

Economic Recovery and Resilience: Investing in our Future

Discussion Report - Shaping Scotland's Economy – Scotland's Inward Investment Plan

Host: Ivan McKee, Minister for Trade, Investment and Innovation
Facilitator: Mark Gregory, Chief Economist, EY in the UK and Ireland
Scribe: Shannon O'Rourke, Scottish Government

Introduction

Mr McKee welcomed participants to the breakout room. He outlined the purpose of the session was to explore insights on the recently published Inward Investment Plan, *Shaping Scotland's Economy*. Providing additional context, he explained the Plan was delayed due to COVID, and despite much of the analysis being done in advance, the content has been reviewed through the COVID lens. He made it clear that we want this Plan to form part of our economic recovery over the coming months and years.

Mark Gregory also provided a short introduction, detailing his role as Chief Economist at Ernst and Young (EY). Mark and his colleagues run the UK Attractiveness Survey and have recently published an updated version. He outlined that results show investors are resilient and the UK is still an attractive place to invest – however, the policy agenda surrounding investment must now be a governments focus.

Scene Setting

Mark introduced three key headings to govern the discussion; where we are and what our outlook is in terms of inward investment, insights on the Plan and how government and businesses can work together.

Key Discussion Points

Net-Zero

- Alignment between climate change committee priorities for Scotland and efforts to catalyse investment to forward the green agenda.
- Net-Zero is built in throughout the plan and the intention is to target investment to align with Scotland's ambition to be a net-zero economy by 2045.
- The farming industry in Scotland understands the climate challenge it is facing – needs support in finding the right partners (inward investors) to help them develop their strategic plans to reduce their carbon footprint and grow their exports in a climate friendly way.
- Cheap green energy is attractive to potential investors – and Scotland's current position with wind is strong, however the transition to a hydrogen economy is

also a great opportunity for Scotland. Scottish Government should focus on supporting infrastructure to accelerate this shift.

- Sectors are looking to shift to greener solutions, but are looking for support from the government. If support to become greener was received, they could potentially attract more inward investment to their businesses.

Spillover benefits to the Scottish Economy & Scottish Businesses

- Emphasis on the collaboration between inward investors to ensure they are benefitting domestic businesses in Scotland.
- Highlighting the opportunity to be smarter with investment to ensure Scotland's wider economy gains the benefits.
- Supply chain development work is being done in parallel to build these sectors in Scotland.
- The plan is looking to bring talent to Scotland, access to local markets for business and a route to export for indigenous businesses.
- It is important that we are not only seeking to capture the wider benefits of investment, but also that we look at how to measure the value and impact these benefits can have on domestic businesses, to promote inclusive investment.

Building on Scotland's current strengths

- Organisations have strong competitive advantages in areas e.g. food & drink, but have limitations on their capabilities to capitalise on the benefits of this advantage. Support from the government to access potential investors could unlock this capability to build on existing strengths.
- Scotland is world renowned for its Scotch, however the impacts of COVID have hit it harder than any other spirit. Scotch wouldn't be as successful worldwide without foreign owned businesses building the brand globally and should serve as an example of how inward investors can build on Scotland's existing strengths.
- Scotland already has strengths in the Space sector and it's a good environment for future investors in terms of the number of companies already operating in this sector. However, comparing us to places like the South East of England, we need to ensure we have the infrastructure to support investors in the key opportunity areas.
- The plan will play an important role in positioning Scotland as an attractive destination beyond a simplistic view such as being a cheap place for labour.

Acceleration of the digital sector

- When considering infrastructure, it's also important to think about digital infrastructure and capability. There is a massive shift to digital ongoing, as identified in the plan, and it's important to consider this when looking at infrastructure options to attract investment.
- COVID has allowed to people to realise what can be done remotely, and it is important to leverage the digital skills Scotland has as well as other factors like 5G capability.