

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 16 June 2009

Session 3

£5.00

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

10th Meeting 2009, Session 3

CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

DEPUTY CONVENER

*Michael Matheson (Falkirk West) (SNP)

COMMITTEE MEMBERS

*Ted Brocklebank (Mid Scotland and Fife) (Con)

*Patricia Ferguson (Glasgow Maryhill) (Lab)

*Charlie Gordon (Glasgow Cathcart) (Lab)

*Jamie Hepburn (Central Scotland) (SNP)

*Jim Hume (South of Scotland) (LD)

*Sandra White (Glasgow) (SNP)

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:

Lynn Lau (Standard Life plc)

Tom McCabe (Hamilton South) (Lab)

CLERKS TO THE COMMITTEE

Lynn Tullis

Simon Watkins

ASSISTANT CLERKS

Lewis McNaughton

Lucy Scharbert

COMMITTEE ASSISTANT

Kathleen Wallace

LOCATION

Committee Room 6

Scottish Parliament

European and External Relations Committee

Tuesday 16 June 2009

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

Decision on Taking Business in Private

The Convener (Irene Oldfather): Good morning, everyone, and welcome to the 10th meeting in 2009 of the European and External Relations Committee. This is our final meeting before the summer recess.

Agenda item 1 is to decide whether to take items 6, 7 and 8 in private. Colleagues will recall that, under item 6, we will discuss our approach to phase 2 of the European Union budget review inquiry; under item 7, we will consider our approach to European Union early intervention issues; and under item 8, we will consider key themes arising from today's evidence in our China plan inquiry. Are colleagues content to take items 6, 7 and 8 in private?

Members *indicated agreement.*

China Plan Inquiry

10:33

The Convener: Agenda item 2 is to take evidence from members of the cross-party group on China. We are pleased that the convener of that cross-party group, Mr McCabe, and Lynn Lau from Standard Life plc are here. Lynn Lau has submitted written evidence.

I have received apologies from Professor Jane Duckett, who is ill, unfortunately. She recently visited Hong Kong, and has taken ill since coming home. Perhaps she will send written evidence to us, which I am sure we will consider.

I understand that Mr McCabe wants to make a short opening statement. We are all ears.

Tom McCabe (Hamilton South) (Lab): Good morning, everyone. I thank the committee for giving me the opportunity to attend the meeting and to say a few words to you. My statement will be brief, but will be shaped by the knowledge that I have gained from the cross-party group on China, and by my experience as a minister and my personal experience of China.

Since the cross-party group on China was formed, a wide variety of knowledgeable speakers have spoken to it on a broad range of issues. Professor Duckett—who cannot be with us this morning, unfortunately—has spoken to us about the political system in China, academics have given talks to us on the logistics and politics of energy there, and we have heard from commerce, particularly Scottish companies such as Howden Global, which is a world leader in gas-handling and air-handling technology and is heavily represented in China. Of course, we have also heard from the education sector, which has a strong interest in strengthening links with China and in bringing people to Scotland and sending people to China.

The membership of the cross-party group is drawn from a broad range of important players in Scottish life and the Scottish economy. That membership illustrates the depth of interest in improving our engagement with China and confirms the relevance of the Government's work and the committee's inquiry. Our engagement with China will be important to the prosperity of future generations in Scotland.

Undoubtedly, there is a thirst for knowledge about China and a strong desire for deeper engagement with it. I think that there is an understanding that, as the world's economic axis changes, it is undoubtedly in Scotland's strategic interests to strengthen all types of links with China specifically, and with Asia more generally.

As a minister, I was fortunate to launch Scotland's first China engagement plan and to help to promote that plan in China. I was also fortunate to sign a co-operation agreement with the province of Shandong, which covered subjects such as the life sciences, the environment, culture, education and tourism.

Devolution has undoubtedly allowed Scotland to focus more sharply on developing strategic relationships with important nations such as China. The previous Administration began that process, and the current Administration is, to its credit, taking forward that work with commendable commitment from the First Minister and other ministers. However, it is hard for a person who is no longer in government to know how the specifics of the co-operation agreement with Shandong are being progressed. Perhaps the progress that is being made and the attention that is being paid to enlivening and developing that agreement could be considered in the committee's inquiry.

I will finish by making two points. First, economic engagement is, of course, vital for us, but it must be two-way engagement. Scottish businesses have many opportunities to take experience and technologies to China, but it seems to me that it is vital also to have opportunities for Chinese companies to come to Scotland to establish themselves, prosper and provide employment for Scots.

Secondly, I have no doubt that a critical precursor to meaningful links on every level is investing in building strong relationships over an extended time. There is no substitute for that. Links that are established but then allowed to wither would do us more damage than good. We must take a long-term view, but we must also understand that significant cultural differences exist. There is an expectation that when we put our toe in the water—for want of a better expression—we will remain committed over an extended period.

The Convener: Thank you very much, Mr McCabe. That was a helpful introduction to our discussion.

Before I invite colleagues to ask questions, I will kick off with a general question to both witnesses. In her written submission, Ms Lau mentioned geographical targeting and focusing, and Mr McCabe touched on that. Mr McCabe mentioned the co-operation agreement with Shandong that he signed when he was a minister. Obviously, China is a huge place to do business. Is it important to focus on one or two areas or should we expand our consideration to other parts of China? I would welcome your opinions on that.

