

INTERNATIONALISING SCOTTISH BUSINESS

LESSONS FROM THE WHISKY INDUSTRY¹

By Alf Young

Visiting Professor, International Public Policy Institute, University of Strathclyde

October 2015

INTRODUCTION

We must internationalise more. That's been the core economic prescription across these islands since the great financial crash of 2007/8. To counteract its impact and the recession that followed, we must have a fundamental rebalancing of our economy. Excessive debt and unbridled consumption must give way to a new drive to export and invest more if our economy is to be put back onto a path of sustainable growth.

Unless more of our domestic business base sells more of the goods and services it produces to the rest of the world, unless more investors around the world commit more of their unallocated capital to ventures here, how are we to put all that lost output since the banking meltdown behind us and begin to shape a recovery worthy of the name?

One mature sector of the Scottish economy already has a very long history of doing just that. It is Scotland's largest export category by value and continued to grow its global sales well beyond the collapse of our banks. Even after the crash in 2008 it has experienced an investment boom in new capacity to meet future demand.

Scotch whisky distillers started finding overseas markets for their spirits in the late 19th Century when producers – typically high street grocers based in small Scottish towns – began exploring new markets, within and beyond the British Empire, around the world.

Today some of the blends they created, like Johnnie Walker, Chivas Regal and Dewar's, are familiar global brands, key constituents of the product portfolios of multinational drinks corporations with a Scottish footprint. They and other Scotch distillers, large and small, still manage collectively to grow their exports to more than 200 markets worldwide.

In the ten years from 2004 exports of Scotch grew cumulatively by 74%. Higher value single malt exports grew more than twice as fast over the same period, by 159%. That sustained export success raises an intriguing question. What lessons can other Scottish

¹ This paper was Commissioned by the David Hume Institute and sponsored by the Scotch Whisky Association. However, views expressed are those of Professor Young and not necessarily those of either DHI or SWA.

businesses learn from the export achievements of Scotch whisky producers, to help them export more too?

Seven years ago the global banking crisis sent Lehman Brothers tumbling into insolvency and visited near-death experiences on Scotland's two oldest banks. This paper considers what progress has been made since in internationalising more of Scotland's business base, by expanding exporting capacity. And what relevance the long experience of Scotch whisky distillers in international markets holds for other sectors as they face up to the challenge of rebalancing the Scottish and UK economies.

THE CHALLENGE

In its latest iteration of Scotland's economic strategy, published in March 2015, the devolved government in Edinburgh lists its four core priorities. All start with the latter I. Investment. Innovation. Inclusive growth. And finally internationalisation of trade and investment. Through international connectivity. And by adopting a global outlook.

The Scottish Government, together with its principal economic development agencies – Scottish Enterprise; Highlands and Islands Enterprise; Scottish Development International – signed up to Scotland's International Trade and Investment Strategy back in 2011. It runs out at the end of this year. A new version is promised. Whatever else it proposes, it would be a major surprise if the refreshed strategy does not continue to urge Scottish companies, big and small, to internationalise more.

The current version sees that as imperative. "Scotland, within the global context, is a small market with relatively slow domestic growth forecast in the medium term," its realistic assessment concedes. "Increased exploitation of international markets is critical to the acceleration of Scotland's sustainable economic growth through increased international trade and attraction of further foreign investment.

"Foreign investors in Scotland employ over 600,000 staff and have a turnover of over £145bn. By nature they tend to be key exporters and Scotland is often their European base. These investors benefit Scotland by bringing new innovative practices, investing in research and development, upskilling their Scottish workforce and driving improvements in the supply chain. The number of foreign investors is growing year on year as the world becomes more open and markets more connected.

"As international trade barriers continue to reduce we are also seeing the world order change, with emerging economies forecast to see the most growth including China, India, Brazil and the Middle East. The recent global economic crisis has accelerated this trend, with growth in emerging fast-growing economies forecast to be more than double that of developed economies."

