



A Trading Nation :
A plan for growing Scotland's exports

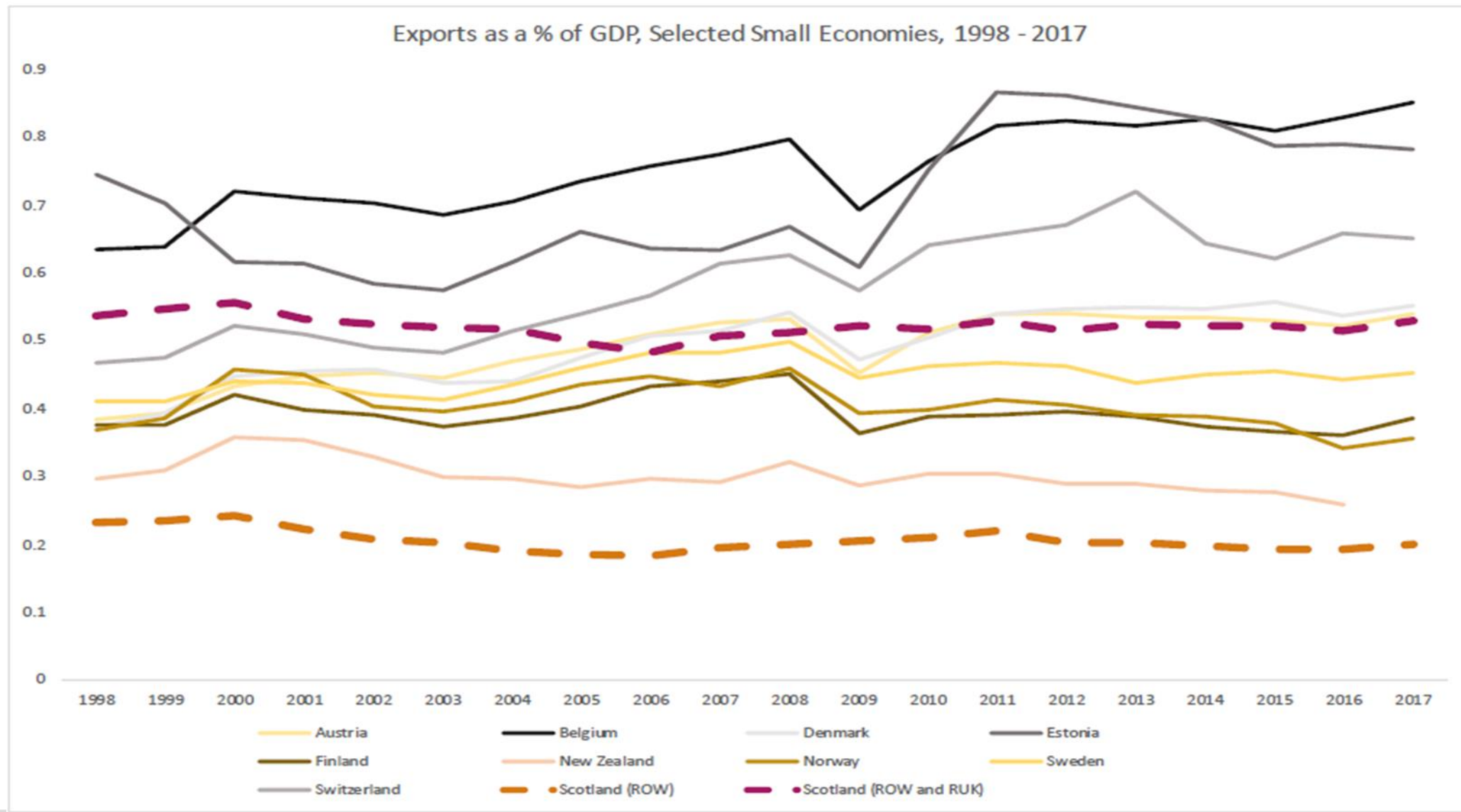
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Trade Promotion and Trade Support
Directorate for International Trade and Investment

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

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HOW DOES SCOTLAND PERFORM?

