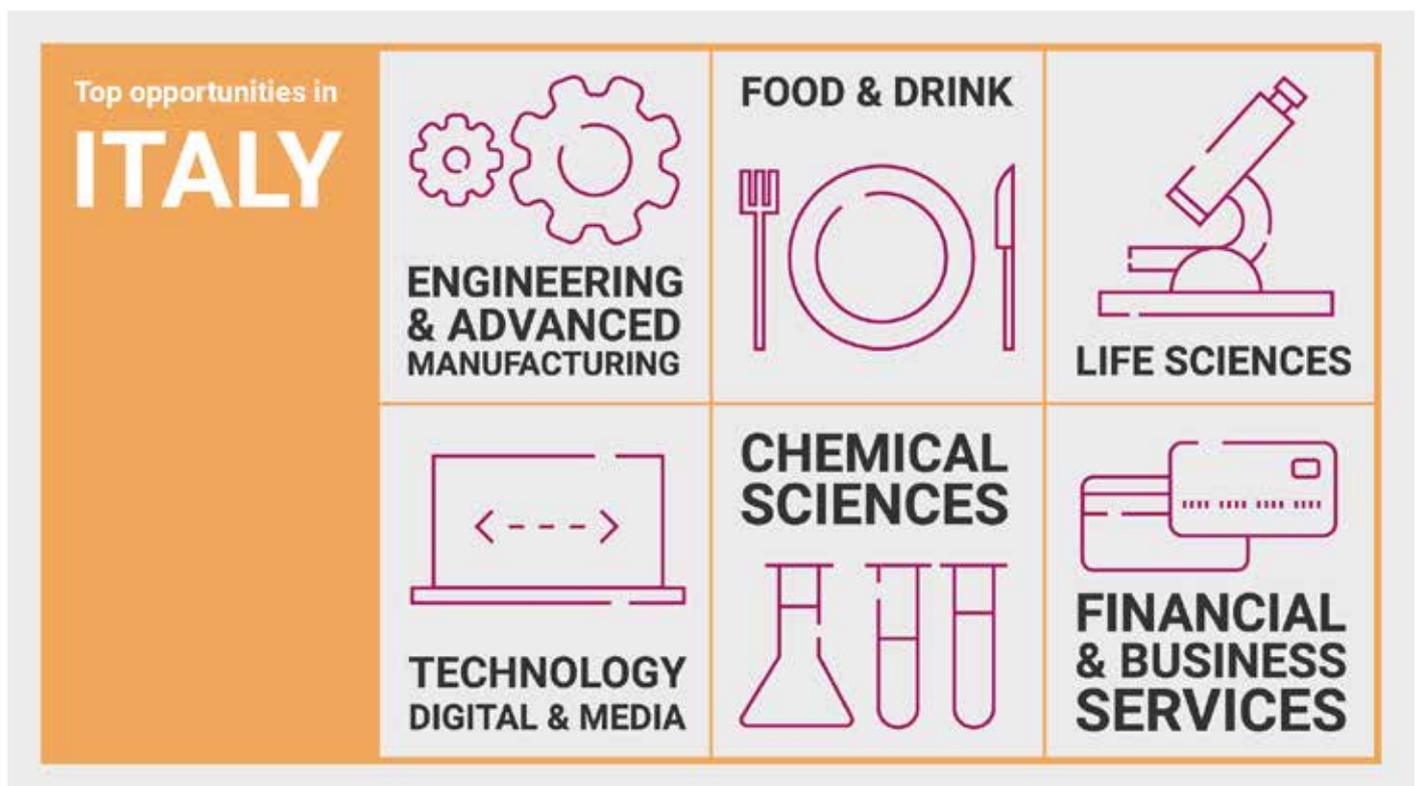
Priority sectors in Italy for economic development include:

- Aerospace
- Automotive
- Defence and Security
- Education and Life Sciences

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), Italy presents potential export opportunities in the following subsectors:

- Financial Services
- Food
- Chemical Sciences
- Computer and IT services
- Machinery and Equipment
- Manufacture of Computer, Electronic and Optical Products
- Transport equipment



Existing in-market support for Scottish businesses in Italy

SDI

[Scottish Development International](#) has an office in Milan with 1 member of staff who focuses on the consumer industries sector.

[Global Scot](#)

There are currently **4 GlobalScots** in Italy covering the financial services and energy sectors. Italy is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade \(DIT\) team in Italy](#) for more information and advice on opportunities for doing business in Italy.

The [British Chamber of Commerce in Italy](#) is able to offer member businesses advice and support as well as in-market introductions.

University links

Italy is one of the leading EU research collaborators with Scotland. Horizon 2020 funded [ZikAlliance](#) – an international project between the **University of Glasgow** and the **Edmund Mach Institute in Italy** to investigate clinical and other aspects of the Zika virus infection during pregnancy.

The **Royal Society of Edinburgh** has a [Memorandum of Understanding](#) with the **Accademia Nazionale dei Lincei** to facilitate research collaboration in all areas between research groups in Scotland and Italy.

Country Report



Canada

Country brief

Canada is a highly developed mixed economy with a stable political environment and a good record of economic growth. Canada's government has a federal structure, which means that business activities and taxation are regulated at a federal, provincial and local level.

Canada has strong links with Scotland with and a well-defined Scottish diaspora. According to the 2006 census, 4.7 million Canadians reported themselves to have Scottish origin, from a total population of just over 36 million.

Like Scotland and the UK, Canada is considered to have one of the most transparent legislatures in the world.

Key market information

Economic indicators

GDP 2017*	£1,282bn
GDP per capita 2017*	£34,941
GDP annual growth rate 2013-2017	3.0%
GDP annual growth forecast 2018-2023	6.2%
Population 2017	36.7m
Projected population growth 2017-2050 (% change)	19%
Average tariff 2016	3.0%

Scotland's exports to Canada

Scotland's exports to Canada 2017	£580m
Average annual growth in Scotland's exports to Canada 2013-2017	7.8%
Country rank in Scotland's exports 2017	18

Scotland's top export sectors to Canada, 2017**

1. Financial and Business Services

2. Food and Drink

3. Engineering and Advanced Manufacturing

4. Technology, Digital and Media

5. Wholesale and Retail Trade

Together, these sectors account for around 81% of Scotland's goods and services exports to Canada

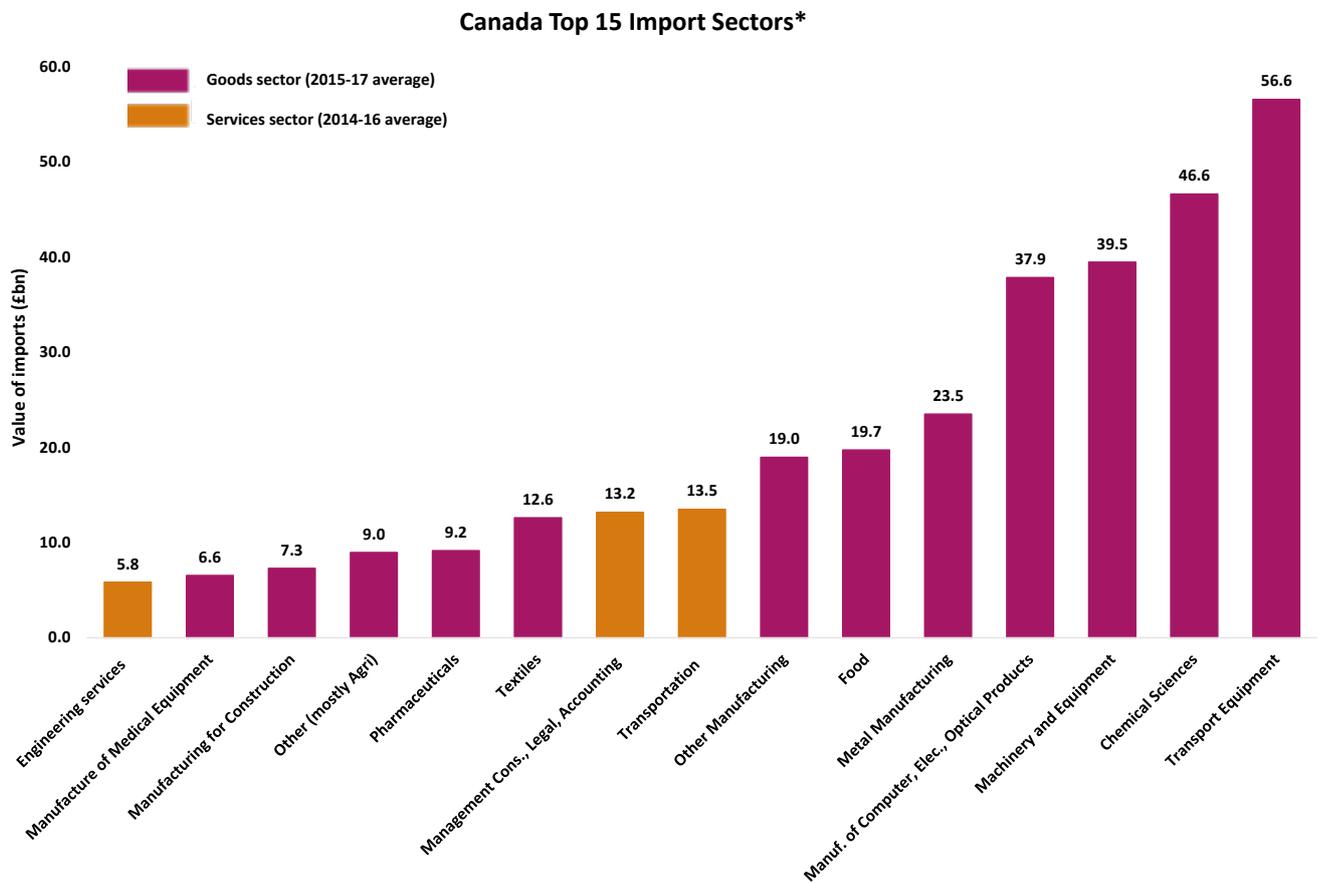
Canada imports from the world

Canada goods and services imports 2017*

£426.6bn

Canada average annual Import growth 2013-2017*

3.2%



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GB£ from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

**sector export value suppressed due to being less than £50 million.

The Canadian Economy

Canada is a highly developed economy which was ranked as the 10th largest in the world by GDP by the IMF (2018).

The implementation of the Comprehensive Economic and Trade Agreement (CETA) has further reduced barriers to trade between Scotland and Canada. The legal and business similarities between Scotland and Canada make it easier to do business there.

Key economic indicators are:

- The Canadian economy has been growing steadily at 1.8% of GDP in 2018. (OECD)
- Exports as a percentage of Canada's GDP were 32% in 2018. (OECD)
- Unemployment is relatively low at approximately 5.8% in 2018. (OECD)

Canada is a member of the [World Trade Organization](#) (WTO) and other international bodies. Canada and the EU are signatories to CETA – an economic and free trade agreement between Canada and member states of the EU that has eliminated a significant number of tariffs between the two.

The Department for International Trade's guide to doing business in Canada can be found [here](#).

Strengths of the Canadian market include:

Canada ranks 22nd out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Strong, developed economy
- Highly educated workforce
- Open economy

Benefits for Scottish businesses exporting to Canada include:

- Canada is a bilingual country with English as one of its two spoken languages
- Similar regulatory and legal framework
- Strong and stable economy
- High standard of living

What Scotland exports to Canada

Canada is Scotland's 18th largest export market with £580 million worth of exports in 2017, representing 1.8% of Scottish exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to Canada are:

- Financial and Business Services
- Food and Drink
- Engineering and Advanced Manufacturing
- Technology, Digital and Media
- Wholesale and Retail Trade

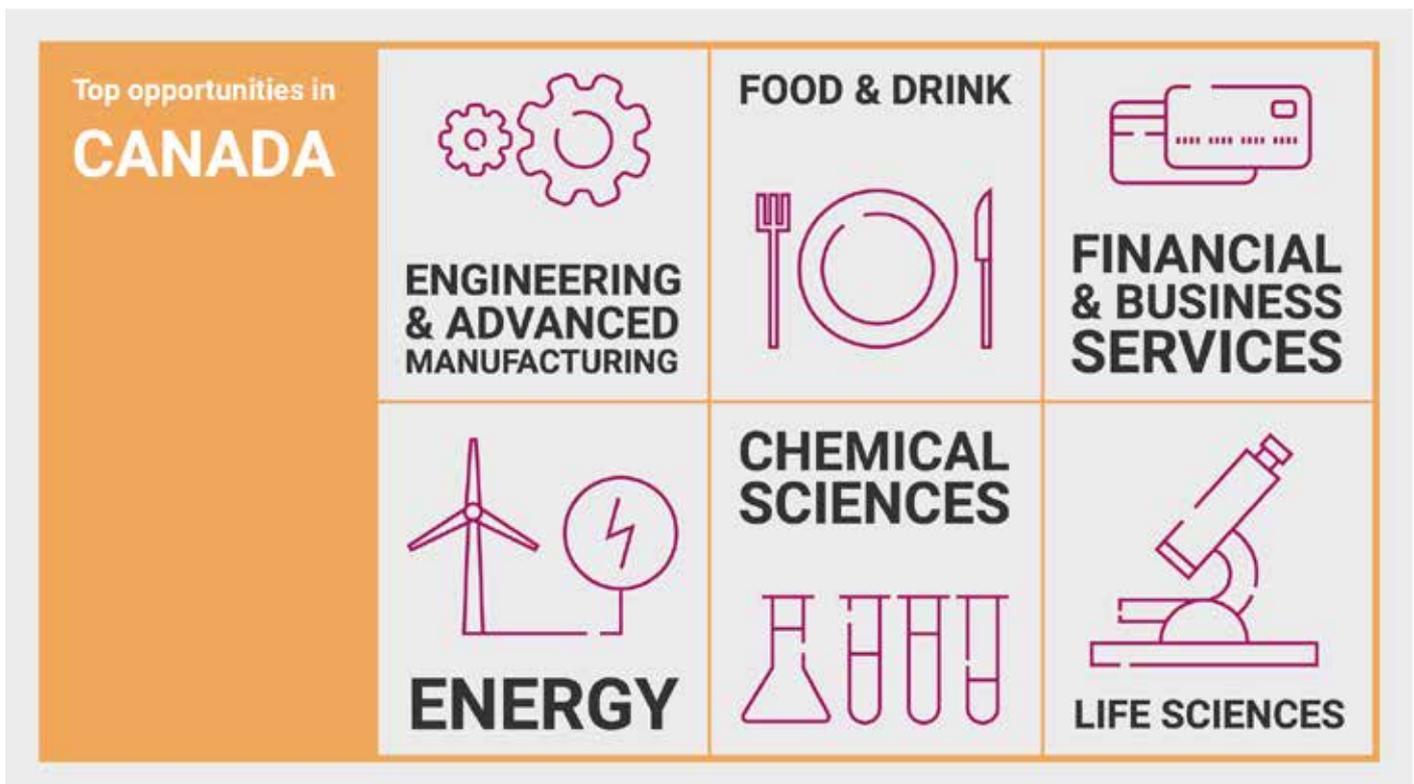
Priority sectors in Canada for economic development include:

- Advanced manufacturing
- Agri-Food
- Clean Technologies
- Digital Industries
- Health and Bioscience

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), Canada presents potential export opportunities in the following subsectors:

- Mining Support and Services
- Computer and IT Services
- Manufacture of Computer, Electronics, and Optical Products
- Machinery and Equipment
- Food
- Chemical Sciences



Existing in-market support for Scottish businesses in Canada

Scottish Government Network of External Offices and Scottish Development International

The Scottish Government has Scottish Affairs Offices in Ottawa – working to promote Scottish interests to audiences across the country. The Scottish Government has also released a [Canada engagement strategy](#).

[Scottish Development International](#) has bases in Calgary and Toronto (co-located with UK Government). Calgary office focuses on investment across the North American Market with the Toronto office focused on Technology and Food and Drink sectors.

GlobalScot

There are currently **21 GlobalScots** in Canada covering the energy, financial services and tech sectors. Canada is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade \(DIT\) team in Canada](#) for more information and advice on opportunities for doing business in Canada.

The [British Canadian Chamber of Trade and Commerce](#) can offer member businesses support, advice and in-market introductions

University links

Scottish institutions collaborate regularly with the **University of Toronto** which is one of the top five specific partner institutions for Scottish international research collaborations.

The **Scottish Aquaculture Innovation Centre** (SAIC) has provided grant funding of £90,460 towards a £232k [three year project](#), working with **Dalhousie University** in Nova Scotia, Canada, Cooke Aquaculture Scotland, and researchers from the **Scottish Association for Marine Science (SAMS)** to understand the effects of salmon farming on the seabed in high-energy waters.

The **University of Edinburgh** has signed a [Memorandum of Understanding](#) with the **University of Regina, Saskatchewan, Canada**, which establishes up to three MSc scholarships each year, with funding support from SaskPower. This collaboration is paving the way for strategic international research into Carbon Capture and Storage.

Country Report

Spain

Country brief

Spain is the fifth largest country in the EU, with a population of 47 million and is now one of the fastest growing economies in the Eurozone.

Key market information

Economic indicators

GDP 2017*	£1,017bn
GDP per capita 2017*	£21,847
GDP annual growth rate 2013-2017	3.3%
GDP annual growth forecast 2018-2023	4.5%
Population	46.6m
Projected population growth 2017-2050 (% change)	-4%
Average tariff 2016	2.5%

Scotland's exports to Spain

Scotland's exports to Spain 2017

£850m

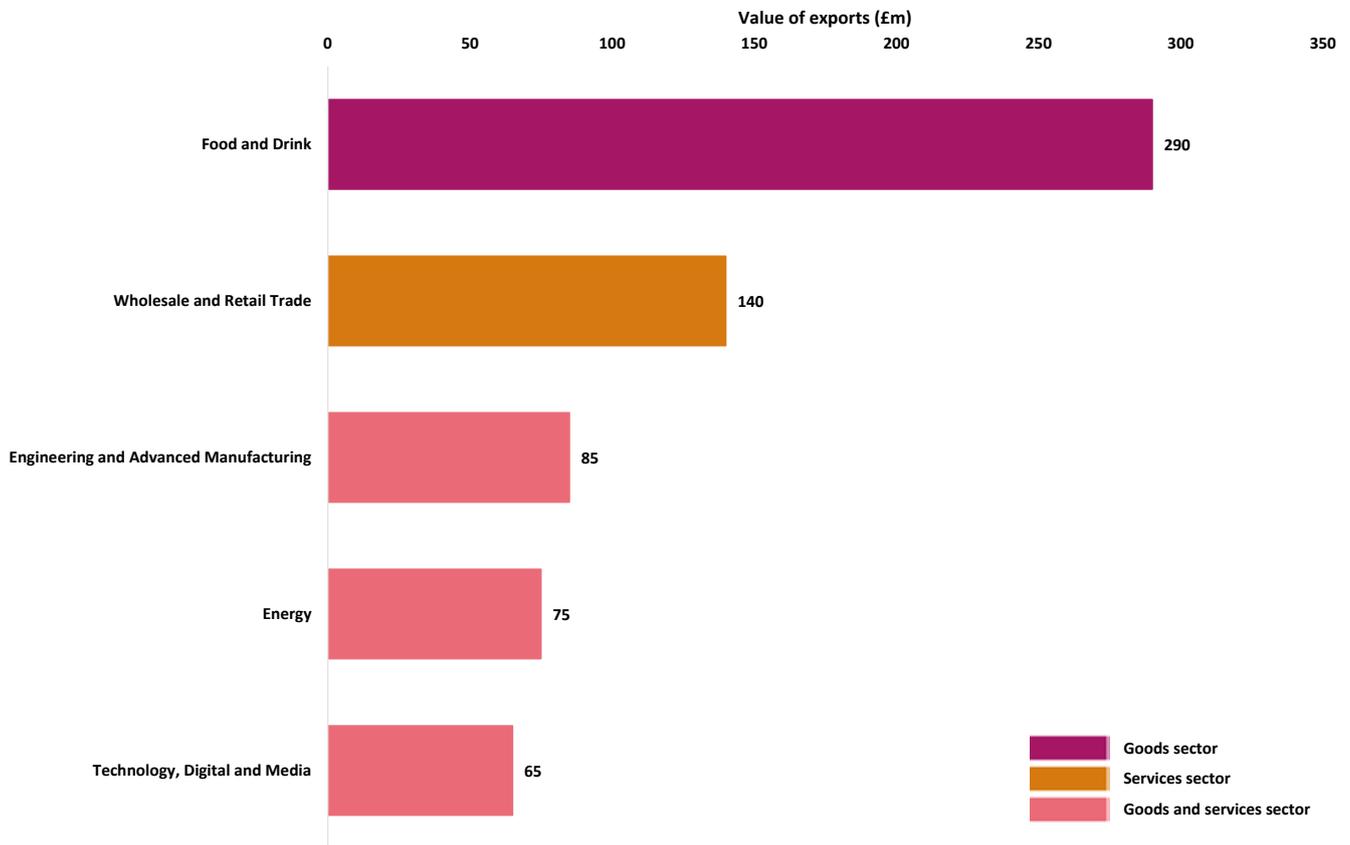
Average annual growth in Scotland's exports to Spain 2013-2017

