

REPORT TO INFRASTRUCTURE SERVICES COMMITTEE – 22 AUGUST 2019

RESPONSE TO CALL FOR EVIDENCE – POST-BREXIT SCOTTISH GOVERNMENT EXTERNAL AFFAIRS POLICY

1 Recommendations

The Committee is recommended to:

- 1.1 Acknowledge the submission to the Scottish Parliament’s Culture, Tourism, Europe and External Affairs Committee on the Scottish Government’s post-Brexit external affairs policy.**

2 Background / Discussion

- 2.1 In May 2019, the Scottish Parliament’s Culture, Tourism, Europe and External Affairs Committee called for evidence on the Scottish Government’s post-Brexit external affairs policy. The deadline for submissions was 21 June 2019, hence fell between Aberdeenshire Council committee cycles.
- 2.2 A response to the questions posed was submitted following consultation with the Chair, Vice Chair and Opposition spokesperson under point A.22 of the Scheme of Governance Part 2B - List of Officer Powers. This delegation permits the Chief Officer to submit any response to a consultation where the timescale does not permit approval by the relevant Policy Committee and requires that the response be reported to the next Policy Committee meeting.
- 2.3 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider this item in terms of Section F.3.2 of the List of Committee Powers in Part 2A of the Scheme of Governance as this relates to an external consultation on a policy matter falling within the delegation of the Committee.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because this report is for noting only and does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing and financial implications arising from this report.

- 4.3 The following risks have been identified as relevant to this matter on a [Corporate Level](#): Changes in government policy, legislation and regulation; Working with other organisations (e.g. supply chains, outsourcing and partnership working). The following risks have been identified as relevant to this matter on a [Strategic Level](#): Economic Development.
- 4.4 The recommendations in this report do not require a Town Centre First Assessment.

Stephen Archer
Director of Infrastructure Services

Report prepared by Martin Brebner, Team Manager – Economic Strategy & Policy
18 July 2019

APPENDIX 1 – CONSULTATION RESPONSE

CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE

EXTERNAL AFFAIRS INQUIRY

SUBMISSION FROM ABERDEENSHIRE COUNCIL

1) What principles should inform the focus of the Scottish Government's external affairs policy with regard to the European Union?

The EU is set to continue to be a major strategic and trading partner to Scotland post-Brexit. Given the likelihood of the need for alignment of Scottish legislation with Single Market legislation, it is imperative that strong links are enhanced and maintained with EU policy-makers when the UK no longer has a formal role in EU policy making. The Scottish Government should endeavour to be an engaged and constructive partner of the European Union in areas of common interest; particularly with regards to agriculture, fisheries, employment, energy, environmental and transport legislation. It should also aim to facilitate participation in transnational co-operation programmes such as the INTERREG North Sea Region programme, Erasmus + and the successor to the Horizon 2020 Research Programme.

2) Are there examples of best practice for ways in which nations / regions from non-EU Member States engage with and influence the EU?

Countries which are members of the European Economic Area but not the European Union such as Norway and Iceland provide good examples of ways to engage with and influence the EU. It should be noted that a number of Local Authorities including Aberdeenshire Council already work in partnership with Norwegian and EU regions to engage with and influence the EU through international organisations like the Conference of Peripheral Maritime Regions and North Sea Commission. Aberdeenshire Council plans to continue this engagement post-Brexit and there are opportunities for exchange of best practice and information between different organisations in Scotland.

3) What should be the focus of the business plans for the Scottish Government Innovation and Investment Hub offices in Berlin, Brussels, Dublin, London and Paris be?

The total number of Foreign Direct Investment Projects (FDI) into Scotland in 2018 was down 19% on the previous year which shows some evidence of the challenging investment environment we are currently operating in, especially the regions outside of London. However, Scotland remains the most attractive inward investment location in the UK outside of London and this demonstrates that Scotland has a suitable base from which to capitalise on its strengths. The challenges facing Scotland are to maintain and grow this position.