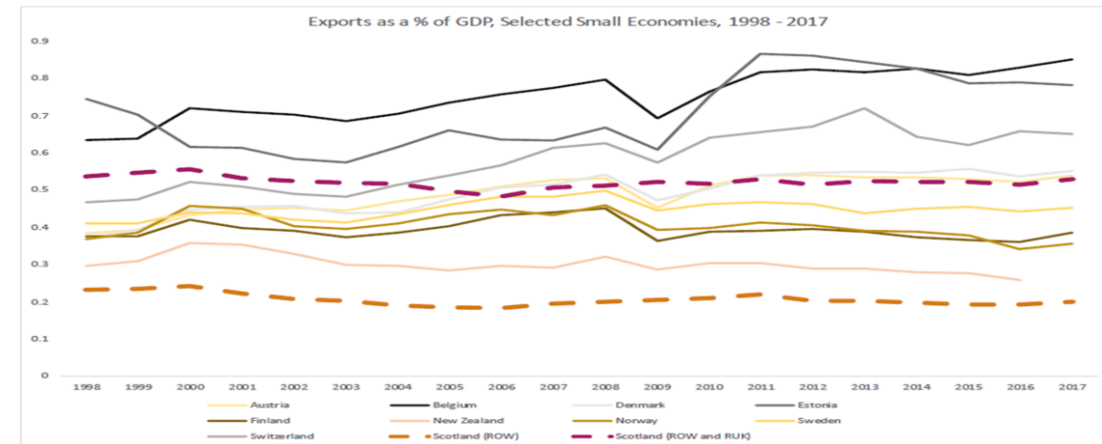


A Trading Nation – a plan for growing Scotland's exports

#SCOTLAND|SNOW

SCOTLAND'S EXPORT PERFORMANCE

- Scotland's exports have increased in cash terms by average of 4.7% per year over past 10 years (compared to UK rate of 4.3%)
- And Scotland does generate a Trade Surplus, in contrast to UK as a whole
- BUT Exports as a % of GDP hasn't improved from c.20% over past 20 years.
- Scotland lags behind comparable medium sized economies
- Even including trade with rest of UK Scotland's total 'exports' = 53% of GDP
- **We can do better**



WHAT NEEDS TO BE DONE?

- To address this performance gap we recognised that that there are some **key strategic choices** that have to be addressed
- Need to make some **key decisions** on how best to move forward and **refocus resource** to make this happen.

THE EXPORT PLAN ADDRESSES 4 KEY STRATEGIC CHOICES

#1 – Which countries to focus on?

- Emerging or Established markets.

#2 – Which sectors to focus on?

#3 – Which firms to focus on?

- More export ££ or more exporters ?

#4 – How to get the best from all of Scotland's partners in market?

All to help us decide : Where best to invest Government resources ?

STRATEGIC CHOICE #1 : WHICH COUNTRIES TO FOCUS ON?

- **Key Challenge** : How to balance driving growth from existing markets with building growth in emerging markets ?
- Conducted robust analysis of current exports and potential for future export growth in Scotland's key sectors.
- Ranked export markets according to performance and potential across a range of indicators.

‘COUNTRY EXPORT POTENTIAL’ BASED ON THE FOLLOWING ANALYTICAL INDICATORS :

1. Scottish exports to market (2014-16 average, £m)
2. Size of import market (2016, £m)
3. Distance to Country (miles)
4. Long-term growth exports (2006-16, abs value £m)
5. Recent growth exports (2011-16, abs value £m)
6. Recent growth imports (2012-16, abs value £m)
7. Forecast total imports (2018-23, abs value £m)
8. Long-term population growth (2017-2050) (number)
9. [Underperformance] Total Export Value Gap (£m)
10. [Beating competitors] Export Value Strength (£m)
11. Opportunity concentration (% of export value gap in top 5 sectors)
12. Import growth concentration (% of world import growth coming from top 5 sectors)
13. Country risk
14. Country Business risk
15. Average tariff 2016 (%)