-2.4%

Country rank in Scotland's exports 2017

9

Scotland's Top Export Sectors to Spain, 2017



Spain imports from the world

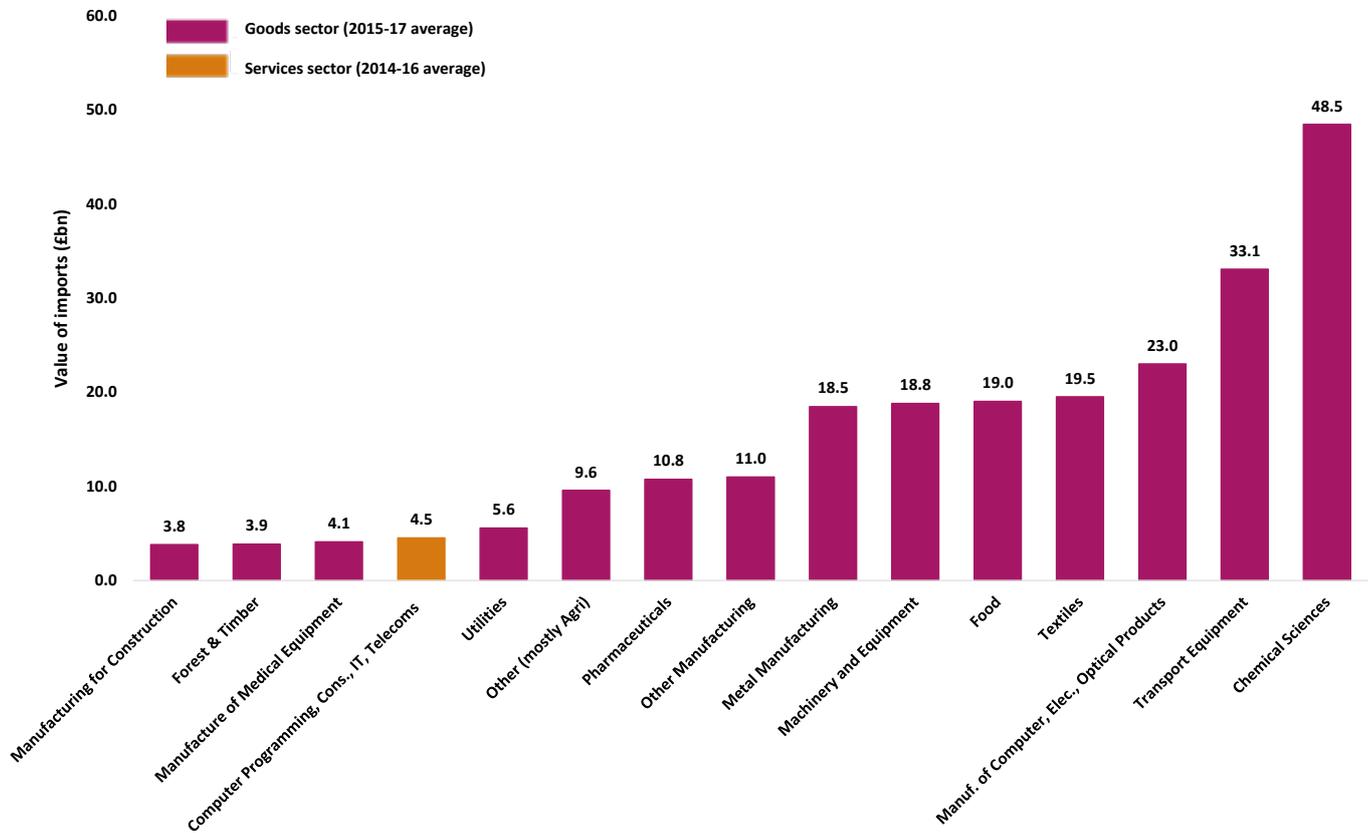
Spain goods and services imports 2017*

£321.7bn

Spain average annual import growth 2013-2017*

6.3%

Spain Top 15 Import Sectors*



Sources: Economic indicators (World Bank, IMF World Economic Outlook), Scotland's Exports (Export Statistics Scotland 2017), Country Imports (World Bank, UN Comtrade).

*denotes an indicator which has been converted into GBE from US\$ using the Bank of England's average annual spot rate data. Note growth rates may vary depending on unit of currency used.

The Spanish Economy

Spain is the 5th largest economy in the EU and is now one of the fastest growing economies in the Eurozone. Given its large population, Spain is one of the biggest consumer markets in the EU. Given its cultural and language links, Spain often acts as a gateway to entry to Latin American markets.

There are also around 1 million UK citizens who are either full time or part time residents in Spain creating particular opportunities for Scottish and UK products.

Key economic indicators are:

- The Spanish economy has been growing steadily at 2.6% of GDP in 2018. (OECD)
- Exports as a percentage of Spain's GDP (Gross Domestic Product) were 34% in 2018. (OECD)
- Unemployment is high at approximately 15.3% in 2018. (OECD)

Spain is a member of the [European Union](#) (EU), the [World Trade Organization](#) (WTO) and other international bodies. Goods manufactured in Scotland are exempt from import duties.

The Department for International Trade's guide to doing business in Spain can be found [here](#).

Strengths of the Spanish market include:

Spain ranks 53rd out of 190 countries in the World Bank [rankings](#) for ease of doing business in 2018.

- Good transportation links
- Advanced ICT network

Benefits for Scottish businesses exporting to Spain include:

- English as a business language
- Openness to Scottish and UK brands
- Good transportation links

What Scotland exports to Spain

Spain is Scotland's ninth largest export market with £850 million worth of exports going there in 2017, representing 2.6% of all Scottish exports. (Export Statistics Scotland)

The top 5 Scottish export sectors to Spain are:

- Food and Drink
- Wholesale and Retail Trade
- Engineering and Advanced Manufacturing
- Energy
- Technology, digital and media

Priority sectors in Spain for economic development include:

- Energy
- Education
- Healthcare
- Food and Drink
- Agriculture

Sectoral Opportunities

When compared to the export performance of comparator countries (Norway, Finland, Ireland and Denmark), Spain presents potential export opportunities in the following subsectors:

- Chemical Sciences
- Computer and IT Services
- Machinery and Equipment
- Manufacture of Computer, Electronic and Optical Products
- Food
- Transport Equipment
- Financial Services



Existing in-market support for Scottish businesses in Spain

Scottish Development International

[Scottish Development International](#) has offices in [Barcelona](#) and [Madrid](#) with 2 members of staff supporting trade focused on the consumer industries and science and tech sectors.

[GlobalScot](#)

There are currently **5 GlobalScots** in Spain covering the energy, financial services and technology sectors. Spain is a priority country for expansion of the GlobalScot network.

Department for International Trade

Contact the [Department for International Trade \(DIT\) team in Spain](#) for more information and advice on opportunities for doing business in Spain.

The [British Chamber of commerce in Spain](#) can offer member businesses support, advice and introductions in-market through their office in Barcelona.

University links

Spain is one of the top 5 EU partners with Scotland for research collaboration. The **Universities of Aberdeen, Glasgow and Strathclyde** along with the **Institute for Bioengineering of Catalonia** are involved in the EU's flagship [Human Brain Project](#), one of the two largest scientific projects ever funded by the European Union. The project will build cutting-edge research infrastructure that will allow the advancement of knowledge in neuroscience, computing, and brain-related medicine.

The **University of Strathclyde** is a partner on the Horizon 2020 project [Internet of Food and Farm 2020 \(IoF2020\)](#), including Spanish company Bolt Management SL. The project paves the way to data-drive farming capable of providing higher production yields in a more sustainable and competitive fashion.

| Appendix 2: | Sectors



Food and Drink

Introduction

Food and Drink is one of Scotland’s key growth sectors – domestically and internationally – with a broad range of activity from farming, fishing and aquaculture to processing of raw ingredients into products like smoked salmon and whisky.

The sector as a whole has a unique export model, with a deep and successful partnership forged between the Scottish Government, SDI and the industry, through Scotland Food and Drink. The partnership is strategic in identifying priority markets and its delivery is shaped by a single operating plan. It is one of the most successful and internationally recognised public sector/ industry partnerships and is a model we would like to replicate elsewhere.

Food and drink are best considered as distinct sub-sectors with different drivers and dynamics:

- The drink sector is concentrated in a small number of mainly multinational enterprises
- The food sector is mainly smaller firms, including single employee or family businesses

Table 1: Number of Enterprises, Employment and Turnover, 2016

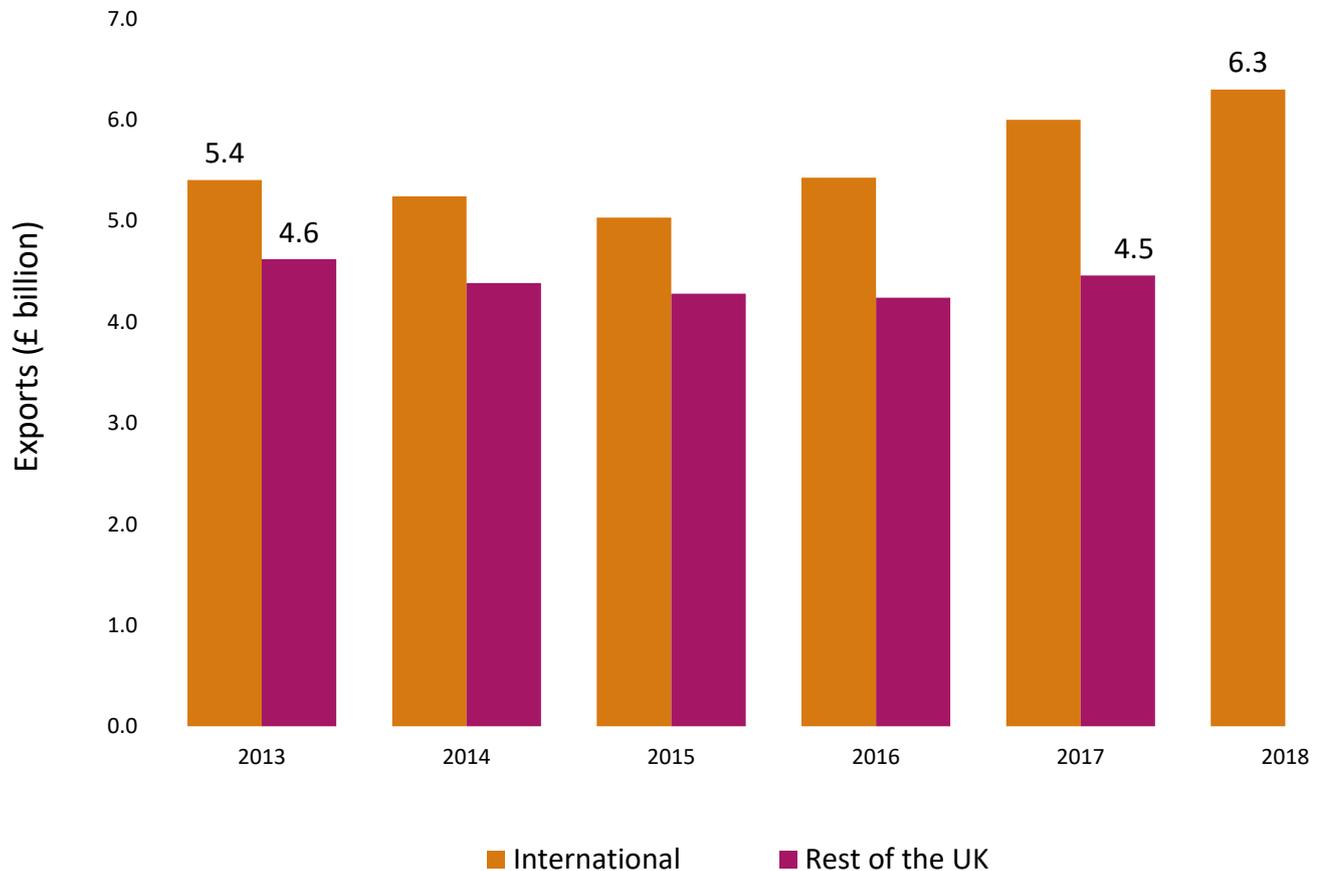
All Private Sector VAT/PAYE Registered Enterprises						
Sector	Enterprises	Employment	Turnover (£ million)	Enterprises (% of total)	Employment (% of total)	Turnover (% of total)
Food and Drink	17,320	112,000	13,922	100%	100%	100%
Drink	210	9,000	4,255	1%	8%	31%
Food	17,110	103,000	9,667	99%	92%	69%

Source: Scottish Government Growth Sector Database. Proportions may not sum to 100% due to rounding.

Export Performance

Food and drink continues to be Scotland's top international export sector, with the latest HMRC statistics showing these exports to be worth **£6.3bn** in 2018. Scotland's exports of food and drink to the rest of the UK were estimated to be worth £4.5bn in 2017. Between 2013¹ and 2018, international exports of food and drink increased by 17 per cent (Figure 1).

Figure 1: Scotland's Food and Drink Exports, International and Rest of UK, 2013-2018



Source: HMRC (International), Scotland's Export Performance Monitor (RUK)

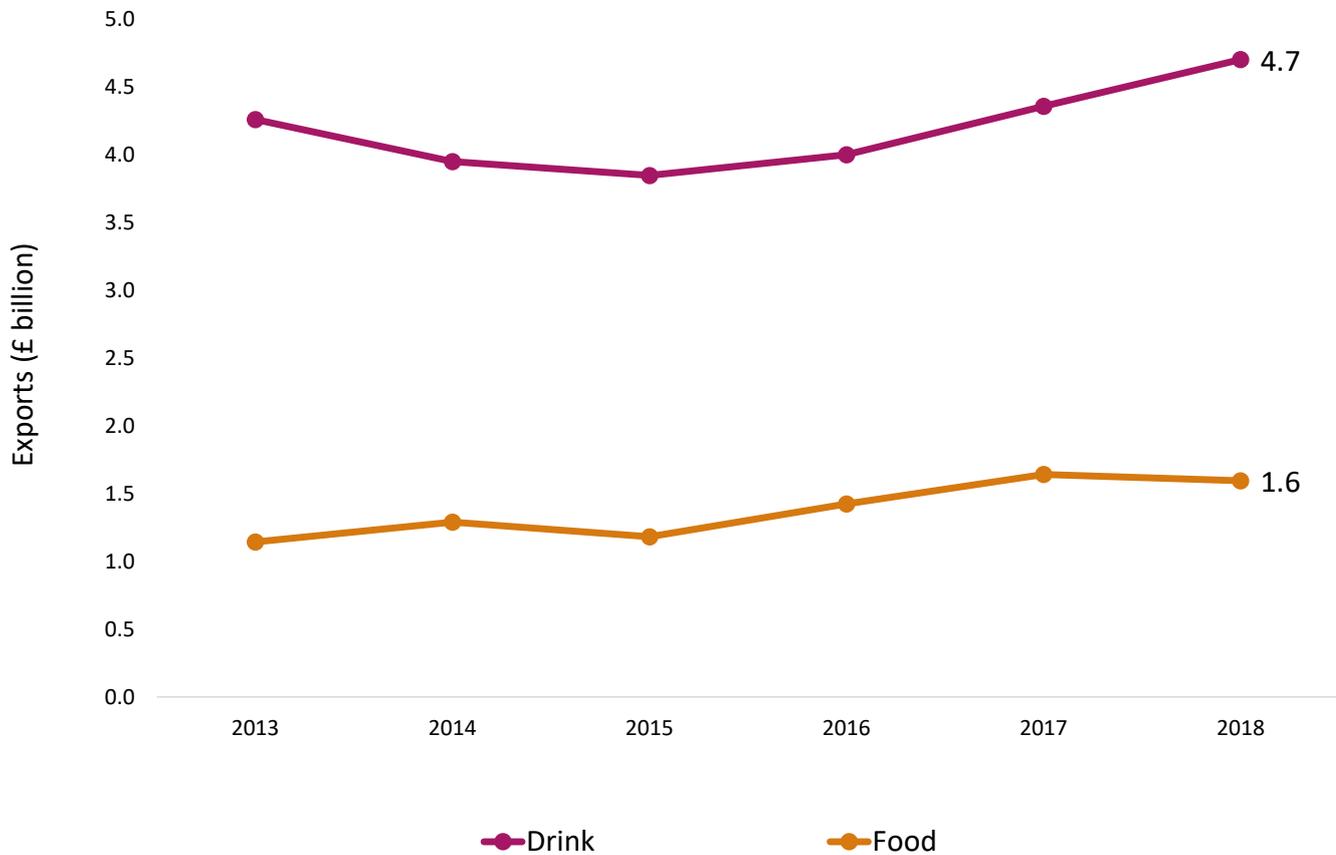
Note, International exports data available to 2018. However Rest of the UK exports data only available to 2017.

¹ Note, international export data for food is based on HMRC Regional Trade Statistics. Due to a change in their methodology, data is only available from 2013.

Export Performance by Sub-sector – International

Exports of drink, after a few years of decline, have increased in recent years with overall growth of 10 per cent between 2013 and 2018. International exports of food have generally increased during this period, with **overall growth of 40% between 2013 and 2018 (Figure 2)**.

Figure 2: Food and Drink International Exports by Sub-sector, 2013-2018

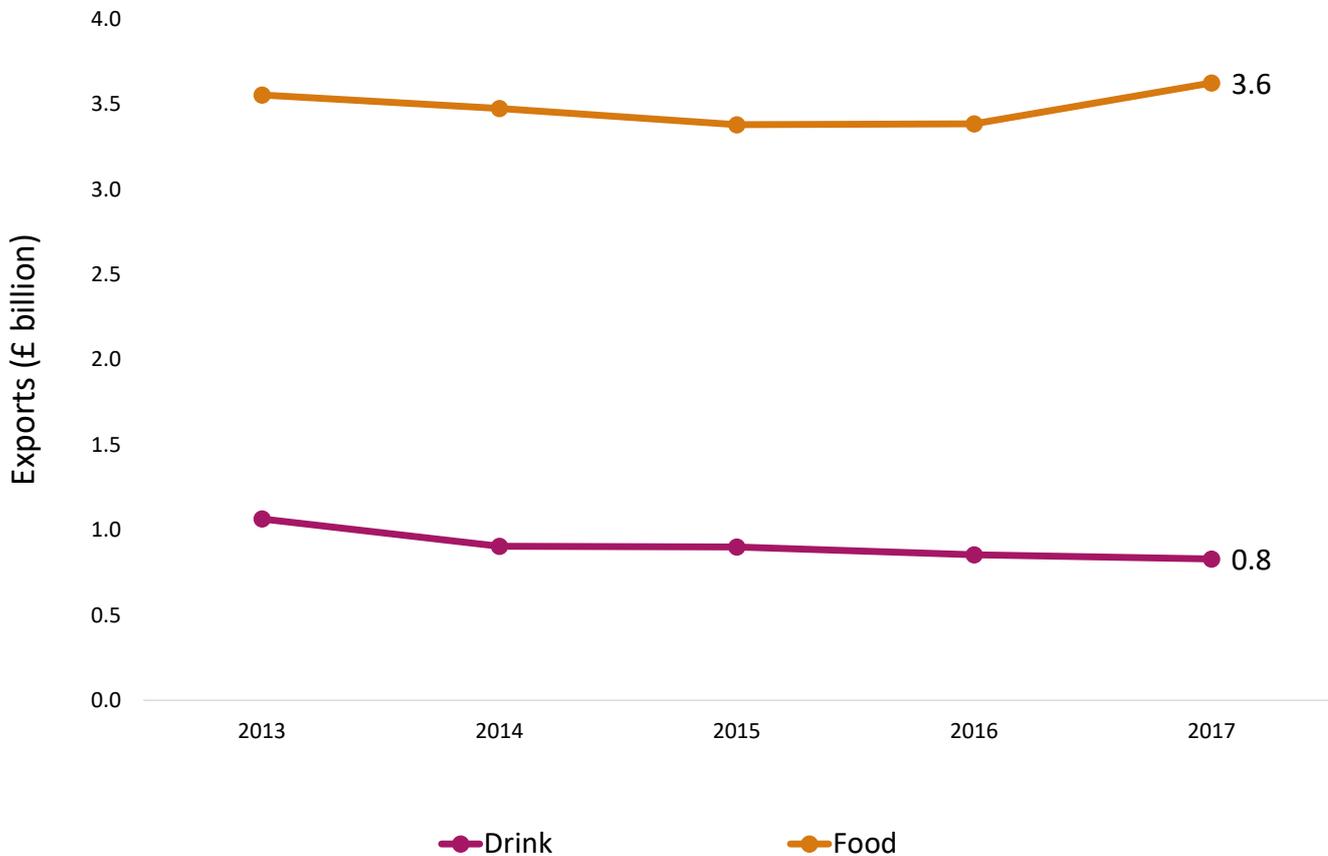


Source: HMRC 2018

Export Performance by Sub-sector – Rest of the UK

Food and drink exports to the rest of the UK² are dominated by exports of food which were worth £3.6bn in 2017. This figure has remained relatively stable since 2013. Drink exports to the rest of the UK, worth £830mn in 2017, have steadily declined since 2013 (Figure 3).