The SNP government has set a precise target for boosting international exports of goods and services from Scotland. As one of its national performance indicators, it is seeking a 50% increase in their value in cash terms, between 2010 and 2017.

However it was not the only political grouping on these islands embracing the need for a more exports-driven economy back in 2011. Even earlier, in February 2010, delivering the

Mais Lecture at the Cass Business School, the then-shadow chancellor, George Osborne, set out his case for a complete rebalancing of the UK economy.

“We need to head in a completely new direction,” he told his London audience. “We have to move away from an economic model that that was based on unsustainable public and private debt. And we have to move to a new model of economic growth that is rooted in more investment, more savings and higher exports.” When the Tory/Liberal Democrat coalition took power at Westminster after that May’s general election, Osborne, as chancellor, started to put flesh on his new economic model.

In his first full budget, in March 2011, he claimed he would put manufacturing, especially manufacturing for export, back at the heart of the UK’s recovery from recession. “ We want the words: ‘Made in Britain’; ‘Created in Britain’; ‘Designed in Britain’ and ‘Invented in Britain’ to drive our nation forward. A Britain carried aloft by the march of the makers. That is how we will create jobs and support families,” he declared. There followed a series of initiatives including a regional growth fund and a high value manufacturing catapult, consisting of seven research centres, one of them near Glasgow airport.

In his 2012 Budget, Osborne went on to set his own export growth target. He challenged UK businesses as a whole to break through the £1 trillion barrier for annual exports by 2020. At that time annual UK exports stood just shy of £300bn. As the Royal Bank of Scotland noted recently, over the six years to 2013 annual UK exports grew cumulatively by just 29.9%. Over the next six, through to 2020, they would need to grow nearly ten times as fast, by 285%, if the chancellor’s challenging target is to be met.

Since these targets were set in Edinburgh and London earlier this decade, economic recovery across the UK and elsewhere has proved much more sluggish than anticipated. While the UK economy as a whole finally regained the size it was before the 2008 recession in the third quarter of 2013, population growth means GDP per head only regained its pre-crash level in the middle of this year.

Manufacturing’s share of output has been even slower to recover lost ground. So what has that limp pace of recovery in output, arguably the slowest since the 1920s, meant for the internationalising agenda of the Scottish Government and for George Osborne’s rebalancing ambitions and his march of the makers?

THE RECORD SO FAR

UK Export Performance

Analysing trade performance across the UK is made harder by the existence of competing data series, carried out by different government agencies, measuring different things over different time frames, using different data sources and techniques.

UK Trade Statistics are produced monthly by National Statistics and cover trade (exports and imports) in both goods and services. HM Revenue & Customs produces monthly overseas trade statistics for the UK as a whole. Derived from Customs and VAT data, they only cover trade in goods. HMRC also produces, quarterly, Regional Trade Statistics, including an analysis of Scotland’s trade performance. But again only for trade in goods.

Since 2002, successive devolved Scottish Governments have produced an analysis of their own, called the Global Connections Survey (GCS). This annual data set, based on questionnaire returns from a volunteer but “representative” sample of Scottish firms, is published each January. Because it only asks respondents about their sales outside Scotland, GCS has nothing to say about Scotland’s imports or its resultant trade balances.

The time lag between evidence gathering for GCS and the release of its results is far too extended to make it a useful policy tool. The next release, due in January 2016, will only cover exports (of goods and tradeable services) achieved in calendar year 2014. It will have been between one and two years since that trade actually happened. By contrast the HMRC Regional Trade series publishes its results just over two months after the quarter in question has ended.

With so many inconsistencies in these data sets, what can we actually say about progress made this far in meeting the export growth targets set by the Scottish and UK governments at the beginning of this decade? The latest UK Trade numbers from National Statistics (for August 2015) show a modest increase in exports of goods, compared with the previous month. However total exports of goods in July had hit their lowest level since September 2010.

