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Constitution, Europe, External Affairs and Culture Committee

Thursday 9 May 2024

Session 6

The Scottish Parliament
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CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE
11th Meeting 2024, Session 6

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

*Alexander Stewart (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Neil Bibby (West Scotland) (Lab)
*Keith Brown (Clackmannanshire and Dunblane) (SNP)
Kate Forbes (Skye, Lochaber and Badenoch) (SNP)
*Meghan Gallacher (Central Scotland) (Con)
*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

William Bain (British Chambers of Commerce)
Ewen Cameron (Scottish Development International)
David Decrock (Scottish Development International)
Kate Foster (Federation of Small Businesses)
Catherine McWilliam (Institute of Directors Scotland)
Jan Robertson (Scottish Development International)
Gareth Williams (Prosper)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Constitution, Europe, External Affairs and Culture Committee

Thursday 9 May 2024

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Clare Adamson): Welcome to the 11th meeting in 2024 of the Constitution, Europe, External Affairs and Culture Committee. I record our thanks to Kate Forbes for her thoughtful and diligent approach as a member of the committee, and I wish her well when she takes up her new post later this afternoon.

The first agenda item is a decision on taking business in private. Are members content to take item 3 in private?

Members *indicated agreement.*

Review of the EU-UK Trade and Co-operation Agreement

09:00

The Convener: Our next agenda item is to continue to take evidence on the committee's inquiry into the review of the European Union-United Kingdom trade and co-operation agreement—the TCA. We have two panels this morning. For our first panel, we are joined in person by Gareth Williams, head of policy for Prosper, and Catherine McWilliam, national director of the Institute of Directors Scotland. Online, we are joined by Kate Foster, senior international affairs adviser, Federation of Small Businesses, and William Bain, head of trade policy, British Chambers of Commerce. A warm welcome to you all this morning.

I will open the questioning. Thank you for your written submissions, but I would like to get a sense of the current challenges in trading with the EU. What would you like to see in a review of the TCA, and which issues would your members prioritise? What are the challenges ahead that you see on the horizon? There is a lot in that. I will go to Mr Bain first.

William Bain (British Chambers of Commerce): Thank you, convener. The British Chambers of Commerce produces an annual document that contains the results of a survey of our members. Our most recent publication, which was produced at the end of December last year, included the results of survey data from more than 700 businesses in every part of the UK. We found that 60 per cent of exporters to the EU said that it was more difficult to trade with the EU than it had been a year ago, and that 49 per cent of companies did not feel that the current TCA was enabling them to grow or increase their sales.

The problems are rooted in a variety of sectors. For small businesses, there is a VAT requirement on things such as online sales. To use the EU's import one-stop shop, you need to have a fiscal representative in the EU, which is very burdensome and costly for small businesses. That has been an on-going problem since 2021, which has not been resolved. We would like that to be changed and we believe that it could be done in the short term through the specialised committees, if the political will was there.

We are also experiencing real problems with agrifood. The requirements for export health certificates and for checks on goods going from the UK, or Great Britain in particular, into the European Union have added vast amounts of bureaucracy and cost for agrifood traders. Some kind of agreement that mitigates or eliminates some of those extra costs would be really beneficial.

On mobility issues, there are sectors of the economy, such as care, hospitality and the health service, where clear pressures have come from the restrictions on mobility since 2021. We believe that two forms of agreement would be useful. One is an agreement on youth mobility, which would allow for movement for functions such as training and employment. In addition, the restrictions around business mobility could be looked at to increase the number of days that people can spend working in the other market and to widen the range of activities that are permissible when visiting the other market for business purposes.

The third issue that needs urgent action by the UK Government and the European Commission is in relation to the forthcoming full implementation of the EU’s carbon border adjustment mechanism. The BCC has significant concerns that areas within the scope of the CBAM, including the steel, iron, aluminium and other regulated goods sectors, could face severe effects if the emissions trading schemes between the EU and the UK are not linked. Those are our three priorities for the TCA review.

The Convener: Thank you. I will bring in Ms Foster.

Kate Foster (Federation of Small Businesses): Thank you, convener, and thank you for inviting me to speak to the committee this morning.

I will start by briefly taking us back to January 2021, when we first formally left the single market. We welcomed the agreement of the TCA, and we welcomed avoiding the uncertainty that would have come with a no-deal Brexit. However, despite the formal trade agreement, small and medium-sized enterprises immediately had significant barriers to contend with, in areas such as navigating customs, paperwork and VAT. There were impacts for business mobility, as William Bain said, although we were still experiencing Covid lockdowns at that point. There were issues with the recognition of certification of things such as product safety and conformity, and there were additional up-front costs for things such as handling fees and extra shipping fees. Things appeared on invoices that had not been there before, all of which were to do with the introduction of the new formal steps.

Since then, many of our SMEs have found ways of working with the new system. They have made new arrangements and changed their business patterns. For the eight quarters following January 2021, our small business index survey asked our members how their trade activity with the EU had changed, and in January 2021, around two in 10 of our SME exporters said that they had temporarily stopped trading with the EU. That figure has now fallen to one in 10. A number of businesses held off trading with the EU and paused activity temporarily, but they have since restarted. However, a significant number have stopped trading with the EU permanently. The last time we asked members about that was in quarter 4 of 2022, when the figure was around 4 to 5 per cent.

From speaking to members, we have anecdotal evidence that they find trade with Europe more difficult than before, even if they are finding ways around it. For instance, we have a member who is based up in Skye who sends things to the EU by post. They recently had an issue when sending a package to Belgium because, even though they could zero rate their products in the UK, Belgium charges import VAT and the Belgian postal system charges a customs handling fee, so there are still additional costs. On the face of it, those costs might seem small, but they have a cumulative effect, particularly for small businesses that do not have a lot of extra resource because they are working to tight margins. We are therefore concerned that there is a longer-term chilling effect on trade with Europe.

To return to the original question about what we would want to see in a review, there has traditionally been a low take-up by SMEs of preferential market access, so, separately from the bones of the TCA, there is still a piece of work to be done around boosting SME take-up of preferential market terms. That is not unique to the TCA; it is true of all bilateral trade agreements.

Within the TCA, there is room for full implementation of structures that were already there. For instance, the TCA makes provision for setting up an SME committee, which would provide a forum for small business concerns to be aired—and maybe resolved—between the UK Government and the European Commission. That has still not been set up, but we would really like that to be taken forward, even outside the scope of a review.

William Bain referred to the need to have a VAT representative to allow small businesses to make use of the import one-stop shop. I will not expand on that any further, because William has already covered it, but that is one of our priorities as well.

If there was scope for it, we would also support a separate veterinary agreement to reduce some of the sanitary and phytosanitary checks; particularly with the border target operating model coming in, we will see the impact of those full import controls coming in.

Youth mobility and business mobility are also priorities, so our priorities are similar to those that William spoke about.

Catherine McWilliam (Institute of Directors Scotland): Thank you very much for having me today. It is my first-ever evidence session, so I hope that you will all be nice to me.

Similarly to what colleagues have said, the IOD issues a monthly policy voice survey to our members, and the data that I will refer to is from June 2023. In that survey, our members cited the trading relationship with the EU, as set out in the TCA, as the biggest challenge in the export environment. Reducing friction at the EU-UK border should be at the forefront of any export strategy. With that in mind, 46 per cent of our members indicated that they are finding the trading relationship with the EU challenging, and 72 per cent said that that related to mobility and travel. Changes to customs were also cited as contributing to the challenges.

I will go into that in a bit more detail. The most helpful action that Government could take would be to pursue an agreement with the EU on business mobility and visa rules. That is linked directly to another issue that we are experiencing in relation to access to talent and skills. In their responses, 27 per cent of our members said that they are facing difficulties in hiring staff, due to a shortfall in EU applicants, and 10 per cent are finding it harder to recruit unskilled workers. In 2021, when we asked a similar question, 38 per cent responded by saying that they were experiencing skills issues due to a lack of applications from EU recruits.

Similarly—colleagues have also picked this up—changes to customs procedures are causing significant issues. Fifty-seven per cent of our members who import or export are finding custom changes that were implemented by the TCA challenging. Businesses are spending more time and money on Brexit-related paperwork and, often, in specific cases in specific countries, paperwork is complex to understand. It varies from state to member state, and it often has to be completed in the destination country's language. As Kate Foster picked up, that is of particular relevance to our small businesses.

Anecdotally, some of our larger members are looking at exporting outwith the EU, because that is simply easier for them. When we have been out talking to members, one of the things that we have heard—again, this is anecdotal—is that more examples of the "how" and best practice and successful case studies would be really helpful. Our members have welcomed the partnership between Scottish Development International and the Department for Business and Trade, and the Export Academy. That has been viewed as helpful, and we would like to see more development there.

For our members, there is also a point around the media coverage of Brexit and its implications. Because of the imagery of lorries sitting for long periods in Kent and Dover, a lot of our members are asking themselves what the point is and whether it is worth it.

We would ask the Government to pursue an individual agreement with the EU on business mobility, in order to extend the number of days for travel to the EU beyond the current limit of 90 days in every 180 days; to expedite plans for the implementation of the single trade window; and to use the platform to produce regular reports based on data collection, in order to inform future developments of technology in line with business needs.

Gareth Williams (Prosper): Thank you for the invitation to give evidence. I do not want to reiterate what my colleagues have said, and I know that the committee has already taken evidence from trade associations on the challenges that exporters face, particularly in the food and drink sector, for example.

I will add to what has been said about the challenges. Obviously, many exporters have faced additional costs, complexities and timescale issues, which have affected business and supply chain models. Many of those challenges were related not simply to the agreement itself but to implementation and differing interpretations across EU states and authorities. Some of that might relate to a lack of understanding, but some of it relates to deliberate unhelpfulness.