Figure 3: Food and Drink Exports to Rest of the UK by Sub-sector, 2013-2017



Source: Scotland's Export Performance Monitor

Our Strengths

- Scotland's food and drink products are in high demand from markets across the world.
- Scotland has an established international reputation for quality, provenance and luxury.
- Food and drink are well-connected and take a collaborative industry-led approach through Scotland Food and Drink
- They produce and offer a diverse range of products with broad international appeal.

² Data on food and drink exports to the rest of the UK is sourced from Scotland's Export Performance Monitor. For consistency with the international exports data, the starting year of 2013 is used.

Our Challenges

- Tariff barriers are one of the key challenges for the drinks industry as well as the variability of retail and distribution models across different markets.
- Capacity will always be a constraint, in particular with the maturation time associated with whisky production. This is part of the reason for seeing diversification into white spirits in the sector.
- Capacity is also an issue in the food sector, particularly in aquaculture and some of the agriculture sectors.
- Brexit and losing single market access would lead to loss of protected tariffs; increased administrative bureaucracy and costs burdens from non-tariff barriers; restrictions or removal of freedom of movement to an industry reliant on EU labour; reduction or removal of regulations that maintain the value and reputation of Scottish products.
- Structural challenges (e.g. availability of skilled staff and making careers in agriculture and fisheries more attractive) within the sector are being addressed collaboratively by Scotland Food and Drink and partner organisations.
- Making businesses more productive and profitable and mainstreaming innovation. Growing export performance will contribute to delivering these downstream benefits.
- Predominance of 5-6 large retailers dominating routes to market, with a similar situation emerging in food service, has resulted in an industry characterised by very low margins and profitability.
- Dependence on foreign labour in some sub-sectors.
- Limited number of strong brands and a lack of finance available to small businesses to build new brands or to invest in consumer insight.

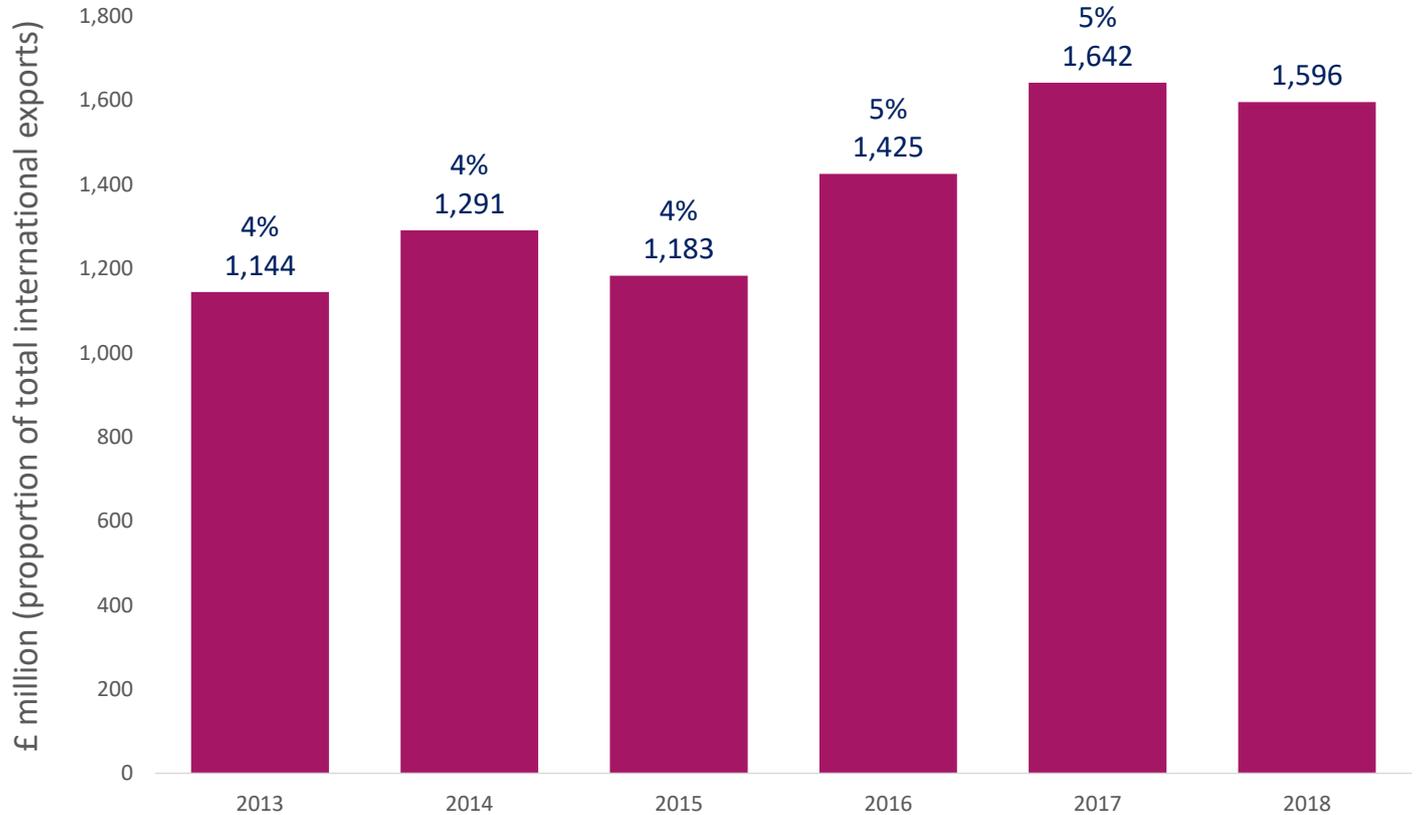
Our Opportunities

- Middle class consumer markets in developed and developing countries are expanding with Scottish origin branding being significant in positioning and driving market growth.
- White spirits dominate the global spirits market presenting an opportunity for some of the newer gin producers but leaving scope for growth and diversity in the market share for whisky.
- Significant opportunities remain to consolidate and expand on existing markets by focusing on the food sector for international markets through targeted retail and food service.
- Key markets in Scotland Food and Drink's export plan aligned to Export Growth Plan analysis identify potential export opportunities of around £1 billion (primarily in fish and seafood).
- Capacity constraints are particularly marked in the aquaculture sub-sector. Salmon farming in our biggest competitor Norway has grown in scale in recent years to dwarf that of Scottish producers. This despite Scottish waters offering some of the best conditions for salmon farming anywhere in the world. Adoption of more modern production processes, developing an enabling regulatory framework and addressing fish health challenges, would allow the industry to rapidly expand production sustainably. Given the growth in international demand, in particular for premium Scottish products, additional export sales of several hundred million pounds could be unlocked from this sub-sector alone.

The Scottish Food Sector

Food accounts for a growing proportion of exports and sales to the rest of the world tend to be focused on the premium end of the market for seafood, red meat and agricultural products (Figure 4).

Figure 4: International Food Exports, 2013-2018



Source: HMRC 2018, Scotland's Export Performance Monitor (for % of Total)

Current Export Markets

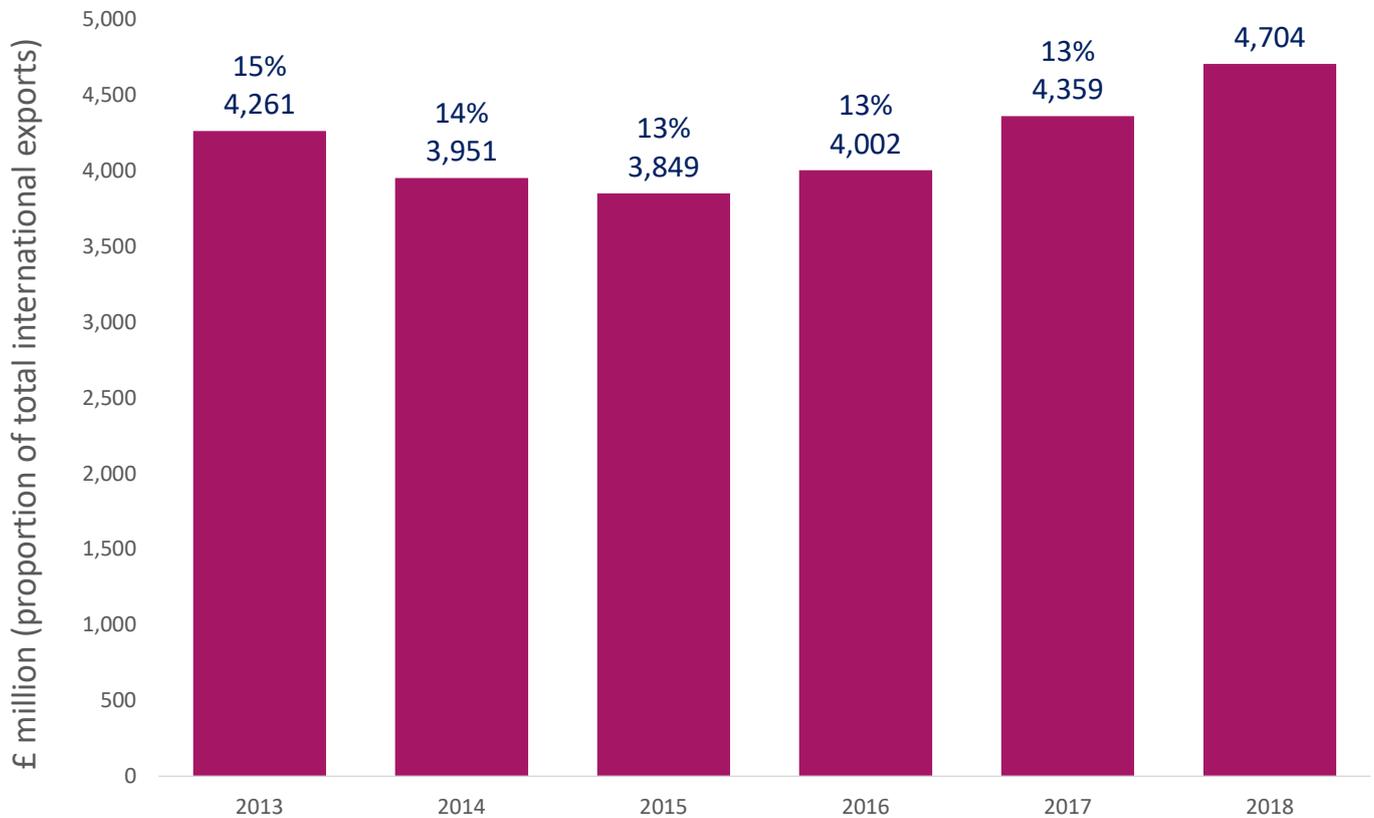
In 2018, the top five international export destinations for food exports were:

- France - £436 million
- Ireland - £181 million
- USA - £129 million
- Spain - £115 million
- Italy - £77 million

The Scottish Drinks Sector

Scotch Whisky is our leading single product export (mainly produced by a small number of large exporting companies). Gin and craft beer are building on whisky's success, creating collaborative opportunities and sharing sectoral best practice across the sector.

Figure 5: International Drink Exports, 2013-2017



Source: HMRC 2018, Scotland's Export Performance Monitor (for % of Total)

Current Export Markets

In 2017, the top five international export destinations for drink exports were:

- USA - £1,039 million
- France - £442 million
- Singapore - £320 million
- Germany - £174 million
- Spain - £170 million

NB: Singapore serves as an import/export hub for the Asia Pacific region which may artificially inflate its importance as an export destination.

Key Growth Markets

Analysis for *A Trading Nation*, identifies 15 priority markets in which there are significant opportunities to increase Scotland's exports as well as a further 11 where there are more specific sectoral opportunities. Table 2 below breaks down these opportunity markets for food and drink exports:

Table 2: Potential Opportunity Markets for Scotland's Food and Drink Exports

Category	Countries
Large and growing demand for imports in this sector	United States, Germany, Netherlands, China, Canada, Spain, Japan
Scotland currently underperforming similar competitors in this sector	Netherlands, Switzerland, Norway, Poland, Belgium, China, Italy, Australia

Source: Office of the Chief Economic Adviser calculations

Actions We Will Take

As part of the support for the Scotland Food and Drink Export Plan, the Scottish Government, Scottish Enterprise and SDI jointly spent £4.5mn over 2014-2019 to fund a number of in-market specialists in key markets across the world. This funding also included a contribution from industry and is helping Scottish food and drink companies boost their exports in these key markets. We have renewed this support for the next five years where we will:

- Support Scotland Food and Drink's strategy on premium products for premium markets in retail and food service through an enhanced network of in-market specialists.
- Support mentoring and company matching through the SFD Export Collaboration Charter and the FM Export Challenge programme.
- Support industry by making representations in Scotland's interests in respect of future trade agreements.

Stakeholder Consultation

In total, more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, some pertinent points from key consultees in this sector are captured below. Key consultees included the Scotch Whisky Association and Scotland Food and Drink.

The whisky industry is committed to sharing its expertise for the benefit of the wider food and drink sector. The Export Collaboration Charter will see the Scotch Whisky Association and Scotland Food and Drink work in partnership with Scottish Development International to:

- Promote collaboration through the regular exchange of information on export markets and opportunities.
- Share experience on different markets, co-operate on advice and mentoring.
- Facilitate working sessions with export specialists to encourage best practice.
- Create a company match-making service that encourages internationalisation.
- Arrange seminars on market access and protecting intellectual property in export markets.

- Discuss trade policy mechanisms and opportunities to tackle trade barriers.
- Advertise potential export and commercial opportunities to members.
- Partner on a regular basis to support the work of the Scotland Food and Drink network.
- Co-operate, where possible, so that Scottish products are regularly showcased at whisky events in export markets.
- Work together to support a number of Scotland Food and Drink and SDI events in priority markets.

Scotland's food and drink products are in high demand from premium markets across the world. The Scotland Food and Drink Export Plan is designed to help Scottish suppliers access those market opportunities, overcoming core barriers around lack of information and contacts, and distance from market. The plan brings together the collective resources of SDI, Scotland Food and Drink and key trade associations to help suppliers overcome these barriers and address wider export capability issues. It is based on having a team of in-market specialists in each of the priority markets to open doors for Scottish suppliers, providing market insights and connecting them with new customers and opportunities.

Some common barriers to export have been identified, including:

- Limited operational expertise able to deal with logistical and technical/labelling aspects of exporting. There is a real need to create an "Export Support Hub" to provide practical support in Scotland to develop routes to market and provide regulatory advice.
- There are inconsistencies in the issuing of export licences by local authorities. The inconsistencies relate to varying costs from different councils, interpretation of the rules and timing. The issues in this area were serious enough for at least one company to have stopped exporting live shellfish to the Far East entirely.
- Lack of chilled freight storage facilities at Scottish airports and 24 hour Environmental Health Officer inspection services.
- Lack of overseas flights direct from Scotland that can carry freight (freight carried on passenger aircraft and, as these are generally narrow-bodied, this limits both the volume and the type of packaging that can be used).
- Reliance on Channel Tunnel and sea crossings with tight logistic timings for perishable product (mainly seafood).
- Concerns over the declining number of commercial vets to approve product exports.

In addition, there are some sector-specific challenges. In sectors such as seafood, salmon and red meat, there is a limited supply of product, therefore companies need to make very careful market choices. Having direct guidance from the in-market specialists on market opportunities and using the team to make direct connections with potential customers is helping with market selection and entry.



Engineering and Advanced Manufacturing

Introduction

The engineering and advanced manufacturing sector is one of Scotland's largest export sectors. It includes both the manufacturing and engineering services side of engineering. The largest subsectors are advanced manufacturing, transport equipment and engineering services.

In 2017, the engineering and advanced manufacturing sector accounted for 9.6 per cent of total enterprises in Scotland, 7.3 per cent of total employment and 9.9 per cent of total turnover (see Table 1 for more detail).

Table 1:
Engineering and Advanced Manufacturing, Number of Enterprises, Employment and Turnover, 2017

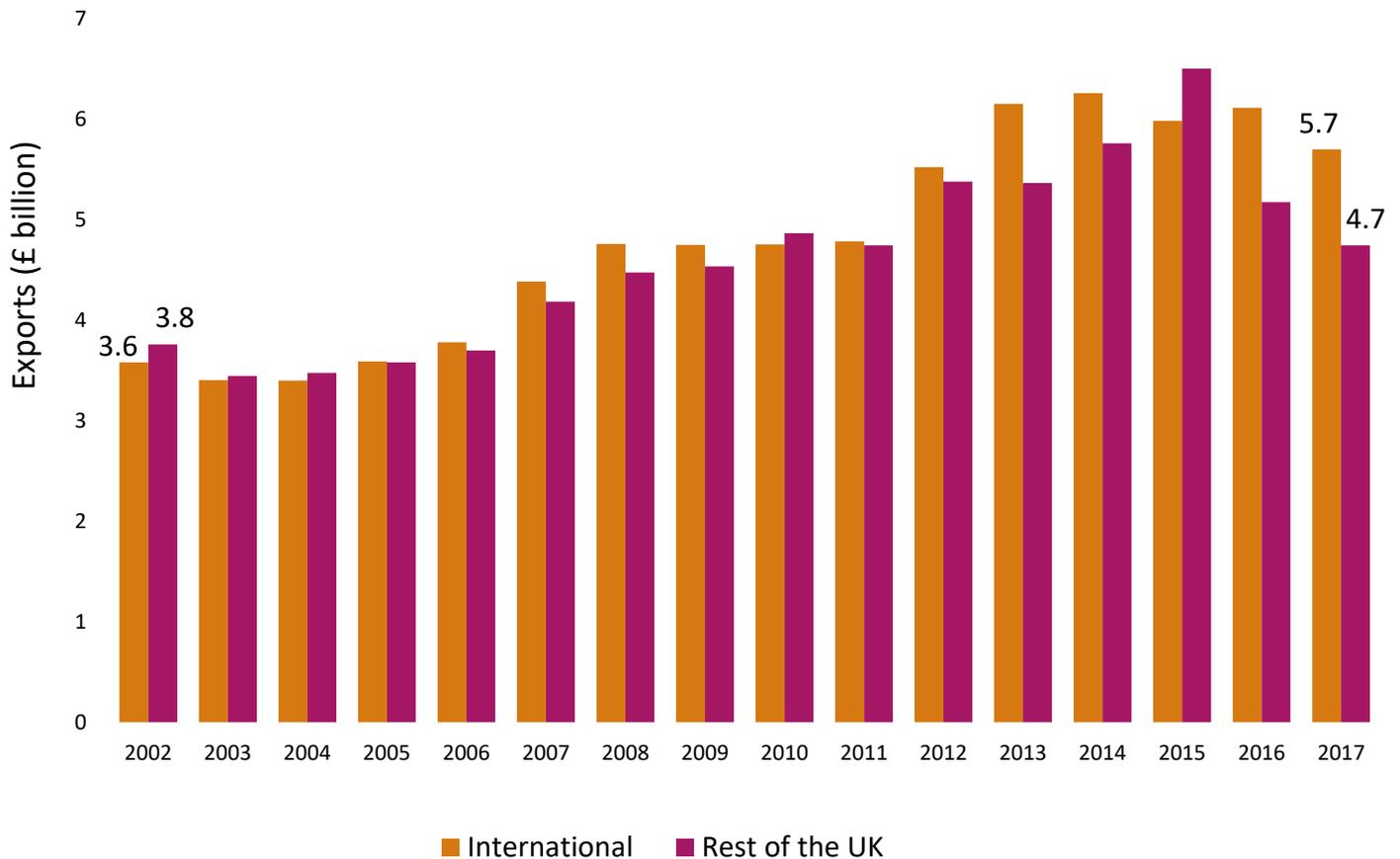
All Private Sector VAT/PAYE Registered Enterprises						
Sector/Sub-sector	Enterprises	Employment	Turnover (£ million)	Enterprises (% of total)	Employment (% of total)	Turnover (% of total)
Engineering and Advanced Manufacturing	16,935	141,940	25,784	100%	100%	100%
Metal Manufacturing	2,095	24,770	3,115	12%	17%	12%
Advanced Manufacturing	1,140	29,800	4,979	7%	21%	19%
Transport Equipment	305	14,730	3,510	2%	10%	14%
Engineering Services	12,590	67,360	13,669	74%	47%	53%
Other Manufacturing	800	5,300	512	5%	4%	2%

Source: Inter-departmental Business Register (IDBR). Proportions may not sum to 100 due to rounding.

