

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 16 December 2008

Session 3

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2008.

Applications for reproduction should be made in writing to the Licensing Division,
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR
Donnelley.

CONTENTS

Tuesday 16 December 2008

Col.

DECISION ON TAKING BUSINESS IN PRIVATE.....	925
SCOTTISH GOVERNMENT'S CHINA PLAN	926
VISIT (PRAGUE).....	949
EUROPE DAY 2009	950
"BRUSSELS BULLETIN"	951
PILOT SUBSIDIARITY CHECK.....	953
DECISION ON TAKING BUSINESS IN PRIVATE.....	956

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE 20th Meeting 2008, Session 3

CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

DEPUTY CONVENER

*Alex Neil (Central Scotland) (SNP)

COMMITTEE MEMBERS

Ted Brocklebank (Mid Scotland and Fife) (Con)

*Keith Brown (Ochil) (SNP)

Patricia Ferguson (Glasgow Maryhill) (Lab)

*Charlie Gordon (Glasgow Cathcart) (Lab)

*Jamie Hepburn (Central Scotland) (SNP)

*Jim Hume (South of Scotland) (LD)

COMMITTEE SUBSTITUTES

Jackson Carlaw (West of Scotland) (Con)

Ken Macintosh (Eastwood) (Lab)

Gil Paterson (West of Scotland) (SNP)

Iain Smith (North East Fife) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Melanie Angus (VisitScotland)

Frank Boyland (Scottish Development International)

Peter Budd (Arup Scotland)

Jane Gotts (Scottish Council for Development and Industry)

Stephen Phillips (China-Britain Business Council)

Peter Russell (Glasgow City Council)

David Smith (Scottish Development International)

David Valentine (Angus Council)

Gillian Walsh (Glasgow City Council)

CLERKS TO THE COMMITTEE

Lynn Tullis

Simon Watkins

ASSISTANT CLERKS

Lewis McNaughton

Lucy Scharbert

LOCATION

Committee Room 2

Scottish Parliament

European and External Relations Committee

Tuesday 16 December 2008

[THE CONVENER *opened the meeting at 10:32*]

Decision on Taking Business in Private

The Convener (Irene Oldfather): Good morning, colleagues. I welcome everyone to the 20th meeting in 2008 of the European and External Relations Committee. I have received apologies from Ted Brocklebank and Patricia Ferguson.

Agenda item 1 is to decide whether to take in private agenda item 8, under which we will consider the key themes arising from today's evidence session on the Scottish Government's China plan. Do members agree to that?

Members *indicated agreement.*

Scottish Government's China Plan

10:33

The Convener: Agenda item 2 is our second evidence session on the Scottish Government's China plan. Today's discussion will cover business, trade and tourism.

I welcome our witnesses and thank them all very much for the substantial written evidence that they have provided. Before I ask them to introduce themselves briefly, I want to outline a few points about today's meeting. Our aim is to discuss the Scottish Government's China plan: the idea behind our having a round-table discussion is that it will encourage people to interact with one another and to comment on what others have said. The witnesses should not simply think that we are questioning them, but can comment on what others around the table are saying. It will be helpful if people speak through me. I will note and list those who would like to speak. There is no need to worry about microphones, as our technical staff will ensure that they come on automatically.

I now invite our witnesses to introduce themselves.

David Valentine (Angus Council): I am the head of economic development at Angus Council.

Peter Budd (Arup Scotland): I am the chairman of Arup Scotland.

Stephen Phillips (China-Britain Business Council): I am from the China-Britain Business Council.

Gillian Walsh (Glasgow City Council): I am an international officer at Glasgow City Council.

Peter Russell (Glasgow City Council): I am an adviser to the Lord Provost at Glasgow City Council. My job remit includes responsibility for the council's international strategy.

Jane Gotts (Scottish Council for Development and Industry): I am an international trade manager at the Scottish Council for Development and Industry.

Frank Boyland (Scottish Development International): I am the Asia director for Scottish Development International.

David Smith (Scottish Development International): I am the operations director for Scottish Development International.

Melanie Angus (VisitScotland): I am the marketing manager for VisitScotland and I head up the emerging markets team.

The Convener: Thank you. There are a few themes that we want to discuss. The witnesses are all aware of the Scottish Government's plan for engagement with China. Given your experience of dealing with China, has the Government set the right objectives and targets in the plan?

Frank Boyland: The refreshed China plan reflects more broadly what SDI wants to do in China, and is consistent with the objectives of our operations throughout the world. Our job is to help Scottish businesses to internationalise and to help overseas and international companies to come to Scotland and create employment here. We also want to build broader business and cultural links and to play our part for team Scotland. We are pretty comfortable with the refreshed plan. It appears to us that many of the metrics around the China plan are pretty much on course to be achieved—I could quote many statistics in that context.

Melanie Angus: VisitScotland is also comfortable with the refreshed China plan—in particular with the tourism target of Scotland achieving a percentage of United Kingdom traffic. Such a target makes sense, given that there is no direct air service to Scotland from China. We work closely with our strategic partner, VisitBritain, which is on-territory.

David Valentine: As I said in my written submission, the objectives in the plan are appropriate and I fully support them. It was important that the new Administration in Scotland endorse the plan, so it is significant that the Administration did that and aligned the plan with its stated objectives to achieve a wealthier and fairer Scotland, to achieve sustainable growth and so on.

The Convener: There has been a lot of applause for the plan so far.

Stephen Phillips: The China-Britain Business Council very much supports the overriding objectives and targets in the plan. As someone who is in the shoes of business, I suggest that it would be helpful if the targets that relate to business were a little more specific and set out exactly what will be done to help individual businesses, because the targets are rather at the macro level. However, the thrust of the plan is correct.

Peter Russell: I will make a similar point. Local authorities agree with the objectives on the macro level, but we must consider next the step down to the intermediate level. For example, the plan talks about giving strategic consideration to, and aligning the roles of, stakeholders. There is a job to be done in identifying stakeholders and ascertaining how they can be best engaged.

Jane Gotts: I concur with Stephen Phillips. There is a need to engage businesses, in particular the small and medium-sized enterprises for which China is a challenging and daunting market. What specific engagement with smaller businesses will there be, to ensure that the Chinese market is open to them?

Peter Budd: I am sorry, but I will sing from the same hymn sheet. The plan lays good foundations, but the devil is in the detail and we must consider how we move on from here.

First, strong support from Government is a key factor in developing business with the Chinese market. Secondly, China is a huge market, so we must focus on particular geographical areas and particular areas of interest. There is no point in taking out the shotgun in China—it will not work. We need to home in on particular areas, and to come up with precise plans and development strategies. We will need Government help in promoting our approach: Government support is a hugely important aspect of doing business in China.

The Convener: I noticed that several submissions mentioned resources, which we might discuss later.