09:15

Companies have responded in a variety of ways. For some businesses, the new difficulties are a fact of life, but others have continued to trade and have accepted those extra administrative, handling and storage costs, which has reduced their competitiveness. Another issue that many businesses are now facing is that they have started to lose customers in the EU, based on the perception that there are extra difficulties involved in doing business with UK-based suppliers.

I will turn to our priorities for improving the current position. We very much take the view that the TCA is a welcome floor but that it is certainly not the ceiling. We would like to see action to improve implementation in the short term. Looking further ahead, we recognise that, at present, the EU probably has higher priorities than the review of the TCA and that it might be inclined to take a more minimalist approach to the review. Nonetheless, we think that there is scope to make improvements, particularly if we focus on mutual benefits and mutual areas of interest. Therefore, that is what we are encouraging.

We would like to see progress being made on a veterinary agreement. Mutual recognition of professional qualifications is also very important for a range of sectors. Reference has already been made to the carbon border adjustment mechanism, but, more widely, I would add to that the need for co-operation around energy issues, whether that is in relation to offshore wind, hydrogen or carbon capture and storage—we would like to see all those areas of opportunity developed as part of the forthcoming green industrial strategy.

Business travel and youth mobility have also already been highlighted. We welcome the agreement on horizon Europe, but we now need to ensure that we make the most of that so that there is a strong case to continue in association in the future but also to get as much economic and wider benefit as possible.

The area of regulation is of interest to a range of our members across different sectors. There are concerns around divergence, so we need to consider how we can co-operate on those areas in the longer term. Financial services is an example there.

Lastly, there are issues around rules of origin and the impact that those have on some products in some sectors, not only in relation to exports to Europe but with regard to exports globally. We are a member of the UK-EU domestic advisory group on the TCA, and a number of those issues were picked up in the group’s most recent report. We entirely endorse the points that are made throughout that report about the priorities for the forthcoming review.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning. In your answers to the opening question, you have all talked about the challenges and about how business has had to adapt. Business has adapted—we have visited some sectors, individually and as a committee. However, we have found that, for some businesses, the step has been too far for them to continue trading with the EU, so they have chosen to rely on the UK market and tried to find new business within that context to fill the gap. I think that you are saying something similar. Some businesses have just stopped trading with the EU, because it has become far too complicated, bureaucratic and costly. I think that that is the flavour that we are getting from most of you about the difficulties.

It is interesting that Catherine McWilliam mentioned the media, and the realities of what is happening in business sectors versus the world that the media portray. That media perception has had an impact on all business confidence, as well as on the trading.

When it comes to skills and finding the people within the business sectors that you all represent, you have identified that there are difficulties in ensuring that you get the right people and that they are able to fulfil their roles and responsibilities. Each of you has indicated that the extra costs and the extra burden that come into all of that have had a real impact on the bottom line for your organisations.

Some organisations have adapted and survived, and some have gone to the wall because they have not managed to adapt and change. Would it be the case for all of you that your organisations and the individuals whom you look after and represent have changed their style and format to ensure that they can be competitive and survive? Without that, there is little hope of the whole situation changing and going forward.

Therefore, I have a question for all of you. You have given the convener a flavour of what your wishes and wants are to try to change the situation. Is there anything from that wish-and-want list that you believe would be the pinnacle for your organisations and companies to take on board, so that they could change and adapt to ensure that they can and will have a prosperous future? Is it the case that they have had to change and can no longer go back to the markets and the structure that they had, because that is no longer feasible, viable or economically supportive?

I do not know who wants to answer first.

The Convener: Do you want to direct that question to anyone in particular, as we are in a hybrid situation?

Alexander Stewart: That is probably easier. I invite Mr Bain from the British Chambers of Commerce to respond first.

William Bain: Thank you. That is a really interesting and apposite question. I think that there are great opportunities, if we can reach some of those reforms. A recent study from Aston University that looked into veterinary agreements found that having quite a maximalist agreement could increase exports of agrifood to the EU by 22 per cent and increase imports coming the other way by 6 per cent. There is a sort of pent-up capacity to want to export more in agrifoods, which an agreement could help to relieve and boost.

Much depends on the kind of agreement that could be reached. It is noticeable in some of the EU statements that it would be looking to make a very maximalist agreement, but one that is based on dynamic alignment. Policymakers at Westminster have tended to say they want to see a mutual recognition type of agreement, which would not involve dynamic alignment with EU food legislation. Obviously, you would not get 22 per cent growth in exports with that type of agreement, but the Aston research shows that you would still get some, so I think that there is that possibility.

In terms of the VAT changes, since 2021 some companies moved to rejig their supply and distribution chains. Medium and larger companies have pretty much done that, but many smaller businesses cannot rejig their distribution.

There would be practical benefits of having a VAT agreement with the EU and removing that fiscal representative requirement, which would also increase trade between us. If we look at the art of what is possible and think about the pragmatic and practical things that would make a difference to business, we are confident that we can see a return to higher export levels in terms of goods.

It is also important to say that, since 2021, there has been an increase in services trade. Most of our services exports are delivered digitally—it is lawyers emailing their advice, architects emailing their designs, and work by auditors and accountants. We have seen quite good and strong growth in services, and Scotland is pretty much to the fore of that. That is another area where we can be confident that we can see growth if we make the right adjustments and build the right relationships with our European partners.

Alexander Stewart: Ms Foster, you represent the Federation of Small Businesses, and we believe that small businesses have had the biggest hit, as you said. It would be good to get a flavour of what you think is the way forward.

Kate Foster: That is an interesting question. Obviously, the UK is now a third country and there are steps, processes and requirements that come with that. There are steps that can be taken to alleviate some of those issues, but we are no longer in a single market so, inevitably, there will be things such as customs declarations, which are part and parcel of being outside the EU.

You touched on businesses changing their models and how they do business. Some of our members have done things such as opening a distribution centre in the EU or looking at having bonded warehouses in the EU to make their distribution into the single market easier. However, those are very expensive options, so only a really small number of businesses have been able to do that.

To make a similar point to the one that William Bain has just made, there is no single silver bullet to reduce friction in EU trade, but there are a number of things that could ease some of the burdens, reduce some of the costs and just make trade that little bit more appealing and less burdensome for small businesses. I will not repeat everything that William said, but it is about things such as youth mobility and the sanitary and phytosanitary checks on agrifood products—basically, it is about removing some of the burdens that can be business critical for the smallest businesses when they are making decisions about where to trade.

Catherine McWilliam: Again, I do not want to repeat the points that colleagues have raised. In the simplest terms, for me, some of the biggest opportunities involve looking at those who have not yet attempted to export, who might be entrepreneurs at an earlier stage of their journey. There is something around demystifying the process and procedure and making guidance and support as readily available as possible to those who are looking for it. We have heard anecdotally from members that, since 2021, there has definitely been a surge in consultants offering expertise in this space, and that a varying quality of support is available.

There is also the issue of a general lack of understanding in some isolated but still relevant cases. Some early-stage entrepreneurs perhaps do not even recognise that they export or trade outwith the UK. For example, at a recent event, one of our members said that they did not export their products, despite complaining about the cost of posting a blanket to the south of France about five minutes earlier. There is definitely an issue about understanding.

My biggest ask would be to look at what the support looks like and at communication and how we can get that messaging out there clearly and consistently.

Gareth Williams: We have heard about the adaptations that businesses have made to continue to trade with EU markets, some of which have reduced economic activity within the UK so, obviously, we are worse off for that. However, the issue is not just to do with those that have adapted, as we also hear from businesses that have slowed or cancelled plans to expand into EU markets, and we need to bear in mind that loss of growth.

09:30

Catherine McWilliam made a number of important points about support for businesses. In relation to what can be done, there is no silver bullet. A range of our members would like to see action on export health certificates and a move to some form of veterinary agreement with the EU, if at all possible. That would be particularly beneficial to businesses in many rural parts of Scotland.

It is important to bear in mind not only how we can make improvements but how we can protect what is already there. For example, in relation to financial services, the UK continues to manage two-thirds of EU assets post-Brexit. That is underpinned by the continuation of the regulatory regime that gives clients around the world the confidence to invest in the UK. We welcome the fact that those regulatory frameworks remain in force after Brexit, but we are concerned that there might be some material divergence away from them over time, which might create some pressures on the perception of the UK as a place to do business. We have to carefully manage that regulatory picture, whether divergence is active or passive, to ensure that we do not create fragmentation and that we co-operate around alignment.

Keith Brown (Clackmannanshire and Dunblane) (SNP): I am conscious that, in the evidence that you have given us this morning, you have been consistent with each other and with what the committee has heard in this inquiry previously, except in one regard, which is the strength of feeling. In the past, we have heard from individual businesses that are said to have stopped exporting altogether to the EU. Some have gone bust—I am thinking particularly of a small business in Kintyre—and some have looked to be taken over. In one case, a business looked to be taken over by a German company, because that would make it easier to export to the EU. Businesses are pretty strident and negative about their experience. One company told us that it now finds it easier to export to Turkey, Russia and China than to the EU. That is an immediate drop-off. I think that the loss to the UK is meant to be at least £140 billion.

On the last point that Mr Williams raised about investment in the UK, we now hear that the City of London stock exchange has reduced in size significantly and that that is an on-going process.

I know that some of your organisations are the Scottish side of UK-wide organisations. I want to find out whether you have found a different experience in Scotland, or whether what you have just talked about is common throughout the UK. In Scotland, for many years, we have had a positive balance of payments—if there was such a thing—as we in Scotland export substantially more than the rest of the UK does, compared to what we import. I would be interested if you could say, from the point of view of your organisations, whether the things that we are experiencing, such as the mobility of labour, are common across the UK. Is that more pronounced in Scotland?

I will go to Mr Bain. Welcome, Mr Bain. I think that the last time we met was on "Newsnight" some years ago. It is nice to see you again. Would you like to come in on those points?

William Bain: Thank you, Mr Brown. It is great to see you again, and thanks for the question.