Export Performance

In 2017, the engineering and advanced manufacturing sector accounted for around **17.6 per cent (£5.7bn)** of Scotland's total international exports and 9.7 per cent (£4.7 bn) of Scotland's total exports to the rest of the UK. International exports and exports to the rest of the UK have grown relatively consistently over time in this sector, although there has been a reduction in exports in recent years (Figure 1).

Figure 1:
Engineering and Advanced Manufacturing Exports, International and Rest of UK, 2002-2017

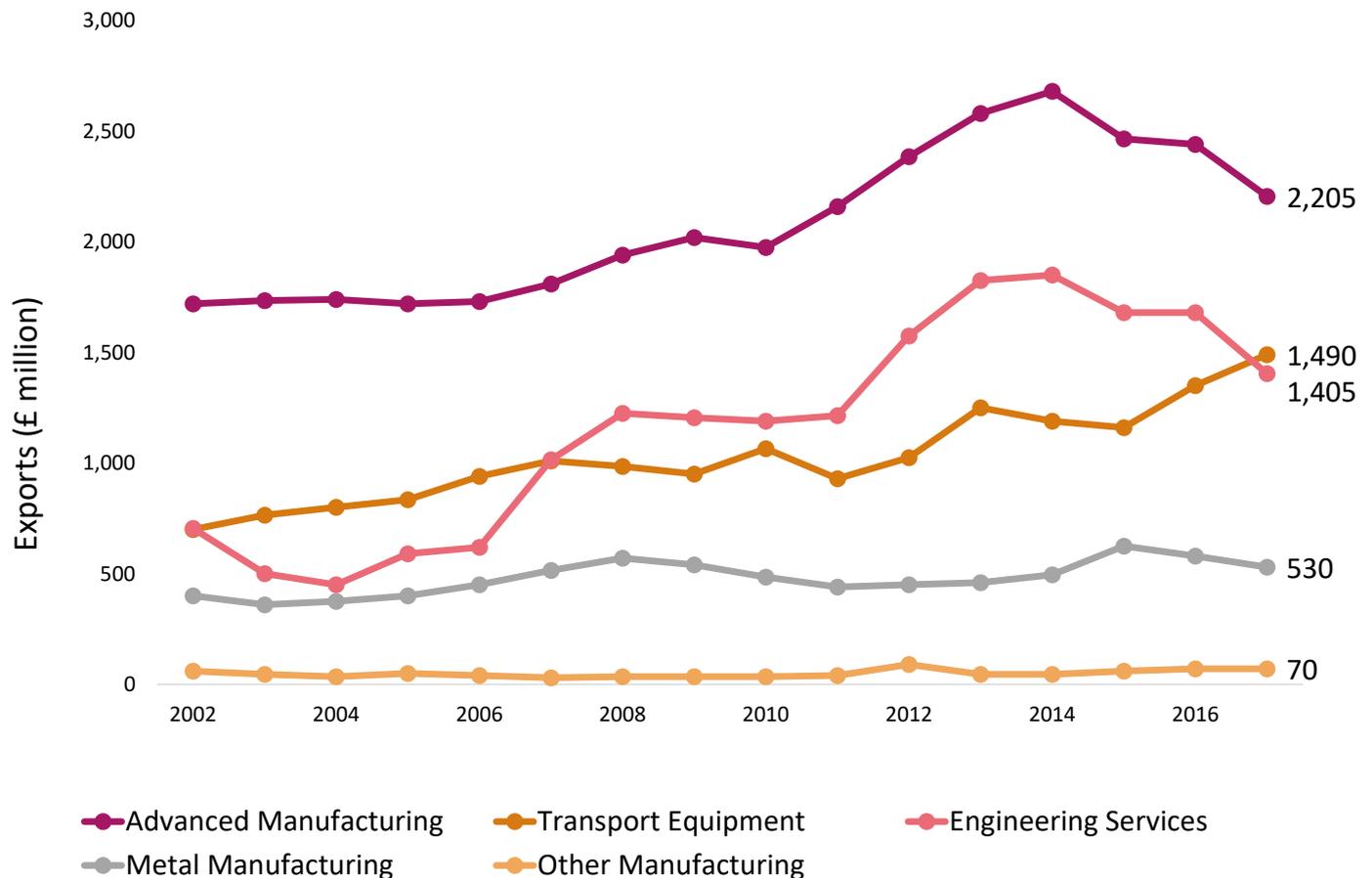


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector - International

In 2017, the majority of international exports in the engineering and advanced manufacturing sector was accounted for by three sub-sectors: engineering services, transport equipment and advanced manufacturing. Almost all sub-sectors have grown since 2002, with engineering services, advanced manufacturing and transport equipment showing the strongest growth over the period (Figure 2). That said, exports from some sub-sectors (notably engineering services and advanced manufacturing), have weakened in recent years.

Figure 2:
Engineering and Advanced Manufacturing International Exports by Sub-sector, 2002-2017

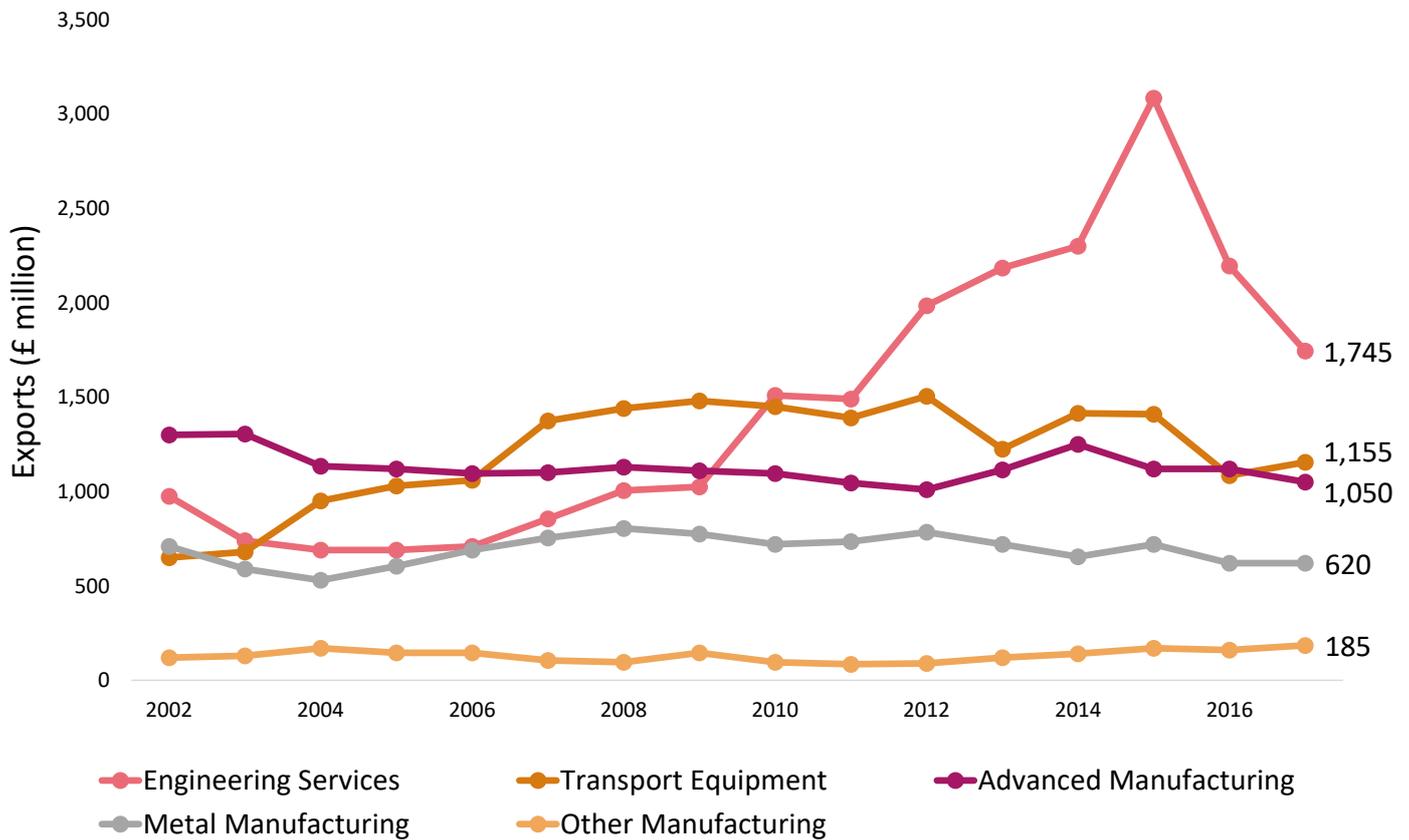


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector - Rest of the UK

Similar to international exports, the majority of exports to the rest of the UK in the engineering and advanced manufacturing sector was accounted for by engineering services, transport equipment and advanced manufacturing. Engineering services exports have grown significantly over time, despite declining in recent years (Figure 3). This growth has partly been driven by the provision of services to the oil and gas sector, including the North Sea UK Continental Shelf (which is counted as an export to “Rest of the UK” in the data).

Figure 3:
Engineering and Advanced Manufacturing, Exports to Rest of UK by Sub-sector, 2002-2017



Source: Scotland's Export Performance Monitor

Our Strengths

- Scotland already has an international reputation for excellence in these fields with many senior positions in international companies held by Scottish engineers.
- Having a resource like the Scottish Manufacturing Advisory Service (SMAS) to support businesses develop.
- Research and development has great potential with the right partnerships with universities.
- Graduate apprentices are a valuable resource – 80%/20% split between employment and academia. Work-based learning is more effective and facilitates accreditation.
- Direct competitors are willing to work together and collaborate which facilitates the peer-to-peer mentoring approach.

Our Challenges

- Ensuring the right support is available for peer-to-peer mentoring to upskill the leadership teams of SMEs, helping them move towards internationalisation.
- An industry-wide staff shortage stretching beyond the UK to the rest of Europe. Globally the sector is short on civil, mechanical and electrical engineers:
 - Lack of skilled engineers in a sector where technology is developing rapidly.
 - 2017 Engineering UK forecast the need for 265,000 skilled workers annually until 2024 (including 79,000 emerging engineering-related roles per year).
- Brexit uncertainty for the sector for a number of reasons:
 - recruitment – the sector currently employs a lot of overseas workers whose rights to work in the UK may be affected.
 - retaining international talent to enter the workforce as the UK is now a less attractive option.
 - continuing international collaboration due to differing restrictions under EU and upcoming UK laws.
 - negative impacts on supply chains – increased complication of safety regulations, checks on imports in and out of the EU.

Our Opportunities

- Commitment to delivering the Advanced Manufacturing Innovation District Scotland (AMIDS) which will be an internationally recognised centre for innovation, research and manufacturing allowing the sector in Scotland to be at the forefront of world leading approaches in the sector.
- Strong network of GlobalScots in this sector who can support identification of opportunities and provide soft landing for businesses.

Current Export Markets

In 2017, the top five international export destinations for the engineering and advanced manufacturing sector as a whole were:

- USA
- Germany
- France
- Netherlands
- Norway

The top five export markets vary between sub-sectors, a more detailed breakdown is provided below (Table 2).

Table 2:
Top Five Destinations for Engineering and Advanced Manufacturing Exports by Sub-sector, 2017¹

Sub Sector	Country
Advanced Manufacturing	Germany, France, USA, Italy, Netherlands
Transport Equipment	USA, Poland, Netherlands, Brazil, Canada
Engineering Services	USA, Switzerland, Ireland, Norway, Germany

Source: Scotland's Export Performance Monitor

Key Growth Markets

Analysis for *A Trading Nation*, identifies 15 priority markets in which there are significant opportunities to increase Scotland's exports as well as a further 11 where there are more specific sectoral opportunities. Table 3 below breaks down these opportunity markets for engineering and advanced manufacturing exports.

Table 3:
Potential Opportunity Markets for Scotland's Engineering and Advanced Manufacturing Exports

Engineering and Advanced Manufacturing:

Category	Countries
Large and growing demand for imports in this sector	United States, Germany, China, Italy, Canada, Spain, Mexico
Scotland currently underperforming similar competitors in this sector	Germany, Netherlands, Poland, China, Ireland, South Korea

Source: Office of the Chief Economic Adviser calculations

¹ For some sub-sectors, the values at a destination country level are less robust. Where this is the case they have not been included in this table

Actions We Will Take

- Industry, SDI and Scottish Government will work together on market development plans in selected sub-sectors and markets.
- Supporting the development of international leadership and sales skills in businesses.
- Working through industry bodies to share innovation and exporting best practice to engineering SME's.
- Addressing access to high quality graduate and technical talent supply.
- Ensuring continued availability of skilled overseas employees (post-Brexit).
- Championing access to business finance linked to export growth plans.
- Identifying GlobalScots/Trade Envoys who are in a position to provide advice/support/introductions to benefit businesses in this sector.
- Exploring ways of making our data analysis models on the sector available to help to identify the exporting gaps.

Stakeholder Consultation

In total, more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, some pertinent points from key consultees in this sector are captured below.

Key consultees in this sector included [Scottish Engineering](#) and [Association for Consultancy and Engineering](#).

There is a general acknowledgment of the challenges linked to handling and analysing export data held as it identifies the point of shipment, rather than of the destination country.

The export value gap used as an analysis tool for identifying opportunities as part of this plan is positive and ties in to the industry identifying areas with strong export potential and helps them focus on their development.

There is a need to support businesses improve their leadership capacity, particularly SMEs, in order to move towards internationalisation. Peer-to-peer mentoring is the most effective way of helping to upskill and in general, in this industry, direct competitors are willing to work together and collaborate.

There is a need to spread awareness of available support and it is important to have continuing and consistent programmes that help exporters and 'potential exporters' engage. A structured approach for each market with programmes focused on what is of most interest to businesses is what is required for this sector.



Energy

Introduction

The energy sector in Scotland is of huge economic importance. This is recognised in the 2018 Programme for Government which sets out ‘the transition to a low carbon economy’ as a key government priority.

The 2017 [Energy Strategy](#) and the 2018 [Climate Change plan](#) outline a “2050 vision” for a flourishing, competitive local and national energy sector, whilst setting specific targets for the Scottish energy system to meet by 2030:

- the equivalent of 50 per cent of the energy for Scotland’s heat, transport and electricity consumption to be supplied from renewable sources; and
- an increase by 30 per cent in the productivity of energy use across the Scottish economy.

For the purposes of this analysis, the energy sector is split into two distinct sub sectors, energy support, which is predominately companies providing support to the offshore oil and gas sector, and mining and utilities. **Oil and gas exports, as carried out by companies involved in the actual extraction of oil and gas, are excluded from this analysis.** Given the diversity across the energy sector, it is also the case that activity within energy will be captured as part of a wider group of sectors within the Scottish economy, for example in engineering and advanced manufacturing.

In 2017, the Energy sector accounted for 0.8 per cent of total registered enterprises in Scotland (1,435), 3.3 per cent of employment (64,870 employees) and 15.3 per cent of total turnover (£39.9bn) (Table 1).

Table 1: Energy, Number of Enterprises, Employment and Turnover, 2017

All Private Sector VAT/PAYE Registered Enterprises						
Sector/Sub sector	Enterprises	Employment	Turnover (£ million)	Enterprises (% of total)	Employment (% of total)	Turnover (% of total)
Energy	1,435	64,870	39,921	100%	100%	100%
Energy Support	130	17,860	4,479	9%	28%	11%
Mining and Utilities	1,305	47,010	35,442	91%	72%	89%

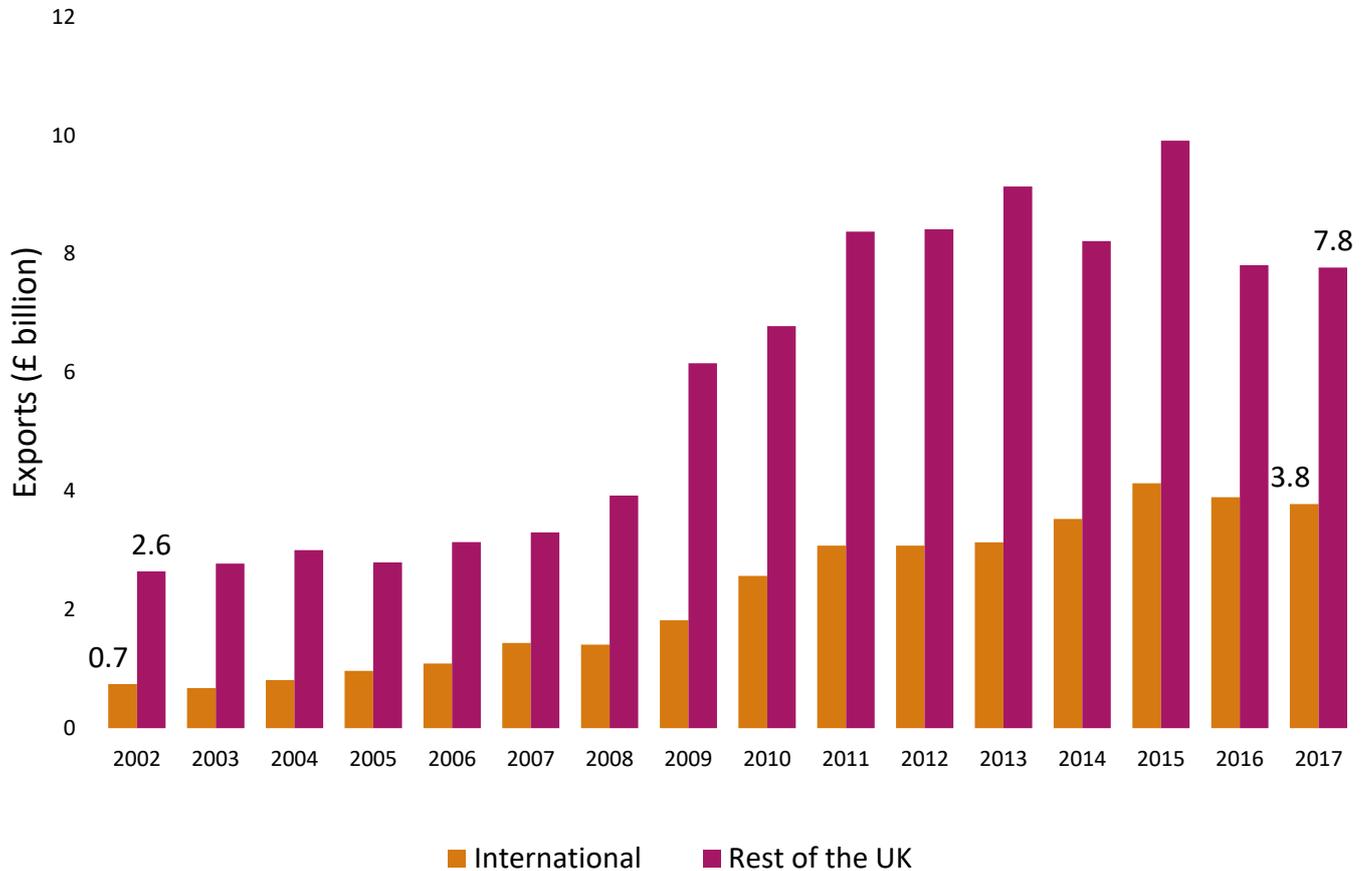
Source: Inter-departmental Business Register (IDBR). Proportions may not sum to 100 due to rounding.

As above, activity in the energy sector is likely to be included within a wider group of sector activity. Oil and Gas UK estimate that, including indirect and induced employment, around 110,000 jobs in Scotland were supported by the oil and gas industry at the end of 2018. In addition, figures published by ONS indicate that the Scottish low carbon and renewable energy sector supported over 46,000 jobs in 2017.

Export Performance

In 2017, the energy sector accounted for **11.7 per cent (£3.8bn)** of Scotland's international exports and 15.9 per cent (£7.8bn) of Scotland's exports to the rest of the UK. International exports and exports to the rest of the UK have grown significantly since 2002, though growth has weakened in recent years (Figure 1).