In previous evidence on the plan, the feeling emerged that some of the education and research objectives do not have sufficient connectivity and are more stand-alone. Does that apply to the objectives on your interests? Are more connections needed between objectives?

Peter Budd talked about a geographic emphasis or direction. Does each of your organisations target a region or area in China? Some of you mentioned that in your submissions—which we have all read—but it would help to have it on the record and to hear a little about why you have operated in that way.

Would anyone like to comment on those points?

David Smith: I am happy to comment. Our approach is very much driven by “The Government Economic Strategy” and by the need for focus, which has been mentioned. Scotland has particular strengths to offer and to build on in business engagement with the Chinese marketplace. I invite Frank Boyland to comment on that.

SDI has a considerable role to play in achieving objectives 2 and 3 of the plan, through working closely with universities and colleges throughout Scotland to help them to promote to the Chinese marketplace the capability of the Scottish higher education sector. We are working closely. I think that I am right in saying that, in the past three years, about 60 of the companies and organisations that we have supported have been in the education sector.

Frank Boyland: We sell Scotland. SDI has four offices in greater China—in Shanghai, Beijing, Hong Kong and Taipei, which is in Taiwan. Our job is to promote Scotland. We want the world and China to know that we are smart people, that we are technologically advanced, that we have and always have had great scientists and that we have great education establishments that have produced scientists and engineers who have greatly benefited the world.

We are about business development. We try to encourage Chinese companies to set up in Scotland. Research and development and education provide a great platform from which we can build. Once people are convinced that we have technology that Chinese companies or Chinese education establishments can use, we can start to build business credibility that we hope will lead to the creation of high-value-added jobs in Scotland and, of course, to bringing Scottish technology companies to China.

I will play back off what David Smith said: objectives 2 and 3, which are on education and research and development, are just as strong for SDI in promoting Scotland for business as are objectives 5 and 6, which might be more closely associated with that.

Gillian Walsh: On connectivity, Glasgow City Council feels, as a local authority, that we can add value to existing structures and existing activities. The question is how to explore that and do it to the best of our ability. Glasgow City Council has discussed with universities how we can help them with international recruitment by selling the city and selling Glasgow and Scotland in China. We are interested to hear more about what the other witnesses think about that.

The Convener: Glasgow City Council has a geographic focus, does it not?

Gillian Walsh: Yes—we are twinned with Dalian.

The Convener: I recall reading that in your evidence.

David Valentine: As members know, Angus Council is, in effect, twinned with Yantai in Shandong. The relationships that we have built there have helped to develop successful trade and tourism links. It is important that those links have helped us to develop links elsewhere—we do not deal exclusively with Yantai. A big spin-out has been the relationships that we have built in Yantai and which have helped businesses to develop links elsewhere, particularly in Shanghai. We have twinned Carnoustie championship golf links with Tiger Beach golf links, whose owner is a very successful businessman who owns Shanghai Silport, which is a resort in Shanghai, and dozens of companies in Shanghai. Such a connection

helps us to deliver for our businesses and others who want to do business in China. It also signals that we want a long and lasting relationship with China, which is important. Knowing that we are serious about China helps other people.

10:45

Stephen Phillips: I want to pick up both on connectivity between the objectives and on the geographic issue.

From a commercial point of view, there is a need to connect the objectives. Individual businesses find it hard to realise the extent of engagement across many areas with China. If businesses can somehow understand the breadth of engagement, they can begin to identify where the commercial opportunities arise. That might include low-carbon development and other matters that are not necessarily in the commercial sphere to begin with.

On the geographic side, I agree with everyone else that a critical role is played by city-to-city and region-to-region links. However, for individual businesses, it is critical that access to support is available wherever in China they need to do business. From the Government and council point of view, specific links are important and provide a great platform for business. However, businesses also need access to broad support.

The Convener: That is a very useful point.

Melanie Angus: I want to pick up on connectivity and targeting.

VisitScotland's strategy is to target Shanghai and Beijing, although we, too, have demonstrated connectivity by giving full support to David Valentine—in whatever way a tourist board can—in developing links with Tiger Beach. However, we have concentrated on Shanghai and on developing connections with Silport. Similarly, our sales missions with SDI have been all about collaborative working. For tourism, the biggest wins are the high-net-worth individuals who are members of the business community.

The Convener: I suppose that such individuals are also the most mobile.

Alex Neil (Central Scotland) (SNP): While having this conversation today, we are obviously in a completely different situation from that of three months ago, both in terms of where we are sitting and in terms of where China is sitting. Given that the Chinese economy is reckoned to require 8 per cent growth just to stand still—that is, to absorb all the people coming in from the rural areas—but is likely to suffer negative growth next year, China faces potentially huge consequences that could include social unrest among its millions of unemployed graduates. There is a danger that

China will look inward again, rather than outward. Given where we are at and where China appears to be going in the next year or two—like the rest of us, China is likely to suffer from the global recession—what will be the impacts on our strategies for building relationships with China in trade, technology and education? It seems to me that the desire of China's political leadership to keep a lid on potential social unrest will have huge implications for all aspects of how we deal with China, so I am interested to hear the witnesses' views.

Frank Boyland: When I visited Shanghai and Beijing about 10 days ago, the mood was still pretty positive. The Chinese Government had just announced a \$440 billion stimulus package, through which it will invest in 10 separate areas of the economy. Some interesting facts and figures emerge from that, including the fact that life sciences will be a key area. Right now, almost every Chinese life sciences company is submitting proposals to the Ministry of Health for various kinds of R and D. That could be an opportunity for Scotland, given that a lot of that research needs to be internationally collaborative. I believe that there are still opportunities for Scotland. I will try to keep my comments strictly to the business aspect of Mr Neil's question.

The renminbi is probably 30 per cent stronger than it was last year. That means that it is 30 or 40 per cent cheaper this year for Chinese companies with large cash reserves to invest in Europe or in the UK and Scotland.

Alex Neil: Such as investing in buying HBOS.

Frank Boyland: I believe that that was mooted in some parts of the media.

Scottish companies doing—or trying to do—business in China will find that their goods and services are 25 or 30 per cent cheaper than they were last year, so they will be 25 per cent more competitive. There are therefore upsides for business in Scotland, so the SDI and I would like to get that message out to Scottish companies. One way to characterise the world economy today is to say that all the debt is in the west and all the cash is in the east. It would be a positive move for Scottish companies looking for business to direct themselves to markets such as China.

Peter Russell: I want to give the local authority point of view. Glasgow has been twinned with the city of Dalian since the 1980s, during which time there has been a series of different circumstances. That kind of permanent civic engagement enables local authorities to add value by keeping open channels that may otherwise fluctuate because of circumstances such as the current economic situation.