According to our survey returns, the labour issue is a bit more pronounced in Scotland. I should say that what happens is that we get quantitative data, but we also have free text responses that give us qualitative data, on a very localised basis, from areas such as Ayrshire and Angus in Scotland, and the data is showing that the labour issues are being very much more keenly felt in Scotland.

The agri-food export issues are being more keenly felt, too, and the combination of that and the customs and VAT changes have created an environment in which some companies feel that trading is not worth while any more. That is very sad, given the quality of product that, as we know, exists in Scotland and the demand that could be met in overseas markets. We need to recognise that exports are good for Scottish businesses; they make businesses more profitable and increase the potential for investment and wage growth. As a result, it is those sorts of areas where we should have our eyes on the prize.

Since 2021, we have experienced what I would call a bit of a moving target. We had the first phase, in which we had to deal with the customs declarations and associated costs, the sanitary and phytosanitary checks and the VAT issues. Those issues are still there, but BCC did a lot of work over the autumn and spring on issues arising from the different sanctions legislation in relation to Russia that the UK and the EU had adopted, and we found many businesses in, for example, Aberdeen, Grampian and the west of Scotland approaching us to say that they were losing business from customers in Germany, because they were being required to produce new pieces of paper—mill certificates—to prove the provenance of the iron and steel in their product and that it had not been sourced from Russia. We had to engage the Foreign, Commonwealth and Development Office and the European Commission to come up with a solution. We are very grateful that our suggestion was adopted at the end of February, I think, as it has removed the requirement for this mill certificate. That will have been a big boon to exporters of steel and iron products from Scotland.

What we are facing, then, is a new series of challenges, and I think that that speaks to the need for better processes within the TCA for regulatory co-operation. Mr Williams talked about the divergence that is happening in services; I would note that, in respect of traded goods, the BCC's recent "Global Britain" report calls for the UK to adopt and align with the EU's primary regulations in order to cut and mitigate the new costs that exporters in Scotland are going to face.

Keith Brown: Thanks for that. Kate Foster, do you want to comment?

Kate Foster: Thanks for the question. We have certainly heard from businesses anecdotally that, with regard to growth, internationalisation and trade, they are now starting to think about a move towards the USA, say, or the middle east. However, Europe as a global region is still the top region that businesses want to expand into. When we ask members for their top destination markets for exports, the top five are always France, Germany, Ireland, Netherlands and the USA. Therefore, Europe remains the natural jumping-off point, if you like, for SME trade, although it is certainly true that some businesses have stopped trading, now that it is less appealing.

That pattern is reflected across the regions and nations of the UK, with the same issues tending to come up, regardless, in fact, of the destination market. They include customs paperwork, VAT issues, the costs, the bureaucracy and the lack of knowledge.

Thinking back to those early days in the first part of 2021, we heard in particular from seafood businesses in Scotland. That was a real pain point.

Now, as William Bain has alluded to, there is the labour shortage; businesses face that issue across the UK, but it is faced particularly in rural areas in Scotland. However, as colleagues have also alluded to, that speaks to the broader need to look at not just the trading agreements with the EU and other trading partners but the broader piece around de-risking trade for small businesses, addressing perceptions and tackling the non-tariff barriers, which are just as important as tariff barriers—for example, in certification, meeting the up-front costs of Brexit, upskilling staff so that they know how to deal with paperwork, and other such things. It is part of a broader piece of making trade more appealing and building it into a small business's growth strategy earlier on.

Catherine McWilliam: Again, I do not want to go over the ground that colleagues have already covered, but I will refer back to our "Policy Voice" monthly survey. That is UK wide but we extrapolate the Scotland data and, generally, we tend to find that things are much of a muchness.

As IOD Scotland, we carried out our own state of the nation survey earlier this year, and the results of that indicated that, for the third year in a row, access to talent and skills was the number one concern of our members. That being said, within the same survey, two thirds of our members indicated that they had plans for "ambitious" or "steady" growth over the next 12 to 18 months. However, in the free-text boxes for commentary about concerns and opportunities within that, lots of our members indicated that they were concerned as to how they would do that.

Keith Brown: Was your point on expecting or looking forward to growth about growth in exporting to the EU, or just in general?

Catherine McWilliam: It was general but, in the free text comments, we got into some of the detail about challenges in looking to export to the EU and beyond.

People also talked about that lack of access to labour and skills, and the fact that their reliance on skills coming in from elsewhere was a concern. Back in 2022, we held a policy forum that looked at skills and talent acquisition, and similar conversations came out about the need for visas to encourage people to come to Scotland specifically.

We will have an event on 4 June to pick up that conversation again, because it is of such concern to members, and we will be happy to share with the committee the output that we produce from that.

Gareth Williams: I acknowledge the point that Keith Brown made about strength of feeling. That was certainly clear to us from businesses at the time, and is still the case in many places and sectors. Some of the challenges come within the wider context of post-pandemic supply chain issues, inflation and so on.

Being a Scotland-only organisation, we are probably less well placed than the others to comment on differences between Scotland and the rest of the UK. However, I mentioned our participation in the domestic advisory group, which covers the whole UK. It is clear that there are still lots of issues for different sectors right across the UK, as well as for different regions and nations of the UK, and there is a real desire to have all those issues reflected in improvements to the TCA.

Skills are still a major concern for our members. Recently, working with the Fraser of Allander Institute, we surveyed businesses about their priorities for the next general election. Skills and labour market issues came up as the main priority below the need for a strategy to generate economic growth. Clearly, and as colleagues have referenced, those are particularly acute in rural and remote areas of Scotland.

09:45

It is perhaps worth saying that transport costs have a disproportionate impact on parts of Scotland. Obviously, the costs and options around transportation are different, given our proximity to the continent compared to parts of England. That has certainly been a challenge for businesses across a range of sectors.

I know that we are focusing on business today, but I also want to mention the impact on universities. I know that there has been an impact across the UK, but our members in Scotland have very strong concerns around EU staff, students from the EU and the impact of there being fewer students on not only their finances but their student experience. There are concerns about the lack of an adequate replacement for the Erasmus scheme, particularly that the Turing scheme might, in some ways, disadvantage pupils from more deprived communities. I hope that I can mention that.

Mark Ruskell (Mid Scotland and Fife) (Green): I have been reflecting on the challenges that your members have in relation to the loss of free movement of labour across the EU and the UK, and it would be good to get into a bit more detail about what would work for businesses. I am looking at the UK Government's application page for the skilled worker visa, on which there are obviously a number of restrictions: your job has to be "eligible" for the visa in the first place; you must

"work for a UK employer that's been approved by the Home Office;"

and the minimum salary has to be £38,700 per year, or higher, there is a higher going rate for the work that you will be doing.

Do those rules work for your businesses? If they do not, how would you want those rules to be modified in order for labour to meet the needs of businesses in the UK? Catherine, do you want to start?

Catherine McWilliam: Yes, of course. I will give you an example that we have heard directly from a member, if I may.

Mark Ruskell: Yes please. That is always really useful.

Catherine McWilliam: This member is in the construction industry. They said:

"It will take up to three months to get a work permit for each member of staff and this will cost €345 each. Pre-Brexit, there was an immediate start and no paperwork and no cost. If a member of staff is sick and we need to send another, the job is stopped while the paperwork is processed, or we have to apply for several staff as back-up, which is obviously additional cost. The previous requirement was zero. The permit has a good deal of boxes to tick off. Staff must have been with us for one year plus. They need at least three years' provable experience and provable qualifications. The previous requirement was zero."

Another—a medical pharmaceutical company that is a relatively small employer, with 10 to 25 employees—said:

"before Brexit, we could attract candidates for both medical writing and account management roles from Europe. Free movement meant it was easy for them to move in and out of the country to live, and having staff with native French, German and Spanish is useful. Since Brexit, we have not had a single candidate."

The cost is quite prohibitive. The fact that we have gone from no cost to quite considerable cost is one of the greatest barriers. There is also something around time, procedure and general regulation and a lack of understanding of what those entail.

I do not want to steal any of Kate Foster's thunder. from a small business perspective, but there is something about having the skills in your organisation to complete the required paperwork and think about the timescales and the procedures. I suppose that that is our biggest concern.

Mark Ruskell: None of that is driving productivity in UK business, is it?

Catherine McWilliam: No.

Mark Ruskell: It is not driving economic growth. It is just bureaucracy, is it not?

Catherine McWilliam: It is.

Mark Ruskell: Yes—it is a waste of time. Kate, do you want to come in?

Kate Foster: Yes. We know that the vast majority of small businesses recruit locally and may never need to use the visa system but, for those who want or need to recruit international talent, complexity, high fees and the admin requirements that Catherine has alluded to all disincentivise SMEs in looking to international talent. We know that businesses, particularly in hospitality, for example, have struggled to fill shortfalls, now that fewer European people, and particularly young people, are coming into the UK.

We feel that there is a need to address the complexity in the visa system and to support small businesses to look at upskilling the workforce and ensure that they have the skills to navigate these things. We need training programmes in place so that small businesses that want to recruit locally can do so. It is another very complex piece but, overall, to refer back to things such as the fees and salary thresholds, for the smallest businesses, those are just not possible to get over.

Mark Ruskell: Which sectors would find £38,700 as a minimum salary problematic?

Kate Foster: It would be particularly difficult for hospitality, for example.

Mark Ruskell: Are there any other sectors that struggle with that?

Kate Foster: I am happy to follow that up in writing. We have more detailed data on that, so I can speak to colleagues and send information after the meeting.

Mark Ruskell: Thanks—that is good. Gareth?

Gareth Williams: On that last point, we have heard concerns about the minimum salary threshold in relation to early-stage researchers at universities—the kind of people who would be coming in to conduct research. We have heard that the proposed salary level is at too high a level for them. We have concerns about the wider economic impact of that measure, which might reduce the competitiveness of research and innovation in Scottish universities. That is another example.