The bigger picture is that the UK has maintained a large and fairly consistent deficit in its trade in goods (running at between £8bn and £12bn a month over the past couple of years) ever since politicians in Edinburgh and London started urging companies to export more. The saving grace is a modestly rising trend in the regular surpluses earned from trade in services. However even that has not yet been enough to push the overall trade balance into the black.

Scotland’s Export Performance

The evidence from Scotland is of even more concern. The latest HM Revenue & Customs Regional Trade Statistics, for the second quarter of 2015, show exports of goods from Scotland decreasing in value by 4.7% during the year to June 2015. “There was a decrease in Scotland’s exports for each of the last six quarters when compared with the same quarter of the previous year,” it reports.

Scottish exports of goods to the EU fell faster, by 10% on the year, with Germany (-21%) and Belgium (-19%) recording the biggest country declines. Exports to the USA, traditionally Scotland’s largest export market, fell by 4.8%. These falls came despite a 2.4% increase in the number of businesses exporting from Scotland.

And they leave Scotland with a smaller share of UK exports (7%) than a number of English regions. London and the South East dominate, contributing a 25% share between them. In addition the North West, West Midlands and East of England all command a bigger UK exporting share than Scotland.

The Scottish Government’s Global Connections Survey does not tell us anything about export performance beyond the end of 2013. It will be next January before we see the 2014 numbers. The picture painted by GCS since 2005 has been of consistent annual

increases in total exports all the way through to 2013. It's hard, however, to see how that upward momentum can have been sustained into 2014.

We already have HMRC's June warning of slowing exports of goods from Scotland between the start of 2014 and the middle of this year. We also know from the Scotch Whisky Association's own figures that exports of Scotch plateaued between 2012 and 2013, before shrinking by 7.4% in 2014. If that's the experience of Scotland's biggest single export, it would be remarkable were the 2014 GCS to report continued upward momentum come January.

Reversing manufacturing decline

And what of George Osborne's vision of a surging new "march of the makers"? Since the chancellor spoke, UK-wide, manufacturing output has seemed directionless. 2011 produced two quarters of very modest growth in output followed by two of somewhat deeper contraction. 2012 had two quarters of growth interspersed with two of much deeper contraction (-1.2% and -1.4%).

2013 started with another more modest quarterly contraction followed by three successive quarters of slightly higher growth. Last year began with the only quarter of impressive growth in manufacturing output (1.6%). Over the next three quarters combined, growth barely matched that single quarter's pace. The slowdown has continued into 2015. A first quarter of minimal growth (0.1%) immediately followed by a contraction of -0.3%.

While manufacturing across the UK still accounts for nearly 70% of all research & development investment and around 44% of all UK exports, its contribution, in terms of gross value added (GVA), has been in relentless decline for many decades. That GVA share stood above 30% in the early 1970s.

It had fallen to 14% by the time New Labour came to power in 1997. That decline has continued ever since, albeit at a slower rate. It stood at 10.1% in the year (2011) when George Osborne proclaimed his march of the makers. Last year it had fallen to just 9.7%.

The 2008/09 recession hit manufacturing especially hard. In the second quarter of 2015, while output from the whole UK economy was 8% above the level it had reached in the first quarter of 2007, before the great financial crash and the subsequent recession, output from manufacturing in Q2 2015 was still languishing 5% below where it had been at the beginning of 2007.

Jobs in manufacturing have also been hard hit. In early 1982 there were just over 5.5 million manufacturing jobs across the UK, some 22% of the overall workforce. By the beginning of this year that number had more than halved, to 2.6 million, just an 8% share. Scotland, seen by so many as a historic cradle of manufacturing, has sustained even deeper losses.

In spite of a 7% rise in manufacturing jobs in Scotland between the first quarter of 2014 and the same quarter 2015, our current stock of manufacturing jobs – 195,000 or 7% of all employment in Scotland – is the lowest manufacturing job share anywhere in the UK

outside London and the south-east. Wales, Northern Ireland and most English regions can still claim a manufacturing job share of 10% or higher.