Stephen Phillips: I will comment first on growth forecasts. The World Bank forecasts that China will have 7.5 per cent growth next year and the most pessimistic scenario was painted by Goldman Sachs, which said that Chinese growth would be 6 per cent. However, the consensus seems to be that China will manage 7 to 8 per cent growth next year. There will probably be lower growth in the first half of the year, but investment in infrastructure will kick-start the economy and create higher growth in the second half of the year. However, there will be significant geographical variations in that growth. Some of the southern provinces that are very export driven have taken a greater economic hit than have some of the central provinces and the north-east.

Secondly, I see little evidence of a protectionist sentiment coming out of China. There is still a strong message that China is anti-protectionist. It looks to the UK, particularly as a voice within Europe, as an ally on that issue. However, there are worries that the United States of America may become more protectionist in its relationship with China.

Jane Gotts: I reiterate what Frank Boyland said in response to Mr Neil: given the current challenging economic climate, there is even more need for a China plan. On Frank Boyland's reference to opportunities, Scotland can add value to China's challenging domestic market; for example, there will be huge opportunities for the world-class companies in the renewable energy sector in Scotland, particularly small and medium-sized enterprises. This is a good time for Scottish businesses to focus on China, given the challenging markets in both Scotland and China. We need to tell businesses about our strategy and show them how to come in on the back of it.

The Convener: Peter Budd has direct experience that will be of great interest to us.

Peter Budd: I will take up Mr Neil's point about China getting into difficulty in the short term. I have worked in China since 1979 and have witnessed the huge changes that have evolved there over that period, so it is clear to me that China plays the long game. Two years is not an issue for China because it looks five, 10, 20, 30, 40 or 50 years ahead. It is clear that engagement with the rest of the world is now very much on the agenda in China. We would at our peril withdraw and not support China at this time. Certainly, from a business perspective, Arup Scotland will put in serious effort in China over the next five years because the Chinese Government has a well-defined strategy.

The Chinese Government announced about four weeks ago that it would put half a trillion dollars into infrastructure development in the west and north of the country. Projects are already being

accelerated; some that we expected to see come on to the market in the middle of next year are suddenly popping out of the box in the two or three weeks before Christmas. When a decision is made, it is moved on very quickly. There is no doubt in my mind that there is an appetite to deal with Scotland and the UK.

The Convener: That is interesting.

Jane Gotts: Glasgow City Council visited Dalian in April 2008. The presentations and information that we were given suggest that they are planning for the next five to 10 years. We also recently hosted a visit from the Dalian water affairs bureau, which is interested in having a business relationship with Scottish Water. There is no evidence that it will rein in its plans because of the current crisis.

Jim Hume (South of Scotland) (LD): One of my questions is on how the exchange rate could affect the situation with China. If I have got my sums right, it looks like the rate will probably give us opportunities there, both for exporting and for tourism.

I would be interested in some specifics on textiles, food and drinks. We have heard that there are opportunities, but food, drinks and textiles are disparate industries, so it would be interesting to hear examples of how you are managing to get textiles companies, in particular, involved in selling their goods to China. Are SDI and others focused on sectors such as food, drink and textiles because we are good at those? Does China have a hole in that market, which needs to be filled? If the latter is the case, are there opportunities in China, in sectors in which we do not currently have competences in Scotland, on which we could perhaps focus so that we could fill the gaps?

Frank Boyland: There are six or seven key strategic sectors for Scotland, which we work to promote. Food and drink is one and textiles is another. We had a mission last year when companies such as Begg, Lochcarron and all the companies that you would expect came out to China and SDI worked with them to promote them.

The way that SDI works is that we respond to what the industry wants to do. This year, for example, we ran a massive “from Scotland, with love” campaign in Tokyo: 50 companies were represented there. The textiles industry in Scotland has been telling us that Japan is where it wants to be and SDI Asia is responding by doing that kind of business development activity in Japan.

On other sectors with which we can work and help China, I have mentioned life sciences. Following on from Peter Budd’s point about acting quickly, within a week of the Chinese Government announcing that there would be a stimulus

package, life sciences companies were submitting proposals to its Ministry of Health looking for money. That process is under way and companies are already getting the go-ahead to do such projects quickly, so I agree with Peter Budd’s comments. They know that a lot of the science that they are looking to grow in China is best done with international collaboration. Scotland is well positioned for that. There are a few examples of Scottish companies having done that, but I do not have time to cover them all.

Jane Gotts has already said that energy—in particular, renewable energy—is another strategic sector. Scottish and Southern Energy is already doing business in China and SgurrEnergy has an ever-growing consultancy in China: I met those folks a couple of weeks ago and they continue to win contracts. They are advising various state energy companies, the European Union and the Chinese Government on ways in which we can deal with climate change.

There is no doubt that there are opportunities for Scotland across the key sectors of science, education and engineering. Have I answered the question?

Jim Hume: I think so. If you could wave a magic wand, what would you do to make it all happen?

Frank Boyland: I would want one of those time turners from Harry Potter so that we could run forward three years, because we could perhaps get to the other side of the recession.

11:00

More seriously, if Scottish companies want to do business in Asia today—in China, Japan or anywhere else—they cannot just turn up and do business. We can encourage Scottish companies who have never done business in China before to do so this year, but it will take another two to three years before the purchase orders start to roll in.

Currently, 38 Scottish companies have bases in China—some of them are represented here today. I recently had lunch with representatives from 12 of those companies, and I asked them what message they would like me to pass on at this meeting. They said, “Please encourage Scottish companies to come to China because there is business here, but tell them it’ll take two or three years before they can base themselves here.” Their feedback is that there is no quick buck in China: companies must build relationships.

The point about long-term investment and about now being the wrong time for Scotland to do anything less than we are currently doing with China is correct. We should be doing more, thinking about our long-term friendship and relationship and building the links.

Jim Hume: So the culture is different in that companies have to build up a lot of trust.

Frank Boyland: Very much so. They want to know who you are, to get used to you and to see what you have to offer them. That is how business is done.

Peter Budd: In doing business in China, it is often personal relationships that stand the test of time. I have worked with people for 20 years as they have migrated through the system; the relationship that I have with them is both friendship and business relationship. That is fundamental to doing business there—there are no quick wins.

I also want to underline the importance of the links between tertiary education and business in China. Although it is important to sectorise things so that we can set targets, the Chinese system consists of networks. The relationships between Chinese business and universities are very strong, and we need to mirror that to ensure that things work properly. The importance of bringing Chinese students to Scotland cannot be overestimated, particularly when costs are being reduced by 30 per cent, which will not be lost on the Chinese.

You will recall that in January, at the premier-to-premier meeting in Beijing, the Chinese premier gave an undertaking to bring 20,000 more students to the UK. There is no reason why Scotland should not take a large number of those students. Bringing them here, exposing them to how we work and think, and showing them that we are good people will lay the foundations for the next 25 years. It is important that we grab hold of that. It involves focusing on business and education together.