It is important to make the point that the post-freedom of movement challenges exist within a wider concern about the appropriateness for the Scottish economy of the current immigration system and the changes that are being made to it.

I will not touch on the details of the challenges that have already been faced, but it is important to say that, as Kate Foster has already said, many businesses are very alive to the need to do more to ensure that the existing workforce is healthy and productive, and to work with partners, including in the education and employability sectors, to recruit people who, for a range of reasons, are outwith the labour market. However, that will take time—these challenges certainly cannot be solved overnight.

We need an immigration system that supports our economy. As we all know, there are also wider benefits from having a diverse workforce, including in relation to skills that our exporters are particularly looking for.

William Bain: Chambers would say that we look forward to a wider review from the Migration Advisory Committee about all the thresholds and visa processes. Particularly in the past two years, we have put representations to the Migration Advisory Committee that the definition of what came within the shortage occupation list was not wide enough, because we are still seeing problems in relation to food manufacturing and the selection and picking of fruit and vegetables. Of course, the threshold under the skilled route is way beyond the likely salaries for those sectors. We are still seeing problems in relation to food production and manufacturing, and that is not to be forgotten in all of that.

Since 2021, it is clear that there has been an increase in skilled migration, and some of the recent changes in UK Government policy are, perhaps, designed to limit the number of skilled workers coming into the UK. Alongside care, hospitality and health, we also have manufacturing and food sectors, and that is why we need the Migration Advisory Committee to conduct a wider review of the system and policy makers to take the right decisions.

Neil Bibby (West Scotland) (Lab): Good morning to the panel. In particular, as Mr Brown said, it is good to see Mr Bain.

My question relates to Prosper's written evidence, but I would like to hear reflections from other panel members as well. Mr Williams, in that evidence, you said:

> "Many respondents reported challenges due to differing implementation of the TCA by EU states or authorities. Some of these appeared to be due to a lack of understanding of the rules. There was a perception among some respondents that some states or authorities were being more deliberately unhelpful."

I would like further details on what particular states you were referring to, how unhelpful they were and what motivations were behind that. Do the other witnesses have any reflections on that evidence?

Gareth Williams: I will have to cast my mind back a bit, because that was in the report that we produced a couple of years back on the initial impact. At the time, a specific issue had arisen in Italy in relation to imports of goods and the interpretation of the rules. It was quite a positive case study in many ways, because there was collaboration between the Scottish Government, SDI, the UK Government and industry to address the challenges that had arisen in that case and, certainly, improvements were made as a result. Anecdotally, we had heard of differing approaches at different ports, for example in France, but I would have to get back to you on the more specific details.

There continues to be a general issue around the follow-through of different agreements. Without knowing the ins and outs of it, at the most recent meeting of the domestic advisory group, there was reference to the agreement on legal services and a particular challenge in how that is being interpreted by Greek authorities, for example. I am afraid that I cannot give you any more information than that.

Neil Bibby: Thank you for that answer. You mentioned that some of the issues have been progressed and that there has been work to resolve them. Prosper also laid out six key actions that required work, and I note from the evidence that Prosper has welcomed

> "the positive progress in relation to some of these actions."

A number of points are solely for the UK Government, industry and regulators.

A couple of points related to the Scottish and UK Governments, as well as to industry. One was about working with industry to capture and act on trade frictions, tasking Government overseas offices with resolving trade frictions and sharing examples of successful actions. Another was about engaging positively with the EU on policy development and impact, scaling up Scotland House Brussels's engagement with EU institutions and Scottish industry stakeholders and facilitating a programme of regular policy missions from Scotland to EU institutions. What specific actions can and should the Scottish Government be taking, what progress has been made on those key action points and what has resulted in practice?

10:00

Gareth Williams: I will cover the last couple of actions first. Last year, we took a policy mission to Brussels with representatives from a range of sectors. As part of that pilot mission, we had good engagement with Scottish Government representatives, Scotland Europa and UK Government representatives in Brussels, including receiving introductions to different EU institutions and third-country representatives to get a sense of how the Canadians, Norwegians and so on approach engagement with Brussels. That was a learning process for us and the Scottish Government.

We continue to engage with the Scottish Government on issues as they arise, and we are looking at taking a second mission to Brussels later this year, potentially with some involvement from the Scottish Government minister. We are also aware that Scotland Europa is relaunching its Insight Europe programme to help to bring more Scottish organisations up to speed on the latest developments within EU policy making and strengthen our relationships with a range of actors in Brussels.

We have seen evidence of action on trade frictions and so on. In the later evidence session this morning, you will have a chance to talk with Scottish Enterprise, so perhaps it will be able to give you more details on those. We continue to see pretty good information sharing at an operational level between the Scottish and UK Governments on some of the big challenges.

Neil Bibby: Do Catherine McWilliam or the other panel members have any thoughts on actions that the Scottish Government could be taking to improve these matters?

Catherine McWilliam: I agree with what Gareth Williams has already laid out. To go back to that earlier point about communication and getting the word out to those who are not aware of the opportunities that sit within exporting to the EU, there is a big communication opportunity here, and the Scottish Government can be front and centre with that.

Kate Foster: I have nothing further to add, but I echo the importance of keeping open all the channels of communication at the political and technical level.

William Bain: Since 2021, there has been a particular challenge around the relationships that businesses and business representative organisations, in particular, need to have in order to deliver for our members on all the issues that are coming up. We talked about the steel sanctions and how those caused an issue.

We have to remember that the relationship is evolving. There is new regulation coming from Brussels, which the UK is in some cases passively or actively diverging from, but there are also the compliance costs and efforts for business and all of that as well. That means that we as business organisations have to have very strong relationships with the embassies in the UK and the consulates in Scotland.

We have to build a different kind of relationship with the EU institutions as a third country now. It is a more complex picture, but it is very important. When we think about the practical issues that are emerging—whether it is the carbon border adjustment mechanism, deforestation regulation, the supply chain legislation that is coming forward or packaging legislation—Parliaments and Governments at UK level and devolved level have to engage and work with businesses and with EU institutions and member states, to get the right solutions for businesses here.

The Convener: As members have no further questions, I will ask a final question. Mr Bain, I think, talked earlier about the political will to get the situation resolved. The previous deputy convener and I regularly attend the UK-EU Parliamentary Partnership Assembly as observers from the Parliament. We have seen attention being given there to what the review will actually mean, with a very hard line being taken by some European members, who say that they are not opening the issue back up and that it is a performative piece of review rather than providing opportunities. You will all know from your work that relationships are key in Brussels in the way that it operates. Do you get a sense that there is a political will there to try to resolve some of the issues that you have raised with us today?

William Bain: Very strongly. We obviously need to wait and see what happens after we get beyond the political cycles this year in both the European Parliament and Westminster elections. However, I think that there are some real causes for hope and positivity. Whatever people think of the timing, it was interesting that the EU produced a proposal on mobility. I also think that, post the adoption of the Windsor framework last year, we are seeing some real improvements in the relationship, such as UK associate membership of Horizon Europe and Copernicus, and co-operation in supply chains on semiconductors. There is an improving relationship.

To take it to the next level, we have to bear in mind that the EU will do only those things that it sees as being in its interests. What we are doing as a chamber of commerce in the UK is working very closely with Eurochambres, our European counterpart, which is, in a sense, about having common interest from both sides and making sure that the Government at Westminster and the European Commission and the member states get the common benefits that there will be from improving that relationship in the areas that we have set out during this session.

That will be the thing that delivers the progress, so I would say that it is probably the most important thing that those of us in the business sector can do. The domestic advisory group is very significant and it is producing some great work, but we also need to work closely with our European counterparts, because that is the way in which we can get that political will in place to get to the kind of agreements that will make a practical difference to trade.

The Convener: That is helpful, thank you. Kate, do you want to comment on that question?

Kate Foster: Yes. I echo a lot of what William Bain has just said. It is noticeable how the relationship has changed in tone over the past few years. A lot of that is down to things such as the Windsor framework. We are now in a place where there is a much warmer political relationship. That is allowing some of the space underneath for the policy and the technical work to get done, which is critical to removing some of those frictions, and enabling some of the behind-the-scenes work that is really important to making trade flows smoother.

We, too, are a member of a European federation, SMEunited, so we are very focused on the issues that are common to European SMEs. Despite the fact that the UK is now a third country, the issues that SMEs across Europe and in the EU raise are by and large the same. They are to do with such things as bureaucratic administrative burdens and the cost of doing business. Those are all common interests, so it is important for us to stay part of that network and those conversations.

As William also alluded to, the diplomatic relationships are very important. It is about keeping the conversations going at all levels and making sure that the political relationship remains in a good place to allow the policy and the technical work to happen underneath.

The Convener: Thank you. Catherine, do you have any thoughts?

Catherine McWilliam: I am not close enough to those conversations to be able to provide a worthy comment, but I will be very happy to follow up with my colleague in London, who is close enough, and I will provide something in writing.

The Convener: That would be very helpful.

Gareth Williams: I agree with everything that has been said. I will just add that, when we were in Brussels last year, it was clear that there is still a strong respect for Scottish and UK strengths in business, academia, and policy making. We are dealing with many similar challenges around tech, the climate and generating growth—not least in relation to warding off some of the challenges on debt, for example—so there is a lot that we can offer, potentially. If we make ourselves open and available to decision makers in Brussels and look for areas of collaboration, I think that there is scope to go further. That is not to say that the review is currently even in the top five priorities for the EU, but it is our job to make sure that it becomes a higher priority and that we make as much progress as possible.

The Convener: Thank you very much. That has exhausted the questions for our first panel. Thank you all for your attendance. It has been really helpful. I will suspend for five minutes while we change the panels over.

10:12

Meeting suspended.

10:17

On resuming—

The Convener: I warmly welcome our witnesses, who are from Scottish Development International. In the room, we have Jan Robertson, director of global trade, and Ewen Cameron, head of global trade and consumer industries. We are joined online by David Decrock, team leader for energy transition and trade, for Europe, the middle east and Africa, and senior representative for France.