Figure 1: Energy Exports, International and Rest of UK, 2002-2017

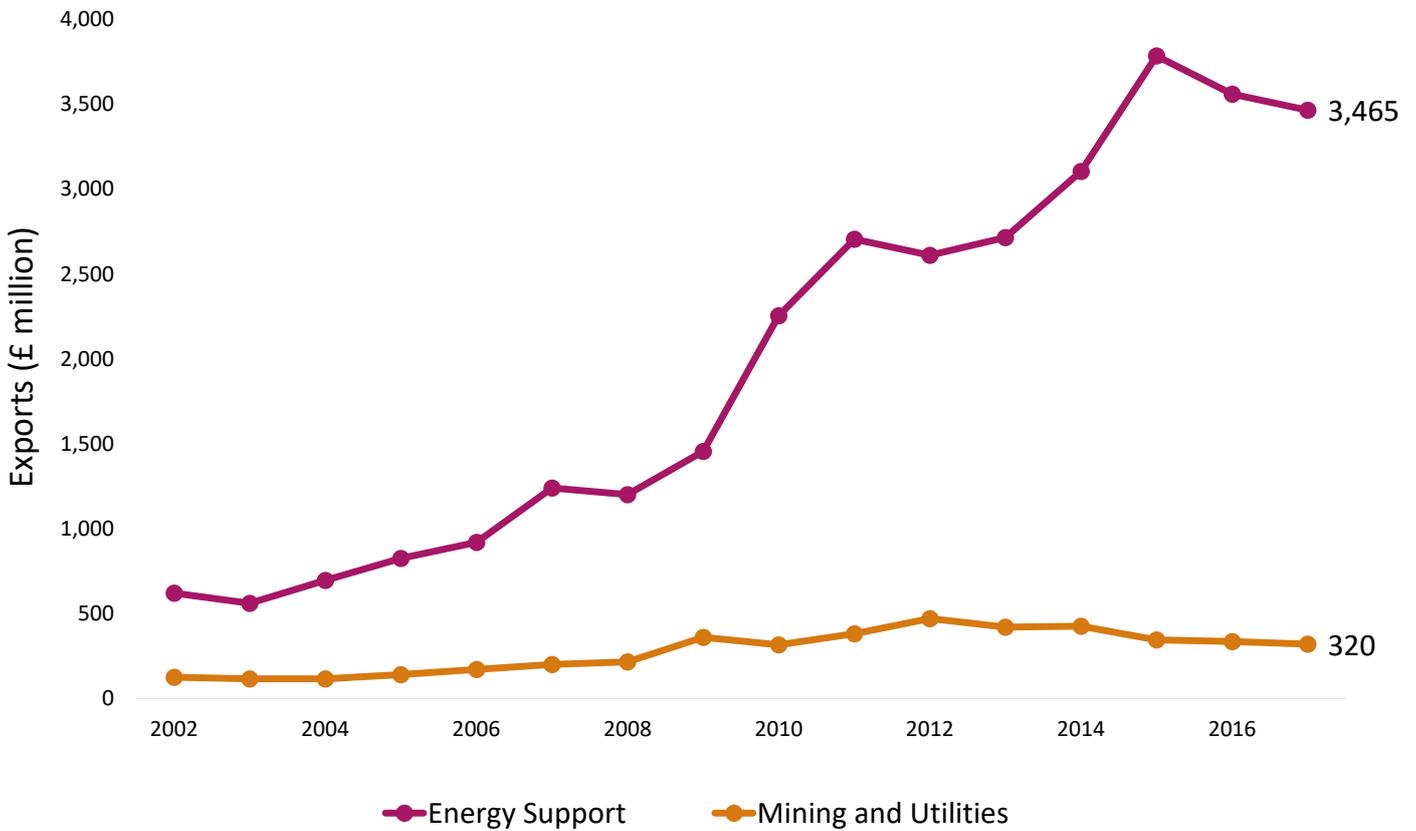


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector - International

In 2017, the energy support sub-sector accounted for 91.6 per cent (£3.5bn) of international exports from the energy sector. Exports from this sector have increased significantly over time. However, there have been signs of weaker growth in recent years (Figure 2).

Figure 2: Energy International Exports by Sub-sector, 2002-2017

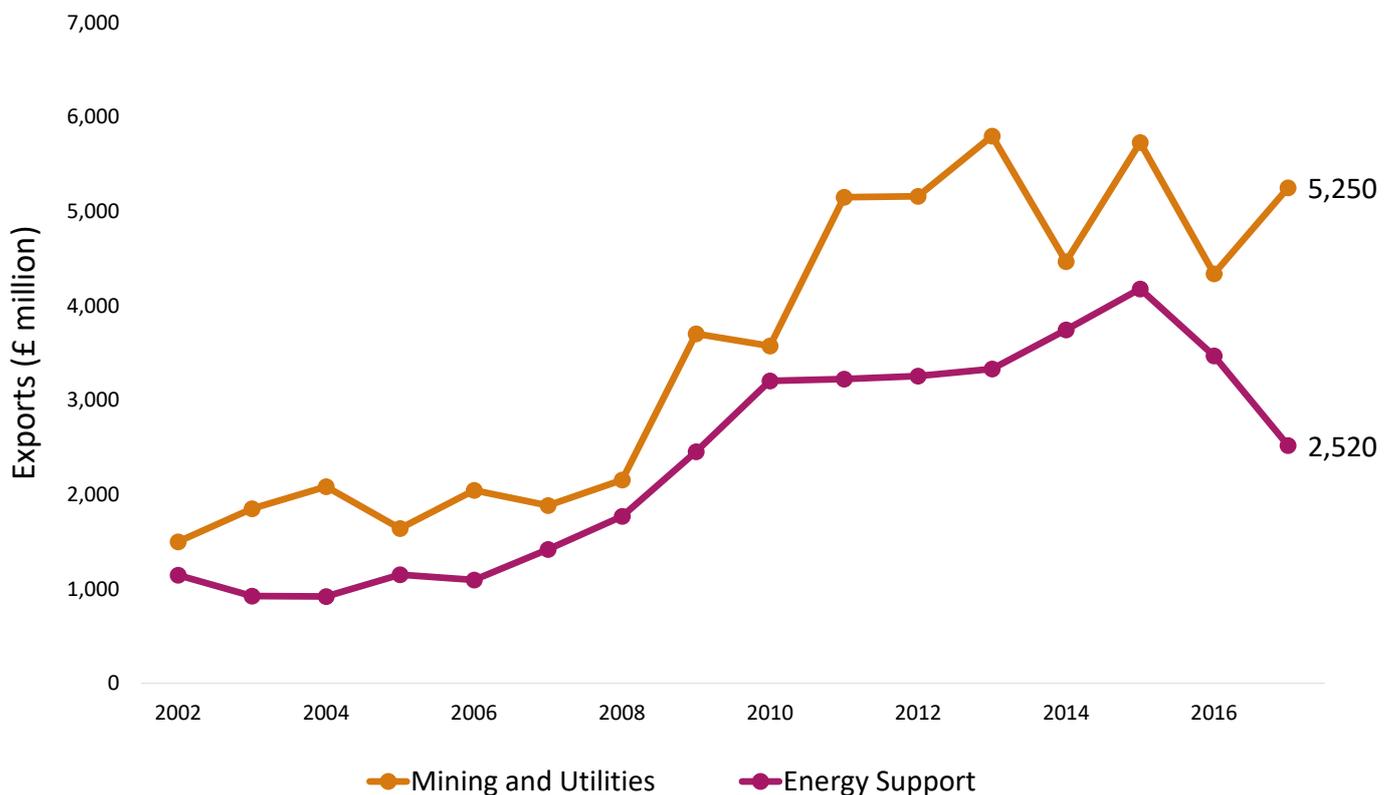


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector – Rest of the UK

In contrast to international exports, mining and utilities accounted for the largest proportion (67.6 per cent, £5.3bn) of energy exports to the rest of the UK. Exports from this sub-sector have grown significantly over time, despite becoming relatively volatile in recent years (Figure 3). The majority of this sub-sector is from the utilities sector and in particular, relates to Scottish electricity exports to the rest of the UK. Energy support activities were also a large contributor to exports to the rest of the UK, despite a decline in recent years. This is predominately exports of services to the oil and gas sector in the North Sea (which is counted as an export to rest of the UK in the data).

Figure 3: Energy Exports to Rest of the UK by Sub-sector, 2002-2017



Source: Scotland's Export Performance Monitor

Our Strengths

- Knowledge and expertise, built on experience of operating in the North Sea, such as vital subsea skills, that can help overcome the engineering and innovation challenges presented by moving to a low carbon future.
- Abundant natural resources, i.e. water, wind and the renewable sector has effectively harnessed these over the last decade, with over 10 GW of renewable electricity capacity operating in Scotland.
- Long-term vision, through Scotland's Energy Strategy, providing certainty to businesses investing in renewables and other low carbon technologies.
- Long established oil & gas sector which is a key component of our energy system and economy, contributing to energy security and supporting hundreds of thousands of high-value jobs.
- £90mn commitment over the next decade to support the Oil & Gas Technology Centre as part of the Aberdeen City Region Deal. The Technology Centre and the Oil and Gas Innovation Centre support a sector specific research and innovation ecosystem.

- Global leader in subsea engineering and world-renowned hub with potential for strong growth in international markets.
- Global leader in nuclear decommissioning, in particular in complex sites. There is worldwide interest in this expertise, most notably from Japan.
- UK and Scottish Governments committed to supporting enhanced nuclear decommissioning capacity & promoting expertise internationally (e.g. via Nuclear Sector Deal and the Higher Activity Waste Policy & Energy skills action plan).

Our Challenges

- Ensuring that the Scottish supply chain captures the economic opportunities from decommissioning, both oil and gas and nuclear. (Oil and gas decommissioning market is forecast to reach £15bn by 2025. Global nuclear decommissioning market, estimated to be worth over £300bn over the next decade).
- Making the right connections and having access to the right information in-market
- Availability of funding for growth (including people resource).
- Inconsistent policy priorities leading to patchy government funding for projects in some markets (more of an issue in renewables where projects may not be commercially viable).
- Protectionism in some markets leading to challenging trading conditions in an already highly competitive tendering process.

Our Opportunities

- Global subsea expenditure is forecast to total more than £100bn during the five-year period from 2017-2021 and is forecast to grow to £140bn by 2035.
- Analysis by the International Finance Corporation indicates that the Paris Agreement will help open up \$23tn worth of opportunities for climate-smart investments in emerging markets between 2016 and 2030.
- Globally, reactor decommissioning plans will have to be accelerated in line with the plans of countries such as Germany, Switzerland and Belgium that intend to end nuclear generation by 2030. Over 200 nuclear power plants are estimated to close worldwide by 2030. The European commercial reactor decommissioning market is estimated at £53bn (Notably: UK £12.4bn, France £13.78bn, Russia £8.6bn). The Asian-Pacific region market is estimated at £13bn and North America at £5.2bn

Current Export Markets

In 2017, the top five international markets for the Energy exports overall were:

- Brazil
- USA
- Netherlands
- Norway
- Denmark

The top five international export markets vary between the sub-sectors, a more detailed breakdown is provided below (Table 2).

Table 2: Top Five International Destinations for Energy Exports by Sub-sector, 2017¹

Energy Sector	
Energy Support	Brazil, USA, Netherlands, Norway, Denmark

Source: Scotland's Export Performance Monitor

Key Growth Markets

Analysis carried out for the Export Growth Plan identifies 15 priority markets in which there are significant opportunities to increase Scotland's exports as well as a further 11 where there are more specific sectoral opportunities. Table 3 below breaks down these opportunity markets for energy exports:

Table 3: Potential Opportunity Markets for Scotland's Energy Exports

Energy:

Category	Countries
Large and growing demand for imports in this sector	France, Netherlands, Belgium, Singapore,
Scotland currently underperforming similar competitors in this sector	France, Poland, Sweden, Canada, Australia, India, Singapore, South Korea

Source: Office of the Chief Economic Adviser calculations

Actions We Will Take

- Support SDI to maximise the energy sector's economic opportunities on the global low carbon transition market by:
 - Helping existing exporters in the sector access new geographical markets to accelerate their export growth.
 - Supporting the oil and gas supply chain trend in diversifying internationally to grow their businesses.
 - Increase the number of active exporters in the sector in Scotland by stimulating greater ambition to export.
- Work with stakeholders on data challenges by making our data analysis models on the sector available to help to identify the exporting gaps.
- Invest, with SDI and Opportunity North East, in five overseas energy in-market specialist posts. The specialists will take on a proactive trade development roles to identify and highlight new business opportunities for the Scottish energy supply chain through building relationships with customers, government departments, regulators and intermediaries, helping to facilitate improved international links for Scottish oil and gas and energy companies.
- Pursue diplomatic and policy outreach both bilaterally (for example in fulfilling our MoU with New Jersey and California governments) and with international partners such as The Climate Group, in support of trade opportunities as part of a "One Scotland" approach.
- Develop a Scottish nuclear decommissioning capability statement & international mapping & networking exercise.

¹ For some sub-sectors, the values at a destination country level are less robust. Where this is the case they have not been included in this table.

Stakeholder Consultation

In total, more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, some pertinent points from key consultees in this sector are captured below.

Key consultees in this sector included [Scottish Renewables](#) and the [Energy Industries Council](#). All consultees were supportive of the development of the plan and highlighted the strengths that they see in the sector in Scotland, in particular the skill base, the transferability of experience in the North Sea to other disciplines and the global reputation that Scotland enjoys within the sector. All stakeholders pointed to the global nature of the energy challenge with every country in the world seeking to make the transition to being a low carbon economy and most making commitments to decommission existing nuclear sites. All stakeholders agreed that Scotland is well positioned to respond to these opportunities and highlighted the importance of government-to-government relationships in supporting this.

All stakeholders identified the challenges and limitations of data with the rigid nature of SIC codes not providing the most helpful guide to understand the breadth of activities and sub-sectors in which a single business may operate.



Technology, Digital and Media

Introduction

The technology, digital and media sector contains the following sub-sectors:

- Manufacture of computer, electronic and optical products,
- Digital industries,
- IT and telecommunications and
- Publishing and audio visual.

The analysis in this report is based on the sector definitions from Scotland's Export Performance Monitor. This definition allows for consistent analysis to be carried out and eliminates the risk of double-counting companies across multiple sectors. This sector covers a broad range of activities from the manufacturing of computer equipment to software development and parts of the creative industries.

While this definition is organised to best match the sector definition used by our enterprise agencies and Scottish Development International (SDI), the support they provide covers a wider range of action than that described in this analysis. For example, in addition to the activities covered here, our enterprise agencies support the role of digital technologies within the whole economy (i.e. the supporting infrastructure and development of digital technologies in every industry).

In 2017, the technology, digital and media sector accounted for 6.4 per cent of total registered enterprises in Scotland, 4.2 per cent of employment and 7.2 per cent of total turnover.

Table 1: Technology, Digital and Media, Number of Enterprises, Employment and Turnover, 2017

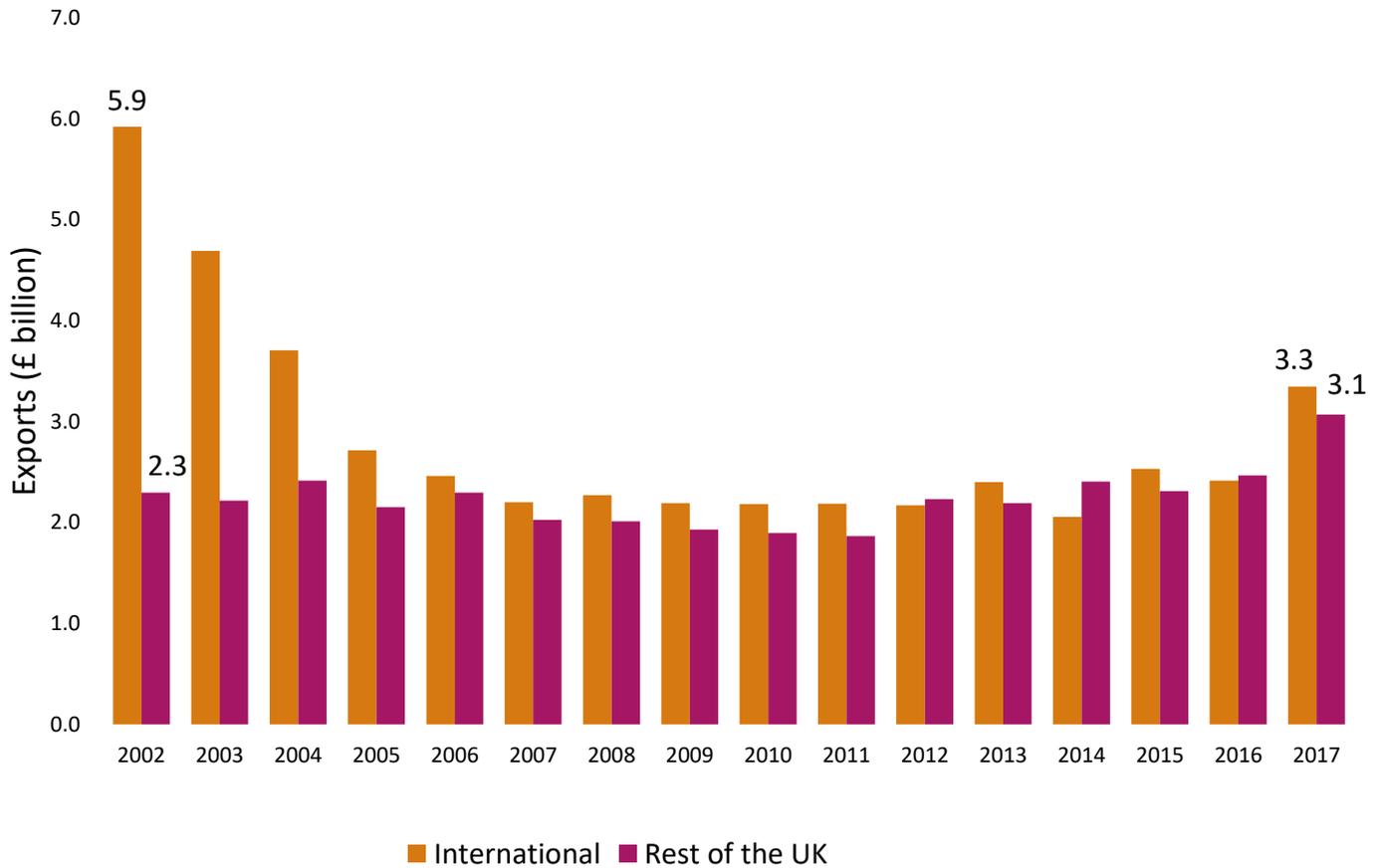
All Private Sector VAT/PAYE Registered Enterprises						
Sector/Sub sector	Enterprises	Employment	Turnover (£ million)	Enterprises (% of total)	Employment (% of total)	Turnover (% of total)
Technology	11,325	80,810	18,711	100%	100%	100%
Manufacture of Computer, Electronic and Optical Products	365	9,740	1,912	3%	12%	10%
Digital Industries	8,160	33,100	10,958	72%	41%	59%
IT and Telecommunications	840	22,740	4,402	7%	28%	24%
Publishing and Audio Visual	1,965	15,230	1,439	17%	19%	8%

Source: Inter-departmental Business Register (IDBR). Proportions may not sum to 100 due to rounding.

Export Performance

In 2017, the technology, digital and media sector accounted for **10.3 per cent (£3.3bn)** of Scotland's total international exports and **6.3 per cent (£3.1bn)** of Scotland's total exports to the rest of the UK. International exports in this sector declined significantly between 2002 and 2007 following the "dot-com bubble" in the early 2000s and the subsequent decline of Scotland's electronics manufacturing industry. However, exports have shown some improvement in recent years (Figure 1).

