

Trade Board – Meeting 8 – Paper 1 Minutes of Previous Meeting

Ministerial Trade Board

Note of meeting 12 March 2019

Chair Ivan McKee MSP, Minister for Trade investment and Innovation

Present Eric Balish, Russell Dalglish (by VC), Rachel Jones, Linda Steedman, James Withers, Jane Richardson, Professor Ferdinand von Prondzynski, Afzal Khushi, Kate Little, Laura Birrell, Kevin Norris, Paul Sheerin

Apologies Michelle Crossan-Matos, Karen Betts

Also in attendance: Neil Francis, Operations Manager Scottish Development International (SDI), Charlie Smith, Chief Transformation Officer, Scottish Enterprise (SE).

From Scottish Government

Scott Strain, Head of Trade Promotion

Lesley Ward, Senior Policy Adviser, Trade Promotion

Catriona Syme, Trade Board Secretariat, Trade Promotion

David McPhee, Head of Trade Support

Samantha Paterson, Trade Support

Item 1 - Welcome & Introductions

The Minister welcomed attendees and introduced the four new members, welcoming them to the Trade Board.

Item 2 - Apologies, minutes of previous meeting

Minutes of the previous meetings were agreed.

The Minister informed the group that Michelle Crossan – Matos has indicated that due to work commitments in the US she will have to step down from the Board.

Item 3 – Brexit update

Due to a rapidly changing landscape and a meaningful vote being held later that day the group did not discuss Brexit.

Item 4 – update from Scottish Enterprise (SE)

Charlie Smith spoke about the changes taking place within SE. Key points were:

- The SE 3 year strategic plan aims to create more and better quality jobs through increased collaboration with Highland & Islands Enterprise (HIE), Scottish National Investment Bank (SNIB) and the private sector.
- SE needs to better understand the needs of businesses in Scotland and to play a bigger role to play in improving productivity, including helping businesses raise capital e.g. working with SNIB. Recognise that inward investment has always been a big part of what SE does, but role wider than job creation.
- SE is just one part of a network of support across Scotland. There are a myriad of business support products and services that SE can point people to. SE now need to shift emphasis from focussing on support to individual businesses to really focussing on wider economic development impacts.
- Support needs to be flexible. Some companies may need a deeper level of service than others and time and resource will have to be spent offering specialist support to those who really need it to realise growth opportunities.
- SE needs to be fit for the future and able to work with partners to mobilise in addressing future challenges like increased automation and the impacts of an ageing population. These issues present both opportunities and challenges e.g. engaging over 50s back in to the workforce could be worth £8bn to the economy. Increasing automation, will reduce jobs in certain sectors.
- Need to develop brand Scotland. Need to modernise and expand GlobalScots, using the export plan as a vehicle to mobilise these networks and likewise with academia and alumni.
- SE need to look at Scotland's networks in London. Clear mandate from Government to look at changes in the services that SE provide, including more tailored support for businesses, greater flexibility and being more fleet of foot.
- SE want as many companies to see them as a source of support as possible, in particular in light of Brexit.
- SE will still be grant funders, but also need to look at how they can become investors and how they can share this role with the private sector, in particular the banks.

Discussion:

Board members welcomed the presentation and were positive about the direction of travel. A few suggestions were made in discussion and follow up actions agreed.

It was suggested that SE should help enable account managed companies to network with each other to encourage best practice and collaboration, there could also be wider value to Scotland from a network of this nature.

Data protection issues were often highlighted as a barrier or perceived reason not to enable these types of initiatives. Food and Drink was cited as an example where collaboration has brought great rewards and where challenges of this type have been addressed with data sharing protocols having been developed.

A willingness was expressed within the banking sector to share knowledge and expertise around working capital and international finance with SE and an offer was made to facilitate that engagement.

The confusing and cluttered support landscape was discussed and the creation of the shared access portal as a means to address this issue was highlighted.

ACTION 1: RACHEL JONES TO CONTACT CHARLIE SMITH TO FOLLOW UP ON ACCOUNT MANAGED COMPANY NETWORK

ACTION 2: JAMES WITHERS AND RACHEL JONES TO LOOK AT DATA SHARING PROTOCOLS AND WIDER APPLICATION

ACTION 3: ERIC BALISH TO FOLLOW UP WITH CHARLIE SMITH ON BANKING INTRODUCTIONS

Item 5 – Business Survey

- **Russell Dalgleish (RD)** updated the board on a survey of the Scottish businesses support needs in London, both in London itself and as a means of accessing international markets.
- The survey has now been completed and will be disseminated as widely as possible. RD encouraged members to share with their networks. The survey will be reviewed w/c 18 March, to see whether there are tweaks to initial survey are required.
- A closing date for the survey will be decided upon, which will allow time to analyse the responses and report back at the next meeting in June.

ACTION 4: RUSSELL DALGLEISH TO CONTINUE WORKING WITH SG COLLEAGUES IN SCOTLAND HOUSE (LONDON) AND TO REPORT FINDINGS TO THE GROUP IN JUNE.

Item 6 – University Networks

- **Ferdinand Von Prondsynzki** summarised ongoing work across the University sector looking at business links globally, alumni and Scottish Universities worldwide.

