

WINNING WORLDWIDE

MAKING SCOTLAND A BOLDER, BIGGER AND BETTER EXPORTING NATION



Creating a trading nation

Scotland has a proud history of exporting. From salmon and whisky to our world-class financial services, we have a tradition to be proud of. However, with just seventy companies in Scotland accounting for fifty percent of our international exports, we face a challenge – and an opportunity – to become a bolder, bigger and better exporting nation.

There is no single lever that can be pulled to make the difference. Re-orientating the Scottish economy towards exporting will require a long-term commitment from government and business.

CBI Scotland's Pursuing Prosperity report highlighted exporting as one of the key drivers of the vast regional productivity differences that exist across Scotland. Companies that export are more competitive, more profitable, more innovative and more productive.

Despite the Scottish Government's long-held ambition for Scotland to rank among the top quartile of OECD countries for productivity, we remain 20% lower than the best performers. Encouraging and supporting firms across Scotland to expand their international activity has a key role to play in closing that gap and driving sustainable, inclusive economic growth that benefits all parts of the country.

4 key steps to support exporting

The CBI's Winning Worldwide report, published earlier this year, sets out a range of practical steps the UK Government can take to improve export performance. While trade policy is reserved to Westminster, below we look at actions the Scottish Government can take to support businesses in Scotland to expand their international activity.

Step 1: Start at home

A progressive, pro-enterprise environment is the single most important driver of trade.

- **Infrastructure** must be fit for purpose for the transactions of trade to work. In response to the CBI/AECOM Infrastructure Survey 2017, rail and road access to ports and airports was ranked as the highest priority for improving capacity and capability for international trade, with 94% of firms describing it as critical or important. Future transport infrastructure investment should prioritise improving connectivity to key international gateways across the UK to make it as easy as possible for businesses to export their goods and services. Increasing the freight capacity of our transport network would also support exporters in getting their goods to market more quickly.
- Creating new routes to emerging markets opens doors to trade, boosting growth, creating jobs and driving investment across the country. The reduction and eventual abolition of **Air Departure Tax** could give Scotland an edge in the global marketplace for trade, inward investment and tourism. The Scottish and UK Governments should work together to provide a solution to the Highlands and Islands exemption issue that protects the local economy and allows Scotland to benefit from this potential boost to our international connectivity.
- **Innovation** is key to export performance. Innovative companies are more likely to export, more likely to export successfully, and more likely to generate growth and scale from sales overseas than other, less innovative, firms. Encouraging businesses to invest in R&D is increasingly important and the Scottish Government should commit to a long-term target of joint public and private R&D spend reaching 3% of GDP.



Step 2: Put people at the heart of the effort to increase exports

Developing our domestic skills base to acquire more international awareness, digital expertise and foreign languages can help foster an outward-looking, exporting culture.

- **Foreign languages** are an important tool in operating internationally and securing new opportunities. Despite this, Scotland has experienced a significant decline in the number of students passing foreign language exams at all levels over recent years. This must be addressed as a matter of urgency to make foreign language uptake a key strand of ensuring we have the skills to be an outward-looking, exporting nation.
- The easiest way for firms to reach overseas markets is by using a digital platform – either building an online 'shop front' for their goods or services or leveraging third-party platforms that already exist. Using these tools effectively requires expertise and **prioritising the development of digital skills** will be crucial to ensuring companies across Scotland are able to take advantage of opportunities online.
- There is a shortfall in **STEM subject uptake** which results in too few graduates to push firms' innovation and export activity. There is a role for the Scottish Government and local authorities to play in encouraging greater levels of engagement between schools – primary as well as secondary and teachers as well as pupils – and business to help inspire young people about the opportunities of studying STEM subjects and help bring a real-world context to the classroom.
- Equipping people with an understanding of the principles and practicalities of exporting can drive international ambitions and help firms to operate successfully in overseas markets. Consideration should be given to the role that could be played by secondary, further and higher education institutions in offering **opportunities to study commercial international trade**.
- **International exposure at university** is a core discipline that builds Scotland's ability to perform as a trading nation. The Scottish Government should consider what more it can do to support initiatives that enable students to experience living and studying abroad and to place more emphasis on drawing foreign students to our universities as a leading export in itself.
- The **movement of people** underpins much of modern-day trade – particularly in services. Mobility of staff and the ability to recruit from overseas are directly linked to our exporting performance. With immigration policy reserved to the UK Government, the Scottish Government should work with business to highlight the importance of ensuring the post-Brexit immigration system acts as a gateway, rather than a barrier, to increasing firms' international activity.

Step 3: Create a long-term partnership between government and business

CBI members are clear that it is partnership between government and business that will deliver success.