Stephen Phillips: I will add a caveat. I agree that doing business in China is about developing long-term relationships, but a handful of SMEs—particularly those with innovative technology—are entering the market very quickly and achieving success quickly too. China is a fast-moving place, and we must bear in mind that what held true six months ago does not necessarily hold true today. The CBBC recently published a major piece of work that maps seven sectors across 35 cities in China. That report offers an excellent starting point for companies that want to have a look at the opportunities that exist throughout the country.

David Valentine: I endorse what has been said about relationships. In my submission, I mentioned the notion of *guanxi*, which involves building a relationship not just for the sake of it but for mutual benefit somewhere along the line. The importance of Government-to-Government connections has been mentioned. Those connections are important in building *guanxi*.

At local government level, companies can piggyback on the relationship that we have built. I

can now arrange for a company that has never set foot in China before to be picked up at the airport, looked after by the sister-city staff and introduced to people. It is as if we were out there; we do not have to go with the company to China any longer to do that. That has been successful. Returning to Jim Hume's question about food and drink, I recall that in 2005 we introduced a relatively small whisky company called Angus Dundee Distillers—I hope that you do not mind me speaking about it at the meeting. That company has now opened an office in Shanghai, but the first contact was made in our sister city, Yantai, where the representatives were looked after and introduced to a major drinks company.

As regards the other aspect of your question, I am sure that there are huge opportunities in textiles. Many of our textile companies have applied a lot of science to the product. J & D Wilkie Ltd is a successful company in Kirriemuir that employs many people locally. It has opened up a wholly owned subsidiary in Jiaying, just south of Shanghai, which Jane Gotts visited with us back in March. The factory produces fabric for filtration for environmental control, which is a huge market in China. Although that market is not quite as big as the one for renewables, it still represents an extremely important opportunity.

An earlier project involved Wm R Stewart & Sons (Hacklemakers) Ltd, which is now owned by Wilkie's. In 2000, when we took the company out to China, it was going through difficult times. It opened a joint venture producing textile machinery in the market and selling it into China. In the early days, it sold a lot, but its stuff got copied. The way to address that was to produce in the market for the market. I am sure that there are other examples of that.

Jim Hume: I have a small supplementary. The work that Angus Council has done on twinning with areas of China is great. Many other parts of Scotland are twinned with areas of Europe, which is brilliant, too. How would you encourage other local authorities to engage in twinning? What is the key to making that happen in the other 30-odd councils?

David Valentine: There is a great deal of interest in such work among local authorities. That is helped by the endorsement of the China plan, which contains statements about the value of local authority intervention. Such work obviously needs to be done in conjunction with SDI and the CBBC, and we have done that since the beginning.

In addition, I have been working with officials in the Scottish Government's international division. Early in the new year, we will hold another seminar with local authorities to show them what is possible and how their intervention can add value. It is important to remember that local authorities

are not just economic development agencies. Angus Council owns eight golf courses, including Carnoustie. We are part of the tourism industry, so we have our own agenda as well as playing a role in providing support for businesses. Local authorities can add a lot of value and I am sure that there is a great deal of interest in doing that.

The Convener: Does Glasgow City Council want to comment on that?

Gillian Walsh: As part of the visit in April, we looked at sport and education. We were interested in the links between our schools, particularly with the creation of the Confucius hub. To reinforce what Dave Valentine said, many other local authorities would be interested in educational links, but they would probably need more support on how to create such links. Seminars such as those that Angus Council has organised have been extremely useful in allowing us to exchange experience.

Peter Russell: Such work does not need to be done only on a local authority basis. We are aware that many UK and European cities are moving into China on a city-to-city basis. Again, that is an area in which we can help. It appears that efforts on that scale are large enough to have an impact but small enough to allow the relationships that others have mentioned to be built.

The Convener: Do you want to make a final brief comment, David?

David Valentine: I will add a rider to that. In my submission, I mentioned the city analysis that the CBBC has done for UK Trade and Investment. Of the 274 cities in China that have a population of more than 1 million, seven of the 35 cities that are identified as being at the top level are in Shandong. That makes Shandong a good place for Scottish local authorities to consider first. It is not the only option, but it is a serious one, given the dynamics.

Charlie Gordon (Glasgow Cathcart) (Lab): I want to focus on trade and to link that with what we have been told about twinning. In addition, I will take up Ms Gotts's point about ensuring that there are opportunities for small and medium-sized enterprises, and Mr Boyland's point about new opportunities, especially in the biotech industry—I am probably out of date when I use the term "biotech"; I should say "life sciences".

In that regard, we often hear about Dundee, but Glasgow has greater critical mass in the sector than even Dundee has. I recollect that, when Glasgow's twinning links were considered 10 or so years ago, it was decided to have greater focus on trade as well as on civic and cultural exchanges. However, I do not see much in Glasgow City Council's submission about trade between companies in the Glasgow area and the city of

Dalian. Is trade going on? Will efforts on that be redoubled in view of the new opportunities that we have heard about, not least—on the principle that it is an ill wind that blows nobody some good—because of the favourable exchange rates for trade?

Peter Russell: To be honest, the hoped-for outcomes on trade have not come about, which is one reason why we are engaged in today's meeting. We want to link all the work together and we are grateful to have an opportunity to tell our colleagues from the various sectors what the concept of twin cities can add and what added value can come from civic involvement. As Dave Valentine said, local authorities are not just local economic development agencies; they have other roles, and those are the ones with which we have had more success recently in Dalian.

Charlie Gordon: I want to press you on that. The link with Dalian is probably Glasgow's longest twinning link, or one of its longest, as it has existed for 21 years. Other links have been established more recently, with Havana, Rostov-on-Don and Nuremberg, to name but three. I presume that trade with those other cities is more developed. Why has trade with Dalian not really taken off?

Peter Russell: Just as a point of information, the other links that you mentioned are of about the same length—they were established in 1985, 1990 and 1986.

Charlie Gordon: So we are comparing like with like.

Peter Russell: In terms of their longevity, yes, but they are not alike in their maturity. Initially, after the early visits, there was great hope that the dealings with Dalian would result in major engineering and other contracts coming to Glasgow and there was a belief that those had been secured, but the hope was not fulfilled in the end. In part, that would have been because of the inexperience of those who were involved in the process.

Charlie Gordon: Pat Lally? Inexperienced?

Peter Russell: I was talking about inexperience with engineering contracts.

Charlie Gordon: I seem to remember that he built a concert hall.

Peter Russell: There are many things in which Pat Lally was deeply experienced.

Charlie Gordon: He still is, and he is a constituent of mine.

