

3 May 2024

Clare Adamson MSP
Convener – Constitution,
Europe, External Affairs and
Culture Committee,
Scottish Parliament
Edinburgh
EH99 1SP

By email:

CEEAC.committee@parliament.scot

Dear Ms Adamson,

CEEAC committee inquiry into the E-UK Trade and Cooperation Agreement

As Scotland's national economic development agency with a focus on building Scotland's international competitiveness, we welcome the opportunity to contribute to the Committee's important work examining how well the EU-UK Trade and Cooperation Agreement ("TCA") is working for trade and whether there is an interest in developing the EU-UK trading relationship further.

The EU is an important export market for Scottish exporters, and the TCA is central to their ability to trade effectively as possible with countries within the EU. Scottish exporters have had to adapt to the changes brought in by the TCA, to ensure compliance and to take advantage of the new opportunities and facilitations provided by the agreement. As outlined in the submission below, the TCA has presented challenges to companies, and we have worked closely with these companies to understand these challenges and provide support to address them, where we can.

We look forward to sharing more detailed information on the challenges faced by companies since the introduction of the TCA the opportunities that may exist to develop the EU-UK trading relationship moving forward.

Your sincerely,



**JAN ROBERTSON
DIRECTOR, OF GLOBAL TRADE
SCOTTISH ENTERPRISE**

Introduction

Scottish Enterprise

Scottish Enterprise is Scotland's national economic development agency. Our purpose is to support businesses to innovate and scale to transform Scotland's economy by focusing on the areas where we make the biggest difference – innovation, investment and international. SE's international ambitions align with those of Scotland's National Strategy for Economic Transformation (NSET) with our ambition being to win an even greater share of international opportunities, particularly within markets and sectors which offer the most significant opportunity for growth.

Scottish Enterprise – International Operations

The role of Scottish Enterprise International Operations¹, is to help grow Scotland's exports, increase inward investment in Scotland and secure new capital investment to fund a just transition to net zero. We provide international support to businesses across Scotland, including on behalf of Highlands & Islands Enterprise (HIE), and South of Scotland Enterprise (SOSE). As part of a Team Scotland approach, we work in partnership with a range of organisations including Skills Development Scotland, Department for Business & Trade, Visit Scotland, Scottish Funding Council, Business Gateway, Local Authorities, and Industry bodies such as Scotland Food and Drink. Our overseas team work in close partnership with UK Government teams within the respective embassies and high commissions, where we are often co-located.

Our team is based in Scotland and overseas. Overseas we have c.100 staff, across 24 different countries working across 32 different offices, with six in the Americas, ten in Asia Pacific and 16 in EMEA. We are co-located with Scottish Government colleagues in USA, China, Canada, Denmark, France, Germany, Ireland, Belgium, and England where the teams work together to support joint aims around trade and investment objectives.

How we work – Trade support

The Scottish Government's 10-year Export Growth Strategy, A Trading Nation (ATN) sets the strategic direction for growing Scotland's exports alongside Scotland's Vision for Trade, which sets out the principles and values for the trading relationships we want Scotland to have in the future. ATN therefore sits at the heart of how we support companies to export, the priority countries and the priority sectors we want to focus on; and how we support businesses via our team in Scotland and overseas. Within the ATN strategy, 11 out of the 15 priority markets are in EU, recognising the importance of the EU to Scotland's exporters.

Our delivery model for providing one to one trade support for Scottish companies is structured around three customer-facing global trade teams: Consumer Industries, Energy Transition, and Science & Technology with each sector team consisting of trade specialists (based in Scotland) and in-market trade specialists based in key international markets. The Scotland

¹ Note: Scottish Development International is the brand used to promote the activities we undertake overseas to deliver our international operations

based trade specialists each lead on engagement with a portfolio of exporters, with in-market specialists leading on the provision of international insight, identifying new trade opportunities, and making buyer introductions. We have experienced in-market trade specialists located in North America, Canada, Mexico, France, Germany, Spain, Poland, Netherlands, Denmark, Switzerland, Ireland, Japan, Indonesia, Australia, India, China, UAE and Singapore, and these staff lead on in-market trade development work. We also have teams that deliver specialist services such as digital delivery of export support, products and programs, international market events and the GlobalScot network.