Tom McCabe: I certainly have views on that, but members have heard from me, so perhaps Lynn Lau can say something before I do.

Lynn Lau (Standard Life plc): I think that we should bet on the right regions. It might be quite hard for us to build relationships far and wide across China, so we should focus more on certain regions, especially the growth regions. I mentioned Tianjin in my written submission because the central Government has a plan for the next five years to make it the economic centre of the north. Work there is still relatively new, and there are not many western companies in the region, so we have a chance to influence the area and to build relationships there now.

The Convener: You made a good point about that in your written submission, which is why I wanted to hear your views on it. Tianjin's being established as the economic centre of the north is a good reason for us to examine it. Do you have any views on the matter, Mr McCabe?

Tom McCabe: When you see the outcomes of the focus that was placed on Shanghai as an economic development area, you can imagine how Tianjin will develop in the years to come. It is already a city of 10 million people, but the opportunities are enormous. There is empirical evidence to prove that, when the Chinese Government decides to establish economic centres, it takes that work extremely seriously. It has a track record of success in that regard.

It is important to focus on specific areas. A lot of research was done before we decided to sign a co-operation agreement with Shandong. It is important to put the situation into perspective. Shandong is an incredibly diverse province of 90 million people, and we are a country of 5 million people. There are many opportunities, particularly in the many new and developing cities across China, for engagement by Scottish companies and education institutions.

We must always remember that China is a country of at least 1.3 billion people and that we are a country of only 5 million people. Although we have always punched above our weight, that is by no means an even contest. Further, as anyone who has been to China will know, other nations—larger than Scotland, and with stronger economies—are engaged in feverish activity in that country.

If we are to make an impact, we have to be determined to build much stronger cultural awareness and relations in a general sense, but also be humble enough to realise that, if we are to be successful, we must focus on specific areas.

Patricia Ferguson (Glasgow Maryhill) (Lab): I had certain questions that I wanted to ask before I heard you speak, but I now want to ask different

questions. One of the benefits of having live witnesses is that we can follow up on their comments.

With regard to Europe, this committee has decided that it will engage early with whatever country has the incoming presidency, so that we can find out in advance what its plans are and highlight to parliamentary committees and others what opportunities there might be to feed in to what that country will be doing. Lynn Lau's comment about the five-year plan has made me wonder whether there might be benefit in seeking opportunities to engage early in work on the next five-year plan.

Lynn Lau: The Chinese central Government sets its plans every five years, but in terms of investing in a region, those plans will be set over a period of at least a decade. In the 1980s, China started to develop Shenzhen, the city next to Hong Kong. For at least 10 years, the Government put a lot of resources into preferential policies and so on for that city. In the 1990s, following that investment in the south, the Government decided to invest in Shanghai in the east, and is now investing in the north. It is unlikely that that focus will move away from Tianjin over the next 10 years. At some stage, the Government will perhaps focus on the west, but that part of China is much more rural. That means that, although Tianjin is still not yet fully grown and is still trying to find its feet, we have a good opportunity to engage directly.

Tom McCabe: Obviously, people's impressions of China are garnered through television and the press, which are not always the most objective sources. The truth is that, behind the Chinese Government's plans, there is quite an involved process, so it might be a useful part of an intelligence-gathering exercise to engage early in that process. It would be good to improve people's understanding of the processes that exist within China that lead to important decisions being made.

Patricia Ferguson: Some of the evidence that we have heard has indicated that, given our size and the size of population centres in China, we should think about focusing our efforts not on the cities but on what have been described as second-tier or third-tier places, where the balance might be a bit less against us and we might have a better opportunity to get involved. What are your views on that?

10:45

Tom McCabe: There is a great opportunity for us to drill down further than we have. Obviously, a co-operation agreement with a province of 90 million people will have to be enormously general. There are areas within China on which

we can focus, such as the large and incredibly modern cities that are developing across the country. Development has by no means settled down in China, and there are many areas in which there is increasing prosperity.

One of the problems is that it is quite difficult to find a better match for Scotland in terms of population. Even a city that the Chinese might think of as being relatively small will have 4 million or 5 million people.

Lynn Lau: It is easy to say that we should try to consider the second-tier places, and it is probably true that it is hard for us to get into a place such as Shanghai. However, supporting our companies to get into those second-tier places is another aspect to consider. Even in the first-tier cities, do we have the necessary contacts at regional government level to help our Scottish companies to establish themselves? If we do not even have those contacts, it will be harder for our companies to drill down to the second tier. To get to that level, you have to build relationships with regional government at first-tier level as well as with local government at second-tier level. The question is: Do we have adequate support to enable our companies to enter the second-tier market?

The Convener: That is interesting.

Sandra White (Glasgow) (SNP): I was interested in what you said about regional government and local government, and I agree with what Tom McCabe said about the need for a two-way process—we should not be looking to go into China without encouraging Chinese companies to come to us.

I am interested in the large Chinese community in Scotland. I know that the Government is going to have a stakeholder forum, but it seems that it will involve only big businesses. What are your thoughts on involving the Chinese community, who obviously have links back in China? Should we go to speak to them or get them to come to speak to the committee, with the aim of involving smaller companies in trade with China? With regard to what you were saying about regional government and local government, would it be worth asking about getting larger companies to mentor smaller companies, once we get connections with them?