SCOTCH WHISKY: THE EXCEPTION

Over many decades of deindustrialisation, generations of Scottish makers – car makers, shipbuilders, steel men, paper makers, textile workers, coalminers – have seen their own marches grind to a halt. Right now, with the global price of oil less than half what it was a year ago, many of those who have made it possible to extract oil and gas from beneath the North Sea are wondering if they might be next in line.

There have certainly been times in the past when the people who made Scotch whisky felt just as threatened. During the bitter takeover battles of the mid-1980s perhaps. Or when distilleries were being mothballed one after another in the final decades of the last century. Or, more recently, when an old whisky town like Kilmarnock, was losing its distilling and bottling capacity in a major corporate restructuring.

But the more than 10,000 makers who still distill, mature and bottle Scotch whisky and over 40,000 others who fill support roles across the UK are discovering they have plenty of marching left to do. Six new distilleries opened last year. Another forty projects are in various stages of development. The appetite to invest anew in such an ancient craft is growing again.

It is passing strange that an alcoholic spirit, typically distilled in remote and economically fragile communities, scattered all across a fragmented landmass, offshore in the North Atlantic, called Scotland, should have proved so appealing to so many people around the world. A million and a half visitors now go round a Scottish distillery each year. Scotch whisky now accounts for a quarter of all UK food and drink exports. Single bottles of rare malts have been known to go for a six figure sum at auction.

If George Osborne's stuttering march of the makers is to become more than just another politician's wishful thinking, we need to understand much better than we currently do what makes Scotch whisky the global product it has already become.

THE SCOTCH WHISKY INDUSTRY: WHAT DIFFERENTIATES ITS APPROACH?

Investing for the Long Term

No one distills whisky, especially premium whisky, to sell it next week or next month. To be called Scotch at all the spirit must mature in oak casks somewhere in Scotland for a minimum of three years. Premium single malts are left to mature for much longer than that. Ten Years. Fifteen. Twenty. Even longer.

That brings a very different perspective to doing business than applies in many other business sectors. Your baker bakes your bread for eating that day or the next morning.

The mighty Apple, at the premium end of the digital marketplace, tries to sell its millions of followers a newer version of their iPhone at least every other year.

Even in the wider spirits market, players may try to second guess consumers' rapidly changing tastes and make the drink they think they want for drinking now. More and more Scotch distillers are making something that will stay in bond for many, many years. Only then can they set about finding people who might want to drink it.

Some of those, outwith the leading established companies, now investing in new distillery capacity in new locations do so in the anticipation they will become exporters as soon as they have matured stock ready for sale. Some of the new whisky entrepreneurs are already instinctively internationalised, having risen through the ranks of the major established distillers. It's a model that barely exists in other industrial sectors

Arguably such extended horizons, inherent in the maturation process itself, also foster a long view on investment strategies and on building strong and lasting bonds and relationships with suppliers, distributors and customers. They are to the distilled spirits market what Warren Buffett is to the world of investment.

Protecting Scotch as a Product Category

Genuine Scotch whisky now sells in more than two hundred countries around the world. Protecting its heritage and where it must be made – what the World Trade Organisation (WTO) calls its GI (geographical indication) – from local counterfeiters is a never ending challenge. The industry's trade body, the Scotch Whisky Association (SWA), is relentless in confronting that challenge.

At the time of writing the SWA has just won, in a provincial court in Eastern China, a case against a local packaging firm manufacturing bottle closures stamped with the words Scotch Whisky. These were destined for use on bottles of fake whisky, sold a thousand miles away in Myanmar.

Simultaneously, in Cameroon in Central Africa, it has registered Scotch whisky as a GI with all 17 member states of OAPI (*Organisation Africaine de la Propriété Intellectuelle*.) Africa is one of Scotch's most promising growth markets. As with a similar deal concluded a few months earlier with Botswana, this is another practical step in guarding against the improper use of the name Scotch Whisky. That takes to over one hundred the number of countries where the unique heritage of Scotch is recognised by their own legal systems.

