SUPPLEMENTARY WRITTEN EVIDENCE FROM ANGUS TULLOCH, FIRST STATE INVESTMENTS

- The quality of the people involved in building up relationships is much more important than the numbers. Hard to measure the impact though but I have always been wary of too precise targets anyway as they have unintended consequences on behaviour. Maybe the best way to measure SDI performance is to oblige them to keep a register of all whom they do business with each year and do a sample independent review of these people on an annual basis too.
- Re the plan, (as indicated), it did seem to emphasise the trading of manufacturers relative to service industries such as ours far too much.
- The following five points cannot be emphasised too much:
  - Establishing long term relationships with reliable partners (e.g. contracts in Asian countries are seen to be a basis for negotiation rather than a manual of agreed procedures written in cast iron as witnessed by attempts of Chinese ship operators to change negotiated cargo rates when the bottom fell out of the freight market).
  - Partnerships and collaborative research (choosing your partner is everything).
  - Need for cultural awareness (e.g. generally much better to make a controversial point behind closed doors and understandable resentment of finger wagging on human rights etc., also the importance of gestures which is why big wig visits are so important).
  - The need for at least some people to speak the local language. Expecting everyone to speak in English is increasingly regarded as arrogant and we would now find it very difficult to conduct due diligence on Chinese management if we did not have some Chinese speakers on our team. As indicated a knowledge of our appalling imperial record, particularly our behaviour during the Opium Wars (see role of Messrs Jardine and Mathieson as well as James Bruce, Lord Elgin (a direct descendent of Robert the Bruce, who ordered the destruction of the Old Summer Palace in Beijing and the bombing of Canton – he did however feel remorse about this evidently writing to his wife in this regard that "I never felt so ashamed of myself in my life")
  - The importance of being willing to transfer skills in any relationship. As an aside, I wonder if the success Germany has had exporting to China does not relate in part to that country’s focus on vocational training.
- I thought the suggestion by Elimpus of a working group of SMEs to exchange experience made a lot of sense.
- As the large majority of businesses are still state controlled, government to government relationships are especially important and, if China were to deem that it had a special long term relationship with Scotland, we could benefit considerably.
- Chinese businesses are very keen to move overseas and become international.
- I do think there is scope for Scotland to become a European hub for major Chinese businesses. The importance of having regional headquarters here rather than small country branch offices could make a huge difference to the local economy. When times are hard, the latter seem to suffer much more (see experience with the electronics industry).
- We have been staggered by the progress of China in recognising the impact of climate change and other environmental influences, prompted by at least one major Chinese river no longer flowing uninterrupted to the sea, soil erosion in the west, fog
in Beijing etc. The country is now the largest manufacturer of wind and solar equipment in the world having started from scratch a very short time ago. They have been closing a third of their cement capacity as being environmentally unfriendly, and also a number of coal mines have been too dangerous.

- I suspect a direct airlink from Edinburgh or Glasgow (once a week to begin with) to Beijing would have a dramatic influence on people’s perspective both here and in China on doing business with each other.
- Most important of all, China is worth the effort as it will be very difficult to be a world winner if you cannot tackle that market with a reasonable amount of success.