Lynn Lau: On engaging the local Chinese community, we have the advantage of having a lot of students who come to Scotland to do their undergraduate and masters degrees, and many wealthy Chinese families are sending their children to Scotland for private schooling. We can try to use those connections and encourage those people to consider Scotland as a place of business. However, I have not seen many of those people set up businesses. They might set up small

businesses, such as translation or travel businesses, but many return to China because they consider that economic growth there is faster and that they have more of an advantage being local in China than being Chinese in Scotland.

On the second question, I think that it is a really good idea to mentor smaller companies. We at Standard Life have experience and therefore feel that we should try to help the Scottish business community to get into China. For example, we are trying to introduce a consortium involving Scottish education to our Tianjin connections to help it get into the region.

Tom McCabe: It would certainly be beneficial to engage with the local community, who we know to be industrious and hard-working people, to ask them to impart impressions of their welcome to and their life in Scotland and to seek their advice about improving our engagement with China. After all, China is a very diverse country; we tend to see it as being rather homogeneous when in fact it has 56 different cultural groups, some of which comprise many millions of people. Given that that diversity will be reflected in the local community, engagement will bring benefits.

As Lynn Lau said, mentoring is a very good idea. My impression is that the Scottish companies who have engaged successfully are extremely enthusiastic about that engagement and are keen to mentor. However, I think that they would be keener still if they felt more reassured that our Government agencies in China were really on the ball and were complementing their work rather than supplanting it. As her company has been engaged with China for a long time, Lynn might be in a better position to comment, but if I am being brutally honest, I have to say that I am not entirely convinced that all the Scottish companies that have engaged with and are working in China feel that they are getting a good bang for their buck from the organisations that we have in place there.

Sandra White: If we are naming names, I guess that you are talking about Scottish Development International and others.

Tom McCabe: Exactly.

Sandra White: We have to be brutally honest about the fact that public money is being used. We should perhaps pass on to the Cabinet Secretary for Education and Lifelong Learning the minutes that you have provided of the 13 May meeting of the cross-party group on China. We should raise any concerns that exist.

I work quite a bit with the Chinese community in Glasgow, but I have found it very difficult to engage in certain ways. I wonder whether the cross-party group has links in the Chinese community that the committee could invite along to ask about contact in their local areas.

Tom McCabe: We could certainly try to do that; indeed, we have given some thought to a similar request. However, it is a matter of finding the right individuals who want to be spokespeople. If the committee wants to pursue the matter, we will try harder to find some people to whom it can speak.

The Convener: We are keen to ensure that—as you made clear in your opening remarks—activity is focused as much on the Chinese community in Scotland and the reception and assistance that they receive, as it is on Scotland in China. We have been trying to engage, because we feel that that would be helpful.

Jamie Hepburn (Central Scotland) (SNP): I will turn to Tom McCabe in a minute, but my first few questions are for Ms Lau—they arise from her written evidence. In your submission, under the heading “Financial Services”, you say:

“we have a 5-10 year window to engage with China and cement relationships, while it is still open to learning from the west.”

Is that comment specifically related to the financial services sector? I feel it is also slightly open-ended, as it seems to suggest that in five years China will not be

“open to learning from the west”.

Is that the case and, if so, why?

Lynn Lau: My message is that we have to act now because China is still growing and is still willing to listen not only in the financial services sector but in the general area of commerce. However, in five to 10 years it will have grown a lot more than many other countries and will have begun to feel quite proud of its achievements. Indeed, it is already beginning to feel that way and to say, “We’ll do this the Chinese way”. At that point, it will become more closed to new methods of doing business and we will lose our influence. If we want to influence China, we have to do it now.

Jamie Hepburn: At a time when western economies are contracting and everyone knows that we are in financial difficulty, how receptive will China be to that message?

Lynn Lau: Do you mean how receptive China will be to our engagement?

Jamie Hepburn: Yes.

Lynn Lau: I think that it will be receptive. At this stage, it is still open.

As far as western economies are concerned, Scotland, for example, has lost some credibility as a result of what has happened with the Royal Bank of Scotland and HBOS, but if we strengthen our core and continue engaging with and trying to have some influence in China, we might have a chance over the next five to 10 years.

Jamie Hepburn: I wonder whether the “Negative Experiences” that you have highlighted in your submission reflect your own feelings about how the Chinese economy should be influenced. For example, why have you described as negative the facts that in China

“Foreign life insurers need domestic company partners”,
and that

“Maximum shareholding is set at 50%”?

Lynn Lau: There are restrictions in those areas. In China, foreign companies are discriminated against to some extent and domestic companies are still preferred in the financial services sector. There might well be good reasons for that from a Chinese perspective, but the result is that we have to put in a lot of effort for only 50 per cent of the benefit. In other words, we have to work doubly hard to participate in the market.

Jamie Hepburn: So, that comment is from your company’s perspective rather than based on a wider view of the Chinese economy.

Lynn Lau: That is right. There are a lot more restrictions on the financial services sector.

Jamie Hepburn: With the convener’s permission, I will move on to an issue that I have been keen to explore in all our evidence sessions on the China plan. As part of the plan, concerns about elements of China’s human rights record will continue to be raised; indeed, the Cabinet Secretary for Education and Lifelong Learning confirmed that they had been raised during the recent visit. I wonder whether, as convener of the cross-party group on China, Tom McCabe thinks that that is the right approach to take. If not, how should the matter be dealt with?

I suppose that my second question is for both witnesses. Do you share the view that has been expressed in evidence to the committee that attitudes in China to human rights are changing?

Tom McCabe: The subject should certainly be discussed. However, how we discuss it, where we discuss it and the degree of humility with which we discuss it are also extremely important. It is vital that we do not lecture people and that we are aware not only of China’s journey over the past 30 years or so and where it has reached, but of where we are now and, indeed, how long it has taken us to get here.

When, at the most recent meeting of the cross-party group, she was asked about human rights, Madame Tan Xiutian, who is, as I am sure you know, the Chinese consul general in Scotland, pointed out that just over 30 years ago people in China could not marry without Government permission, and that their economic independence was, to say the least, limited. However, in the

course of those 30 years, the Chinese economy has expanded enormously and the tremendous improvements in economic independence have allowed people to make choices that they never had before. There have been tremendous strides in a remarkably short time.

11:00

I mentioned humility; it is important for us to remember how far the Chinese have come and how long it took us to reach our position. To be frank, we must be aware when we raise these subjects—although some people think that such policy matters are outwith the Scottish Parliament’s remit—of how Scotland is perceived in China as part of the United Kingdom, in terms of the things in which we have been involved.

A few months ago, a critique of human rights in China was produced in the United States, and there was a strong rebuttal from China that mentioned a number of areas of American life that the Chinese feel are not exactly conducive to human rights. That surprised me, because in my experience the Chinese have not normally operated in that way: they have not been predisposed to engage with and come back at people when they are criticised. Such a rebuttal is a symptom of the realisation by the Chinese that they have made a lot of progress; they feel that there is now more of a case for defending their position than there has been in the past.

I do not think that China’s position is ideal but, to be fair, people who view Scotland from outside do not necessarily think that our position is ideal. There is a strong case for continuing to raise these matters, but how we raise them and the degree of humility that we show in doing so are important.

I have a small example that illustrates how views in our country can be at least tainted. I have often seen an advert on television in this country that says to our population, “If you don’t pay your car tax”—which can be less than £100—“we have the power to take your car and crush it to pieces.” Can you imagine a BBC news report from one of those sanctimonious reporters talking about how an oppressive communist regime legislated for a very small tax and is now threatening people with having their cars—which might be an important part of their economic activity—taken away and crushed to pieces if they do not pay that very small tax?

Sometimes it is useful to step outside our own environment and think, as Robert Burns said, about how others see us.

Jamie Hepburn: I am interested in engaging Mr McCabe in a wide-ranging debate about some of the issues that he has raised, but I fear that it

would take up too much time. Does Ms Lau have a perspective on the issue?

Lynn Lau: I have no comments to make on human rights, because we do not deal with that issue in Standard Life. You may be surprised at some of the individual rights that the Chinese Government gives its people, which are sometimes more than we would expect in Scotland. If my company were wrongly to sell a policy to farmers, for example, the Government would take a strong stance to protect people like that.

Jamie Hepburn: I am glad to hear that, but I am slightly concerned that you say you do not deal with human rights. Standard Life must subcontract to other companies in China, and there are still issues around labour standards and so on. You must have some perspective on those things.

Lynn Lau: We do not operate in a manufacturing environment, so a lot of our people are the white-collar crowd. We comply with the labour standards as well as with Standard Life's own policies in dealing with our people. When I say that our company does not deal with human rights, I mean that we do not see that side of it as much as a manufacturing company might do.

Michael Matheson (Falkirk West) (SNP): The issue of the presence in China of Government agencies such as Scottish Development International and the nature of the engagement that they provide has been mentioned. I detected in Lynn Lau's written evidence some questions around how influential organisations such as SDI are. In her comments today, she has also questioned whether we have the necessary range of contacts in the second-tier cities, at regional Government level, that are helpful to businesses that seek to engage in that area.

Tom McCabe questioned whether we are getting a good bang for our buck, which chimes to some extent with some of the evidence that the committee has received from the business community.

I would be interested to hear what both of you think should be done to ensure that we get more bang for our buck and that more contacts are made through those organisations than you believe is currently the case.

Lynn Lau: Besides SDI, Standard Life works with UK Trade and Investment, the Treasury and the City of London, which are all based in London. I have found those organisations to be very effective. Some of them involve civil servants, as SDI does, but they know what they are doing: they are focused and they have a clear direction for what they want to deliver. They understand the industry, so they know what to do to help.

I have found that SDI pales in comparison with those organisations, which is a pity, because many of the organisations believe that SDI is the face of Scotland, and they communicate with Scottish companies through it. It is sad that we do not get the same level of support from SDI that we would get if we engaged directly with the London-based organisations.

Michael Matheson: Are the problems in the way that SDI operates caused by a lack of resource on the ground?

Lynn Lau: It is a lack of effectiveness.

Michael Matheson: For what reason?

Lynn Lau: I have friends in SDI, but the rest of the people do not understand what businesses want, so they do not cultivate the necessary relationships to deliver and support businesses. It feels as if SDI is there at the end of the process when a reception is held to celebrate the success, but the businesses have pretty much had to make that journey themselves.

Tom McCabe: These things are hard to say, but we need to be brutally frank. Lynn Lau's comment confirms my experience. It is about direction: greater capacity can always be installed, but priorities and limits need to be set and, whatever the level of capacity, agencies need to be clear about what they are supposed to do. The routes and mechanisms for accountability need to be much clearer so that the effectiveness of the input can be measured. I defy anyone to say that at present we can effectively measure the outcomes of the various inputs—it is not fair to pick on SDI alone—in a country such as China.

I said that we could get a lot more bang for our buck, and that summarises the situation. Lynn Lau's point about contacts is critical, as China is a contacts society. We need to be able to make those contacts and engage with them in their native language with confidence and fluency, and I am not convinced that we can do that.

The Convener: Are we right to assume from what you say that SDI does not have the contacts and does not engage in the native language? Are those the type of issues that you are feeding back to us?

Tom McCabe: All those things could be improved.

Lynn Lau: It is more than the language—SDI has local people on the ground. However, the organisation here may not be clear about what it is trying to deliver for business. There may be a scatter-gun approach in trying to meet many companies, but not an understanding of what the industry wants or what the business is trying to deliver. Even when SDI knows what the industry

or the business wants to do, it is slow in doing anything about it.

The Convener: We have taken evidence from the Scottish Council for Development and Industry, which undertakes trade missions. Have you received any feedback on the importance, value or relevance of that work? Does that come into the same category or is it a bit different?

Tom McCabe: No; that is different, to the extent that Scottish companies sign up for those trade missions. I do not know the whole story—this is by no means true across the board—but I know of Scottish companies that have returned from those trade missions feeling that they were worth while. The emphasis is different. To a large extent, the SCDI is the co-ordinator and much of what the individual companies are doing is done by the companies themselves. The issue is how much value could be added to that effort through our having an SDI that was really on the ball.

Michael Matheson: What you have said so far has been helpful. Is part of the problem with SDI a lack of clear accountability regarding the role that it is undertaking as part of the China plan? It is clearly very difficult to quantify some of the things that it may be doing. Is that part of what may have led to what seems to be a cultural problem?

Tom McCabe: A lot of it is about direction. Once the direction is set, measurements and targets can be set. SDI needs to be clear about what it expects to achieve and then work out how it can measure progress towards that. I am not sure whether that direction is being given from this end, so that people have it firmly in their minds that we want to achieve A, B and C. That is my impression.

Michael Matheson: My next question is for Lynn Lau, given her expertise in the field. How does Scotland compare with other countries that are trying to do what we are trying to do in China? Some of the businesses that have given evidence feel that we are somewhat behind comparable countries in getting more effective representation in China as a whole.

Lynn Lau: I draw on my experience with the London-based organisations and Singapore, which is where I come from. I have noticed that the people who are involved at the Treasury are high-flying people. They are the top people, who understand policy and who are thinking ahead about what they want to achieve. They have a big-picture view of what they are trying to deliver for the whole UK. Even in UKTI in the City of London, where one might think that these are not core, high-profile departments, a lot of the people are widely exposed. Either they have been diplomats or they have had stints abroad. They have a wide

view and a wide understanding, and I think that they want to deliver.

I will use Singapore as an example. Singapore tries to engage business overseas through an agency called the Economic Development Board. It hires only the top graduates and is regarded as offering some of the best jobs in the Government. It pays private-sector equivalent salaries. In SDI, we may have private-sector equivalent salaries but are we attracting the right people with a broad perspective who are trying to deliver the Government's objectives?

The Convener: That is very interesting.

11:15

Ted Brocklebank (Mid Scotland and Fife)

(Con): We are discussing important questions, to which we have heard interesting answers. What has been said reflects some points that have been raised at meetings of the cross-party group on China over the weeks, at which there has been no doubt that huge opportunities exist in China but at which we have increasingly heard people asking, "How do we actually engage?" We do not seem to have worked out how to engage with large parts of Chinese business.

I draw attention to evidence that the committee has heard from several people. When I was in China some 20 years ago, it was difficult to obtain a coherent picture of what Chinese people thought Scotland was or whether they thought that anything about Scotland made it different from the rest of the UK. All these years later, it is a bit depressing to hear witnesses make the same point to the committee that although parts of China or parts of the Chinese market know that Scots are good at finance, know that whisky is produced here and know something about golf and perhaps about culture—about Robbie Burns—there is no coherent image of what Scotland is or has to offer. The overall package does not seem to have been put together. Perhaps that is what you meant when you talked about SDI—perhaps it has somehow failed in the mission of selling a concept of Scotland. I think that that was a question.

Tom McCabe: I do not know whether what you describe is entirely SDI's job—other agencies are involved. However, it is part of the problem. If what you say is the case—I think that it is and I entirely agree with you—it would be wrong to lay the responsibility all at SDI's door. A group of statutory agencies should have done more.

The situation that you outlined undoubtedly exists. Lynn Lau made the important point that we have 10 years to influence China, after which it might be open or closed. If we think about how quickly China's economy has moved on in the past 30-odd years, experience shows that 10 years as

a block of time represents 50, 60 or 80 years of conventional development.

China is—undoubtedly—already a global power, but it will become a much stronger power. If we think about who bankrolls who in the world, perhaps the economic axis has already changed and we are just a bit reluctant to admit it. As time passes, a human reaction occurs when people know that their country is more and more the important nation. Attitudes change and others encounter more of the view, “We’ll do it our way,” rather than, “We are open to other ideas,” because people know that they are already powerful.

Lynn Lau: I look at the issue differently. As Scotland is a different country, we want to promote our own roots and our own identity. However, from a Chinese perspective, that does not matter. We are stronger as UK plc than as Scotland plc. A person in Shandong might want us to understand the culture of Shandong, Shandong food and Shandong folklore, but would that be important to us from a business perspective? Perhaps not. Perhaps it is better to use central Government influence, because China is centrally driven. What the central Government there says counts—all the regional Governments listen to that. We are better using central Government influence—Government to Government—to drive downwards what we want to achieve.

We might want to promote Scotland as a place for tourism, for whisky and for other purposes—that is good and attractive—but for business in general, we are better working closely with central Government to deliver a cohesive image that competes against America, India, Germany and the rest of the world.

Ted Brocklebank: That is interesting. We see ourselves as a mouse trying to engage with an elephant, which is difficult unless you have very sharp little teeth. What is the role of SDI? You are saying that the real bang for the buck can be achieved through the UK agency, which is geared up to deal directly with China at a particular level, with all the face that the UK has. Are we wasting our time trying to find ways to engage through an agency such as SDI?

Lynn Lau: I have often thought that, because I have always tried to evaluate which organisation will help us best. My conclusion is that SDI helps Scottish businesses because of the distance. Not all of us have the resources to always travel to network in London with UKTI and other organisations in the same way that England-based or London-based organisations would do. Perhaps that is the way in which SDI can bridge the gap. UKTI and the other organisations say that they do not send Scottish companies information, but they send it to SDI, which is supposed to disseminate it. Perhaps we should all be tapping in centrally.

We at Standard Life are tapping in centrally, because we find that more effective.

Jim Hume (South of Scotland) (LD): You mentioned some of the barriers to entry, such as restrictions on joint ventures in China with foreign life insurers and domestic company partners. What legislative level in China deals with such matters? Are they legislated on by national Government or regional Governments? Are we seeing an opening up of barriers, or are joint ventures—or any such business—being restricted? Is that reflected in the five to 10-year window that you mentioned? Is there a belief that once China is up and running and thinks that it has nothing else to learn from the world, it will start to close its barriers to foreign companies investing there?

Lynn Lau: Restrictions are set at national level, so they apply to all foreign companies. Different countries have been negotiating with or lobbying central Government. The US Government is active in lobbying against some of the rules. The only company that has been exempted is AIG, which is able to get 100 per cent of a business in China. However, it has been restricted from expanding by regional Governments in China. Generally, there is a level of protectionism in the Chinese economy. Perhaps that will change in time, when China is more confident about its own local businesses.

Tom McCabe: When I was a minister, we ran a series of financial services roadshows in Shanghai and Hong Kong. We spoke to regulators in Shandong. Lynn Lau is right that China is a centrally driven society. We have the impression that the Government in Beijing says “Jump” and everybody across that vast nation jumps, but I do not think that it works quite like that. A piece of legislation might be passed in Beijing, but the interpretation that the financial regulator in Shandong or another province might have of it can vary. Therefore, companies such as Standard Life have to start all over again. The regional Governments are powerful in their own right and form their own interpretations. The idea that China is absolutely centrally controlled and that everybody follows every dot and comma from Beijing in the same way is a fallacy.

Jim Hume: Is there a level below the provincial Governments? Is there a council-like level?

Tom McCabe: Yes.

Lynn Lau: There are provincial and county levels.

Jim Hume: Many years ago, we had a hunger for companies to inward invest in Scotland. Ireland, too, has sought that in quite a big way. Is there still a hunger for that in China?

Lynn Lau: A lot of Governments at provincial level are still measured by the amount of foreign direct investment that they bring in. That will change, because they will soon start to use more sophisticated economic measures such as profitability and added value. Nevertheless, at the moment, the measure is still the amount of FDI that is introduced into the provinces.

Tom McCabe: China is probably the most cash-rich society in the world. When I was there, we had a discussion with the Haier corporation, which, from a standing start in 1985, is now the world's largest producer of air conditioning units. It also makes a large percentage of the flat-screen televisions that we buy, although they have a range of different names on them. It told us about its globalisation strategy. There are, undoubtedly, Chinese companies that want to expand across the world to strengthen themselves in China.

The Convener: Charlie Gordon will ask the final question.

Charlie Gordon (Glasgow Cathcart) (Lab): I make no apology for returning to the vital issue of the effectiveness or otherwise of SDI in China or anywhere else. Apart from addressing its effectiveness, would there be merit in its changing its name to try to convey the fact that it is supposed to be an organisation that helps people to do business with Scotland? SDI stands for Scottish Development International—a name that is, essentially, meaningless even to us. It used to be called Locate in Scotland—or, as I called it, “locate anywhere but Glasgow”. Should it be called something like “do business with Scotland”? Its tourism equivalent is called VisitScotland, which at least tries to convey what that organisation may be about. Do we need to think about giving SDI a name that would convey instantly to foreign people what the organisation is about?

Tom McCabe: Communication is always critical. Anything that allowed people to understand more easily what we are about would be helpful. I may be underestimating people in Scotland, but I am not sure that many people here know what SDI means or what the organisation does.

The Convener: Do you have anything to add to that, Ms Lau?

Lynn Lau: No, I have no comment about the name. What the organisation delivers is more important.

Charlie Gordon: Your suggestion of Scotland plc was not a bad one, although some of my committee colleagues did not like your alternative suggestion of UK plc.

The Convener: We have had a very interesting discussion. Madam Tan Xutian is coming for

lunch at 12 o'clock and we have a huge agenda to get through before then, so, regrettably, I must draw the session to a close. I thank the convener of the cross-party group on China and Ms Lau very much for giving us their evidence.

Presidency of the Council of the European Union

11:29

The Convener: The third item on the agenda is consideration of our report on the European Union presidency. I invite the members of the committee who visited Stockholm to comment on their report. It will be ladies first, so I ask Patricia Fergusson whether she would like to draw our attention to anything in the report.

Patricia Ferguson: The area that I focused on was justice, as that was the area in which I was leading—if I can call it that—while we were there. I thought that the meeting was very important. A number of themes came out of it that, although the committee may not want to engage with them, are nonetheless important in so far as they alerted our Justice Committee—and perhaps the Scottish Government—to the elements on which the Swedish plan to focus during their presidency. Some of those themes tie in well with other aspects of the broader justice agenda that the Government is pursuing.

Overall, the visit was worth while. We had just about the right amount of time for the meetings that we planned and the organisation of the visit was particularly good. The ambassador kindly gave us lunch, but it was very much a working lunch. He had invited an interesting cross-section of people to pursue with us issues around the economy and the environment, which others will want to speak about more fully. It was useful to meet those people, and it was handled well by the ambassador.

11:30

Jamie Hepburn: There is not much to add, other than to say that the exercise was useful and demonstrated the merit of the committee's approach to early engagement. We will discuss that later, so I will confine my remarks for now. Like Patricia Ferguson, I will speak about the meeting in which I took the lead, which was the meeting with the deputy minister on European Union issues. That interesting experience demonstrated in many ways that the Swedes are just as much in the dark as we are in relation to the EU budget. I suppose that it was useful to find that out. The Swedish are also eagerly awaiting the outcome of the referendum in Ireland.

Jim Hume: I led in the climate change and financial crisis meeting. As Patricia Ferguson said, a good mixture of people attended the meeting, which is a compliment to the ambassador and his staff. I thank our clerks for their good work—everything netted in well.

Interestingly, the Swedish do not seem to be as badly affected by the financial crisis as everybody else, but they are aware of the crisis in the whole of Europe, which seems to be at the top of their agenda. They are also keeping climate change on the agenda and their green credentials would put most of us to shame.

Another aspect of the meeting was the common agricultural policy, which I must note every time. Reform of the CAP is not top of the Swedes' agenda by any means, but it was interesting to see in the Ministry for Agriculture banners that said something like, "Do you think it's right that 40 per cent of the EU budget is spent on the CAP?" It is obvious that it is within their culture to have a bit of an issue with the CAP—perhaps because Sweden is so heavily forested and not farmed. It is definitely not part of their agenda to do anything radical about the CAP in their six-month presidency. They feel that there will be slow reform of the CAP rather than revolution.

Ted Brocklebank: In broad terms, I thought that the visit was excellently organised, for which I congratulate the clerks. The people whom we met were at the right level and extremely informative. The meetings were far better than those we had in Prague with the Czechs, particularly because we got in early, rather than, as we did with the Czechs, when the presidency was well under way. There are still things that we can learn from the Swedes and possibly influence.

In that respect, I assume that we are now looking forward to visiting Madrid six months hence to engage early with the Spanish on the common fisheries policy, which was the subject on which I led in Stockholm. Nothing particularly new came up, because the Commission is conducting its own investigation into the CFP this year. The Swedes were more interested in listening to us. They have some connection with the Balkans as regards quotas, discards and other technical matters, but rather than wanting to talk about any proposals, they were in more of a listening mode.

The Convener: That is interesting. I thank colleagues for that report back. If no other members wish to raise points on the report, are we content to note it and—given the justice issues that Patricia Ferguson mentioned and the points that Jim Hume and Ted Brocklebank raised on rural affairs and the environment—to pass copies to the appropriate committees?

Members indicated agreement.

Correspondence

11:35

The Convener: Agenda item 4 is on ministerial correspondence. We have circulated a few letters from the Minister for Culture, External Affairs and the Constitution in relation to a number of matters. Do colleagues have any points to raise?

Patricia Ferguson: I have a couple of points. On page 3 of paper EU/S3/09/10/3, in the letter of 28 May, the second section, which is about proposed Scottish Government activities in Latin America, states:

"we have already committed the majority of the available International Development Fund resources for the period to the end of this Parliament's lifetime."

I admit that I had not quite realised that, although I understand that some of the money is committed for more than one year and is not annual funding. I had not picked that up and I would like to have another wee look at it. It is not necessarily an issue, but it is interesting.

In the same letter, the section on the India plan, which is on page 4 of the paper, states that the plan

"will not be about the Government's international development policy".

I think that that is a change. I do not have a problem with that—indeed, it is right, because the international development approach to India would be too scatter-gun—but it is a change. Those two points are particularly interesting.

The Convener: If the committee agrees, I am happy to seek further information on the commitment on international development policy. The minister will speak to the committee in September on EU matters but, in the first instance, we should perhaps write to him to follow up the two points that Patricia Ferguson raises.

Do colleagues have any other points?

Ted Brocklebank: My only point is on the India plan, in the context of what we heard this morning about the China plan. It might be useful to draw to the minister's attention some of the views that were expressed. If what we heard is accurate—and I have no reason to doubt it—we must have it firmly in our minds as we develop our India plan.

The Convener: Yes.

I want to raise an issue about the transposition of directives. The minister's letter of 24 March states that, of nine late transpositions, the Government expects to have five in place. The table that we received is dated May 2009, but the letter refers to what the Scottish Government

expects to do by late April. I think that the letter is a bit out of date in relation to the table.

The minister's follow-up letter of 2 June states:

"a total of 21 Directives are currently in the process of being transposed".

He states that the Government is working hard, but he does not say how many directives the Government intends to transpose. At one point, he told us that the Government intended to process most of the late transpositions before the parliamentary summer recess. Are colleagues content for the committee to write to the minister to ask for an up-to-date picture, given that he indicated that, by the recess, most of the late transpositions would be processed?

Members indicated agreement.

The Convener: With those points, are members content to note the correspondence?

Members indicated agreement.

“Brussels Bulletin”

11:39

The Convener: We move on to consideration of the “Brussels Bulletin”. The latest issue is very helpful, because it brings us bang up to date with what is happening following the European elections. The bulletin gives the outcome of the elections and the dates for the new Commission.

Do Sandra White and Jamie Hepburn have any questions on the “Brussels Bulletin”? We have been trying to listen in on your conversation for the past 10 minutes.

Charlie Gordon: I hope that Sandra White does not want to comment on the election results.

Sandra White: It was a very good EU election. I was just saying, tongue in cheek, that we should perhaps note the marvellous European election results in Scotland.

Charlie Gordon: Freak results can happen when there is a low turnout, convener.

The Convener: Do colleagues have any other points that they want to raise?

Michael Matheson: Has that guy who robbed the shop been caught yet?

Ted Brocklebank: Has that guy who escaped from Castle Huntly been caught yet?

The Convener: I see that colleagues are getting into summer-term mood.

Patricia Ferguson: On the proposed cross-border health directive, I notice that the bulletin states:

“Both Spain and Portugal are resolutely against the principle of the directive”.

Given that many holidaymakers from Scotland and the rest of the UK travel to those countries, it might be of interest to observe how the directive proposal rolls out. Is the Health and Sport Committee looking at that issue?

The Convener: I think that the Health and Sport Committee is keeping a watching brief on the issue. I notice that the proposal will be discussed again at the health council on 6 July. Our European officer knows that both this committee and the Health and Sport Committee have an interest in the proposal, so it would be helpful to have an update on any matters that arise—particularly in relation to Spain and Portugal—at that health council.

Michael Matheson: As a member of the Health and Sport Committee, I think that it is worth putting on record the fact that the proposal will not change the present situation for those who travel abroad

during the summer period: they will still be able to get treatment with an E111 form. The proposal is about further changes down the line, but it would not change the present arrangements.

Patricia Ferguson: The bulletin also mentions the issue of migrants who access health services. From a Scottish point of view, that is quite interesting, because it takes into account the burden on the host country, which could be significant for us.

The Convener: I have had some discussions about the proposal with MEPs, who I know are also keeping a close watching brief on the issue.

Sandra White: I wanted to raise the issue that Patricia Ferguson highlighted, but I have another issue to raise about the “Brussels Bulletin”.

When I visited Brussels just the other week—not on committee or parliamentary business—I met Barroso’s right-hand man on the middle east. Along with people from the House of Lords, I had a fantastic meeting with that gentleman, so I am very interested in seeing how Sweden handles the Palestinian/Israeli situation. I hope that that will be covered in future editions of the “Brussels Bulletin”.

I was very impressed with what was said about the EU’s agreements and treaties with Israel. At the meeting on 18 June, I believe, the EU will consider whether to extend those agreements, given the situation in Palestine. I mention that just because I hope that future editions of the “Brussels Bulletin” will mention the position of the new Swedish presidency, which seems to be very much at the stage of saying that there should be a two-state solution and that both sides should meet.

The Convener: Of course, when the Swedish ambassador gives evidence to the committee in September, committee members will have an opportunity to follow through both on their Stockholm visit and on some of those other issues. That will be helpful to us as we continue our work in that area.

If colleagues have no other points, do we agree to note the contents of the “Brussels Bulletin” and to pass it to the relevant committees?

Members indicated agreement.

The Convener: That brings the public part of our meeting to a close, as we have agreed to take our other items in private.

11:43

Meeting continued in private until 12:09.

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