The hubs should be used as a showcase for Scotland's proven strengths in key sectors and services as well as promoting expertise and developing local investor relations within the host country with a focus on understanding the local market and articulating the Scottish opportunities.

The hubs also offer Scottish companies a base within foreign markets in which to gather local market intelligence and promote and pitch products and services into that market, where gaps are identified. They can also act as ambassadors for inward investment into Scotland through hosting foreign delegations and promoting Scotland at a local level within the host country.

4) How can the Scottish Government Innovation and Investment Hub offices best support the Scottish Government's external affairs policy?

The hub is an asset in which to gather local market intelligence and feed that into policy making, especially around investment. Understand what foreign investors are looking for, how they already view Scotland and how domestic policy can respond and maximise the feedback. Investors want certainty and they are keen to understand what Scotland's policy position is on matters relating to investment and how that offers an environment which is conducive to investment.

5) How can the Scottish Government's Innovation and Investment Hub offices be evaluated effectively?

FDI originating from locations with hub offices and whether there is growth in these numbers over a defined period would be a useful indicator to evaluate the effectiveness of the Hub offices.

6) How should the Innovation and Investment Hub offices most effectively engage with other Scottish organisations such as Scottish Development International and Visit Scotland?

A wide range of options are available including secondments, integration and shared workspace, access to meeting facilities and hosting events.

7) What principles should inform the Scottish Government's international engagement? For example, should economic priorities be the key priority or cultural / 'soft power' priorities?

Economic priorities should be prominent in the Scottish Government's international engagement policy as the economy adjusts to the post-Brexit environment. Cultural and 'soft power' priorities can help to develop economic links given Scotland's generally positive reputation and strong cultural identity internationally.

A balance in the pitch is important. If the focus is investment then economic priorities should lead and how these convert into an attractive and potentially profitable offer to inward investors. The softer part of this also has a role to play. Beyond sector and market strengths and a supportive policy environment Scotland must also promote the place and attractiveness to relocation and why it is not only a good market to invest in, but is a great place to be based providing quality of life aspects to the investment offer.

8) How should the Scottish Government prioritise its international engagement – for example, should the locations prioritised be based on a geography or policy focus?

Locations should be prioritised based on economic market opportunities and identified as objectively as possible taking into account Scotland's key sectors, economic strategy priorities and the expertise of inward investment agencies including Invest Aberdeen and Scottish Development International.

9) What should be the key aims of the Scottish Government's international offices in Beijing, Ottawa, Toronto and Washington DC?

The aims of the offices should be similar to those for the European offices; acting as a showcase for Scotland's proven strengths in key sectors and services as well as promoting expertise and developing local investor relations within the host country with a focus on understanding the local market and articulating the Scottish opportunities. They should also act as a base for Scottish companies within foreign markets in which to gather local market intelligence and promote and pitch products and services into that market, where gaps are identified. They can also act as ambassadors for inward investment into Scotland through hosting foreign delegations and promoting Scotland at a local level within the host country.

10) Currently, the Scottish Government has international engagement strategies with Canada, China, India, Pakistan and the USA. Do these strategies and their geographic focus remain appropriate post-Brexit?

These strategies and geographic focus are likely to remain equally – if not more – valid post-Brexit. Other locations may become as important as and when trade deals between the UK and other countries are negotiated and implemented.

11) How can the Scottish Government's international engagement be evaluated effectively?

It can be difficult to objectively verify policy influence, particularly when this is done informally outside of a legislative framework such as the European Union co-decision procedure. Economic indicators relating to trade and inward investment can provide some degree of evidence for evaluation, but most evaluation would need to be done based on case studies and reports on specific activities/initiatives.

12) How should the Scottish Government's international offices most effectively engage with other Scottish organisations such as Scottish Development International and Visit Scotland?

In addition to engaging with SDI and Visit Scotland, it is critical that engagement also takes place with regional bodies such as Invest Aberdeen and Visit Aberdeenshire to ensure that work carried out is well-co-ordinated between local expertise on priorities/investment opportunities and international offices.