Discussion:

- There needs to be a clear “ask” to get the most out of those networks, specific sectors or locations or regions. For example, look at the IT sector in Texas rather than trying to target the US as a whole.
- A major concern for the University sector is continued access to International talent. This is already being impacted by Brexit with, for example, Chinese academics and institutions being less willing to partner with the UK.
- Alumni: There are issues around producing a list. The Universities will only contact alumni with a clear, specific purpose that will be mutually beneficial. Where this can be accomplished, the alumni and the Universities are willing to make a very positive contribution.
- It was acknowledged that while work had been done on a country/sector focus, it has not yet been done on a sub-national basis. This will be done in Phase 2 of the export growth plan.
- Acknowledgement that Universities Scotland is keen to engage on this and for the Universities to feel more involved in this process.
- It was proposed that we should pick a country or two countries/states, e.g. the US and Canada to pilot new approaches.
- There was also a discussion about making contact with international students when they graduate with a letter from the First Minister (FM).

ACTION 5: DAVID MCPHEE, CHARLIE SMITH AND FERDINAND VON PRONDYNSKI TO CONTINUE WORK ON THIS, INCLUDING POSSIBLE PILOTS.

Item 7 – Export Finance – Eric Balish/David McPhee

- Eric and David outlined the key points in the paper;
 - there is a lack of quantitative information that clearly evidences a strong demand for export finance;
 - the landscape is complicated;
 - there appears to be a lack of awareness of export finance support;
 - not many Scottish companies are referred to UKEF by SE or banks, in spite of the efforts of UKEF officials.

Discussion:

Whilst banks like to minimise risk, most were keen to engage, particularly Barclays. SNIB could potentially be used as a vehicle for delivering an export finance scheme but recognise that it may not be the best vehicle, particularly in the short term. Banks may be able to offer a more suitable support scheme and this should be investigated. Clearly, many businesses in Scotland are not aware of UK Export Finance (UKEF), however, there is no indication that finance is the main issue preventing companies from exporting. This was backed up by the team’s survey work;

- Export finance fifth on the list of barriers to exporting.
- Providing an export finance solution will not be part of this phase of the Export growth plan, there will be ongoing work. Export finance is a niche product, less than 7% of Scottish companies export, but important.

- Banks don't look at export finance as an opportunity would be good to understand banks viewpoint on this and what opportunities they see as a result of us seeking to drive export growth.
- There is the option of offering businesses export credit insurance. Retailers are struggling to get insurance cover from credit insurers. The public sector could offer businesses export credit insurance which could help them secure finance. It is currently being done by the Chambers of Commerce in the Midlands, there is demand for it and it appears to be a success and it is cost neutral to the taxpayer. Could investigate what can be learned from the scheme in the Midlands.

It was noted that UKEF is not suitable for all companies. State aid rules restrict the flexibility of the support that can be offered. A slightly different, range of products could be made available which may appeal to a wider cohort of companies. It is not clear why credit insurance is not more prevalent in the UK. If companies had it then banks may be more willing to lend. Companies across the board use it in the US as a means of securing working capital.

Import finance, can also be overlooked as a useful measure however there are real challenges here, in particular not being able to offset import VAT against PAYE.

The group agreed that export finance is part of the “comfort blanket” of support that can be given to businesses to give them the confidence to take the leap to exporting.

Agreed that confidence is critical and therefore important to use the services that banks offer and educate businesses about the benefits of export finance/insurance.

ACTION 6: ERIC BALISH AND DAVID MCPHEE TO DISCUSS EXPORT FINANCE/EXPORT CREDIT INSURANCE AND POSSIBLE OPTIONS TO TAKE FORWARD WITH SE/Scottish Development International (SDI).

Item 8 – A Trading Nation – our plan for growing Scotland's exports

The Minister updated the board on the latest developments in the Export Growth plan, highlighting the vast amount of export data that has been gathered and crunched to evidence where there may be opportunities for Scottish companies when compared to the export performance of comparable countries.

Discussion:

Work on the plan was received positively.

The importance of attracting and retaining FDI was highlighted, in particular the ways in which large multi nationals can have a positive impact on the exporting behaviour of their supply chain.

Using the 2.5 million visitors to Scotland and the data collected on them as a means of market creation was raised.

There is a need to ensure that the data analysis is supported by qualitative experience in-market.

Scotland as a brand, is a phenomenal asset and we should use this to our advantage, particularly in light of Brexit. Canada and, NZ do this well. This should be an important part of the plan.

ACTION 7: SCOTLAND IS NOW TOOLKIT TO BE CIRCULATED TO TB MEMBERS

It was suggested that the export plan may be too high level for some companies. This was accepted but also highlighted that it has to cover Scotland's aims as a whole and to act as a strategic document for the public sector and other delivery partners. There will be interviews with businesses as case studies and video clips of companies explaining their export journey to try and make this more real.

The issue of import substitution was also raised as an opportunity. This was acknowledged and will be an issue that is considered in more detail in phase 2 of the plan, along with sub – national plans for the US and China.

Item 9 – AOB

END