Figure 1: Technology, Digital and Media Exports, International and Rest of UK, 2002-2017

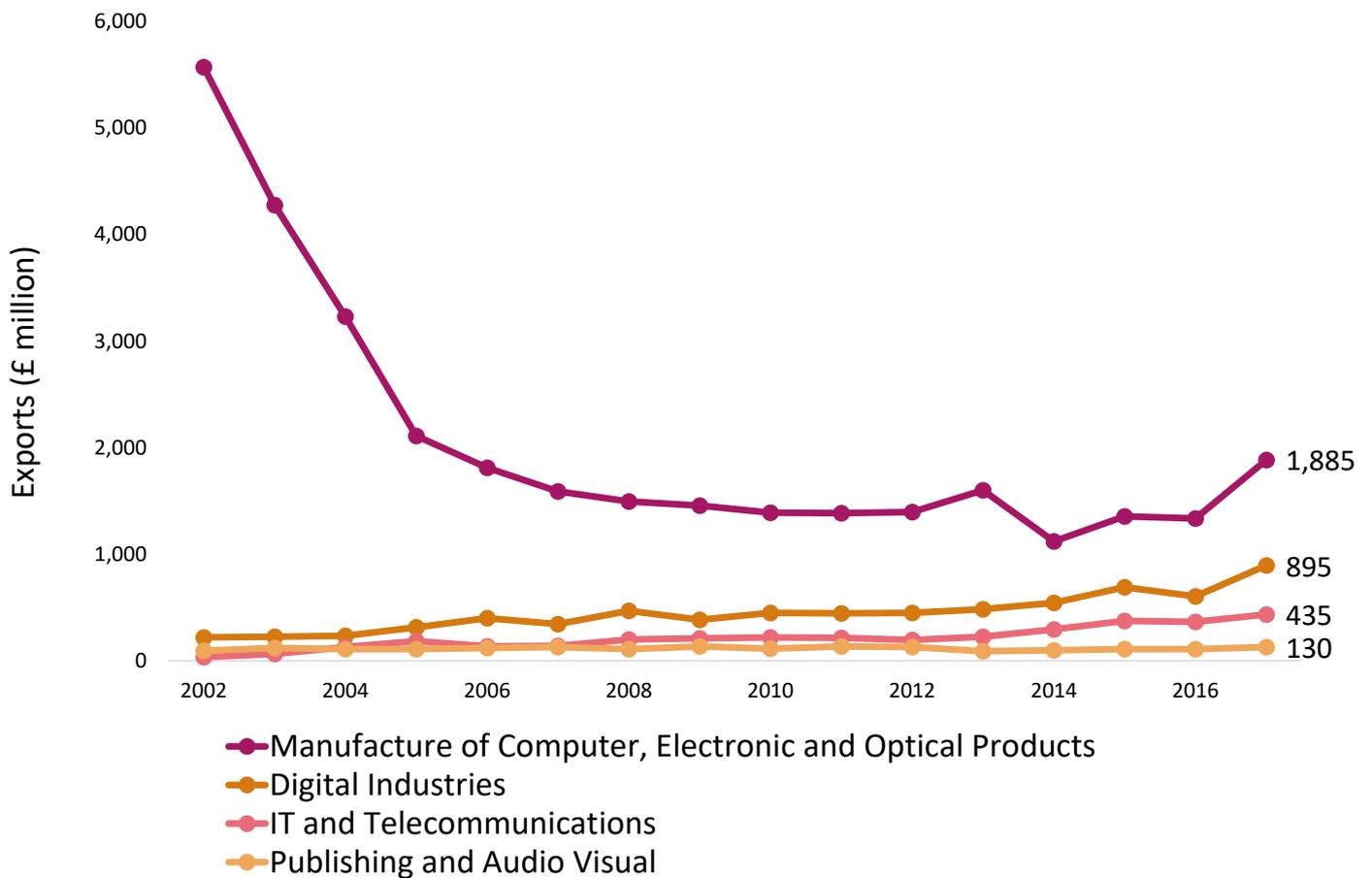


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector – International

In 2017, the manufacture of computer, electronic and optical products sub-sector accounted for **56 per cent (£1.9bn)** of international exports in this sector. The impact of the “dot-com bubble” is particularly apparent in this sub-sector, with international exports declining by around £1bn per year between 2002 and 2005 (Figure 2). The other sub-sectors also make notable contributions to exports in this sector. In particular, digital Industries and IT and telecommunications have grown relatively consistently over time.

Figure 2: Technology, Digital and Media, International Exports by Sub-sector, 2002-2017

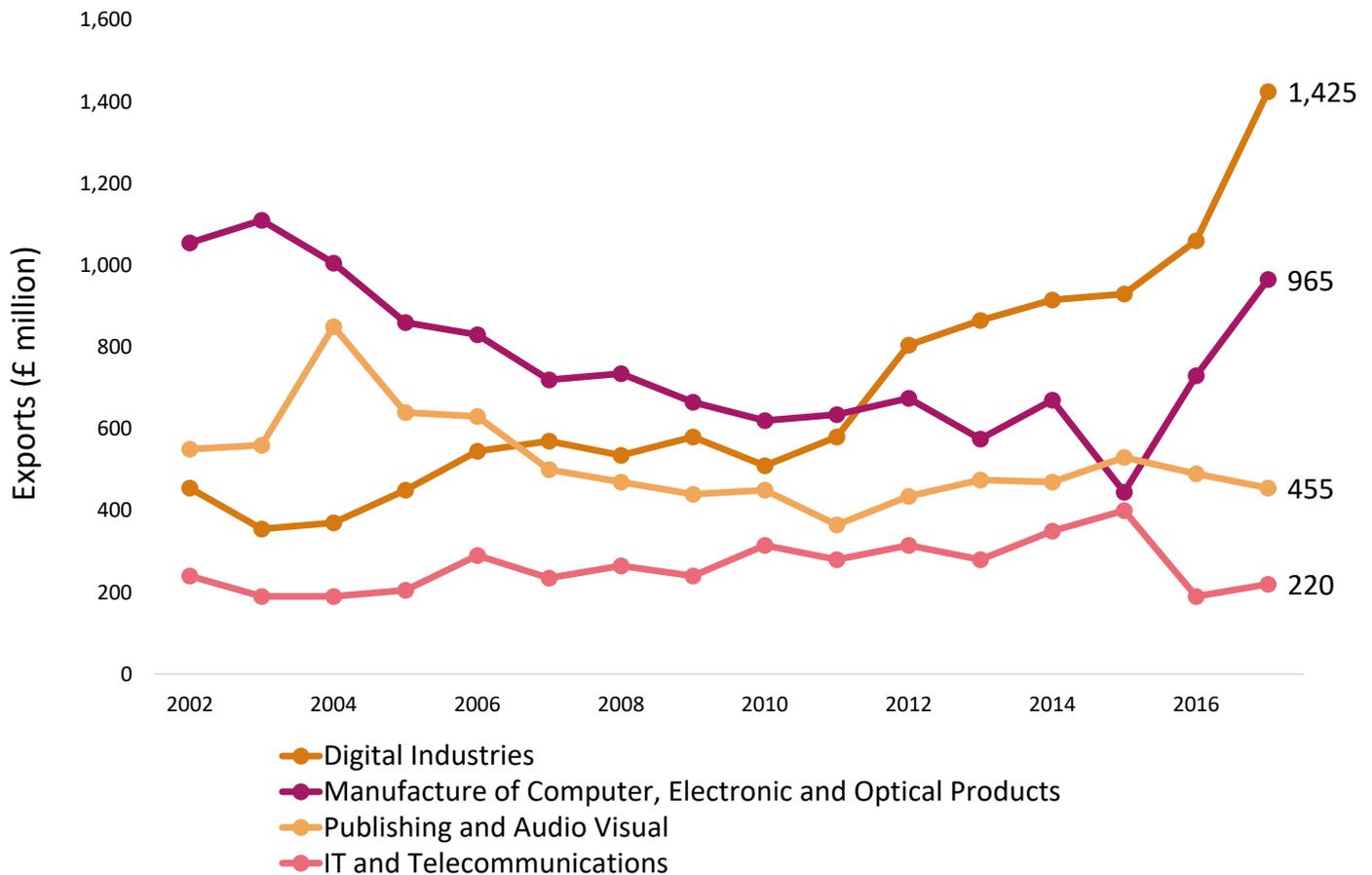


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector – Rest of the UK

In contrast to international exports, digital industries accounted for the largest share of exports (46 per cent, £1.4bn) to the rest of the UK in this sector in 2017. Exports in this sub-sector have shown strong growth over time, particularly between 2010 and 2017 (Figure 3). Notably, the manufacture of computer, electronic and optical products sub-sector has shown strong growth since 2015, interrupting its consistent decline since 2002.

Figure 3: Technology, Digital and Media, Exports to Rest of the UK by Sub-sector, 2002-2017



Source: Scotland's Export Performance Monitor

Our Strengths

- The University of Edinburgh's School of Informatics ranks among the best in the world with a dynamic start-up scene attracting global venture capital.
- Incremental growth in exports across broad classifications like software development and applications is indicative of Scotland's comparative advantage in some areas of specialised technology development.
- Scotland's vibrant creative industries are a key enabler of export performance in this sector, in particular in games, music, film and television, publishing and design.

Our Challenges

- Ensuring recent growth continues, against the historical decline in international exporting between 2002 and 2017 (due largely to the manufacturing of technology hardware industry moving out of Scotland).
- Lack of available local skilled labour (principally STEM graduates and post graduates) which hinders the sector's growth ambitions.
- For the games sector typical constraints include difficulties accessing finance, skills shortages and discoverability issues (i.e. getting people to notice and make the choice to download or purchase your game).
- The fintech sub sector is a fast-developing opportunity for Scotland. The key challenge for businesses in this area, particularly SMEs, is making decisions about which opportunities to pursue given the range of markets and sectors at play and finding the right corporate partners to work with.

Our Opportunities

- Scotland has a strong focus across several relevant sub sectors where there is global demand; **sensor systems** and **data analytics**; **“mobility as a service”** and **fintech**; **gaming** (e.g. Rockstar North, Outplay Entertainment); **analogue semiconductors** (e.g. Cirrus Logic, ST Microelectronics); **cyber security** (university spin-outs like ZoneFox).
- Significant opportunities exist for the digital technology company base – or those offering digital or technology based services – in all aspects of **data as a commodity**. This impacts all industries and sectors that generate volumes of data, or are dependent upon data and its interpretation and application.
- [Fintech Scotland's](#) strategy, *Fintech Bridges & Connections*, identifies potential global market opportunities through small specialised groups of companies partnering with global “fintech hubs”. Working closely with partners, SDI helps SMEs in markets where large financial service companies (predominantly banks/insurance firms) are looking for innovative solutions.

Current Export Markets

In 2017, the top five international export destinations for the Technology, Digital and Media sector as a whole were:

- USA
- Germany
- Ireland
- Sweden
- Netherlands

The top five international export destinations vary between sub-sectors. A more detailed breakdown is provided below (Table 2).

Table 2: Top Five Destinations for Technology, Digital and Media Exports by Sub-sector, 2017¹

Sub Sector	Countries
Manufacture of Computer Electronic and Optical Products	USA, Germany, Sweden, Italy, France
Digital Industries	USA, Ireland, Qatar, Netherlands, Taiwan

Source: Scotland's Export Performance Monitor

Key Growth Markets

Analysis for *A Trading Nation*, identifies 15 priority markets in which there are significant opportunities to increase Scotland's exports as well as a further 11 where there are more specific sectoral opportunities. Table 3 below breaks down these opportunity markets for technology, digital and media exports:

Table 3: Potential Opportunity Markets for Scotland's Technology, Digital and Media Exports

Category	Countries
Large and growing demand for imports in this sector	United States, Germany, China, Japan, Mexico, Singapore, South Korea
Scotland currently underperforming similar competitors in this sector	United States, Germany, France, Netherlands, Switzerland, Norway, Ireland, Japan, Australia, India

Source: Office of the Chief Economic Adviser calculations

The priority markets identified by the analysis for *A Trading Nation* broadly align with those markets SDI current focus on. SDI identifies priority market opportunities on either a broad market or sub-sector basis. Some of the markets that SDI has identified as presenting significant country-level opportunities across the Technology sector include: **Germany, France, Spain, Switzerland, Nordics, North Americas**. Other potential growth markets identified include the Middle East and Asia (in particular China and Singapore/ASEAN).

Actions We Will Take

- Industry-SDI-Scottish Government partnering on market development plans in selected sub-sectors and markets.
- Working with industry bodies on sector specific export plans.
- Addressing access to high quality graduate and technical talent supply.
- Ensuring a continued pipeline of skilled overseas employees (post-Brexit).
- Championing access to business finance linked to export growth plans.
- Identifying GlobalScots/Trade Envoys who are in a position to provide advice/support/introductions to benefit businesses in this sector.

¹ For some sub-sectors, the values at a destination country level are less robust. Where this is the case they have not been included in this table.

Stakeholder Consultation

Technology Scotland

In total, more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, some pertinent points from key consultees in this sector are captured below.

Key consultees in this sector included [Technology Scotland](#) and [ScotlandIS](#).

Technology Scotland represents much of the ‘hardware’ end of digital technologies and were keen that the plan recognises the importance of enabling technologies, in particular photonics and electronics, and the contribution that they make across all Scottish Government growth sectors.

In support of this, Photonics Scotland has launched its [Vision 2030](#) document which sets out action required to treble the size of Scotland’s Photonics Sector by 2030, including seeking out new export opportunities and attracting talent and investment to Scotland.

They also suggested that the next iteration of the plan should consider which sub sectors of the broad technology “family” to focus on, based on refining export data and more detailed market opportunity discussions with SDI, industry partners and others.

ScotlandIS’s annual [Scottish Technology Industry Survey 2018](#) sets out a variety of evidence on the exporting capacity, industry successes, challenges and areas of potential opportunity for their members:

Top trends within the survey results include:

- Continued growth and optimism in domestic and international markets
- Rising demand for talent
- Skills requirements – the two most important being software and web development and commercial and business support skills

Main activity of business; software solutions and services (20%) and software products (14%). The 2018 survey introduced several new categories – cyber information security, data science, digital agency, digital media – to better capture the variety of businesses in the sector.

The three key challenges for 2018 were identified as being:

- Staff recruitment and retention (45% of respondents indicated this)
- Sales and new business (34% of respondents indicated this)
- The current political situation (17% of respondents indicated this).

Additional challenges for businesses relate to managing growth and business scaling, followed by staff recruitment and retention.



Financial and Business Services

Introduction

The financial and business services sector is one of Scotland's largest export sectors. The sector incorporates a broad range of sub sectors, which are set out in Table 1 below. It is a major employer, predominately in Edinburgh and Glasgow.

In 2017, the sector accounted for 19.3 per cent of total enterprises in Scotland (34,030 enterprises) and 17.2 per cent of employment (333,460 employees) (Table 1).

Half of the employment in this sector is accounted for by business support activities. All the other sub-sectors also account for a notable proportion of employment in this sector.

Table 1: Financial and Business Services, Number of Enterprises, Employment and Turnover, 2017

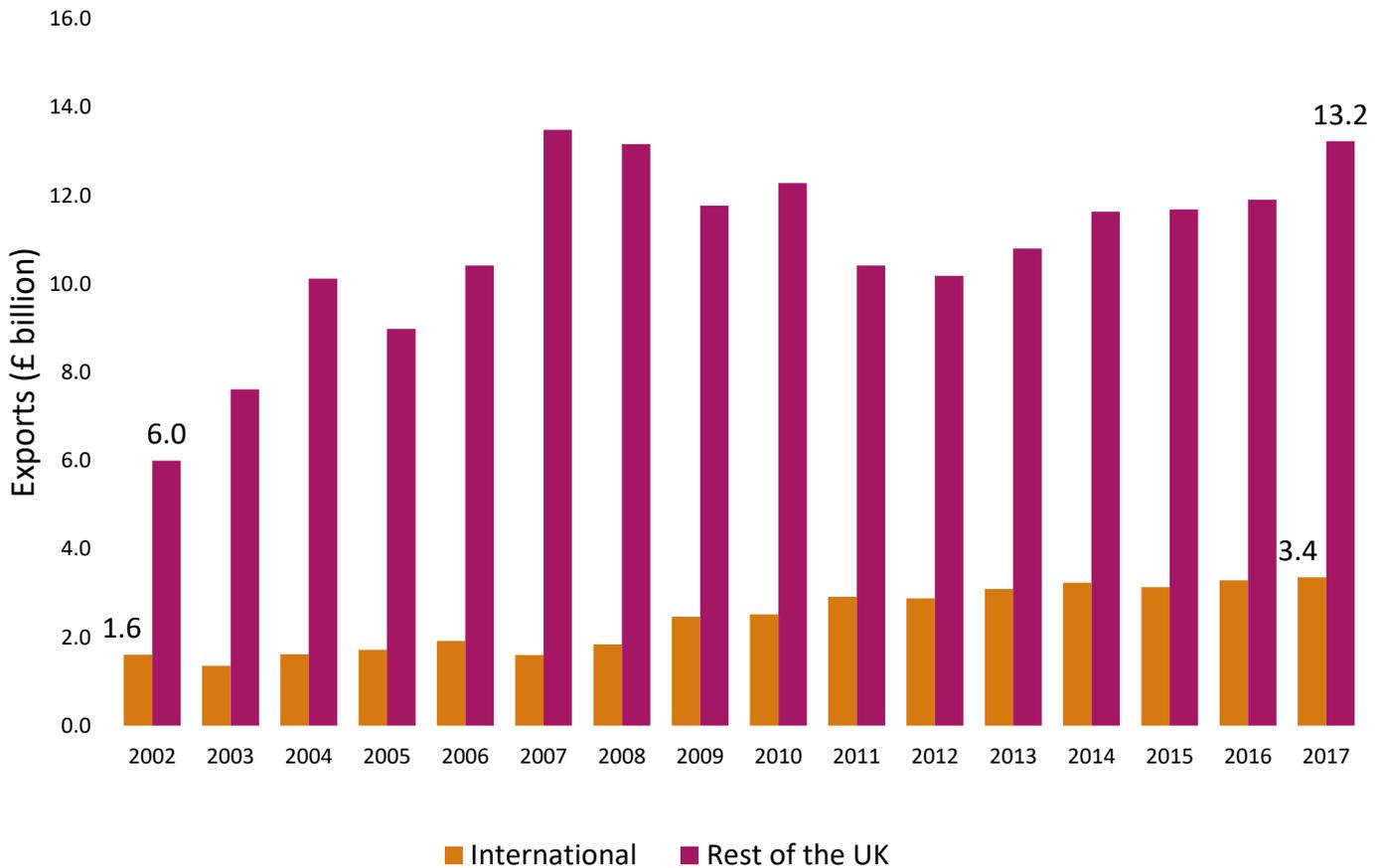
All Private Sector VAT/PAYE Registered Enterprises						
Sector/Sub-sector	Enterprises	Employment	Turnover (£ million)	Enterprises (% of total)	Employment (% of total)	Turnover (% of total)
Financial and Business Services	34,030	333,460	N/A	100%	100%	N/A
Financial Support Activities	1,615	24,270	N/A	5%	7%	N/A
Business Support Activities	12,290	165,720	11,698	36%	50%	N/A
Management Consultancy	15,670	45,680	4,957	46%	14%	N/A
Financial Service Activities	580	46,480	N/A	2%	14%	N/A
Legal and Accounting	3,835	39,170	3,131	11%	12%	N/A
Insurance and Pensions	45	12,150	N/A	0%	4%	N/A

Source: Inter-departmental Business Register (IDBR). Proportions may not sum to 100% due to rounding.

Export Performance

In 2017, the financial and business services sector accounted for around **10.3 per cent (£3.4bn)** of Scotland's total international exports and 27.1 per cent (£13.2bn) of Scotland's total exports to the rest of the UK. International exports in this sector have increased reasonably consistently over time, despite a brief dip during the 2007/8 financial crisis. Exports to the rest of the UK have also increased over time, though the impact of the financial crisis is more apparent, with exports yet to return to their pre-crisis peak (Figure 1).

Figure 1:
Scotland's Financial and Business Services Exports, International and Rest of UK, 2002-2017

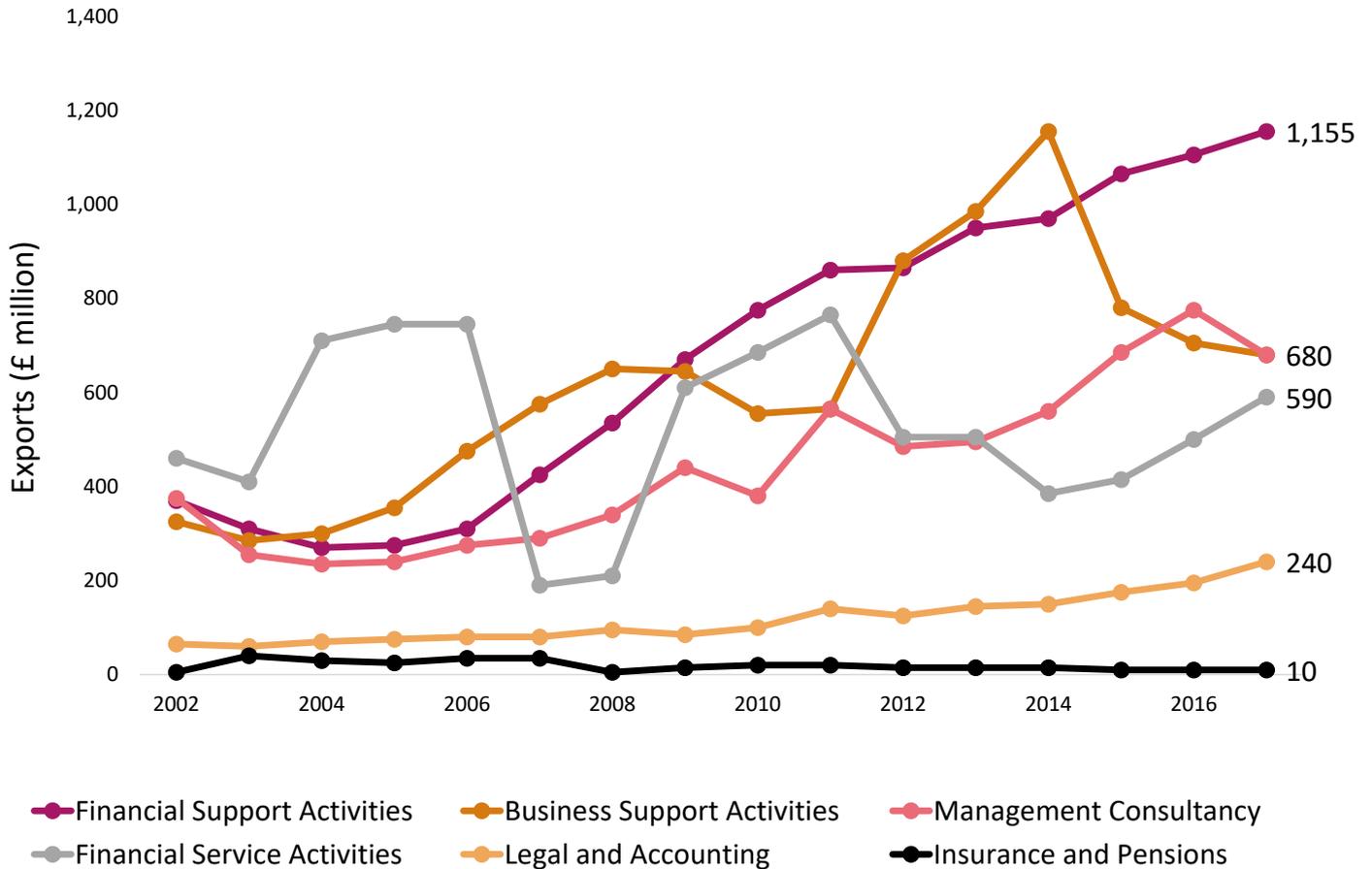


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector - International

The financial support activities sub-sector accounted for around **34 per cent (£1.2bn)** of total international exports in the financial and business services sector in 2017. Exports from this sub-sector have been steadily increasing since 2006. The other sub-sectors also made significant contributions to international exports, though growth has been more volatile over time (Figure 2).