- It is crucial that both government and business play a central role in **advocating the benefits of free trade** and work together to ensure those benefits are felt by all corners of society.
- Consistent and extensive **business input** is crucial to the success of any exporting strategy and the Scottish Government should ensure their export plan, A Trading Nation, is business-led, with buy-in across government departments. Moving quickly from strategy to action will also be key.
- The Scottish and UK Governments should work together to **simplify the exporting support landscape** for businesses and avoid duplication. There are a range of support services available in Scotland, including through Scottish Enterprise, Scottish Development International, the Department for International Trade and UK Export Finance. This should be an advantage for businesses in Scotland but the landscape can appear cluttered and confusing. A single online entry point that can be used to direct businesses to the most appropriate assistance available would address this and allow firms to make better use of the support system as a whole.
- **Trade missions and trade shows** lie at the heart of finding and winning new opportunities abroad. Business and government must work together to increase the frequency, capacity and effectiveness of these tools to support more of Scotland's best businesses in reaching new customers overseas. Further transparency and collaboration as well as greater lead-in time for trade missions would help to gain the best outcomes. Taking a strategic approach in identifying which sectors to take to which markets will also increase the impact of trade missions.
- **Closer working with foreign embassies and consulates** can be mutually beneficial. This would improve business awareness and understanding of opportunities overseas and in-turn help foreign countries to meet their demand for particular products or services.
- Business and government must **work together to increase the international ambitions of businesses** in Scotland. Sharing and promoting examples of firms' successful overseas activities is one way in which companies can be encouraged to take the leap into foreign markets.

Step 4: Play to Scotland's strengths

Building on what we already do well is key, as is utilising both 'brand Scotland' and 'brand UK'; which both have significant appeal across the globe.

- **Targeting companies that have already shown a willingness to venture into overseas markets** but have the potential to do more is a resource-efficient way of using government support to boost Scotland's exports in the short-medium term.
- Scotland's businesses are uniquely positioned to take advantage of both **'brand Scotland'** and **'brand UK'**, with both known overseas for representing high quality, innovative, reliable and good value goods and services. The UK and Scottish Governments should use their respective 'GREAT' and 'Scotland is Now' campaigns to build on the strengths of these brands and showcase key sectors to markets where demand could create new exporting opportunities.
- **Knowledge of market conditions and promotion of Scottish business overseas** are two of the government's most effective tools in supporting businesses to export. The Scottish Government should explore increasing the number of Scotland House hubs around the world to promote economic ties with key international markets. This should aim to complement, rather than duplicate, the role of UK embassies around the world to ensure we are maximising all available resources to support our businesses abroad.
- Scottish Enterprise should consider expanding their **strategic account manager function**, so more of Scotland's successful businesses can benefit from this important source of focused support.
- As a small country, we need to get better at **leveraging existing relationships**. For example, many of our universities and colleges already have extensive overseas links and business should work with them to promote Scottish expertise in areas such as Fintech, life sciences and aerospace.



Case Study 1: Innovation and investment is key to Keela's international export growth

Keela International, part of the Ardmel Group, is a British outdoor clothing company based in Fife, who sell to the retail market and supply outdoor wear to a range of emergency services – from police to military, fire services to mountain rescue teams.

Innovation is at the heart of their operation. Keela continue to invest in R&D and use the latest technology to produce innovative garments made from the highest quality materials. Their ongoing commitment to R&D has seen Keela twice awarded the Queen's Award in Innovation and ensures they remain competitive in foreign markets, successfully growing their international exports.

They have manufacturing facilities based in the UK and Sri Lanka and sell to over 12 countries. Their base in Sri Lanka allows them to service the South Asian and Far East markets, giving them a competitive edge over other brands. Uniquely, they own their manufacturing facilities outright, allowing them to produce their garments in an ethical and sustainable manner.

Keela continue to invest in growing their brand name worldwide. They actively participate in trade shows around the world and see this as a key way in finding and winning new opportunities. They have also put colleagues on the ground in France, Belgium and Australia to allow them to reach these markets directly and build key relationships.

All of this combined has seen the company grow and establish new markets in particularly challenging times for the outdoor industry.

Case Study 2: Robin MacGeachy of Peak Scientific shares insights on their international success

Peak Scientific is a leading innovator in the design, manufacture and support of high-performance gas generators for analytical laboratories. The company is headquartered near Glasgow and has a presence on every continent, with major operations in North America, China and India. Peak are five-time winners of the Queens Award in International Trade, and also received the award for Innovation in 2016.

What has been key to Peak's exporting success and have you seen a link to improvements in productivity?

"Putting customers at the heart of what we do and not letting them down. You need to keep things simple and do what you say you are going to do – listen to what the customer wants and deliver it. Show that you are committed to the market - having a presence shows that you are there for the long term."

"Innovating and adapting our products for overseas markets was also key. This not only helped overseas growth but allowed us to enhance our offering at home and improve our productivity. Exporting forced us to become more productive in order to satisfy demand and we are still on that journey."

What would be your top tips for other businesses looking to start exporting or grow their exports?

"Do...

- Foster strong relationships with your customers built on trust – follow through on promises and keep it simple.*
- Be prepared to adapt your product to the market – be innovative.*
- Pick your advisers carefully and use your networks – find people who are in the same space that you can pick up the phone to.*
- Utilise the support available to businesses in Scotland – Scottish Enterprise, Department for International Trade, the Scottish Chambers of Commerce, other trade bodies, the Scottish Government's new mentoring programme and of course the CBI International team.*
- Be excited about exporting – there are many opportunities outwith Scotland to exploit."*

"Don't...

- Let a fear of foreign language barriers narrow your international opportunities – these can easily be overcome.*
- Be put off by different regulatory and legal landscapes, these are often not as binding and as difficult as you think.*
- Think you must use a large distributor for your products – smaller distributors tend to have more time to focus on you and your product.*
- Underestimate the expectations of your customers."*