I will start with a question on the approach to supporting Scottish business. You will have heard and probably reviewed some of our evidence sessions. Small businesses in particular seem to want much more structured support, with a toolkit to enable them to trade. That issue has been mentioned, as have the challenges of costs and consultancy.

I would like to get a flavour of what you are doing at the moment. I will start with Jan Robertson.

Jan Robertson (Scottish Development International): Thank you for the opportunity to provide evidence to this important inquiry. We are very much focused on supporting businesses. As you can imagine, in the run-up to the TCA, we provided a lot of support. We started that provision of support back in 2016. Since then, our support has been focused on listening to businesses.

We are in a very fortunate position. We work with a wide range of businesses of all sizes—both SMEs and large companies—across a range of sectors. In particular, we support companies across the consumer sector—that is predominantly food and drink and textiles businesses—as well as science and technology and energy transition. Our work has involved listening to businesses about the realities that they face, which is what the committee has been discussing a lot today.

We provide specific support to companies. When we hear what companies need and want and what challenges they face, we react to that and try to proactively consider what challenges might be round the corner—there will be some of those. The support has been a mixture of things. First and foremost, there has been one-to-one support with companies. Some of the challenges faced will be very specific to the company and the sector that it is in.

There has also been what I would call one-to-everyone support. In the run-up to the TCA, we had a prepare for Brexit website, which included things such as toolkits. That helped companies to take a diagnostic approach. They could put in the information that was relevant to them and consider what steps they needed to take to address the challenges that might be round the corner for them. We also had a prepare for Brexit checklist, which was used a lot. About 8,000 companies used the diagnostic tool. More generally on our website, we had 220,000 visits and 465,000 views. I am just giving you a sense of how well that was used.

We continued to work on that once the TCA came in, so it was not a one-and-done. We went to the next stage, which was about preparing after Brexit. More recently, we have had information on the UK border strategy on there. That is very much a continuation of the support.

Although we provide a lot of support, as you will have heard from others today, we provide it in conjunction with others. That involves signposting to other support options, whether that be the Department for Business and Trade, the UK Export Academy or membership organisations, which also provide a lot of support.

We provided one-to-one support plus the one-to-everyone support. We also had a one-to-many approach—we found peer-to-peer support to be very useful. Some of the learning involved companies learning from one another. We had webinars and peer-to-peer round tables that did deep dives into particular sectors. For example, we did one on the shellfish sector, where, as the committee might have heard, there have been particular challenges. We also provide some online learning for companies, just to try to provide the rounded support that we know that companies are looking for.

The Convener: Ewen, do you want to add anything?

Ewen Cameron (Scottish Development International): I lead on the consumer industries sector, and I am responsible for the trade advisers that are based in Scotland and the trade advisers that we have in markets overseas. As Jan Robertson says, a lot of the work that we do is providing one-to-one support to businesses. In the sectors that I am responsible for, that is food and drink, textiles and wider consumer lifestyle businesses. We have trade advisers who provide one-to-one support to approximately 350 companies. The role of the international trade adviser is to build connections with food service buyers and retail buyers internationally, to share insights on what the international opportunity is, and to support the trade adviser in Scotland to support the company to access particular markets.

The Convener: You mentioned 350 companies. How many of those would you class as SMEs?

Ewen Cameron: Quite a number of the businesses that we support in food and drink and textiles are SMEs. Many of the companies in those sectors are small to medium-sized businesses and family-owned businesses. There are some large companies in that portfolio, but I would say that the sweet spot in terms of where we can add support is the SME group.

The Convener: Thank you—that is helpful. David, do you want to add anything?

David Decrock (Scottish Development International): Thank you very much. Can you hear me well?

The Convener: Yes, we can.

David Decrock: Fantastic. I am based in France, so greetings from sunny Paris. I am really delighted to be here with you. I am one of the field members at SDI. I head up a team that focuses on the energy transition and supporting our companies in doing business in the fields of renewables, offshore renewables and hydrogen across Europe, the middle east and Africa. Our role is to be at the forefront of the Scottish economy in markets. As Jan Robertson alluded to, we work a lot on a one-to-one basis with companies to support them throughout their journey.

One important part of the in-market role is to be the voice of Scotland and the eyes and ears of the Scottish economy in those markets. It is about understanding what the megatrends are, being able to establish connections and build networks, and being able to put ourselves in a position whereby we can use those networks to the benefit of our companies—our SMEs—and the Scottish economy.

In a nutshell, that is how we provide support. I am sure that we will get the chance to give you more examples.

Alexander Stewart: Good morning. You have talked about access, which is vitally important. We have already heard about the barriers and the bureaucracy, which are creating some friction. It would be good to talk about the networks that you are using to try to break down some of those barriers. We have heard in the past about the technology that might support you in doing that. We have also talked about business mobility and what might be required to tackle some of the mobility issues and where technology, databases and infrastructure can come in to support that.

It would be good to get a flavour of whether you see that as a way forward or whether, once again, it is a barrier or a problem for your organisations, because that all comes at a cost. We have heard today about costs and marketing, and managing costs is vitally important in ensuring that your businesses can survive and thrive in the difficult economic situation in which you find yourselves.

Jan Robertson: Yes, absolutely—it is all about how we can help the companies that we work with thrive. To give a bit of context, we work with just over 2,000 companies and about 60 per cent of them still want to target Europe. Europe is still seen by the companies that we work with in our portfolio as their most important market, so our support is very much focused on how we can help them get more access to that market.

As you have pointed out, networks are an incredibly important part of that. We use networks in a number of ways, because trade is ultimately about people—it is a people business. First and foremost, it is about the relationships that we are building as a team, as David Decrock said. We have 41 of our specialists in Scotland and 69 around the world—a third of them are in Europe. Those who are in the EU are very much helping companies access that market.

On our networks, our team first and foremost provides a network. We help companies in Scotland get ready to export, put in place a plan to export to the EU, and build networks overseas. That might be with buyers, so we introduce them to a number of buyers; we hold meet the buyer events, which can be very important not only in trying to find out where a sale is going to be, but in starting to address the challenges and talk about how companies are going to export.

We also use our network of GlobalScots. We have 1,300 GlobalScots around the world, who play an important part in helping companies. For example, we have a GlobalScot in France, who is based in Paris and spends a lot of time with companies talking about barriers and what they might do to set up a premises overseas, whether that be in France or in the Netherlands—which is quite popular for many companies now—and how to address some of the non-tariff barriers.

Our staff are co-located with the Foreign, Commonwealth and Development Office, so it is about working with the UK Government and other partners across government. It is very much a team effort in trying to unblock barriers for companies; it is about using those multiple networks.

Touching on what I think was the last question to the previous panel, there is also the role that ministers can play. As a team, we support ministerial visits out to market; ministers play an important role in having discussions with partners. Some of those discussions are Government to Government. It is important to use that network as well.

The final aspect is events. As a team, we run many events around the world. We ran 38 events last year, a good number of which were still in the EU. It is very much about creating a network for companies, so when companies go out there to events, they get to meet buyers, importers and distributors, and that helps build the networks.

It is about trying to de-risk that trade for companies. There are individual challenges, but if we can raise the ambition levels, remove some of the barriers and make trade more accessible, we can make things easier for businesses, even if all the issues do not necessarily go away. Ewen, do you want to add anything?

10:30

Ewen Cameron: I will give some examples that are specific to food and drink. I know that you have had evidence from Seafood Scotland, Salmon Scotland and others. Our support for companies to export is done in collaboration with Scotland Food and Drink and the other trade associations. Of the 19 in-market specialists that are part of my team, 11 are co-funded through an arrangement between a number of industry partners, the Scottish Government and Scottish Enterprise. We jointly discuss the types of opportunities that we see in overseas markets.

That is a great way of getting industry input into the work that we do. Using our networks internationally is critical to supporting businesses to export. In a lot of the work that they do, the in-market specialists have their own connections with regulators and other departments overseas. They share back to Scotland their insights about what the opportunities are.

Jan Robertson mentioned events. One of the events that we delivered recently was Seafood Expo Global in Barcelona, which is the biggest seafood show around the globe. It happens to be in Barcelona, but buyers come from all over the world. We are engaged with a number of partners to deliver that type of event.

Alexander Stewart: That is fantastic.

David Decrock: I will be quick, because I do not want to repeat what my colleagues just said.

From an international perspective, it is also important to remind ourselves that, in the early days of the TCA, we were still in Covid lockdown, with very limited possibilities—especially for companies—for travel. Being in-country, building those networks and building out contacts in the different industries that we cover, alongside our colleagues from the FCDO and the Department for Business and Trade, was crucial to our being as effective as possible when the travel restrictions were lifted—as, indeed, was being able to deliver online activities for our companies during Covid, because what is really important in international business is being on the radar of the important buyers across Europe. If they do not see you, you do not exist. It is very important to keep that in mind.

Alexander Stewart: We also discussed the media coverage and the perceptions and the realities out there in the marketplace. Is it a problem if the media choose to put something out there that might give an impression—either good or bad—about the situation?

David Decrock: Yes, we definitely need to keep that in mind and have a close look at it.

I will probably be a bit biased because I was—and am still—in France, which, as you know, was probably a hard-liner among the EU states when it came to the TCA negotiation. During the early days of Brexit, the press coverage of the TCA was pretty difficult. Again, our job was to explain that there were still possibilities for working with the UK-based companies—that we were preparing our companies to match up with the requirements that the EU and the UK had agreed on. However, we definitely had to work on that.

The good news is that, over the past few years, the relationship has improved. As a consequence, the media reports are a bit more positive. That is good. I could mention a few examples in the energy space. A couple of weeks ago, I think, there was a joint declaration between the UK and German Governments about looking at the feasibility of a hydrogen pipeline between the UK and Germany.