Figure 2: Financial and Business Services International Exports by Sub-sector, 2002-2017

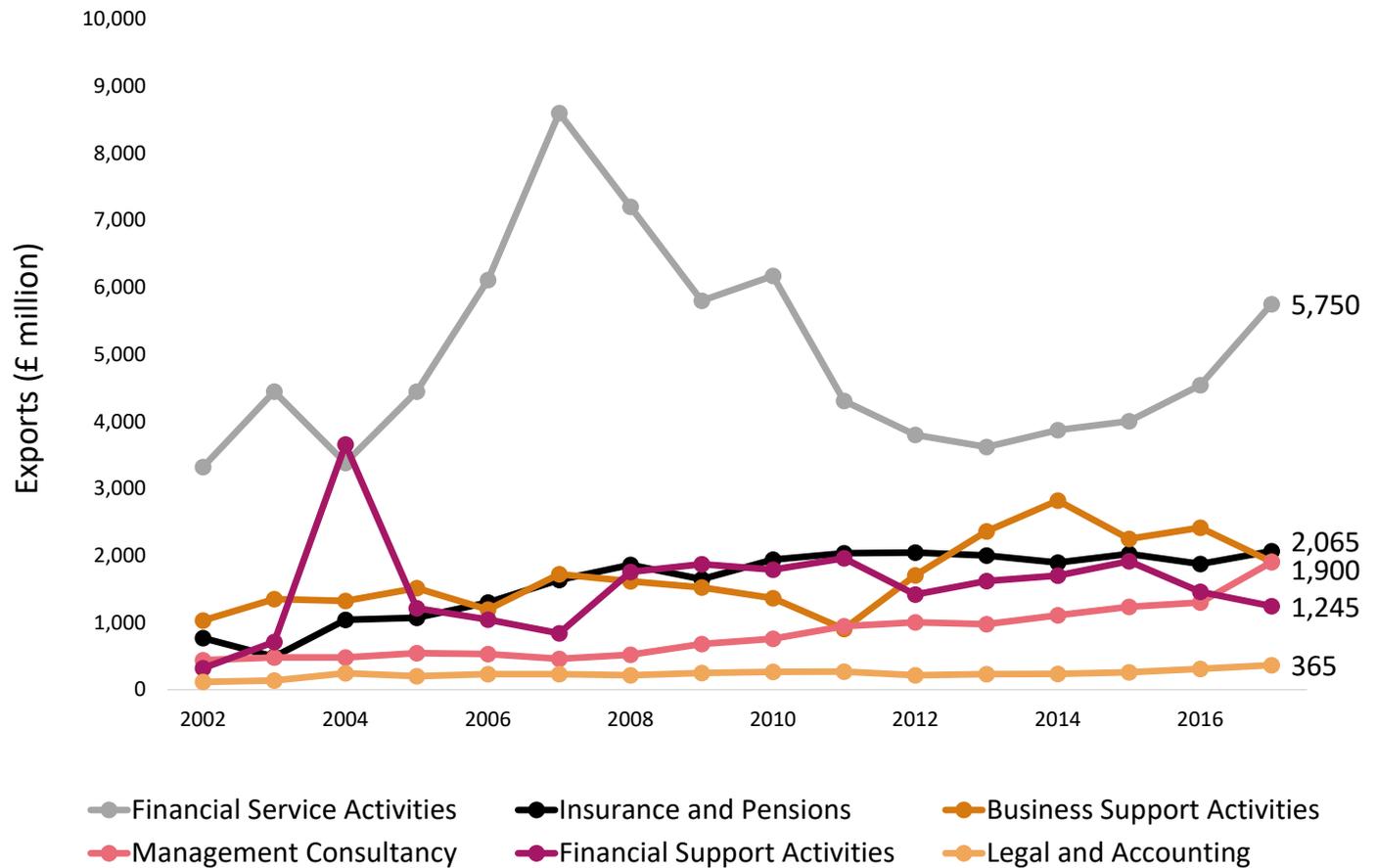


Source: Scotland's Export Performance Monitor

Export Performance by Sub-sector – Rest of the UK

The financial service activities sub-sector accounted for around £5.8 billion (43.5%) of exports to the rest of the UK in 2017. Rest of the UK exports from this sub-sector peaked in 2007 and declined significantly in subsequent years. That said, exports in this sub-sector have improved more recently. The other sub-sectors also made significant contributions to exports to the rest of the UK.

Figure 3: Financial and Business Services Exports to Rest of UK by Sub-sector, 2002-2017



Source: Scotland's Export Performance Monitor

Our Strengths

- Strong growth in international exports over time, increasing by 5.0 per cent on average per annum from £1.6bn in 2002 to £3.4bn in 2017. A number of sub-sectors have contributed to this strong performance.
- A cost base that is 30-40% lower than London that makes Scotland an attractive base of operations.
- A strong history of innovation in the financial services sector that continues to the present day.
- Financial services includes banking (monetary intermediation) such as central banking, retail banking, corporate banking, building societies, and investment banks. Scotland has a long and distinguished history in banking and is home to the headquarters of some of the largest banking institutions e.g. RBS, Clydesdale Bank, Tesco Bank, Virgin Money and Bank of Scotland (part of Lloyds Banking Group). Many other UK and international banks have sizeable operations in Scotland, such as HSBC and Barclays.
- Fund management has grown in recent years and is a global market with a diverse range of companies operating within it. According to Scottish Financial Enterprise, funds under management from Scotland now stand at nearly £1 trillion.

Our Challenges

- Slower growth in international exports more recently, increasing at 3.1 per cent on average per annum between 2012 and 2017.

Our Opportunities

- There is increasing international demand for products and services in this sector and Scotland is well placed to maximise investment attraction opportunities by promoting our skilled workforce, low cost base and well-earned reputation for innovation.

Current Export Markets

The top 5 international export destinations for the sector as a whole were:

- USA
- France
- Netherlands
- Canada
- Germany

The top five international export destinations in 2017 for the sub-sectors were (Table 2):

Table 2:
Top Five Destinations for Engineering and Advanced Manufacturing Exports by Sub-sector, 2017¹

Financial & Business Services:	
Financial Support Activities	USA, Canada, Japan, Caribbean Islands, Netherlands
Business Support Activities	USA, Ireland, UAE, Netherlands, Norway
Management Consultancy	USA, Germany, Norway, Australia, France
Financial Service Activities	France, USA, Spain, Germany, Italy

Source: Scotland's Export Performance Monitor

Key Growth Markets

Analysis for *A Trading Nation*, identifies 15 priority markets in which there are significant opportunities to increase Scotland's exports as well as a further 11 where there are more specific sectoral opportunities. Table 3 below breaks down these opportunity markets for financial and business services exports:

¹ For some sub-sectors, the values at a destination country level are less robust. Where this is the case they have not been included in this table.

Table 3: Potential Opportunity Markets for Scotland’s Financial and Business Services Exports

Financial & Business Services:

Category	Countries
Large and growing demand for imports in this sector	United States, Germany, Netherlands, Ireland and Canada
Scotland currently underperforming similar competitors in this sector	Germany, France, Netherlands, Switzerland, Poland, Belgium, Sweden, Italy, Japan

Source: Office of the Chief Economic Advisor calculations

Actions We Will Take

To date the SDI’s main focus in the Financial Services sector has been around attracting investment. SDI overseas teams have been proactively pursuing targets from **USA, France, Germany, Denmark, Switzerland, Ireland, Singapore, Australia and India**. The Scottish Government, through SDI, currently proactively supports Scottish based exporters enter the Singapore market.

In the context of supporting export growth there were **no overarching requests for Scottish Government intervention to support this sector from Industry Leadership Groups**. However, in the context of supporting overall Scottish export growth we would hope to see the industry support the following call to action;

- For Scottish based banks to engage with DITI to develop export credit insurance products that help reduce the risk of exporting.
- For Scottish based banks to rebuild trade finance teams and, in particular, develop factoring expertise, thereby improving their ability to price risk and offer products such as invoice factoring, that assist exporter cash flow.

Stakeholder Consultation

In total, more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, some pertinent points from key consultees in this sector are captured below.

Feedback from engagement with industry bodies such as [Scottish Financial Enterprise](#) and [Fintech Scotland](#) suggested economies such as North America, Europe, China and Asia Pacific with stable, developed economies are the most attractive to enter and usually have established regulators.

These markets are investable with good current and future growth opportunities. Markets have to be attractive in scale, be orderly and stable, have the sophistication to consume the products and services and the potential to offset distribution costs.

Financial services enterprises of scale have ready access to market data and know local regulatory requirements and business practices. Outside of the EU, a requirement of local regulators for financial institutions is to establish a local branch or subsidiary to service their markets, rather than “export” from Scotland. This is different for the consultancy or business support services sub-sector, which allows overseas offices of Scottish firms to resource work from their Scottish base.



Life and Chemical Sciences

Introduction

This is a significant export sector for Scotland, with strong linkages between the life and chemical sciences aspects. For example, areas like bio-economy and high value manufacturing straddle both sub-sectors. Our enterprise agencies recognise this and define them under the wider healthcare and high value manufacturing sector.

The analysis in this report is based on the sector definitions from Scotland's Export Performance Monitor. The life sciences sector includes the manufacture of pharmaceutical products, medical equipment, dental instruments and scientific research and development. The chemical sciences sector covers the manufacture of coke and refined petroleum products, chemicals and chemical products.

The life and chemical sciences sector accounts for around 0.4 per cent of total enterprises in Scotland, 1.1 per cent of total employment and 2.5 per cent of total turnover (see Table 1 for more detail).

Table 1: Life and Chemical Sciences, Number of Enterprises, Employment and Turnover, 2016

All Private Sector VAT/PAYE Registered Enterprises						
Sector	Enterprises	Employment	Turnover (£ million)	Enterprises (% of total)	Employment (% of total)	Turnover (% of total)
Life and Chemical Sciences	770	20,640	6,536	100%	100%	100%
Life Sciences	565	13,940	2,181	73%	68%	33%
Chemical Sciences	205	6,700	4,355	27%	32%	67%

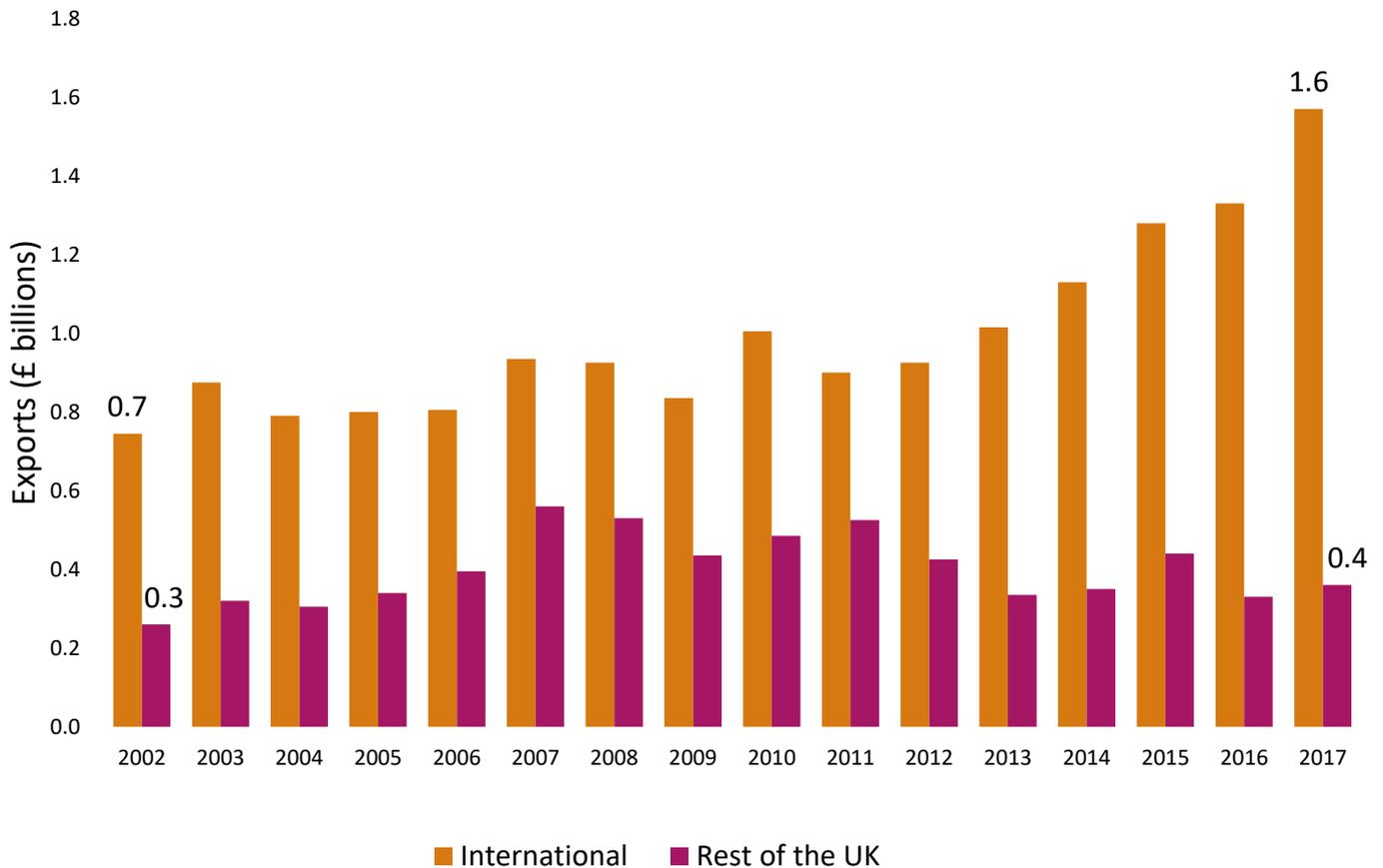
Source: Inter-departmental Business Register (IDBR). Proportions may not sum to 100 due to rounding.

Export Performance

Life Sciences

In 2017, life sciences accounted for around **4.8 per cent (£1.6bn)** of Scotland's total international exports and 0.7 per cent (£360mn) of exports to the rest of the UK. International exports have increased reasonably consistently over time, with strong growth in recent years in particular. Exports to the rest of the UK has also grown over the time period, though growth has weakened in recent years (Figure 3).

Figure 1: Life Sciences Exports, International and Rest of UK, 2002-2017

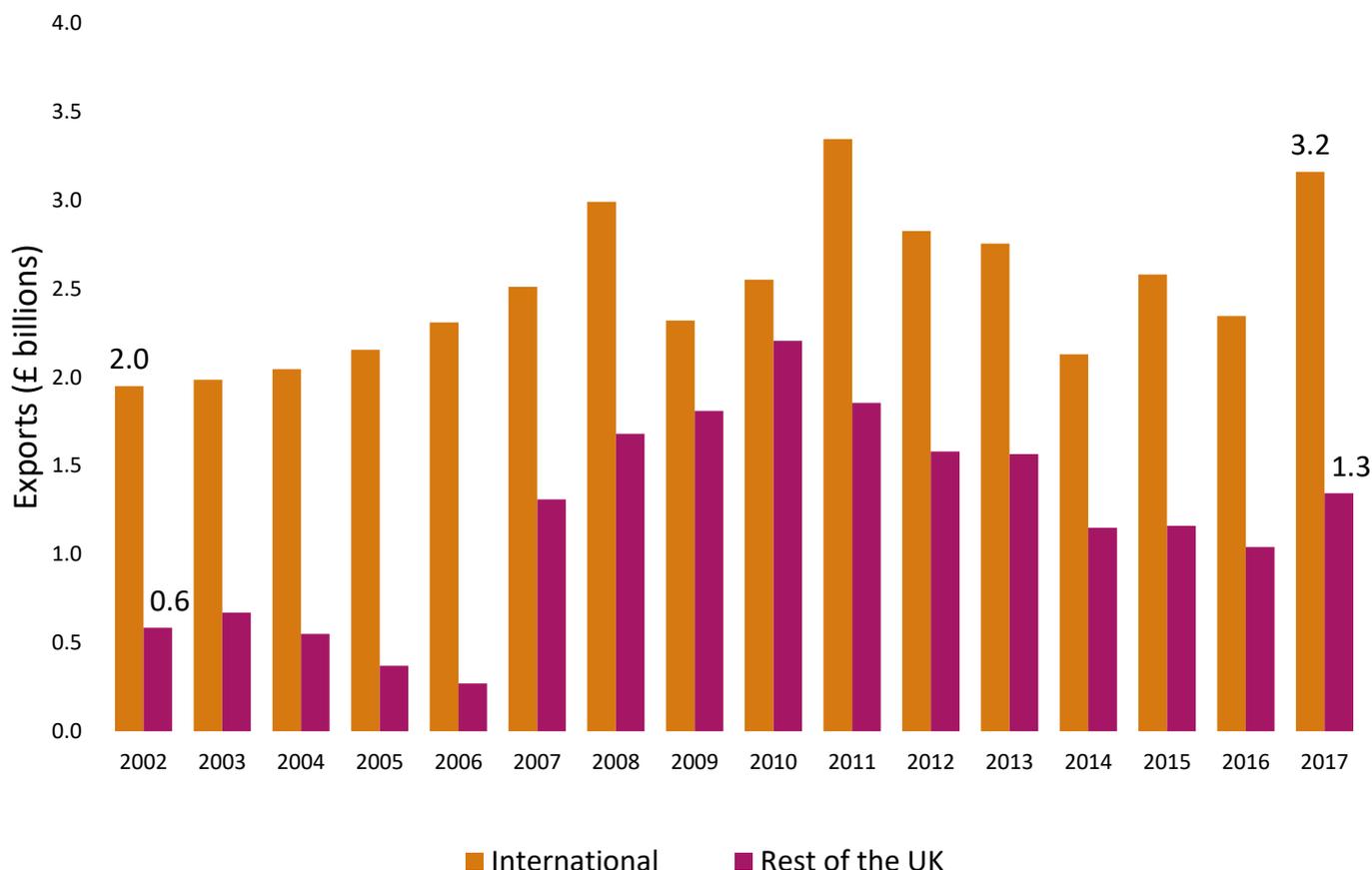


Source: Scotland's Export Performance Monitor

Chemical Sciences

In 2017, chemical sciences accounted for **9.7 per cent (£3.2bn)** of Scotland's total international exports and 2.7 per cent (£1.3bn) of exports to the rest of the UK. International exports and exports to the rest of the UK have grown over time in this sector, though growth has been fairly inconsistent over time (Figure 2).