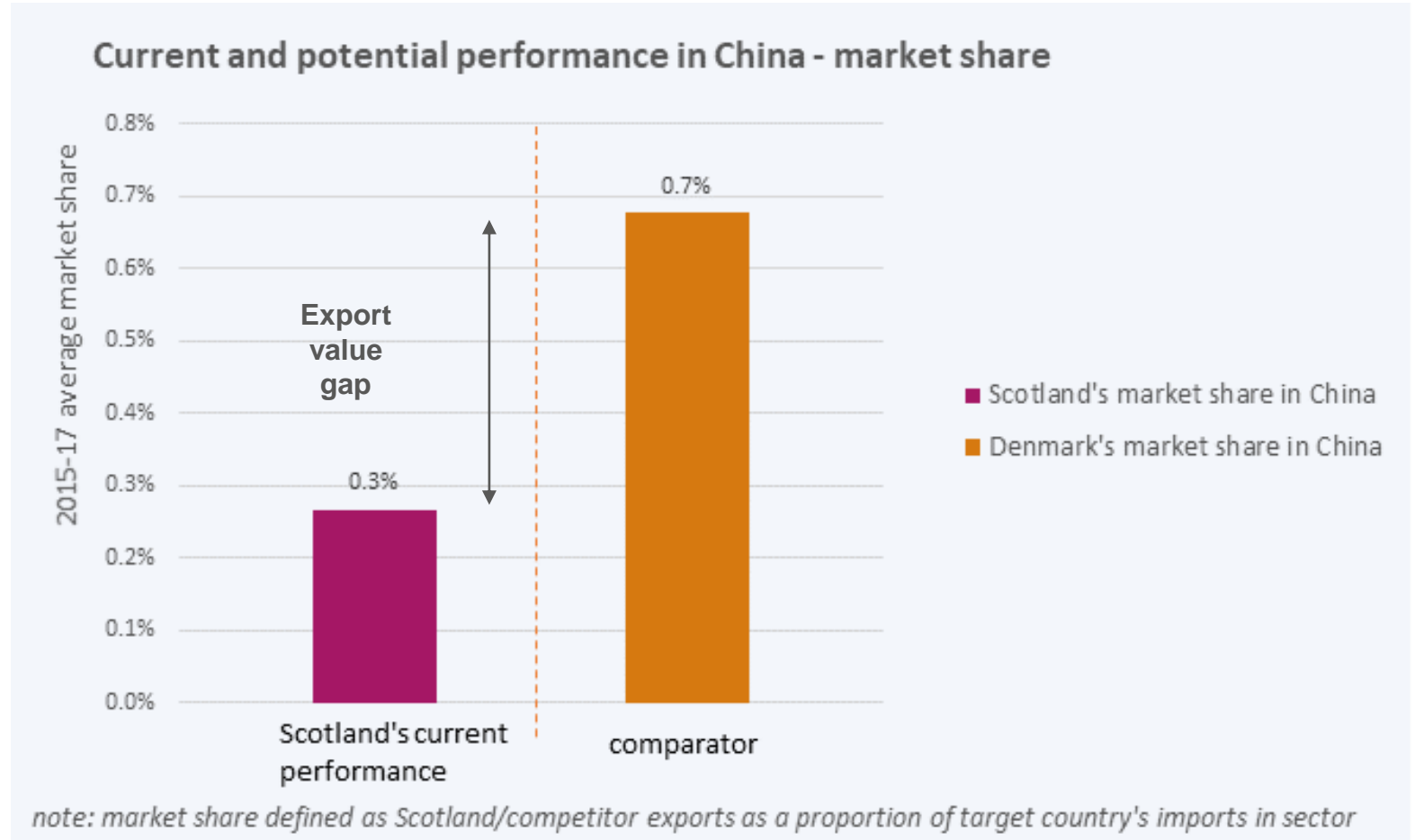
Supported by extensive discussions and intelligence sharing with Industry and Sector Groups

← Export Value Gap Monitor

LET'S LOOK AT THE 'EXPORT VALUE GAP MONITOR'

Compares Scotland's export performance in relative terms against comparable countries in specific market/sector combinations.

Example :
Scotland vs Denmark,
in China



WHAT DID WE FIND?

- Existing Top Markets constitute bulk of current Exports, and of future growth potential
 - Emerging markets are too small to impact top line growth targets, even taking into account all factors relating to future growth.
 - We propose a mix of a **'Today'** strategy –
 - Prioritise resource on driving top line growth in existing key markets to increase total exports.
- ... and a **'Tomorrow'** Strategy
- Low cost presence and tracking of target emerging markets with key sectoral focus

PRIORITY MARKETS – ‘TODAY’ STRATEGY

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%

- This is where we will build most rapid growth in export top line
- Mostly in Europe + North America & China
- Will receive bulk of Government & Agency resource
- SDI presence, trade missions, Ministerial visits.