Those are signals that are sent to the business communities that things are improving and that, although we now operate under the TCA, we are still able to build meaningful relationships. That is a message that the industry in Europe is receiving loud and clear.

Keith Brown: Good morning and happy Europe day. I should say that my view has always been that we should have stayed in the EU, as was true for the majority of people in Scotland. However, we are out now and the inquiry has heard from a number of witnesses about businesses in Scotland that have gone bust, ones which have stopped exporting altogether and ones which have been taken over—one example is a company that was taken over by a German company so that it could continue to export to the EU with slightly less friction. We have also heard that it is harder now for some companies in Scotland to export to the EU than it is for them to export to Turkey or Russia. Last week, we heard from a witness from Northern Ireland that the UK is rapidly becoming the most expensive place in the world in which to do business.

The work that you do in trying to boost exports brings benefits but, given all those points, it would be good to get an appreciation of what you think you can achieve. How much is structural and is not going to change? We have not seen a lot of the frictions bite yet, but we will do shortly. How much is structural and not susceptible to encouraging businesses to export more and will always mean that there is a competitive disadvantage? Conversely, how much of it is susceptible to doing things differently and improving what we do so that we can overcome those structural issues? I do not know whether that makes sense. I am just trying to get an idea of the extent of what is possible.

Jan Robertson: There are two parts to that—there are some structural things there. We cannot ignore the fact that there is friction. As we have talked about throughout, that will change; it is not a case of “one and done”. The TCA is there, but it will change over time. Change is also coming with the border target operating model. It is absolutely fair to say that that is creating challenges.

The groups of companies that we work with saw trade with Europe fall quite dramatically, but trade has now started to increase. Last year, the majority of their sales came from the EU. Fortunately, among the group of companies that we work with, we have not seen so many of the failures that were talked about earlier this morning. We have not had experience of that, and I will explain why I think that is the case.

We have definitely seen companies come out of Europe because it is just too expensive and too difficult. Some of that is definitely problematic, but there have been some positives.

To go back to your bigger question, what does this mean for Scotland and trade overall? We want to grow trade. We are the key delivery partner for delivering the trading nation strategy, which has ambitions to raise export to 25 per cent of gross domestic product. We are still positive about tracking towards and achieving that, because what Scotland has to offer are products and services, particularly in new and emerging sectors such as energy transition, which has already been mentioned. We also have our strong food and drink sector and our emerging science and tech sectors, such as space and quantum technologies. Those areas are becoming more in demand and Scotland is very much at the forefront there.

There is a lot to be positive about and there are things that we can address. As was mentioned in the earlier session, it is about accessibility and ambition raising. We have more to do in that area and, alongside others, SDI has a role to play in that. We have 14,800 exporters in Scotland at the moment, but we need more and we also want existing exporters to do more.

There is the issue of capability. How do we help companies first to export and then to export more? We can do more about raising ambition levels and helping companies get ready to export. That involves things such as skills, which we have already talked about a bit today.

A big part of it is about capacity. We find more and more that there is huge demand for our products in the food and drink sector, but we need to be able to provide the quantum that is required. Some of that is about investment. In Scotland, capital investment in particular is lagging in Organisation for Economic Co-operation and Development terms. For exporters, that is incredibly important, because we need to be able to provide those products, so we need more investment.

It may be too positive to call it a silver lining, but we have seen some exporters respond to what has happened with the TCA, and particularly to reductions in the freedom of movement of labour, by investing more. That has a short-term impact on costs, but we hope that there will be long-term benefits.

That is incredibly positive, because although the EU will remain a strong partner that most of our companies will want to export to, we are seeing much more ambition and interest moving east, towards the United Arab Emirates in the middle east and towards Indonesia, Singapore and Malaysia. We are putting additional staff out there because we are seeing much more demand there. That is new and different. We did not see that years ago because it was always harder, more costly and more complex to export there, but companies are now seeing the opportunity there.

We will see a growth in exports from across the UK towards the east and we need to support that. There will be friction, so we need a two-pronged approach. We need to work holistically to help companies realise their total global ambition, while also doing everything that we can to address the current challenges. We hope that those challenges will ease over time, but we do not have a crystal ball and we are not sure how things will change over time.

Keith Brown: Before I turn to Mr Cameron, you made a point about capital investment. I imagine that is partly tied to the fact that previous exporters are now seeing diminishing returns because of the fall-off in trade with the EU and the willingness to invest more in capital is probably tied to their perception of what the returns might be.

You spoke about the growing trade with Indonesia and elsewhere. Is that happening because there used to be a differential between exporting to the EU and to those areas, which did not make it as attractive as just trading with the EU, but it has now become more attractive to trade with those countries, even if it has not become any cheaper?

Jan Robertson: You are absolutely right. We used to have friction-free trade with the EU but we do not have that under the TCA, so trading with the EU is now more comparable to trading with other markets. That is one reason; there is also growing demand, which was not there several years ago. We expect that to increase, particularly driven by consumer trends in the east, where the middle classes are growing and there is increased demand for our products and services.

It is also about playing to Scotland’s strengths. For example, we have a huge opportunity with the space industry in Malaysia, because Malaysia has noticed what we are doing in Scotland and has a need to use our downstream technology. Playing to Scotland’s strengths is driving interest from the east.

Ewen Cameron: I will comment on consumer industries and will try to avoid covering anything that Jan Robertson has talked about.

After Brexit, the trade advisers in my team were providing a lot of one-to-one support to businesses to help them understand processes, paperwork and documentation.

Although those trade specialists might not be experts on the technical information that companies need, we can provide guidance and access to the Institute of Export and International Trade or to other technical experts. That was what my team was doing for the 18 months after Brexit: we were supporting companies to navigate all those things.

In certain sectors, companies are now quite familiar with all the documentation and processes. For example, David Decrock spoke about France. Our seafood, salmon and red meat sectors all have fantastic reputations in France and those sectors will still do business there, despite the challenges caused by the TCA.

It might be different for fine foods and premium grocery products, because it might be possible to get those products more cheaply within the EU. We have sometimes heard the French saying that they might not look to buy such products from Scotland, because the additional costs make them more expensive. It is important to support companies to navigate that.

Some very small companies have told us that they do not have the necessary resources. Lots of food and drink companies in Scotland do not have the resources to have a dedicated export manager, so that job might be done by someone who is also dealing with the UK market.

Some of those companies have perhaps decided to focus on the UK; others have said that, where the EU would normally be the first step, they are now equally considering the middle east, because they believe that they can do really good business there. We have been doing a lot of activity in the middle east—particularly on food and drink—to support companies with opportunities over there, while ensuring that we are still raising the profile of opportunities in the EU.

10:45

Keith Brown: I come to David—I will not try to pronounce your second name; I was not here when you were introduced and I will probably mispronounce it.

What is your perspective on what is now structural and built in, which companies from Scotland in particular will not overcome, and on what is susceptible to improvement through the work of some of the organisations that are here?

David Decrock: From the energy perspective, it is important to remind ourselves that the EU is not a commodity market but a market that will only accept high-value-added products and services. In Scotland, we are happy enough to have a very qualified supply chain to do so.

From a European perspective, the TCA put an end to uncertainty—there was a period of four years when companies did not know under which rules they would deal with UK-based companies. Again, the implementation of the treaty allowed European companies to be a bit more relaxed about working with Scottish supply chain companies.

I will give you an example: before the implementation of the TCA, we reached out to a major European company that manufactures offshore substations for offshore windmills to discuss its supply chain requirements and how we could provide it with Scottish capabilities. The answer was, “For the moment, we aren’t bringing in new supply chain companies from the UK, because our procurement system will categorise them as risky businesses to work with. Unless we have a really good reason to work with those companies, we prefer to look at other sourcing areas, principally in Europe.” That has changed since 2021. Since then, we have been engaging with most of the major players in the energy space in Europe, and they are always keen to hear about Scottish companies and capabilities.

One important aspect, though, is that the Scottish companies need to bring something additional to the table around innovation and cost competitiveness. The TCA has created a threshold effect whereby, after its introduction, companies that were previously just about to be profitable in Europe were not any more, because of the administrative burdens that the TCA had generated. Major opportunities still exist but they require companies to be really clear on their unique selling points and to be looking at all the innovation that they can bring to the table.

We have had some really interesting successes. Some SMEs from Scotland are very successful in Europe: an example that was publicised a few months back is a small, 30-people company called Verlume, which has managed to win an order with a major German project developer for a project in the Netherlands. Therefore, it is still possible, and as long as companies are innovative and cost competitive, there is a space for Scottish companies in Europe. However, it is not a commodity market, that is for sure.

Keith Brown: From what you said, the opportunities will, by and large, depend on how the EU defines what is in its interest. If it wants a particular sector or service, it might choose to make that easier because it is in its interest to do so. That seems to me to be logical. Is that right?

David Decrock: Yes. I look at those discussions from a business point of view—for me, it is about what is in the interest of a European business as opposed to what is in the interest of

Europe—but I guess that, to some extent, those interests are aligned.

Mark Ruskell: David, I will ask you about the big policy drivers towards decarbonisation—in particular, the impact of the carbon border adjustment model and the integration of emissions trading schemes in the UK, EU and Switzerland. Where are there barriers to establishing more efficient carbon markets? What is the likelihood of bigger markets and more integration across Europe? I know that that is a big question.

David Decrock: It is a big question. To be transparent, I focus on supporting supply chain companies as opposed to the trading of carbon or energy as a commodity, so I am not best placed to give you an answer. However, we have been hearing from a few operators across Europe that it would be good if the UK and the EU managed to align their emissions trading schemes. From what I understand, there is a divergence between the UK system and the EU system, particularly in the development of a carbon capture and storage—CCS—market, which should include the UK at some stage. My knowledge of the subject is too limited to give you a better answer than that.

Mark Ruskell: That is fine.