Peter Russell: My point is that all the sectors and institutions that are represented here today will appreciate not only that things have moved on in China in those 21 years but that their expertise has also developed. As our colleague Peter Budd

said, because he has worked in China since the late 1970s, he has acquired the necessary relationships and expertise to deal in China. I hope that we are now better placed to make progress through the proposed plan.

Charlie Gordon: Finally, I would like reassurance that there has not been a failure to trade with all your other twinning partners. There is a particular problem with a lack of trade development with Dalian, but can you reassure me that trade is taking place with Nuremberg, Rostov and the other twin cities?

Peter Russell: One of the most successful links has been with Rostov-on-Don. There was the same sort of phenomenon that we heard described earlier. A major engineering company was introduced to Rostov and that became an introduction to the Russian market. The company did not secure contracts in Rostov, but it opened an office in Moscow instead, which is where the growth is. There is trade with Rostov. Trading with Nuremberg is on a much smaller scale, but it exists.

I have to say that, other than that, the situation reflects the unevenness of performance between twin cities, which will have different priorities. It also has a lot to do with the different products and services that are offered by Glasgow's companies and the state of their order books at any one time. That said, although the situation is affected by a range of factors outwith the local authority's responsibility, the authority is still able to maintain high-level relationships in those locations and to add value when opportunities arise.

11:15

Charlie Gordon: I suppose that my ultimate point is that, given these new trading opportunities with China, local authorities might be able to use their twinning links to set up occasional trade missions that the SMEs can fit into. After all, they will not always be able to fit into the current year's SDI initiative which, as we have heard, tends to be driven by the bigger players in each sector.

The Convener: Perhaps Jane Gotts will comment on that point.

Jane Gotts: In March, the SCDI collaborated with Angus Council on a trade visit to Shanghai and Beijing. We are open to any opportunity for making more of a hit on markets and are happy to speak to local authorities about linking in with our activities. As Dave Valentine knows, we took 20 companies on that visit. That had a real impact, but we need to get the message out to others.

Charlie Gordon: Are you sure that you are not touting for business? [*Laughter.*]

David Smith: It is important that we consider opportunities for collaboration. As Jane Gotts knows, each year we work very closely with the SCDI on funding and supporting those missions, which form part of the overall mix of activities that we try to sponsor and support.

In response to earlier comments about the strategy and the opportunities for engagement in the year ahead, particularly given the current economic climate, I believe that we need to strike the optimum balance of activity within the overall strategy. Given the economic conditions that we face, the year ahead presents us with opportunities and challenges and, as we develop our operating plan for 2009-10, we will be very happy to collaborate with the players around the table, particularly stakeholders and partners, to ensure that we maximise business opportunities for Scotland. We will continue to focus on the priority industry sectors in which Scotland has particular strengths and benefits to offer the Chinese market.

For a number of years now, we have done a lot of work to build foundations and develop links and opportunities for SMEs as well as for medium or large companies in Scotland. Our submission does not make this fully clear but, over the past three years, the number of trade missions or delegations either coming to Scotland or going to China has averaged approximately one a month.

Peter Budd: In response to Mr Gordon's view of collaboration between cities, I point out that it takes two to tango. The Chinese view of the benefits that cities get from international relationships has changed quite dramatically over the past 10 years. In the beginning, they simply wanted cultural exchanges. Indeed, signing 50 memorandums of understanding was deemed to be a performance indicator for most cities, but the fact is that most of those MOUs went nowhere. There were a couple of cultural exchanges in each direction and the Chinese were very happy because they had achieved their key performance indicators.

However, KPIs in China have changed dramatically and require improvements in performance to be shown. As a result, political connections are spreading beyond simple cultural connections and the linkages between universities and businesses in particular regions are now turning into meaningful relationships.

The Convener: I noted that, in his submission, David Valentine was a bit critical of the lack of engagement of stakeholder groups in SDI's planning. Would you like to comment on that?

David Valentine: I would be happy to. I think that I said that there should be more engagement in relation to the China plan. I referred to specific

actions such as the formation of stakeholder groups. After the plan was refreshed, there was consultation with stakeholders through the international division. However, since then, I have not seen any real evidence of stakeholders being brought together to look at the strategy and action plans with timescales and budgets being made, which would be useful. I am not getting at SDI in particular; there is a collective responsibility.

Mr Gordon asked about SMEs. More could be done to champion the success of smaller companies. When I speak to groups of companies, I find that there is a misconception that China is not for them because they are small. We have to continue to support and reinforce the presence of the large companies in China—there is no doubt about that—but some of those large companies could help us to mentor some of the smaller companies. I know from speaking to some of them that they are willing to do that. It would be useful for us to have that conversation; perhaps all of us in the room could do so.

Frank Boyland: That is a very good suggestion. The point about mentoring is good. There are 38 Scottish companies with a base in China today. When I was in Beijing a couple of weeks ago, we got 12 of them around the table for lunch. The group, which you could call a Scottish business in China group, included some of the big hitters, such as the Royal Bank of Scotland and Standard Life, and little companies such as ADgem, which is a two-man band that does plant protein quarantine tests. SgurrEnergy and Scottish and Southern Energy were there, too. All those companies shared experiences; there was an awful lot of information sharing. That lunch was probably the first in a regular series of get-togethers of Scottish companies in the market, which will be able to see how they can help one another. It will present a welcoming face to visiting companies, the SCDI, local councils and so on.

Keith Brown (Ochil) (SNP): I think that Stephen Phillips raised the issue of SMEs. Some of the points that I was going to raise have been covered already. We have heard a lot about Scottish and Southern Energy, Scottish Water and Arup—bigger companies that can invest in trust and long-term relationships. It might be more difficult for SMEs to do that; it might not even occur to them that they have the ability or the resources to invest in it. Is it anybody's job to go out proactively to talk to SMEs? In this country, they will have the *Official Journal of the European Union*, local authorities' approved lists and other ways of finding out what business opportunities are available, but they might find it difficult to find out about opportunities in China.

My second question is on joint ventures. Long-term relationships and trust have been mentioned.

You would know better than I do, but it strikes me that joint ventures are the sort of thing that would appeal to the Chinese. Whether in Dundee or Glasgow, students could be brought over to work on particular life science projects. If there is a big tranche of business coming out of the Ministry of Health for example, could that kind of thing be looked at? Perhaps I am just unaware of some of the joint ventures that are going on just now. I would welcome any comments on that.

Jane Gotts: The trade visits that we organise are specifically targeted at SMEs; the funding is available only for SMEs, so that is the market that we are targeting for all our trade visits. We work with SDI to go through the client account managed companies with which it is working. We promote trade visits to local authorities, to our own members and to the other organisations in the group of six. We are trying to get as big a coverage as possible. Our trade visits are targeted purely at SMEs, which are the only companies that would qualify for funding.