Source: Export Statistics Scotland and OCEA calculations

MARKETS OF INTEREST – ‘TOMORROW’ STRATEGY

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%

- Mostly ‘distant mature’ and ‘large emerging’
- Often sector specific.
- Need to have presence for future growth potential
- Will leverage lower cost support to identify opportunities & support exporters.
- Trade Envoys, Global Scots, Delivery partners, DIT.

Source: Export Statistics Scotland and OCEA calculations

STRATEGIC CHOICE #2 : WHICH SECTORS TO FOCUS ON?

‘Sector Export Potential’ based on the following analytical indicators

1. Scottish exports (2014-16 average, £m)
2. Size of world import market (2014-16 average, £m)
3. Long-term growth exports (2006-16, abs value £m)
4. Recent growth exports (2011-16, abs value £m)
5. Long-term growth imports (2008-16, abs value £m)
6. Recent growth imports (2011-16, abs value £m)
7. Value if Scotland were to increase world market share by 50% (£m)
8. [Underperformance] Total Export Value Gap (£m)
9. [Beating competitors] Export Value Strength (£m)
10. Opportunity concentration (% of export value gap in top 5 countries)
11. Import growth concentration (% of world import growth coming from top 5 countries)
12. Comparative Advantage

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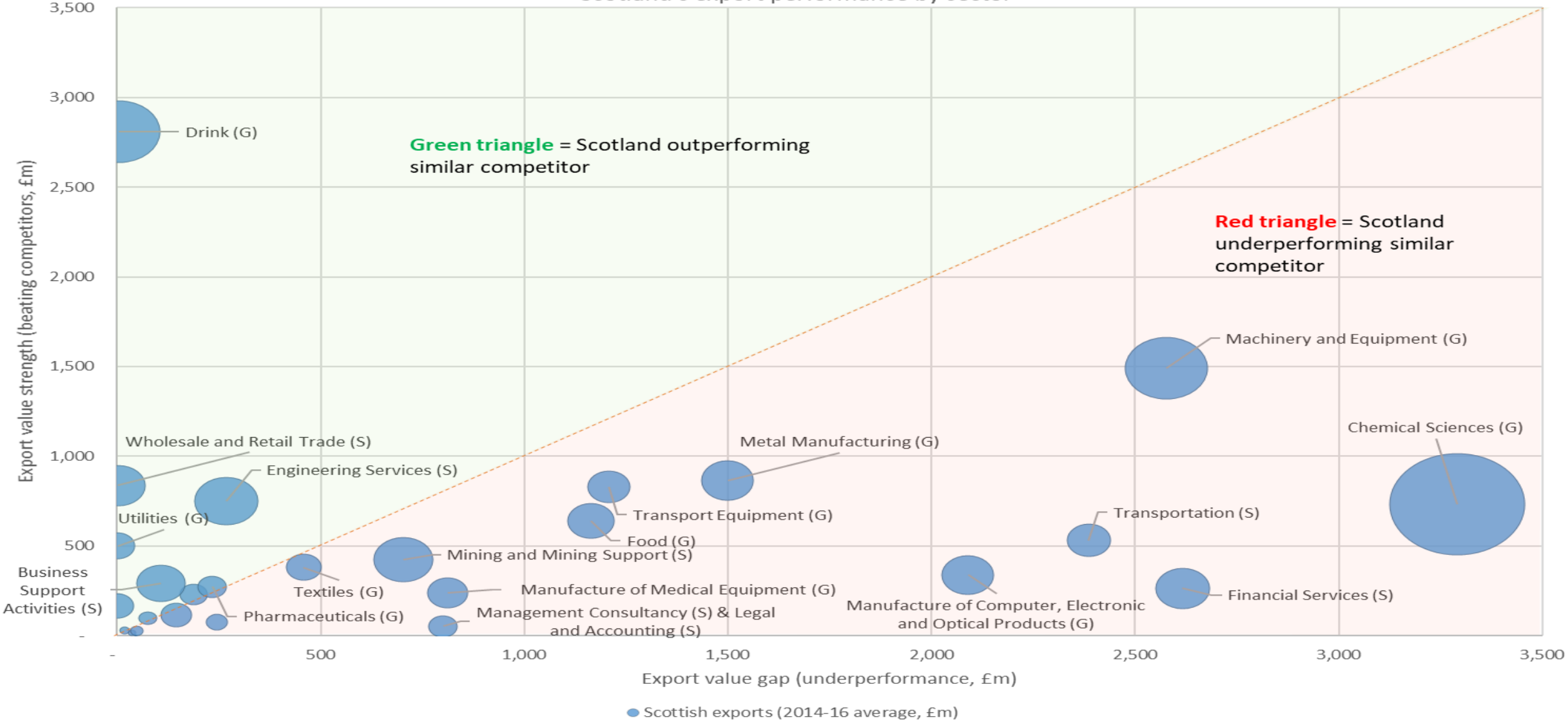
SCOTLAND'S KEY EXPORT SECTORS