I turn to Jan Robertson and Ewen Cameron. We are now in a phase where there are border checks for goods that are coming into the UK. We have taken evidence from a number of businesses that have supply chains that run not just within the UK but across Europe. I am interested to know how, with your European colleagues, you support the whole supply chain. Is there now a conversation about how the existing border checks have been working? What lessons can be learned on imports? What are the top tips, whether we are talking about drivers or minimising paperwork bureaucracy? How do you work together to ensure that business, wherever it is located in Europe, is able to negotiate and navigate the bureaucracy that Brexit has thrown up?

Jan Robertson: It is a live topic. A lot of the customs checks in the target operating model are being phased in, so we are working with companies along the way, as that happens. As you can imagine, we are working in this area with partners, such as industry bodies. That is critical, because, as you touched on, the supply chains are complex. They are integrated across Europe and could be wider than that. Our exporters' success is reliant on the supply chains working properly. We saw challenges for that during Covid and a positive from that is that companies understand and are taking more control of their supply chain. It is hard to know how resilient it is, so we have been working with companies to help them to understand that. That has led to some different decisions. People might be nearshoring their supply chains because they think that that is the easiest thing to do, or diversifying them more. We are working through that with companies.

As you alluded to, it is important to work together. When we are working with companies and when we are out in Europe and are working with our networks, we need to have the conversations and be as transparent as possible in order to get certainty so that we can say, "We know this is coming down the line. How are we going to deal with it? What are the other options?". We also need contingency plans. It is a work in progress, because the checks are being phased in.

In April, new provisions were introduced to designate goods in the sanitary and phytosanitary category as medium risk or high risk. We are starting to hear concerns from companies about goods being wrongly designated, which can lead to whole consignments being checked that would not have had to be checked. That holds up consignments, which creates particular challenges for time-sensitive goods. Our role is to help companies to do their homework as far as possible, as well as to help them to put contingency plans in place. We are also starting to hear concerns that there are not enough vets in certain EU countries, which means that the checks that must be done for SPS goods are not being done in a timely manner. Companies need to work through those challenges.

More broadly—this relates to your question about CBAM—by the end of December this year, about 20 measures will have come in since last year. Our role is to help companies to keep up to speed with those changes and to try to understand what is coming down the line. The worst thing that can happen—certainly, it is suboptimal—is that those adjustments are not made. For example, there is a company that is looking to export to Europe and has steel in its product. There is a long sales lead-time for the product, so it needs to start thinking about CBAM now, albeit that the policy will not come in for a while. The company was not sure what to do. A lot has been thrown at companies over the years, with Covid and a lot of measures coming in with the TCA. Our role is to try to keep providing the information, clarity and support to help companies and supply chains.

Ewen Cameron: I will try not to repeat what Jan Robertson has said. I know that the border target operating model and the checks that have already started on imports are being applied through a risk-based approach. We will be keeping in touch with companies to offer them advice on how to assess which products are low risk, medium risk or high risk. High-risk products will have to go through 100 per cent physical checks, whereas medium-risk and low-risk products will have a lower threshold. Companies are likely to be looking for some support to make sure that they have the right commodity code, because, if some of their products are stopped at customs and they contain ingredients that are being used as part of the export process, that will cause issues for their supply chain. Our role is to work with companies, reach out to them and listen to what their challenges are. We use our networks—whether that is our contacts in the Department for Environment, Food and Rural Affairs, our overseas staff or colleagues in DBT—to help companies with solutions. If you do not mind, I will give you an example about exports.

Mark Ruskell: Please do.

Ewen Cameron: We are working with a seafood company. Through some good work that was done by our in-market specialist in Paris, we were able to make an introduction for them to a European retailer. The negotiations went well and the European retailer was willing to give them a national listing, which was really positive.

Post-Brexit, you need to have a registered EU address on your customer-facing packaging. There was some confusion about whether the retailer's address could be used on the packaging, or whether they had to register a business in the EU or identify an importer. The trade specialists in Scotland and the trade specialist in Paris have been working together so that we can support that business to find a solution and identify a distributor who would be happy to put their address on the packaging, which would allow the business to proceed. However, they had to renegotiate their pricing a couple times because of the uncertainty during the process.

Meghan Gallacher (Central Scotland) (Con): I will pick up on Ewen Cameron's point. The work that you do to support businesses is vital in order to ensure that the issues can be resolved, and quickly, so that the businesses can thrive. There have been challenges related to Brexit and labour market visas. However, those challenges can sometimes present opportunities.

I cannot help but think, particularly when we are looking at the labour market, of the opportunities for the Scottish Government to look at its workforce planning to ensure that there are more opportunities—apprenticeships, for example—and that young people are aware of the opportunities in business, whatever sector they would like to go into. That would maybe help to address the depopulation issue in rural communities and ensure that people do not move from those communities, which are vital, into the central belt. A lot of work can certainly be done here in the Scottish Parliament.

11:00

I want to touch on the comprehensive and progressive agreement for trans-Pacific partnership—that is a bit of a mouthful—and the expansion of trade agreements in relation to some of the industries that are doing well, including whisky and salmon, to mention just two of them. Given that Scotland has two Governments, how can they both work better to support businesses post-Brexit, to ensure that they are opening themselves up to those new markets through that trade agreement and to ensure that any of the teething issues that we have spoken about today can be resolved?

Ewen Cameron: I do not want to get into any political comment because, obviously, we are an agency of the Scottish Government. The trade agreement that you mentioned will provide some really good opportunities. Where any new free trade agreement is agreed, we want to understand what opportunity there is for Scottish companies.

You mentioned challenges around the labour market. I will give you a couple of examples on that. Recruitment of labour is a particular challenge in the food and drink sector. A lot of agencies, including Scotland Food and Drink and others, are focusing on how we can make the food and drink industry a much more attractive place for people to work. However, we have seen challenges recently, post-Brexit. For example, a red meat company that we support is bringing in staff from Asia and Brazil and it is having to pay £500,000 for 50 staff—it is paying £10,000 per employee—for sponsorship, visas and so on. That is obviously a lot of money for one business.

I was also speaking recently to an exporter of premium smoked salmon who is based in the Western Isles. The company had been at Showcasing Scotland, which was a big international meet-the-buyer event that Scotland Food and Drink organised with our support in March. That exporter made some really good contacts overseas. His challenge is that it is really difficult to recruit labour in the Western Isles. He used to have eastern Europeans, but that is now much more expensive and difficult, and he is finding that, in the local market, he is competing against some of the big salmon processors, for example.

Labour recruitment is difficult for quite a number of the companies that we speak to. I know a salmon processor that consistently has 50 staff vacancies, and it is competing with other large suppliers to recruit local labour. Those issues are a constraint on exports, because we need those companies to be able to produce. Some companies in the food and drink sector are now really focused on automation—that was mentioned earlier—because that is one way in which they can become more globally competitive.

Meghan Gallacher: Jan, do you have anything to add?

Jan Robertson: No. I have nothing more to say on that.

Meghan Gallacher: I absolutely understand where you are coming from on the point about the labour market. I just think that there could be opportunities and that, with the remit that we have in the Scottish Parliament, we could be looking at this as well to make sure that we are doing everything that we can do within our powers to promote the sectors that need workers to come in. That could also resolve the depopulation that is becoming an issue in Scotland. Under the Scottish Government's devolved powers, what could we be doing to address the labour shortage and make sure that we are getting people into the roles that are so vital for exporting?

Jan Robertson: Again, I will not speak to the politics, because that is not what we are here to do but, as an organisation, we can absolutely talk to what we are doing, because there are, as you say, pockets where we definitely see skills shortages.

Before I talk about those, it is good to reflect on the skills that we do have in Scotland. We see that very much from an inward investment perspective. We still perform incredibly well at that; outside London, we are the second destination for inward investment, and a lot of that is driven by the skills that we have in Scotland and the university education that many of our people get. We should not forget that, but there are some gaps, for varying reasons, as you have referred to.

With regard to what we are doing as an organisation to help with the gaps, our talent Scotland team is focused on that targeted way of getting more skills and talent into Scotland, particularly from overseas. I should say that it is not a challenge that Scotland alone faces. I go and see the team around the world, and we know that it is a problem around the world, because there is an ageing population. In some ways, that is a comfort, but it is also a challenge because we are competing globally. That is important and it is all related to the fact that the more that those exporters create good businesses—which lead to growth and resilience—the more that creates a virtuous circle. There is more that we can do around that.

We go overseas to target talent and, essentially, sell Scotland, and we are very successful at that, but we want to be more successful. We recently went overseas, particularly to America, because we have a gap around digital software engineers, which we are looking to address, and we had great success in attracting more talent to Scotland in that respect.

There are also our networks. The universities in Scotland play a key role here and in what they do overseas. One of the networks that we use extensively is alumni from the likes of the University of Strathclyde and Heriot-Watt University, and that helps with the talent.

The third thing is that the Government has recently launched its visa service, which should help address some of that.

It is a challenge that we face into, and we are not alone in that, but we are doing really good things. It is about continuing to speak to businesses, so that we are not just addressing the here and now. Looking forward is really important, so that we build those skills for the future as well, because that will help exporters to build even more capacity.

Keith Brown: My earlier question was about what was structural and baked in, and what was susceptible to being changed. To my mind, we have to be a bit realistic about the labour market because it has never been tighter. Unemployment in Scotland is very low—below what economists call full employment, so it is even more full employment, if you like. It is also very low in the UK. We have to be frank about the fact that we do not have a big swathe of unfocused labour that can be deployed to those areas. The way to resolve it is to alleviate the pressures that have been brought in by Brexit, and allow more people to come in. Various organisations have made approaches to the UK Government to do that. In fact, we had that particular approach in Scotland before, under the fresh talent initiative, back in the 2000s, when there was a dispensation in Scotland in order to attract new talent.

Is there any sign of change? A report came out in the UK this week saying that, particularly in the care sector, and maybe in the agricultural sector, there are now chronic shortages. Are you aware of any sign of the UK Government changing its mind, for example, in relation to the wage barrier of £38,000 a year? Are you involved in lobbying for that?