From its extensive experience protecting the unique profile of its own products, the Scotch whisky industry has much to offer would-be exporters in other sectors about how to protect the heritage of the things they sell. The synergies with other parts of the food and drink sector – from seafood to craft cheeses, from the output of the burgeoning micro-brewery sector to specialist chocolate makers – are an obvious starting point.

Finding a Shared Sense of Purpose with Government at Home

Scotch whisky is a highly regulated industry in every market in which it operates. It is also comparatively highly taxed in its own domestic market. The 2% cut in excise duty announced in March's budget, the last delivered by George Osborne as a coalition chancellor, is only the fourth such cut in a century.

It came against a backdrop of steadily falling volume sales of Scotch in its home market, the UK, from 2003 onwards. That decline had been exacerbated by the four-year duty escalator, introduced by Labour chancellor Alistair Darling in 2008, and extended by him to six years in 2010.

His successor, Osborne, continued Darling's tax squeeze and home market sales continued to fall until that 2015 duty cut. While warmly welcomed by the industry, it only reduced the overall tax (excise duty and VAT) on a standard bottle of Scotch from 78% to 77% of the selling price.

There's nothing new in such tensions between the industry and government. Darling was clearly looking to boost tax revenues where he could in a deepening financial crisis. In 1909, the then-chancellor Lloyd George hit the whisky industry with a 30% tax rise to help pay for social reforms. And during the First World War he threatened state control of the industry or even prohibition to get his way.

In the middle of that growing duty escalator row, in June 2012, the devolved Scottish parliament, passed legislation from its now-majority SNP government, to introduce minimum unit pricing (MUP) for all alcohol sold in Scotland. While clearly driven by a desire to do something about the disproportionately adverse health and social consequences of alcohol abuse north of the border, the timing of the MUP legislation represented a further pricing threat to sales of alcohol in general, including some of Scotch's already dwindling home sales.

In 2013 the coalition government in the UK abandoned plans to follow Scotland's lead on MUP and, the following year, introduced minimum pricing on a restricted range of the cheapest drinks, covering just 1.3% of total sales. In early 2013 the SWA, supported by two pan European wine and spirits trade bodies, had sought judicial review of the Scottish Government's legislation in the Court of Session, arguing it was in breach of EU law and would be ineffective in any case.

The Association has always argued that government measures to restrict consumption through the tax system risks fostering copy-cat measures around the world to protect sales of local spirits. Its members' export volumes could become the ultimate casualty. When the Court rejected the original challenge, the SWA and its fellow petitioners appealed and the case was sent the European Court of Justice in Luxembourg,

Last month the ECJ's advocate general found that MUP could affect the free movement of goods across the EU. A final ruling by the ECJ, which will then be remitted back to the Court of Session for a final decision, is still awaited.

Both episodes – the UK Treasury's excise duty escalator and the Scottish Government's stalled minimum unit pricing legislation – demonstrate how difficult it is to achieve a

genuine shared sense of purpose between industry and government in delivering national economic goals.

Even an experienced veteran exporter, like the Scotch whisky industry, needs strong support from its own government to challenge infringements of existing free trade agreements, by putting pressure on the EU, the WTO and other agencies to sort things out. That's vital if the shared political ambition in Edinburgh and London of an export-led recovery is actually going to be realised.

Joint industry/government action can be blunted, however, if another arm of your own government is simultaneously pushing up excise duties on your own products at home, to help fill an unanticipated shortfall in other tax revenues. Or wants to introduce a higher minimum price on your products, in pursuit of a social objective.

WHAT NEXT?