Keith Brown: Is there a way in which SMEs across the country, beyond the client managed accounts and the companies that you have managed to get in touch with, can access that clear information?

Jane Gotts: The onus is on companies, to an extent. If a company is looking to internationalise, it knows that it should go to Scottish Enterprise, SDI and the local authorities. I would hope that those three routes would capture nearly all those businesses. However, that is not to say that we do not recognise that we have to get out to as many companies as possible and promote the plan to businesses. In that regard, we need to ensure that, as well as working with companies in the central belt, we are, for example, engaging with companies in the Highlands and Islands. We need to take on board that challenge.

David Smith: You ask about leadership in this area. SDI considers that it has a responsibility to engage with the business community throughout Scotland in that regard. We do so through our market awareness-raising programme, which we run in partnership with a range of organisations, some of which are represented around the table today. That programme seeks to draw to the attention of as many companies as possible the opportunities that exist in major markets around the world. There is a considerable focus on China, obviously, and we work closely with the CBBC, the SCDI and others in that regard. We also seek to generate inquiries through the business gateway and the Scottish Enterprise account management group, which should ensure that we end up with a steady stream of inquiries from SMEs and larger organisations. We design our operating plan of activities around the demand that is generated in

that way, and we work to ensure that what we deliver in partnership with other organisations meets the demand of the Scottish business community.

The Convener: What is the role of the China-Britain Business Council in this area?

Stephen Phillips: About 80 per cent of our work is focused on SMEs. A great deal of support is targeted at helping SMEs to overcome the challenges of doing business in China.

There are multiple points through which SMEs can find out about opportunities. The UK Trade and Investment website provides a regular business opportunity e-mail, which contains information on many countries across the world, including China. That is a good starting point for businesses.

Gillian Walsh: Our business development and trade team, which is within the council's development regeneration services department, is also speaking to the companies that have expressed an interest in internationalising their business to remind them about Glasgow's link with Dalian and is offering support, where appropriate.

Melanie Angus: Most tourism businesses are SMEs, so we have been working closely with SDI to assist businesses that want to internationalise their business. Our efforts must involve not only going out on territory but collaborative working between agencies, which David Valentine mentioned earlier. I will leave some information with you about what our public relation teams have been doing to tap into the SMEs that are active in the international market. For example, when we are doing work on Scotland as the home of whisky, we get the whisky companies actively involved.

Keith Brown: Are there any joint ventures that have been set up in Scotland by Chinese businesses?

Frank Boyland: There is a joint venture between Napier University and a consortium of Chinese companies called Breeze Global. Napier's biofuel unit, which is run by Martin Tangney, is developing second-generation biofuel technology, which involves the burning of waste. That is an example of an academic-industrial collaboration between China and Scotland.

There are other areas of collaboration. Professor Sir Ian Wilmot visited Beijing a month or two ago, and SDI is now working with Peking University and Professor Sir Ian Wilmot around the collaboration between Peking and the new Scottish centre for regenerative medicine. That is an academic-academic collaboration between the two countries.

There are many similar examples that I could cite of industrial-industrial, academic-academic and academic-industrial collaboration.

11:30

Jamie Hepburn (Central Scotland) (SNP): I want to turn to an area that we have not discussed yet, although Mr Budd alluded to it in describing cultural and educational engagement. He talked about a process of letting Chinese people who come here know about what we think in Scotland. I raised the issue with our witnesses last week, who are involved primarily in educational engagement with China, so it is only fair that I raise it with you as well.

It can have escaped no one's attention that there are concerns about China's human rights record. The Scottish Government's plan for engagement with China contains a reference to raising issues of concern about human rights with appropriate officials. Can you comment on that generally? Should that be in the plan? Is it good that it is included in the plan?

We have here representatives from two local authorities that already have links with areas of China. You obviously have a process of civic engagement. Are human rights raised at that level? We also have representatives from the business community. There has, rightly, been a lot of talk about accessing Chinese markets, but there are issues of corporate social responsibility. How can we ensure that goods that are sourced in China and procured for Scottish business are produced with the highest standards of working conditions, with no child labour or forced labour? I am interested to hear what you all have to say about that.

David Valentine: The issue is obviously of concern to our politicians and to the council. We have a deep relationship—it will be 10 years old in January—with Yantai. We have built up trust and mutual respect at the highest level with, for example, the party secretary, who is the number 1 politician—the equivalent of the First Minister—in Yantai. Because we know each other and can talk about the issues, we raise them in an informal but genuine way.

When we went over to China in March, the situation in Lhasa, in Tibet, was unfolding, so it was an obvious point of discussion for all of us. Only through such relationships and understanding, especially involving young people, will we ever be able to resolve some of the difficulties. Particularly over the past three years, I have found, with civil servants as much as with anyone else, an openness to discuss the issues like never before.

Peter Russell: I echo that point. On the visit by the Lord Provost of Glasgow that took place earlier this year, there was open discussion of the issues and an attempt by the authorities in Dalian to make clear the Chinese position and set it against

the views of people outside. There was a dialogue, which we hope will be fruitful.

We are also involved with a small non-governmental organisation that works to protect trade union rights and women's rights in China. We support that NGO, which is responsible for running the system of Chevening fellowships in Glasgow, providing places within the council for officials from China to work in public administration here. We like to make that contribution to the agenda.

Stephen Phillips: CSR is now a critical issue for businesses, particularly multinationals, and the highest standards are being used in China. We actively engage with businesses on the matter and we talk about the crossover with the human rights agenda. Businesses have an obligation to perform to international standards, and their work to do so supports political dialogue on more sensitive issues.

My general observation is that UK businesses are tackling the issue in a mature and appropriate manner in the context of China.

Peter Budd: Having worked in China for a long time, I can assure you that things have changed. It is interesting to note how much impact the Olympics and the freer flow of information have had on the general community in China, and particularly on young people. It is quite common for young Chinese who have not been outside the country to engage in political debate with people such as me. When I was there just before the Olympics, I had some discussions about the Tibet challenges, and people were very opinionated in arguing either for or against the Government's position.

The Chinese Government is trying to change, but that will not happen overnight, and we are right to continue to remind it of the shortcomings. Business must be aware and must deal responsibly in the marketplace without falling into any tank traps. However, I feel hugely positive about China, its engagement with the world and particularly its engagement with the UK.

Frank Boyland: I agree with the comments that have been made. Jamie Hepburn mentioned restrictive practices. For sure, there are still some restrictive practices in business—I limit my comments to business—but the European Union is putting pressure on the Chinese Government to change things.