We provide tailored support to exporters who can make the most significant contribution to growing Scotland's exports. We do that by targeting priority markets which offer the most significant opportunity for growth and sectors where Scotland's greatest export strengths lie. Our role is to raise awareness of exporting opportunities, encourage companies to be ambitious about exporting, and help build capability to create a pipeline of future exporters. We provide support alongside partners to optimise Scotland's trade potential.

Results of our work – Trade Support

We have detailed metrics to measure the impact of our activities across trade and investment, a selection of which are shared below. In the year ending March 2023 (FY22/23), trade support we provided to companies across Scotland resulted in £1.73bn of planned international sales, an increase on FY21/22 which was £1.16bn, a figure which had fallen due to covid-19 from £2.22bn in FY19/20 (pre-covid).

We supported Scottish firms to enter 324 new markets in 22/23, with a focus on targeting our efforts in priority markets. Top markets included: United States, China, Germany, Spain, and France. Our in-market trade specialists identified 1,236 new trade opportunities for Scotland's exporters. We saw opportunities from Asia Pacific increase by 50% compared to FY21/22 levels, reflecting both an appetite from Scottish companies to explore new market opportunities, and the growing opportunities this market offers. For the same period, trade opportunities identified in the EU declined by 96%. We also led delegations to some of the world's biggest trade events. These included Seafood Global and Mobile World Congress in Barcelona, Wind Energy in Hamburg and numerous high-profile trade shows in the United States, including America Clean Power

Supporting businesses before EU exit day and during the EU transition period

Scottish Enterprise has been supporting companies to prepare for a potential EU exit and then adjust to the requirements of the EU-UK Trade and Cooperation Agreement since November 2018. Our support has included creating a Prepare for Brexit microsite with the support of other agencies and partners to help companies prepare. We also set up an EU transition helpline to help with company enquiries.

From 1st of January 2021, our focus has been on supporting companies to operate after Brexit using the microsite to provide a Scottish entry point to appropriate UK-wide sources of funding and advice including information on VAT, taxes, customs, funding, logistics and labelling. Our support has included engaging intensively with exporters on a one-to-one basis, to support them to understand new rules and regulations and to adapt to a new trading relationship with

Europe, providing advice and guidance, gathering insights and exploring solutions where challenges exist.

We have supported businesses to improve the resilience of their supply chain by helping them establish new sources of supply outwith the EU. We have facilitated access to technical expertise from the Institute of International Trade and Exports and provided advice on new routes to market in the EU and advice on establishing subsidiary operations in the EU. We have also used grant support via programmes such as International Growth Support to help companies build their profile in the EU and explore new market opportunities in other global markets.

Delivering international events in Europe which includes supporting Scottish companies to exhibit at key trade shows, participate in outward and inward trade missions and learning journeys has been critical to maintaining and building Scotland's reputation in the EU, and helping companies to investigate and be educated about opportunities in other fast growing markets.

TCA Challenges – Feedback from SE supported companies

Our direct relationship and support for exporters has enabled us to identify themes where companies have faced specific challenges. These include **non-Tariff barriers**, particularly increased costs of exporting to the EU due to additional paperwork and administration. For smaller exporters, this has been a significant challenge with many exporters deciding to refocus on the UK market or focus their available resources on fewer export markets. Due to issues with **international supply chains** (e.g. longer lead times and higher supply costs caused by a combination of the TCA and other global factors) some businesses are looking at UK-based suppliers, particularly in the manufacturing sector. Companies are also reporting significant challenges in **recruiting labour** due to the removal of freedom of movement rights for workers after 31st of December 2020. Exporters are now recruiting from a smaller pool of available staff, and this is impacting on their ability to service exports markets. We have insights via our overseas staff that some European buyers in the food and drink industry would now prefer not to source from Scotland or UK, where they can source locally within Europe, because trading with Scotland has become more challenging, e.g. products taking longer to arrive, and increased costs in some cases. This can have impacts on our ability to grow demand for Scottish products within the EU and facilitate new trade opportunities for Scottish exporters.

Concluding remarks

The TCA continues to provide challenges for Scottish companies across a range of sectors. We are focused on understanding these challenges and supporting companies to address them. Our support to-date has focused on providing information companies need to understand how the TCA impacts them, helping companies understand options to address any challenges as they arise, supporting companies to adapt to the new requirements, including sharing learning from other companies where this is possible. Alongside this, we continue to engage in key discussions and forums helping to inform discussions ahead of the planned TCA review.

We will continue to undertake this dual role, in collaboration with other Team Scotland partners, to ensure that we can grow exports to the EU to positively benefit Scotland's economy.