There are growing signs, at UK level certainly, that all that fading poetic rhetoric about a new march of the makers and an exporting revolution is being quietly shelved anyway. The Office for Budget Responsibility indicated as much back in 2014. And this August the British Chambers of Commerce concluded that, on current trends, Osborne's target of £1 trillion of UK exports by 2020 won't be met until 2034.

Shorn of the compromises of the coalition years, George Osborne is already reformulating his whole pitch on what government can do to help create a more prosperous nation. As an adjunct to his post-election budget in July, the UK Treasury released a joint policy paper with business secretary Sajid Javid.

They call it Fixing the Foundations. We're no longer fixing the roof when the sun shines, it seems. The foundations seem to be creaking. "Productivity is the challenge of our times," the paper asserts. "It is what makes nations stronger, and families richer." Its 82 pages then set out a 16-point productivity plan with two core objectives. To encourage long-term investment and promote a dynamic economy.

The fourteenth point suggests growing exports hasn't been entirely forgotten. It calls for "a trading nation open to international investment". But its prescription only runs to two pages. And the most significant thing it has to say is that the existing machinery of government to help exporters export more could on the way out or be relegated to a much reduced role.

"The government will remodel its delivery on trade, exports, investment and prosperity," the paper pledges. "In the past, too much of the burden of promoting exports has fallen within government on UK Trade and Investment (UKTI) and UK Export Finance. The government will now mobilise the whole of government behind exporting, enhancing and modernising government support. A cross-Whitehall Implementation Taskforce has been established, reporting to cabinet."

That's what governments do when they realise that bold target of £1 trillion of exports from the UK by 2020 no longer looks credible. They start fiddling with the delivery architecture.

In December 2013 David Cameron persuaded the CEO of BT Group, Ian Livingston, to leave the boardroom at the age of 49 and join the coalition as trade minister.

Lord Livingston of Parkhead, as he became, lasted little more than a year. After May's general election he was replaced by the newly enobled Lord Maude, previously Paymaster-General and Cabinet Office minister in the coalition. Ever the fixer, this proposed remodelling of export support is Maude's latest project. It is motivated, in part, by the need to find more savings in non-protected Whitehall departments, under the UK government's ongoing deficit reduction programme.

The Business, Innovation and Skills Department, which includes UKTI, has to find further significant cuts in its budget in this year's forthcoming spending review. UKTI staff are reported to be bracing themselves for job losses, as more sectoral UKTI specialists are embedded in other departments like agriculture, culture and overseas development. Pity any company, new to exporting, trying to find its way round that evolving maze for help.

If the UK government still wants to do something serious about trade performance, why doesn't it create a properly focussed trade ministry? Instead of the old balkanised structure – HM Treasury (financial services), the Foreign and Commonwealth Office, Defra (food and drink) and Business, Innovation and Skills (with UKTI embedded within it) and a trade minister flitting from one to another – or this latest proposal to scatter UKTI specialists on departments all over Whitehall – why not a single trade ministry?

The concept of the "single portal" former Labour trade minister Brian Wilson proposed in his review of Scottish Exporting, carried out for the then-coalition Scotland Office pre-referendum, in early 2014 has some compelling logic to it. Why wouldn't it work for the UK as a whole?

WHAT NEXT FOR SCOTLAND?

The SNP Government is not going to give up on its key target – a 50% increase in the value of Scottish exports by 2017 – any time soon. The looming Holyrood elections next May will see to that. However, there's virtually no chance that target will be met in 2017 in any case, given the rate of progress to date; the weakening in 2013 and 2014 of Scotch whisky exports, already reported by the industry; and the multiplying adverse and unpredictable headwinds blowing through the global economy right now.

Of course, if the Scottish Government sticks with the findings of its current Global Connections Survey to measure that outcome, we won't know whether it has been met until January 2019. Such is the length of the delay between gathering in returns and crunching the results. We will, however, have a pretty good idea of how growth in Scottish exports of goods has performed by early 2017, from HMRC's Regional Trade Statistics.