I will give an example. I met the chief executive of Standard Life's operations in China. Through its joint venture, Standard Life employs 6,500 people in China and has 26 offices, but there is now a moratorium on its growth and it is unable to open any more offices, for reasons that the Chinese Government has not quite explained yet. Top of

the list of items to be discussed at the recently cancelled EU-China get-together, which was supposed to happen in Europe, was the opening up of financial services markets in China. The EU is putting a lot of pressure on the Chinese Government to continue to level the playing field for international companies. Of course, financial services is an important area of business for Scotland.

There is also a lot of discussion between the EU, the UK and the Chinese Government on climate change. There will be benefits for companies such as Scottish and Southern Energy and SgurrEnergy, which is doing a consultancy project for the EU, advising the Chinese Government on how it can positively affect climate change.

The Convener: Thank you. We are running a little short of time, so I will raise the remaining issues that we have not yet covered. At our previous session, many of the contributors mentioned the lack of a stakeholder group. They believe that such a group would facilitate their work in education and research, but would a stakeholder group or forum be useful to the business sector?

Also, many of you have been working in China for a long time, since long before the China plan arrived. Has the plan assisted you in any way with the work that your organisations do? Is there anything that the Government should be doing to add to the plan? What should we highlight in our report that would assist you further?

David Valentine: First, the China plan has helped. I work in a bureaucracy, which starts with the Government cascading policy, and we must ensure that we fit into it through the community plan and everything else. In terms of policy structure, as a framework document, the plan helps, but it is lacking in timescales and budget planning, which could be addressed through a stakeholder group. The original formulation and construction of the China plan in 2006 was done by an active stakeholder group, and a couple of useful and constructive consultation meetings were held for the refreshed plan. Since then, little has been done, and, although it is all about resources at the end of the day, I would welcome something being done, and I would be willing to participate in it.

Peter Budd: A forum would be a good idea, because the Chinese are joined up across their sectors, and if we are to get the most benefit from that, we must be as joined-up as they are.

Has the plan helped Arup? The candid answer is no, because we are a long way ahead. A well-developed future strategy that considers particular geographies and political connections might help. I

would support investing in the China market what little money is available, because it is a market in which political connection adds value. If we can focus ourselves, we will get short and long-term returns.

Stephen Phillips: A forum would be useful to join up the dots. There is a lot of cross-fertilisation between the different areas.

I should mention that CBBC has a steering group specifically for Scotland, which is led by businesses and some of the other stakeholders around the table, and focuses on business. That group needs to engage with the broader agenda.

Gillian Walsh: I say yes to the stakeholders group: it is a good idea, particularly for local authorities. It would help us to see where we fit in and to understand what other organisations contribute and do. Also, I agree with David Valentine that the plan helps with policy structure, but perhaps we need more detail on the timescale and available resources.

Peter Russell: I have nothing to add.

Jane Gotts: I also agree. The plan endorses and legitimises what we are trying to achieve. A stakeholder group would be good. We have demonstrated that we can all work together, but we need to focus on a single avenue.

Frank Boyland: I like the idea of team Scotland, but there are only 5 million of us. If we can get together and pool our resources, we will be a lot more effective. If the stakeholder group is designed to do that, we should have one. SDI Asia is the eyes and ears of Scottish business in Asia, and we are happy to play our part on the business part of the China plan to pull a stakeholder group together.

David Smith: The plan gives us a helpful framework. This is a long-term play, and we need to continue to work together to develop more collaborative working, so that we can strive to achieve the goals and objectives laid out in the plan, and go beyond them.

Melanie Angus: I agree with the idea of a stakeholder group. VisitScotland's big wins have come when we have collaborated with the various organisations around this table. Tourism has seen big wins come out of limited resources—we all agree that our resources are limited. Collaboration is the way forward. The China plan is the first step. In the past, we had smaller sub-groups, such as a tourism framework group, in which various agencies were involved. We now have Chinese-speaking guides. Eighteen months ago, we did not have any guides in Scotland who spoke Chinese and knew about Scotland, but now we do, and that came about through collaboration. That is an example of how collaboration can benefit everyone.

The Convener: As none of my colleagues has a final point to make, I thank all the witnesses for coming along and giving of their time. I also thank them for their written submissions, which will be helpful in our inquiry work.

11:44

Meeting suspended.

11:48

On resuming—

Visit (Prague)

The Convener: Agenda item 3 is consideration of a paper on our proposed visit to Prague. Members will note the tentative date for the visit, which is 27 February 2009. Czech Republic Government ministers have agreed to meet us. We have secured the agreement of the Conveners Group to the committee undertaking the visit. I think that we have up to four places. Is that right?

Simon Watkins (Clerk): Yes.

The Convener: Given that we have four places, I seek agreement from the committee on their allocation. I propose to allocate one place to each of the four political parties that are represented on the committee. Is that agreed?

Members indicated agreement.

The Convener: That puts Ted Brocklebank and Jim Hume in a fortuitous position—or an unfortunate position; I am not sure which—although that depends, of course, on what they are doing on 27 February.

Jim Hume: I will struggle through for the greater good of Scotland.

The Convener: I am sure that you will cope.

Jim Hume will be the Liberal Democrat representative. Ted Brocklebank is not here, but we will speak to him on the matter this week. The Labour Party and Scottish National Party will decide on their representatives and submit the names to the clerks.

Alex Neil: We can agree that among ourselves—as long as it is me, of course.

The Convener: That is democracy at work. The clerks will attach names to the places in the next day or two.

It is proposed that we go at the end of business on the Thursday night; we will not arrive until midnight and the Friday will be a heavy day. I want everybody to know what they are signing up to.

Jim Hume: I presume that we will return on the same Friday.

Simon Watkins: Yes.

Alex Neil: Can we not stay until the Monday night?

The Convener: We will leave the members who are going to sort things out with the clerks.

Europe Day 2009

11:51

The Convener: Agenda item 4 is consideration of the committee's approach to Europe day 2009. Members will recall that we have talked about hosting a seminar for regional Parliaments with which the committee has links. We have undertaken investigations and found that the most appropriate day to host the seminar is 8 May, which is a Friday. Europe day is 9 May, which is a Saturday, and we assumed that members would not want to host the seminar then. Do members agree to the recommendation that we hold a seminar?

Members indicated agreement.

The Convener: I see that everyone wants to be away quickly today. Are members happy with the programme?

Members indicated agreement.

“Brussels Bulletin”

11:51

The Convener: Under agenda item 5, do members have any comments to make on the “Brussels Bulletin”? Jamie Hepburn always has comments.

Jamie Hepburn: I do. On the Lisbon treaty, the bulletin refers to a report, which, it says, states that

“ratification by parliamentary vote alone would be, *‘undesirable’*.”

Does that mean that it is impossible? I thought that there had to be a referendum under the terms of the Irish constitutional set-up. That is just a comment.

The Convener: The clerks may know about the legal position, but my understanding is that the Czech Senate was involved. I think that there was going to be a legal decision.