Jan Robertson: No—that is not an area that we are closely involved in as a development agency. We focus on innovation, investment and international. We do not focus on that migration point—that is for other agencies.

I agree that it is a challenge. When we speak to companies about the challenges that they face, the labour shortage is always in the top one, two or three, and the cost of doing business is often in there as well.

The solution is multifold. Yes, the lack of freedom and mobility of labour has made life more challenging in multiple ways, both for goods companies and services companies, and I will touch on that in a bit. To go back to the capacity point, however, some of that will be solved by labour, but some of it is about the investment piece that we have touched on. Some of the solution to the capacity issue absolutely is about automation. That is not right for all cases, but it is right for some. That is important because, for companies to really compete, they have to be not just innovative, as David Decrock talked to, but productive. Exporters are already 70 per cent more productive than non-exporters. We operate in an incredibly competitive world that will only get more competitive, and people are not all of the solution. That also speaks to the changing nature of the sectors that we work in. We are moving to more service and technology sectors. There are multiple, different approaches to address the challenges that are still there.

Mark Ruskell: I am interested in pursuing that line of questioning with David Decrock. My impression of the energy sector, which is very innovative, is that it is quite multinational in that, rather than being based in one particular region of a country where a specialist workforce can be recruited, it is very much spread across countries in a thematic way, with the innovation being to do with collaboration and partnership. When you walk into a room where a group of companies are working together in partnership, what does the sector look like? Are all the people from one place, or is it a multinational workforce that collaborates in different ways?

David Decrock: It is definitely a multinational environment. It is fair to say that Europe has its fair share of the main players in the offshore wind sector. The turbine manufacturers are located in France and Denmark, and there are developers from across Europe. The sector is pretty much well dispersed across Europe. Some players are in America and Asia, but as far as offshore renewables are concerned—for us, offshore renewables are the main opportunity in the energy transition space—we see a very European and very integrated supply chain.

I go back to my opening point. Our role is to be visible and to be seen as credible players in that area and to bring along Scottish companies—some more experienced companies, alongside other, more innovative companies. That really helps to get the message across and to make the case for working with Scottish companies.

I will add something that I am not sure is super relevant to our conversation. In Europe, there were a lot of marks of interest when ScotWind was announced. That is a massive offshore wind programme, half the capacity of which will come from floating offshore wind technology, which is seen as really interesting and promising.

Since then, Europe has announced its ambition, and it is trying to develop 300GW by 2050. That is 10 times the capacity of ScotWind. On its own, the European supply chain will never be able to meet those needs and requirements. It will need to rely on other countries, and Scotland has a role to play in those markets. There is a real recognition across Europe that there needs to be collaboration between the EU and the UK—Scotland, in particular—in order to turn the ambitions into reality.

Mark Ruskell: That is the reality of how that massive sector is developing. What does that mean for individuals such as yourself who are looking to go where the work is? Is that becoming increasingly difficult under Brexit? Is there still flexibility? Can you find a way through the visa requirements so that you could be working in Paris this year but perhaps somewhere else next year?

David Decrock: In the early days of the implementation of the TCA, quite a number of Scottish companies came to us because of the difficulties of labour movement—for example, in sending out Scottish workers to Germany or France to undertake maintenance works, for example.

It is fair to say that we have managed to orientate those companies in the right direction. Through a process of talking to the local authorities and relevant bodies of the different countries, they have been helped to navigate the new requirements. Most of the companies have now integrated those requirements and factored in the additional administrative burden related to visa requirements, and we do not see many companies struggling with that. Again, I think that there is a recognition that the market must be fluid if we want to fulfil the ambitions of the race to net zero.

11:15

The Convener: I want to finish with some questions about the challenges that you have laid out. A while back, the committee had a visit to Ireland, including to Dublin. The food producers there talked about automation and the use of artificial intelligence, machine learning and cobots in production to stay on a competitive level with European partners. That is a special interest for me, because New College Lanarkshire's smart hub, which works with SMEs on that area, is in my constituency.

Is there enough understanding among SMEs of the need to adopt such innovations? Is it still a challenge to get that message across? The other side of that is whether, if we are moving towards a service industry, with different challenges and new emerging technologies, the strategy behind that for Scotland is strong enough. Do businesses understand where that movement is going?

Finally, I want to touch on a topic—I think that it was Jan Robertson who mentioned it—that is sometimes politically controversial. You talked about the importance of having a presence through the networks and the international offices and the work that they do, and about the importance of ministerial support for what is happening. Will you explain more about the added value that that brings for Scotland's businesses?

Jan Robertson: On those two areas, the big question was whether companies are aware of the direction of travel on AI, technology and so on. I certainly think that there is awareness, although the level of awareness probably varies across sectors and across different sizes of company. There is a willingness and a desire to embrace that, but where things fall down slightly at the moment is in relation to companies' ability to embrace it and to take the steps to embrace it.

That is the case for a couple of reasons, one of which is the fact that the businesses that we work with—SMEs, in particular—are busy and stretched and have a lot to deal with. We have talked about that a lot today. Net zero is another big consideration that companies need to prepare themselves for. Therefore, technology is definitely on the to-do list, but how they embrace it is challenging. To be a bit more solutions focused, we address that by helping companies to understand the business case and to know what the return on investment will be. That is where we find that there is a gap.

That is often hard for businesses to do, because they have lots of decisions to make about people, funding and so on. There is more that we can do, which we are doing as an organisation, to help companies to understand what it will mean if they make certain investments. A big part of that goes back to ambition raising, as I said at the start. Companies need to understand more about the global opportunities that are available to them—there are lots of those around the world—and what they must do to get them, what they must invest and what the return will be. It is about the whole business case. That is hard for companies to do; it is a question of finding the time, the headspace and the skill set to do that. That is a piece of work that we can help companies with.

That is the demand bit; the other side is supply. All of this costs money. We speak to businesses, and it is investment that companies are thinking about. Some of them are already investing, but more need to invest, and we need to find funders. Alongside others, we are playing a key role in attracting funders to Scotland to take up those business propositions. A lot of companies are on that journey, but there is a bit of a way to go.

On your second point, our international on-the-ground presence is incredibly important. As I said at the start, trade is a people business—or a people sport, as we call it. We need to get in front of people, which we do in lots of different ways. The international offices obviously play a key role in that, and some of that work is done through the networks. We perform that role—we are out there for companies, because they cannot be out in those markets every day. We have that team of 69 around the world. We meet the buyers and the stakeholders, and we knock on the doors and ask the difficult questions, in order to make the path to export easier and more accessible. We know that companies value that an incredible amount.

Related to that is everything that sits around that. It is not just the day-to-day activity; it is the events that we run and the visits that we do. Sometimes ministerial visits are required. When it is market to market, that can make a really big difference. If we look at the middle east, for example, the way that that market works is very Government to Government, and we need ministers to be in the market to unlock certain doors. There are certain conversations that we know unlock doors.

In addition, as Dave Decrock mentioned, it is about putting Scotland on the map—that is key. It is a busy market out there. We are very fortunate in Scotland to have a fantastic brand, and we have a great team Scotland approach. Part of that involves using our offices and everything that we have to make sure that Scotland is viewed positively, and that we get the most out of that in exporting terms around the world.

Ewen Cameron: I can add something on productivity or capital investment. I know that encouraging more capital investment is a big focus in the food industry—for example, the new Scottish food and drink industry strategy includes a pillar on capital investment for growth. Whenever we talk to exporters now, we do not just ask them about what markets they want to go into; we also have capital investment in the back of our mind in that conversation. For example, we ask, "Are you going to be ready, with automation in your factory, to secure a big export order, because capital investment will be required if you really want to grow your export markets further?"

We have a big push within Scottish Enterprise in that area, which involves encouraging more capital investment and encouraging companies to think about automation where it is possible. There are already some great examples in the food and drink industry of companies that are automating. That is happening not just in the salmon or the whisky sector; I am talking about relatively young and new food manufacturers that are quite highly automated. Because of that, they are able to scale for export markets. We need to get that message out, to encourage and motivate, and to have case studies to help companies.

The Convener: Excellent—thank you. David, as someone who is based in France, could you add a bit about what it means in Paris?

David Decrock: Yes, I am happy to do that, but I will probably rephrase what Janet Robertson was saying.

It is crucially important to show presence, especially in Europe, after the implementation of the TCA, and especially after four years of uncertainties for business. Being visible and able to share the Scotland branding in markets is very important, especially in the field of energy—I am going back to my sector—where Scotland is seen as a country at the forefront of the energy transition. Scotland was one of the first places to operate an offshore wind farm—that was in 2007, I think—and it also has a reputation for having real competency and capabilities in working offshore, which makes it unique, I would say, in a geographical sense in Europe, so it is really important to be there.

Perhaps I can give one example. A major offshore wind conference called Wind Europe takes place in Copenhagen every two years. Last year, we decided not to take a stand—not to have a physical presence—but to take a delegation of companies out to market them. We wanted to focus on managing introductions and organising with-the-buyer sessions without having the burden of taking the stand space.

The result was really good in terms of what the companies got out of that engagement, but the feedback that we had from the market was, “We didn’t see brand Scotland. Where was Scotland? It was not visible.” That was the message that we received from a few very influential buyers in Europe, which made us think that there is definitely a case for raising the flag and raising awareness of brand Scotland.

On the point about ministerial visits, in France, as well as in other countries across Europe, the level of representation that you can bring to market can play a crucial role from the point of view of the doors that you can open as a consequence of that presence. That is definitely something that can ease the way or ease our job and, as a consequence, ease the job of our companies.

The Convener: That is super. We have exhausted our questions, and I am conscious of the time. I thank you all for your attendance, which has been really helpful.

We will move into private session for a short time.

11:25

Meeting continued in private until 11:30.

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