Figure 2: Chemical Sciences Exports, International and Rest of UK, 2002-2017



Source: Scotland's Export Performance Monitor

Our Strengths

Life Sciences:

- Scotland is one of the largest life sciences employers in Europe.
- We have a range of multinationals and SMEs with a strong track record of creating and growing start-ups and a thriving entrepreneurial culture.
- Comprehensive supply chains and world class manufacturing expertise.
- Among the top three worldwide for research productivity and impact, collaboration across academia, government and industry.
- [Innovation Centres](#) in data, sensors and imaging, stratified medicine, industrial biotechnology and digital health and care.
- [Centre for Tissue Repair and Regeneration](#) in Edinburgh will be the largest academic centre for stem cells in Europe.

Chemical Sciences:

- Leading chemical companies like FujiFilm, Ineos and Syngenta have Scottish operations alongside innovative Scottish SMEs allowing collaboration across the cluster.
- Scotland is home to 200 chemical sciences companies – large and small, and our chemical sciences R&D is consistently ranked in the top three in the world.
- Glasgow is home to Scotland's Industrial Biotechnology Innovation Centre (IBioIC) which helps foster the commercialisation of biotech solutions in both the chemical and life sciences sectors.

Our Challenges

- Leveraging Scotland's networks; maximizing the use of the existing industry network within the Scottish life sciences community (industry, academia, and government).
- Facilitating business development across the sector with overseas organisations, helping to create international SMEs.
- Enhancing the leadership of life sciences SMEs to develop an international mindset.
- Raising ambition and confidence of businesses to exploit international markets.
- Enhancing the sales skills of leaders in the sector.

Our Opportunities

- The global challenge of responding to an ageing population presents opportunities for Scottish based businesses in healthcare, in particular med-tech, medical devices, clinical trials and personalised medicine.
- Promoting Scotland as a leading life and chemical sciences location and “living lab” ensuring that we market, support and highlight the success of our companies, research base, health service innovations and clinical research. There are particular opportunities in sub-sectors such as clinical trials, precision medicine, medtech and agritech.
- The global market for outsourced contract research is expected to continue to grow at 8 to 9 per cent per annum, Scotland is well placed to benefit from this.
- Both chemicals and life science sectors have a focus on growing industrial biotechnology in Scotland and on attracting global companies to join the supply chains and consider Scotland's offering of a rich and diverse supply of renewable bio resources – this being a global competitive advantage for industrial biotechnology companies located in Scotland.

Current Export Markets

In 2017, the top five international markets for life and chemical sciences exports were:

- Netherlands
- Belgium
- Germany
- USA
- Ireland

The top five export markets vary between the sectors, a more detailed breakdown is provided below (Table 2).

Table 2: Top Five Destinations for Life Sciences and Chemical Sciences Exports, 2017

Sector	Countries
Life Sciences	USA, Netherlands, Germany, France, Switzerland
Chemical Sciences	Netherlands, Belgium, Ireland, Germany, Switzerland

Source: Scotland's Export Performance Monitor

Key Growth Markets

Analysis for *A Trading Nation*, identifies 15 priority markets in which there are significant opportunities to increase Scotland's exports as well as a further 11 where there are more specific sectoral opportunities. Tables 3 and 4 below break down these opportunity markets for life and chemical sciences exports:

Table 3: Key Opportunity Markets for Life Sciences Exports

Life Sciences:

Category	Countries
Large and growing demand for imports in this sector	United States, Germany, Netherlands, Switzerland, China, Ireland, Italy, Japan
Scotland currently underperforming similar competitors in this sector	United States, Germany, France, Switzerland, Poland, Belgium, China, Denmark, Canada, South Korea

Source: Office of the Chief Economic Adviser calculations

Table 4: Key Opportunity Markets for Chemical Sciences Exports

Chemical Sciences:

Category	Countries
Large and growing demand for imports in this sector	China
Scotland currently underperforming similar competitors in this sector	United States, Germany, France, Netherlands, Belgium, Ireland, Denmark, Canada, Spain

Source: Office of the Chief Economic Adviser calculations

Actions We Will Take

- Industry, SDI and Scottish Government will work together on market development plans for life and chemical sciences.
- Work with industry leadership groups and industry bodies in support of their export plans.
- Make best use of ministerial visit programmes to build relationships in-market with the parent companies of our key Scottish based businesses and promote Scottish capability.
- Develop the international leadership and sales skills of businesses in the sector to enable them to take advantage of export opportunities
- Identify GlobalScots/Trade Envoys who are in a position to provide the right advice/support/introductions to benefit businesses in this sector.

Stakeholder Consultation

In total, more than 30 organisations have been consulted in the development of this plan. These consultations have helped to shape the plan and have helped us to make links to other relevant work within individual sectors.

While we are not able to reflect all the comments and input we received through these consultations, some pertinent points from key consultees in this sector are captured below.

Key consultees in this sector included both Industry Leadership Groups, [Chemical Sciences Scotland](#) and [Life Sciences Scotland](#). This brought out a number of key points on the data analysis and the priority growth markets for the sector.

The US, Japan, China and Europe markets have scope for growth as ageing populations drives increased demand for healthcare provision. This will create opportunities in sub sectors where we have key strengths, including clinical trials support, preclinical services (in companies such as Charles River, BioReliance (Merck) and Bio-Outsource, SGS-Vitrology), specialist and high value manufacturing and regulatory support companies. Most of these companies are “contract research organisations” that already generate the majority of their sales from international exports and are in areas with high growth potential.

Improving utilisation and productivity within the sectors will drive export growth. Growth potential exists in building on the sector’s existing key strengths such as preclinical drug development services, biopharmaceutical safety testing, regenerative medicine/stem cells and precision medicine.

The new Centre for Tissue Repair and Regeneration in Edinburgh will be the largest academic centre for stem cells in Europe. It’s important to develop a commercial sector around this with a frequent exchange of staff and skills between the industry and academic sectors. Skills and IP developed by the centre should be commercialised rapidly and flexibly to create a similar reputation for Scotland as an investment hub as already exists for big data and AI in Edinburgh.

Precision medicine is a newly emerging market with strong Scottish academic and clinical research base and supportive innovation centres (stratified medicine and also big data/AI). It will be important to develop and nurture companies of scale that can maximise the output of the academic/clinical base.

In 2017, Life Sciences launched their Strategy for Scotland - '2025 Vision' with the aim of growing the industrial turnover of the life sciences sector to £8bn. The strategy includes measures to support internationalisation within the sector, including;

- Leveraging Scotland's networks - We will maximize the use of our existing network of contacts and information within the Scottish Life Sciences community (industry, academia, and government) to enable and facilitate business development across the sector with overseas organisations, helping to create "international" SMEs.
- Promote life sciences in Scotland - We will continue to actively promote Scotland as a leading life sciences location, ensuring that we market, support and highlight the success of our companies, research base, health service innovations and clinical research.
- Develop an international mindset - We will continue to support our company base to raise their ambition and confidence to exploit international markets and opportunities by sharing valuable in-market experience and international networks.

In 2018 [Chemical Sciences Scotland](#) launched their [Strategic Plan 2025](#) outlining their four main priorities:

- Grangemouth Vision 2025
- Industrial Biotechnology
- Manufacturing
- Skills



Education, Tourism and Creative Industries

Introduction

As well as making a direct contribution to Scotland's export performance our education, tourism and creative industries also play a significant enabling role in other exporting sectors.

These are also sectors which, by their nature, offer significant additional export and economic development opportunities through 'technology push' or 'market pull' factors that can be difficult to capture in the raw export statistics that have been used to support the identification of priorities in this plan. They do this by attracting customers, capital or skills to Scottish businesses, products and services across the wider economy.

The significant role that these sectors play in the wider economy is well recognised and they will continue to be supported alongside the priorities identified in this plan.

Education and skills

The higher and further education sectors make a significant contribution to Scotland's exports. Course fees received by Scottish institutions, together with the spend on living costs and in the general economy made by foreign students, are included as part of Scotland's export statistics. Also included is the value of courses delivered by Scottish institutions on overseas campuses or on digital platforms internationally.

These revenues alone make higher and further education a significant export earning sector for Scotland. Estimates suggests that international students bring a net economic contribution of £1.94bn¹.

In addition our higher and further education sectors contribute indirectly to Scotland's export performance in other ways, including:

1. International students, who provide a significant contribution to the Scottish economy and students that stay on and work in Scotland contribute to the businesses that employ them, particularly where those businesses are trading, or want to trade, in the country the student originates from;
2. Supporting business exports through innovation and research & development partnerships;
3. Through international research collaboration, which helps create stronger links to other markets, opening doors as well as supporting Scotland's research capability and capacity;

¹ <https://www.gov.scot/publications/impact-international-students-scotland-scottish-government-response-migration-advisory-committees/pages/4/>

4. Through providing courses on exporting, helping to develop the exporting capabilities of Scottish businesses.
5. Through leveraging the extensive alumni network internationally as a source of business links to help Scottish exporters.

All of these areas bring value to the Scottish economy and the education sector is central to delivering increased exports.

Universities and Higher Education

Scotland's universities and higher education (HE) sector incorporate 19 HE institutions, including 15 universities and four other institutions. Scotland has the highest concentration of universities in Europe and 11% of the UK's universities (Universities Scotland 2016)². **Scotland has four universities in the top 200 in the world (Times Higher Education University World Ranking 2018/19)**³.

Students

Scottish universities currently educate around **215,000 students**. A 2016 Universities Scotland report highlights that over **22% of HE students in Scotland are overseas students**⁴.

Research

Scotland's university research base is among the best in the world, with three Scottish universities in the world top 200 for research (volume, income and reputation) and four for research influence (citations)⁵. Collaboration is a defining feature of Scotland's higher education both at home and internationally. For example, 'research pools' operate across institutions, sharing resources, facilities and expertise.

Close partnerships between business and academia have helped new industry sectors to emerge and thrive in Scotland, including life sciences, renewable technologies, digital technologies and the creative industries. The World Economic Forum's Global Competitiveness survey recently found that Scotland's universities collaborated more extensively with business than many of their peers, including the USA, Netherlands, Germany, Japan and Denmark. The research hubs that cluster around Scotland's universities attract inward investment from research-led global companies, including: GlaxoSmithKline; FMC and Toshiba Medical⁶. The core grant for university research and innovation from the Scottish Government via the Scottish Funding Council for 2018-19 increased by 6.4% to £296mn to strengthen this status and encourage more partnerships with industry.

Scotland's universities have been more effective at engaging with SMEs for innovative purposes than the rest of the UK. A 2016 Universities Scotland publication reported that 29% of all consultancy undertaken with SMEs in the UK is done by Scottish universities despite being only 11% of the UK's universities⁷.

2 <http://connectedscotland.org/wp-content/uploads/2016/09/overview-publication-e-mail-version.pdf>

3 https://www.timeshighereducation.com/world-university-rankings/2019/world-ranking#!page/0/length/25/sort_by/rank/sort_order/asc/cols/stats

4 <http://connectedscotland.org/wp-content/uploads/2016/09/overview-publication-e-mail-version.pdf>

5 https://www.timeshighereducation.com/world-university-rankings/2019/world-ranking#!page/0/length/25/sort_by/rank/sort_order/asc/cols/stats

6 <http://connectedscotland.org/wp-content/uploads/2016/09/overview-publication-e-mail-version.pdf>

7 <http://connectedscotland.org/wp-content/uploads/2016/09/overview-publication-e-mail-version.pdf>

Current Export Performance

- Scotland's Export Performance Monitor indicates that international education exports grew from **£170mn in 2002 to £775mn in 2017**.
- In that same time exports to the rest of the UK grew from £280mn to £515mn.
- In 2017, education exports counted for **2.4% of total international exports**.

Current Export Markets

China is currently the largest export market for Scottish HE exports. This is consistent with the feedback from stakeholders during the development of the plan who all identified China as the single largest market for HE exports, especially for attracting international students to Scotland.

The remaining markets in the top five are: USA, Germany, Malaysia and Italy.

Key market opportunities for transnational education (education delivered in a country other than the one in which the awarding institution is based) include China and Malaysia, as well as in the Middle East and India. In the Middle East, Dubai offers an opportunity to support education engagement around Expo 2020.

The US market opportunity derives from using university assets in trade development and investment attraction. We will use alumni and thought leaders to add value to opportunity development in-market. The sub-market opportunities around data and fintech are particularly relevant in North America.

Key Growth Markets

China will continue to be a significant market for HE exports, particularly for attracting international students to Scotland. However, diversification across different markets would help de-risk an over-reliance on China. Efforts should be made to increase exports to markets where Scotland already has a strong presence such as Malaysia, India and North America (identified as a priority market by the Universities Scotland International Committee).

Consultation identified opportunities in three key areas:

- International student recruitment;
- Research and business collaboration;
- Transnational education.

Beyond this, leveraging the existing alumni networks and increasing philanthropic donations to universities from organisations and alumni are other opportunities. The Enterprise and Skills Review also identified the need to do more to harness the benefits that can be obtained from the wealth of expertise and assets in Scotland within academia, research and alumni living abroad for the wider benefit of businesses in Scotland.

Consultation also identified that Scottish universities' international offering is falling in comparison to universities in the rest of the UK. A recent report by the Migration Advisory Committee highlighted that Scotland attracts 5% of overseas students switching from a tier 4 student visas to tier 2 work visas, while London attracts around 47%⁸. There may be an opportunity to increase the number of overseas 'switchers' choosing Scotland.

⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739089/Impact_intl_students_report_published_v1.1.pdf

Universities Scotland is developing a regional approach for the North American market. The priority city/region will be chosen based on its links with partners, universities and UK governance and infrastructure in the area. The region will be a focus for collaboration across business, education, research, innovation and alumni activities. Universities Scotland is keen to explore working with Scotland is Now to provide a distinctive focus on universities and business in a single city or city region. This may be an approach that has wider applicability for other sectors.

Actions We Will Take

- Support Scottish universities and colleges to be the destination of choice for international students. This involves supporting education institutions in promoting their international offering under the 'Scotland is Now' banner as part of Brand Scotland.
- Work with Talent Scotland and Universities Scotland to identify ways to increase the number of international students choosing Scotland as a destination for study in line with competitor countries and to ensure Scotland retains a proportionate share of international graduates.
- Support Scottish universities and colleges to access international opportunities and support our universities to build strategic research collaborations with markets that are investing heavily in research.
- Use the platform provided by Dubai Expo 2020 to showcase Scotland's educational offering.
- Use our higher education institutions to upskill our workforce, including leadership teams within businesses, to enable them to take up export opportunities.
- Support businesses to access professional training on exporting.
- Work with the UK government's Department for International Trade and Department for Education in all relevant areas (including those mentioned above) to ensure that Scotland benefits from at least its proportionate share of growth in education exports, in light of the UK government's International Education Strategy,
- Make best use of Trade Envoys, particularly Wendy Alexander, to pursue international opportunities.
- Alongside the refresh of the GlobalScot network, seek to leverage Scotland's vast alumni network for the wider benefit of Scotland's economy.
- Identify what actions can be taken to increase the number of overseas students choosing Scotland as a destination when switching from tier 4 to tier 2 visa.
- Continue to support Innovation Centres where there is an opportunity to internationalise.

Tourism

Tourism is an important export for Scotland. Using traditional figures on exports it is estimated that tourism exports are valued at **£915mn (around 1.1% of all exports)**.

However this does not take into account the full impact of the sector. The tourism industry is a key part of the Scottish economy and vital to the economic performance of towns, cities and regions across Scotland.

The industry accounts for around one in every twelve jobs in Scotland and spending by day and overnight visitors contributes around **£8 billion to Scotland's GDP**, around 6% of the total. It plays an important role in the economies of Scotland's major cities, while also making a substantial contribution to sustaining employment and economic activity on Scotland's islands and in its rural communities.

The Scottish Government's growth sector briefing⁹ for April 2019 indicates that 206,000 people were employed in the sustainable tourism sector in 2017.

The ONS publication 'Travel Trends: 2017'¹⁰ also reports that:

- In 2017, almost £2.3bn was spent by overseas visitors in Scotland; and
- Over 3.2m overseas visitors came to Scotland in 2017.

Tourism also supports Scotland's exports by giving tourists exposure to Scottish products which they may look to access back in their home countries – opening up potential new markets.

Current Export Performance

Tourism accounts for an important portion of Scotland's exports, particularly with regard to services. Total exports from the sustainable tourism growth sector stood at **£915mn** in 2017, accounting for 2.3% of Scotland's total services exports, and for **1.1%** of Scotland's total exports overall. Exports to the rest of the UK stood at £580mn in 2017 and accounted for 63.4% of total sustainable tourism exports. Exports to the rest of the world stood at £335 million and accounted for 36.6% of total sustainable tourism exports¹¹.

Support For The Sector

[VisitScotland](#) is Scotland's national tourist organisation and is the public sector body which looks to drive tourism in Scotland. VisitScotland uses a wide variety of campaigns and strategies to increase Scotland's presence on the world stage and to encourage people from other countries to visit Scotland and to build links with Scotland. This includes work on business tourism, attracting businesses to hold conferences and events in Scotland, which can lead to links with Scottish businesses, potentially leading to future export opportunities.

VisitScotland also provides a wide range of support to tourism businesses through their website.

The [Scottish Tourism Alliance](#) is the representative body of the Scottish tourism industry. The organisation comprises over 250 trade associations, businesses, destination groups and other organisations with an interest in tourism.

The Scottish Tourism Alliance has a clear national tourism strategy which looks to increase the value of tourism in Scotland and to help increase the number of visitors to Scotland. The organisation also provides advice to tourism businesses on how to grow their business.

Actions We Will Take

- Continue to work closely with VisitScotland and the Scottish Tourism Alliance to ensure that we are maximising the export potential of tourism.
- Ensure that the business pillar of Scotland is Now as part of Brand Scotland recognises the key role that tourism plays in driving further exports.

9 <https://www2.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors>

10 See [Travel Trends - Annual Release](#) for links to publications and datasets

11 <https://www.gov.scot/publications/scotlands-export-performance-monitor/>

Creative industries

The creative industries have their origin in individual creativity, imagination and curiosity. Trading in products and services that have their roots in intangible cultural, expressive and emotional values, they create new insights, delights, products and experiences.

The Scottish Government defines the sector as made up of 16 distinct industries: advertising; architecture; crafts and antiques, computer games; cultural education; design; fashion and textiles; film and video; libraries and archives; music; performing arts; photography; TV and radio; software and electronic publishing; writing and publishing and visual arts.

The creative industries make an important contribution economically, socially and culturally to Scotland and internationally. It is one of the fastest growing sectors in Scotland, with its contribution to the economy (GVA) having grown 44% between 2008 and 2016. They are characterised by a large number of micro and SME businesses: in 2017 there were over 15,000 registered enterprises employing over 77,000 people (excluding freelancers and students studying creative courses)¹².

Current Export Performance

In 2017, the creative industries had international exports of almost **£1.4bn** which contributed to 4.2% of the international exports from the key growth sectors. In that year they also exported £2.3bn to the rest of the UK¹³.

Most creative businesses have an intrinsically international outlook and flourish as a result of international collaborations and connections. Trading in intangibles through for example music, film, design, publishing or computer games they can reach international audiences and customers more easily than many other sectors. This also means that their contribution is not readily or easily captured when looking at traditional export data. Cross-border collaboration between creative professionals is fundamental to the free flow of creative ideas and expression and, ultimately, the continued development of the sector.

Creative businesses also play a key role in building brands and promoting Scotland on the world stage. They bring benefit to the wider economy by increasing business competitiveness and international distinctiveness.

Key Growth Markets

Exporting in the creative industries is about building relationships. Gaining access to international networks and building partnerships is crucial to meet people in-market, make connections within supply chains and work with other companies internationally. Networks within Scotland and the UK are also important, where smaller firms can work with larger firms bidding for international projects.

Our extensive network of overseas offices, Trade Envoys and GlobalScots can play a valuable role in facilitating introductions and providing informal advice on how to approach the market. Creative businesses looking to export should make good use of them.

12 <https://www2.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors/Database>

13 <https://www2.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors>

Actions We Will Take

- Work with the Creative Industries Advisory Group to support the wider impact of the creative industries on exports.
- Make use of our networks of GlobalScots and Trade Envoys to support and promote the creative industries as well as wider international networks, including diaspora and alumni.
- Include examples from the creative industries in the development of the business pillar of Scotland is Now as part of wider Brand Scotland ambitions.

Other initiatives promoting international networks and collaboration from our public sector partners include:

- Showcase Scotland, a standing item for the last weekend of Celtic Connections, when musical directors and programmers of leading festivals and venues from around the world travel to Glasgow to attend performances by Scottish songwriters, bands and musicians.
- Highland and Island Enterprise's Xponorth, a creative industries festival, which brings the key influencers and buyers in the creative industries from major multinationals to independents.
- The Production Growth Fund of Screen Scotland helps to grow Scotland's screen production sector, creates employment for Scottish crews, encourages the use of production facilities, provides significant opportunities for the professional development of producers in Scotland and delivers a direct and significant economic benefit to Scotland.



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