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: Export Statistics Scotland 2017

EXPORT VALUE GAP - IN MOST SECTORS SCOTLAND COULD DO BETTER

In which sectors is Scotland underperforming?
Scotland's export performance by sector



SECTOR/COUNTRY OPPORTUNITY MATRIX

- Identified which market-sector combinations offer most potential
- Considered both export performance 'gaps' and 'strengths' and import market 'size' and 'growth' across 26 target markets.
- Helps inform advice to exporters on where to focus
- Allows prioritisation of in-market sector specialist locations
- Export Plan includes 'Market Briefs' on Priority Sectors and 15 Priority Markets

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

OWTH PLAN

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STRATEGIC CHOICE #3 : WHICH FIRMS TO FOCUS ON

- Scotland's top 100 exporters generate 60% of our export value.
 - BUT this is typical of comparable economies.
- Should we focus on the top exporters to drive more £ Export, or work to build the base ?
- Or can we do both ?
(While recognising that exporting isn't for everyone – need scale and bandwidth to mitigate risks)
- Deeper analysis allowed us to develop a 'Smart Segmentation' strategy - supporting businesses according to their need.

SMART SEGMENTATION STRATEGY – DELIVERING ‘BREADTH’ & ‘DEPTH’

1. ‘Top Tier’ (70 - 100 businesses)

- Support with Strategic door opening; Ministerial support. Trade Policy.
- Leverage their success to build export potential in their supply chain and as mentors

2. ‘Solid Performers’ (c 400 businesses)

- SMEs delivering good export performances, typically in a few markets
- Provide intensive support to open new markets and find new customers.

3. ‘Sleeping Giants’ (200 – 500 businesses)

- Solid performing domestic SMEs, but with potential to export
- Provide focussed mentor support and in-country soft landings

4. ‘Global by Birth’

- High tech start-ups already operating in Global markets
- Existing SE growth schemes, plus focussed SDI sector support in key target markets.

5. ‘Potential Performers’ (10k + businesses) :

- Lower cost ‘One to many’ resource focus.
- Use partners to reach businesses and channel efforts.

SIZE PROFILE OF EXPORTERS

- 71% of Top 100 exporters are large businesses
- 73% of next 400 exporters are SMEs
- So focus on tiers 2 and 3 disproportionately supports SMEs

STRATEGIC CHOICE #4 : HOW TO GET THE BEST FROM ALL OF SCOTLAND'S PARTNERS IN-MARKET

- We are blessed with a wide, deep and very supportive range of in-market networks
- But we don't leverage this resource as well as many of our competitors do.
- This includes institutions :
 - Universities and colleges
 - Cities / Local Authority economic links
 - Chambers of Commerce and Private Business Networks
- And individuals
 - Global Scots; Alumni; New Scots
 - Wider diaspora and 'friends of Scotland'

WE WILL STRENGTHEN IN-MARKET NETWORKS

- Expand and Re-energise the Global Scot network
- Add Trade Envoys for target markets / sectors.
- Provide on-line platforms to support in-market B2B networking
- Align with wider diaspora and institutions to share intelligence and opportunities for exporters

TARGETS

- We have set some ambitious targets for our export growth
- The First Minister will present these during the formal launch.
- We are also focused on ensuring our interventions deliver
- A robust evaluation framework will be implemented – allowing for re-direction of resources as the plan is rolled out.

HOW CAN YOU HELP?

TODAY

Participate in workshops to answer key questions

- What can you and others do to support implementation?
- Where should the Government prioritise spend?
- What should we focus on next?

GOING FORWARD

Be part of Scotland's export story – as a mentor, a GlobalScot, a Trade Envoy, participate in industry groups, take up training opportunities and attend events, most of all, share your experience and encourage others