

MEETING MINUTES

Cross Party Group on Germany

Tuesday, 7th October 2014, 6.00pm

Committee Room 4

Next Meeting and AGM

Tuesday, 25th November 2014, 5.30pm

Committee Room 4

Attendees

Colin Beattie MSP
Wolfgang Engstler, German Consulate
Neil Francis, Scottish Development International
Lyssandra Golledge, Scottish Parliament
Annette Götzkes, Edinburgh University
Graeme Henderson, Scottish Parliament
Barbara Kaulbach, Goethe Institut
Peter Müller-McDougall, Swiss Consulate General
Aaron Rhys Doidge, Scottish Youth Parliament
Heinrich Schnettger, German Consul
Maureen Watt MSP
Petra Wend, QMU

Apologies Petra Biberbach, Antje Branding, Cameron Buchanan MSP, Stefan Büttner, Manuela Calchini, John Clifford, Verena Gräfin von Roedern, Kirsten Herbst-Gray, Elisabeth Magnes, John Pentland MSP, Barbara Strickland, Sigrid Rieuwerts, Jeannette Rissmann

Colin Beattie (CB) opened the meeting at 18.00, and noted that the later time was due to late-running Parliamentary business.

Topics Discussed:

Presentation by Neil Francis, International Operations Director, Scottish Development International

CB welcomed Neil Francis (NF) to the meeting. NF gave a presentation to the group on the importance of internationalisation to the Scottish economy, the current situation with the Eurozone, and what SDI has been doing in a German context.

MEETING MINUTES

NF said that Scotland has a small domestic market and therefore international competitiveness was key to growth. The SDI acts as a 'vision' for the Scottish Government in terms of trade and investment activities, and has three overarching objectives – promoting Scotland internationally, increasing the number of companies exporting, and attracting foreign investment to strengthen key sectors. NF noted that 100 Scottish companies account for 80% of international trade.

NF said that the Scottish Government target is to increase trade value by 50% by 2017. The last full year of data showed sales of £26 billion which is on track to achieve the SG target, but NF noted that there were still challenges ahead.

NF noted the main Scottish trading sectors were food & drink, chemical sciences, oil and gas and financial and insurance services, and that the main trading partner was the USA followed by the Netherlands, France and Germany. SDI had provided support for 2,700 companies in 2013/14 and expected 320 of those companies to provide significant revenues in the next few years. NF noted that 2014 is expected to be the strongest performing year of growth for Scotland since 2007.

NF said that the Eurozone is Scotland's main overseas trading partner and the indicators suggested that economic recovery there has stalled. Germany's economy had contracted by 0.2% in the quarter to June, though had picked up again at the start of the third quarter. Geopolitical factors, such as the situation in the Ukraine, were having an effect on the Eurozone growth.

NF noted that Germany has the largest economy in Europe and the 4th largest in the world, with £1.5 billion in trade with Scotland in 2013/14. Last year SDI supported 500 companies to strengthen ties with Germany. The main sectors are renewables, food & drink and life sciences. NF said that there are 145 German owned enterprises in Scotland, with ~17,000 employees and a £3.1 billion turnover.

NF said, in summary, that Scotland's relationship with Germany was strong in both trade and investment perspectives and SDI wished to carry on developing this relationship.

Barbara Kaulbach (BK) asked if figures were available for the growth of Lidl and Aldi. NF said he didn't have these to hand but that both were growing significantly, and that they both placed an emphasis on purchasing local Scottish produce.

Annette Götzkes (AG) asked if the emerging Chinese economy was having any effect on Scotland's trade with the Eurozone. NF said Scotland did around £250m of trade with China, which was quite a long way from its trade with the Eurozone. NF noted that it was generally harder to do business with high growth, long distance partners, though SDI does have four offices in China.

Heinrich Schnettger (HS) said that the German-British Chamber of Industry and Commerce in London claimed there are only 33 German companies in Scotland, and he wondered how the SDI had come to the figure of 145. NF said that SDI undertakes an annual survey of companies based on ownership by country and sector. HS suggested that some companies that have been supported by SDI may not be members of the German-British Chamber of Industry and Commerce.

MEETING MINUTES

Petra Wend (PW) asked what support SDI had given for the creation of the Fraunhofer Centre at the University of Strathclyde. NF said SDI had worked closely with both Fraunhofer and the University's principal, Jim McDonald, to create a sustainable business model that would allow Fraunhofer to invest in Scotland.

HS asked what role the SDI representative in Düsseldorf played. NF said they supported trade and investment agendas – generally balanced between the two.

CB asked if NF had a figure for inward German investment in Scotland. NF said he would report back to the group.

ACTION POINT – Neil Francis to give Graeme Henderson the figure for inward German investment in Scotland

Peter Müller-McDougall (PM) asked what area the Düsseldorf office covered. NF said it covered Germany, Austria and Switzerland, and noted that the office had provided support for 65 Swiss companies. PM noted that Swiss companies safeguard 2000 jobs in Scotland.

PM asked what role SDI has in regard to company acquisitions. NF said that SDI works with companies who are seeking to be acquired, or where jobs are at risk, but does not act as a mergers and acquisitions agency.

CB thanked NF for speaking to the Group.

Approval of Previous Meeting Minutes

Colin Beattie went through the minutes. There were no changes to be made.

Economic/Political update

HS provided the group with an economic/political update. Germany's economy had decreased by 0.2% in the second quarter of 2014 compared to the first quarter. Uncertainties in foreign trade, conflict in the Near East, the Ukrainian crisis and a recession in Russia had all impacted on the economy. HS noted that developments in Portugal and Spain indicated a good potential of economic increase; however Italy's recession and stagnation in France were causing concern.

HS said that businesses were pessimistic regarding their situations and expectations and prospects for the fourth quarter were cautious. However, the job market was improving and the employment rate was down to 6.5% in September from 6.7% the previous month. HS noted that, despite a high skill of the working force in East Germany, the unemployment rate here was higher than in the West. HS did mention that the difference is diminishing.

MW asked if Russian sanctions in terms of obtaining gas from the East was proving to be a problem. HS said that his understanding was that Russia wanted to stick to its commitments and Germany hadn't seen a decrease in its energy supplies, but this situation might change. BK said that, conversely, German agricultural producers were having problems selling their products to the East. PMM noted that alternative oil routes were being created, such as the pipeline from Azerbaijan down to Greece and Albania that would be finished in the next couple of years.

MEETING MINUTES

HS said that Germany had seen three recent elections in federal states, and that the outcome in terms of how the new governments would be formed was still to be seen. HS noted that the level of participation was quite low and this reflected a general trend of a 2/3% reduction from election to election.

Cultural update

BK said that the Goethe Institut would be holding an exhibition in 2015 featuring the photography of Barbara Klemm and Erich Salomon. AG noted that Radio 4 is currently playing a show about the fall of the Berlin Wall, and that the British Museum is holding an exhibition on Germany history.

AOB

HS said that the 6 members of the Committee of European Affairs from the German Bundestag were expected to be in Edinburgh on the 18th and 19th November.

Colin Beattie closed the meeting at 18.57.