It is possible that, while refreshing its 2011 International Trade and Investment Strategy, the Scottish Government will simply roll forward its existing export growth target – 50% by 2017 – to a new target at a later date, say 2021. I've very much hope it doesn't resort to such subterfuge. There is another aspect of the process that badly needs addressing.

While researching this paper I have become more and more concerned about a related issue. The credibility of the Global Connections Survey itself. It carries the UK National Statistics kitemark, denoting data “produced, managed and disseminated to high standards”.

However, it depends on voluntary returns of short questionnaire sent to a “representative” sample of Scottish companies. The sample size has been highly variable. As much as 10,000, as few as 5500. Response rates have been in pretty rapid decline, despite a median reported time to fill one in of 20 minutes

Some 2700 companies responded to the 2008 survey. By 2013 that had dropped to 1856 (a response rate of 34%). The Scottish Government’s own website has already revealed that responses for the as-yet-unreported 2014 survey has dropped again, to 1600. And that includes some nil replies.

The information provided this shrinking number of responding companies is, we are told augmented by a range of data from other sources. But the final export numbers that are reported are then, year-on-year, subjected to serial revision. That is commonplace in many government statistical series.

However, some of the revisions to the GCS series have been remarkably large. The 2006 estimate for international exports from Scotland was cut by 6% a year later and, by a further 4%, the year after that. The original 2007 estimate was cut by a whopping 8.1% a year after its first release. By contrast the original 2011 estimate was increased by 2.7% a year later and by a further 4.7% in 2013.

Without these revisions the steadily rising curve of Scottish exports claimed by GCS in recent years would, numerical logic dictates, follow an altogether flatter trajectory. We really need to know what is being revised. Is it the survey data itself? And if so, on what basis?

While these questions and concerns were forming in my mind a report was published by the Jimmy Reid Foundation. Titled “*Growing the Scottish Economy: Is Scotland Well Served on International Trade and Development*”, it is written by the economist Margaret Cuthbert.

In it she describes Scotland’s trade statistics (those derived from GCS) as “a simplistic short term view of Scotland’s trade – a type of analysis far removed from the substance that is needed to fulfill the Scottish Government’s economic strategy”. She concludes: “The Global Connections Survey in its current form either needs a complete revamp or should be scrapped.” I agree.

Cuthbert also has something to say about the export support and advice afforded Scottish businesses. Traditionally their first port of call has not been not UKTI but Scottish Development International, almost entirely funded out of the Scottish Enterprise budget. If based in the Highlands and Islands, the SDI website advises companies to contact HIE in the first instance.

It’s certainly not the “single portal” recommended by Brian Wilson in his review for the Scotland Office of Scottish Exporting, a portal he wanted to call Scottish Exports. Of

course that review was completed in early 2014, in the run-up to the independence referendum.

Given the factional state of Scottish politics there is little chance the ideas of former Labour minister, especially ideas commissioned by Westminster's then coalition government, will pass any muster with an SNP government in Edinburgh.

SDI maintains its own network of 28 overseas offices, some co-located with British embassies, consulates-general and high commissions, some stand alone. Some of the latter, like in Tokyo and Seoul, branded Scotland House. The running costs of that network consumes around £10m of SDI's £35m annual budget. Most of the Scottish businesses helped in this way are already account managed by Scottish Enterprise or HIE.

However, as Margaret Cuthbert concludes in her analysis for the Reid Foundation, "While it is clear from the SE and SDI websites that there is considerable activity in the sphere of trade and investment, the data are not available to make any meaningful judgement of how well the agencies are doing in the ultimate goal of improving Scotland's export performance".

With George Osborne already embarked on a wholesale review of export advice and assistance in Whitehall, a process that could see the demise of UKTI in its present form, isn't it time the Scottish Government commissioned a thoroughly independent review of the effectiveness of its enterprise agencies and Scottish Development International; the returns from their account managed companies; and what trust, if any, we should place in SDI's Global Connections Survey.