Simon Watkins: Since the bulletin was put together, the winter council has taken place, of course, at the end of last week. Ian Duncan has produced a note on that, which members will receive later today. I think that it will answer that question.

Alex Neil: Let us hope that the Irish stick to their guns.

The Convener: We shall see.

Keith Brown: It would have been useful to get a copy of the declaration that was made, because there are implications. I saw a copy of it last week. Perhaps we need to draw out the implications for Scotland. For example, if things go as people seem to be planning, Scotland would have seven MEPs rather than six. I know that getting copies was difficult, as the declaration was made late on, but it would be useful to have it for the next meeting as well as something that points out any implications for Scotland, if that is possible.

The Convener: I think that that would be fine. We can arrange that through Ian Duncan.

Jim Hume: Creating new impetus with respect to the proposed European small business act could be important to Scotland as a nation of small businesses. It would be good to keep a watchful eye on that brief.

The Convener: The proposal in question was expected to be endorsed by the winter council, so there may be information about it in Ian Duncan’s updates.

Jim Hume: Perhaps we could notify him to keep a watching brief on the matter. Obviously, access

to finance during the global turmoil is increasingly difficult, and the past few days have not helped.

The Convener: Absolutely. We will circulate the winter council update to members by e-mail, and we will ask Ian Duncan to keep a watching brief on the small to medium-sized enterprises sector and on any assistance that may be made available through the financial recovery plan.

Pilot Subsidiarity Check

11:54

The Convener: Clerks at the House of Lords have asked whether we would consider participating in a pilot subsidiarity check. I assume that members have read the paper on the matter in detail and that we can consider the recommendations that it contains. Do members want to participate in the pilot?

Since we wrote the paper we have received further information about the timescale for the pilot. If the House of Lords formally asks us to participate and we undertake to do so, we will be asked to respond by 19 January, but we can probably get an extension. The House of Lords will take cognisance of the situation and consider our submission if we make it by the end of January.

Given that the Christmas and new year holidays are coming up, the exercise would give us an opportunity to flag up problems that we will experience if we are to have an on-going role under the subsidiarity protocol. Our participation in the pilot might be worth while, even if it just demonstrates the difficulties that we would experience with the proposed timescale. I invite comments from members.

Keith Brown: I support our getting involved in the pilot. However, if it is decided to go ahead with the protocol—the outcome of last week's winter council will have implications in that regard—we must give serious thought to how we will operate. The proposed eight-week timescale will never be long enough.

At last week's meeting of the European elected members information liaison and exchange network, we considered a team Scotland approach—I am sorry to use that term, but it is the best way of describing what we mean. If there is to be an early warning system on legislative proposals, eight weeks will not give people in Scotland who are involved—such as members of the European Parliament, the Committee of the Regions and the Scottish Government—long enough to form a view that will have much influence. It would be useful to have a protocol on how we can best influence policy before the eight-week period, which will come at a late stage in the process. I apologise if the committee has discussed the matter in the past, before I became a member.

The Convener: If we proceed with the pilot, we can consider the lessons that we learn from it and perhaps then draft such a protocol. We will make mistakes—that is for sure—and the pilot will enable us to consider the best way of operating.

Jamie Hepburn: I endorse what the convener and Keith Brown said. However, we should not wait to make the point that the proposed timescale is short and we should be given notice of legislative proposals as early as possible.

The Convener: The committee must decide whether to participate in the pilot. We could say that we have not been given enough notice, given that Christmas and the new year are coming up, but I am inclined to go ahead with the pilot.

Alex Neil: We should do it. However, Jamie Hepburn and Keith Brown are right. We should make the point about the timescale. We should also say that we are participating in the pilot on the basis that an extension will be possible. If the House of Lords can confirm that that is the case, we can proceed.

I suggest that we agree to the recommendation in bullet point 1. The options that we are invited to consider in bullet point 2 are not mutually exclusive; it would be logical to go ahead with them all simultaneously, because they will all be relevant. How involved we become in the pilot will depend on the response that we get from the Health and Sport Committee. If we get a response early in January, we will have a clear indication of the extent to which we will become involved.

The Convener: I think that we all pretty much agree.

Keith Brown: I press the more general point about how we make our views known. Much will emerge from the pilot and we will have a better idea of what will happen when we know whether the Lisbon treaty will be implemented in its current form. There is a role for the committee in considering how Scotland gets involved and responds, not just when we are consulted as part of the subsidiarity protocol—which might require us to have more meetings at short notice—but in general, after proposals have been initiated in the Commission. It would be useful to discuss the issue after the pilot has taken place.

The Convener: We have programmed into our meetings early in the new year a discussion that members wanted to have on our future work programme—although the current discussion seems to be leading us into the next item on today's agenda, item 7, which relates to an item that we will take in private at our next meeting, if members agree to that today. In previous discussions, we have realised that some timescales would be too short and that we really needed early interventions on a number of issues that are crucial to Scotland. We have therefore produced a paper on how we might conduct such early interventions. In the first instance, we would write to the Scottish Government to ask what issues it is flagging up, and to discuss the issues

that the committee wants to pick up on, using our rapporteur system.

Alex Neil: I think that we should incorporate the point that Keith Brown made into the general discussion of our work programme and the future strategy of the committee. Meantime, having heard the comments that were made by other committee members, I feel that we should agree to the specific recommendations in paper EU/S3/08/20/5. Under agenda item 7, we should then agree to hold the resultant discussions in private.

The Convener: Let us take one step at a time. Do we agree to the recommendations in the paper on item 6?

Members *indicated agreement.*

Simon Watkins: We will take all the steps suggested as a way of testing how to proceed.

The Convener: We are agreed with all the bullet points in the paper.

Decision on Taking Business in Private

12:00

The Convener: We come to item 7—I think that it helps the *Official Report* if we do things one at a time. Do members agree to take in private at our next meeting an item relating to the Scottish Government's list of early intervention issues?

Members *indicated agreement.*

The Convener: That brings us to the end of the public part of the meeting.

12:01

Meeting continued in private until 12:20.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Tuesday 23 December 2008

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament annual subscriptions: £350.00

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at Document Supply.

Published in Edinburgh by RR Donnelley and available from:

Blackwell's Bookshop

**53 South Bridge
Edinburgh EH1 1YS
0131 622 8222**

Blackwell's Bookshops:
243-244 High Holborn
London WC1 7DZ
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

Blackwell's Scottish Parliament Documentation
Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

Telephone orders and inquiries
0131 622 8283 or
0131 622 8258

Fax orders
0131 557 8149

E-mail orders
business.edinburgh@blackwell.co.uk

Subscriptions & Standing Orders
business.edinburgh@blackwell.co.uk

Scottish Parliament

RNID Typetalk calls welcome on
18001 0131 348 5000
Textphone 0845 270 0152

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers