

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 14 April 2010

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE

12th Meeting 2010, Session 3

CONVENER

*Iain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)

*Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Stuart McMillan (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

Alex Johnstone (North East Scotland) (Con)

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Giles Blackburn (China-Britain Business Council)

Cameron Buchanan (Consulate of Iceland)

Péter Horváth (Embassy of the Republic of Hungary)

Wendy Liu (China-Britain Business Council)

Duncan Macniven (General Register Office for Scotland)

Jim Mather (Minister for Enterprise, Energy and Tourism)

Wolfgang Mössinger (Consulate General of the Federal Republic of Germany)

Robyn M Murray (Consulate of Mongolia)

Reto Renggli (Consulate General of Switzerland)

Kenneth H Stewart (Consulate of Mongolia)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 4

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 14 April 2010

[The Convener opened the meeting at 09:32]

International Trade Inquiry

The Convener (Iain Smith): I welcome colleagues back from the Easter recess to the Economy, Energy and Tourism Committee's 12th meeting in 2010. Before I start our formal business, I point out that, as members will be aware, Katy Orr, our very efficient senior assistant clerk, has left the committee to go to pastures new in the Parliament. I put on record members' appreciation for the tremendous work that Katy did for the committee, not least, and most recently, on the banking inquiry. She was a great support to the committee in the time that she was here. She will be missed and I am sure that she will give a great boost to the work of the Local Government and Communities Committee, where she now finds herself. I thank her very much for her work. We will get a new senior assistant clerk in due course, who will be introduced to members shortly.

I move to the first item on the agenda. I welcome representatives from the China-Britain Business Council, who are here to give evidence as part of our inquiry into international trade and the attraction of inward investment. I had the privilege of meeting some of their colleagues when I was in China last October, so I am aware of some of the work of the CBBC—that is a slightly unfortunate abbreviation, nowadays. I am sure that they will explain the work of the CBBC in China and in the United Kingdom and Scotland. I ask them to introduce themselves and to make any brief opening remarks, after which we will ask questions.

Giles Blackburn (China-Britain Business Council): I am a director at the China-Britain Business Council, with responsibility for the introduction of new products and services in the CBBC. I am based in Leeds as one of the CBBC's regional directors, but I have worked in Scotland. I was manager of the CBBC's office here from 1994 to 2001 and before that I set up and managed the forerunner of the CBBC in Scotland: the Chinese business advisory service, which was located at the University of Glasgow for three years between 1991 and 1994. I also worked at the University of Abertay Dundee, where I set up a Chinese studies pathway as a subsidiary subject in the degree programme at the Dundee business school.

Wendy Liu (China-Britain Business Council): I am the CBBC's Scotland office manager. I have been with the CBBC for about two and a half years, looking after all aspects of the CBBC's activities in Scotland. That includes working with Scottish Development International as well as running our own events and company consultancies and working with other partners. Before I joined the CBBC, I worked for UK Trade and Investment for five years, mostly in Guangzhou in southern China. Again, that involved trade and investment promotional work for UK companies.

Giles Blackburn: I have a general comment about the CBBC. We are in the business of helping UK companies to do business with China. We provide a range of practical services to allow them to do that. We also work with other agencies in the UK to facilitate that through the delivery of research and by finding the information that companies need to set foot in the market.

The Convener: To give us a flavour of what you offer, will you give examples of specific or general assistance that you have given to Scottish companies that are seeking to develop in China? How do companies go about using your services?

Giles Blackburn: I can give a couple of examples of companies that have used our launch pad service. Clyde Blowers, which is a company that is known in Scotland for doing a great deal of business in China and is often used as a case study, started its life in China as one of our launch pad companies. Launch pad is a business incubation service that gives companies a soft landing when they set up in China. Likewise, when Edinburgh Napier University first entered China, the situation was highly regulated and the university found it difficult to set up its own organisation, so it found accommodation in the CBBC's business incubation operation in China.

Perhaps Wendy Liu can give other examples.

Wendy Liu: The launch pad service is a useful and flexible service for companies to get into the market in China. It is even for public sector bodies—for example, SDI has used the service. As well as that unique service, we provide a lot of tailored market research for companies to help them identify opportunities and find Chinese partners, buyers or end-users. Each year we have about 20 research projects for companies in Scotland to identify opportunities and link those companies with Chinese partners.

This is not specifically for Scotland, but the CBBC organises a wide range of trade missions to China, which are both sector and region focused. Recently, we have promoted strongly the regional cities of China, which are the second and third-tier cities. In first-tier cities such as Beijing and

Shanghai, the competition is stiff and the entry barriers are becoming higher. Therefore, we encourage companies to go to the second and third-tier cities in China and to seek opportunities there. Currently in Scotland, no other organisation delivers such services to companies.

The Convener: If a company wants to open up a market in China, how does it become aware of your services and go about doing that? At our previous meeting, we heard from Thomas Tunnock, the famous biscuit company—you will no doubt know of its caramel wafers and teacakes. We heard that the company has not been able to identify ways of getting support to get into the Chinese market. How do you make companies such as Tunnock's aware of your services and what you can offer them in breaking into the Chinese market?

Giles Blackburn: We have to rely on our own devices to build up a database of companies that have expressed an interest in China, to build our network in order to get companies to pay attention to what we offer. That is a long process, which is started by holding public events, inviting people along and letting them know about further events. We also rely on our website. As an organisation as a whole—so not just in Scotland but in the rest of the UK—we realise that lots of companies might be or might wish to be doing things with China but are not on our radar, which can be frustrating for us sometimes.

The Convener: Do you expect agencies such as SDI, the Scottish Council for Development and Industry and Scottish Chambers of Commerce to refer people to you, and does it happen?

Wendy Liu: Yes, it does but it depends. Because SDI is such a big network, we have good connections with some of the offices such as the headquarters in Glasgow. We also work quite closely with the Dundee office. Our office is located inside the Glasgow chamber of commerce, which neighbours Scottish Chambers of Commerce, so they know us quite well and they refer any inquiries on China to us. However, there is still a gap in information about the services that we can provide to companies.

Rob Gibson (Highlands and Islands) (SNP): We are told that China was the 15th largest export market in 2008 for Scottish goods, but it still only accounts for about 1.5 per cent of Scottish exports. Total exports to Asia represent 9 per cent of Scottish exports according to the Scottish Parliament information centre. In your estimation, what particular areas have taken off in exports? You mentioned Clyde Blowers. Are any other particular types of export attractive to the Chinese market at the moment? What might become attractive?

Giles Blackburn: Perhaps I can begin by saying that when I first started in trade promotion in Scotland, only the larger companies felt that they had a chance in China because they were exporting sophisticated and highly engineered products that were not being manufactured to the same standard in China, even though China was building facilities that required such products. Nowadays, the market is more sophisticated. Most of those engineering products are being manufactured in-market now.

The rate of China's growth and its direction mean that a lot of new sectors are opening up. China is becoming more sophisticated and looking for new solutions to its problems, which could be related to the environment or health care, consumer goods, or products for education and training. We have noticed that opportunities in China are getting much broader for UK and Scottish companies, and it is about giving Scottish companies the opportunity to get a hold and make tangible some of our observations.

Rob Gibson: Have you dealt with investment services and banking in China?

Giles Blackburn: The problem with investment, banking and financial services is that the sector is highly regulated in China. So, although it shows a great deal of promise, it has been quite difficult for companies to get involved and get revenue streams from it. Until this point, to my knowledge, most companies have set up a presence in China to position themselves in anticipation of opportunities, but the market is not open enough for people to take advantage of it.

Wendy Liu: I agree. Currently only the major players can get a foothold in the banking and financial markets. It is very difficult for medium and small companies because of the regulations and entry barriers.

09:45

Rob Gibson: Is that a barrier that has been erected deliberately, or is it just a method of working in China that makes it difficult for overseas companies to break into the market? Given that we are a country that has 300 years of expertise in long-term investment, our services would fit well with the needs of a huge emerging economy.

Giles Blackburn: You are quite right. Our services would fit well, but that is part of a general positioning by China to bring its domestic industries up to a point at which they can compete with foreign entrants. There are varying degrees of that trend across a wide range of industry sectors in China. It is less about a fit or even having the right knowledge and expertise, and more about the development of China's domestic capabilities.

That is an extremely sensitive issue in China for economic policy and strategy.

Gavin Brown (Lothians) (Con): I enjoyed reading your submission, which raised some interesting and valid points, one of which I would like to explore further. You were asked whether the public sector was getting it right as regards resourcing. It was quite interesting that you said that some companies may fall foul of not being in a priority sector—in other words, they do not get the support that they need even though there is a demand in China for their goods and services. Will you expand on that a little?

Wendy Liu: I know from my experience that there are sectors in Scotland that are on the priority list. A current example is renewable green energy, on which many events and trade missions are held. There is a wind farm exhibition, and a roadshow is to be held that will promote Scotland's strengths in green energy. I am also aware that in the life sciences sector, there is huge support even for small and medium-sized life sciences companies that are looking to find a market in China.

However, if a company such as a consumer goods company has a small niche market, it cannot get any support. Even in the creative sector, public relations or media companies that have the knowledge to help local companies do their PR in China or to help Chinese companies develop their PR strategies in Scotland or the UK cannot get enough support because they are not account managed. We provide services for such companies, which are chargeable, because we are a company limited by guarantee. Those small companies might feel more comfortable if they could get some support from the public sector as well.

Giles Blackburn: The China-Britain Business Council is often asked what opportunities there are for British companies in China and which sectors present the greatest opportunities. We can come up with the usual suspects, but very often we can say with hand on heart that most sectors offer some kind of opportunity in China because of the enormity of growth there, the rise of the middle class and the spending power of ordinary consumers. Rather than screen out a company from the beginning because it does not fit into a particular sector, we try to respond by taking a close look at its business case to see whether there is an opportunity for it and by offering the services that Wendy Liu has mentioned.

Although we agree that it is necessary to prioritise activity and initiatives, if we prioritise at the expense of the potential that an individual business case has to succeed, that could be a missed opportunity for a company.

Gavin Brown: That is helpful. In Scotland we tend to have the big six in terms of the sectors that we promote through Scottish Enterprise and Scottish Development International. Wendy Liu mentioned PR and consumer goods. Giles Blackburn talked about looking at things on a case-by-case basis. Are there any obvious sectors in which there is a real opportunity for Scottish companies in China that we are not promoting at the moment? There will be individual companies that are missing out, but are there obvious sectors in which we have an advantage but which we are not prioritising at the moment, thereby missing a trick in China?

Wendy Liu: Most of the priority sectors set by SDI are covered quite widely—energy, financial services, life sciences, education and food and drink—but there are some specific niche markets, too.

Gavin Brown: If there are obvious examples of where we are missing out, it would be helpful to get them in writing, so that we can say to SDI that it has its top six priority industries, but there are areas in China where we might be missing out and on which we might want to refocus.

Giles Blackburn: I agree. It is about getting the match between what China wants and what Scotland can still offer. We can come back to you with some suggestions.

Gavin Brown: Thank you.

Lewis Macdonald (Aberdeen Central) (Lab): I am very interested in the models for delivering support for businesses that export abroad. Will you explain the model that the China-Britain Business Council follows? You are a company limited by guarantee. The services that you provide are chargeable. How does that work? How do companies first get involved with you? Do they become members first or do they become customers and then members? What is the process of engagement with exporters?

Giles Blackburn: Perhaps I can explain. We are a company limited by guarantee, but our largest customer is UKTI, which accounts for about 50 per cent of our overall revenue. In a service level agreement with UKTI, we have taken on the so-called overseas market introduction service—OMIS—which is the charging platform whereby British companies can access resource in market to find an agent or distributor or hold an event in market to attract people. Those customers for OMIS are referred to us. Some of them come directly and we steer them towards OMIS as the most cost-effective way to access a service in market. Many of them are referred to us by the so-called international trade advisers who work for UKTI across the UK. They are targeted in relation to the value of OMIS in the regions. CBBC

is also targeted. There is a congruence in our goals and targets. That is one side of an important portfolio in which we engage with companies to get them to commission work in market via a UK Government scheme or charging platform.

The other part of our service is the provision of practical services that fall outwith what OMIS provides. That could be business incubation in China through our launch pad service or helping companies find employees in China for their operations there. We have quite a successful rep office service, which helps companies set up their own formal presence in China. Around that are a number of other services and general advice and signposting on intellectual property issues or employment issues.

You asked how people find our services. We get referrals from the system. They might commission a piece of research through a UK Government scheme. As they get more sophisticated and need more practical services, CBBC is there to provide further practical assistance with setting foot in China and a variety of other advice, either directly or through other members, who may be service providers. If companies decide to join CBBC as members, they can get access to other types of services, advice, signposting or events.

Lewis Macdonald: I am interested in the distinction that you make. If a company takes the step of becoming a member, what additional engagement does that provide for them? Do you seek actively to recruit new companies as members, or is that a logical step that companies choose to take once they have become actively involved in the Chinese market?

Giles Blackburn: It would be nice if it were a logical step, but things do not work like that—it depends on what the company wants. The main attraction for companies to join CBBC is that they become part of a broader network of people who are on a similar journey and to whom they can talk. That network includes other service providers such as lawyers and taxation experts and has a large footprint in China. We have 11 offices there, each of which has a network of relations with local government; companies that join CBBC have access to those networks. Often companies set up in one city in China and find that, after a while, they need to expand their network. China is a place where third-party, indirect introductions are key. We can play an important role in enabling people to develop their business in China, after they have used some of our earlier services.

Lewis Macdonald: Five years ago, I was in China promoting Scottish education. I was struck by the active role that the British embassy and its consular side play there. Does that remain important, or have you grown to the point where

you are providing directly many of the services that the embassy provided?

Giles Blackburn: That is an important question. When we took on the contract to deliver the overseas market introduction service, we effectively took on the work that is ordinarily done by the commercial section of a British embassy and consulate general on a business-to-business level. We do the business-to-business-related work. Typically, the China-Britain Business Council now provides all of the assistance to companies in China that want to meet other businesses. Where there is a Government angle—where there is a trade dispute or where a company's entry into the market is critical to Government—embassy staff are better placed than we are to resolve or to facilitate matters. We do about 90 per cent of the work for OMIS; the embassy does about 10 per cent. That frees up embassy staff to do more market access and regulatory work and quite a lot of sector work. We still work closely with embassy staff, but we now do part of what is formally their work, on a business-to-business level.

Lewis Macdonald: That response is helpful. You mentioned energy. There are some interesting opportunities both on the oil and gas side and on the renewables side. Can you tell us a little about your engagement with both sectors, especially in relation to Scotland-based companies in the industries? Are you actively engaged with them on export opportunities in China?

Wendy Liu: We work case by case, with specific companies. We have run some China promotional and awareness events. Last year or in 2008, we held a climate change seminar in Edinburgh with SDI, as part of the China now programme. SDI has a big team covering the energy sector and has more resources than we have.

We provide support and advice to SDI, and we sometimes give presentations at its seminars. Our colleagues in China support SDI's activities on the ground there and help with arrangements for exhibitions, trade missions and business meetings.

10:00

Lewis Macdonald: The committee wants to establish how the relationship between SDI and UK-wide bodies works in practice when it comes to export and trade. Would it be fair to conclude that the oil and gas sector is principally an SDI interest, rather than a CBBC interest, when it comes to the growing market in China for Scotland-based oil and gas service companies?

Wendy Liu: Yes.

Lewis Macdonald: You have been speaking about supporting SDI's work on renewables, rather than leading that work. That is a fair characterisation of the position, is it?

Wendy Liu: Yes.

Giles Blackburn: Yes. We mentioned in our written submission—in the appendix, I think—that we have been called upon to do some sector reports. That work has been carried out in support of existing initiatives and to give weight to or provide momentum for activities.

Generally, CBBC is keen to provide country information, advice and expertise on the ground, including in Scotland, and that can be married with some of our sector work. Better, closer working relationships will help the client to manage their expectations on the ground here, and it can help to create a better brief for work that is done later by SDI teams on the ground in China.

Christopher Harvie (Mid Scotland and Fife) (SNP): How does the United Kingdom compare with other countries of a similar population size with regard to its exporting activity in China? Is there a paradigm country that you have your eyes on as your lead competitor from Europe? I want to consider the big-league countries first—Italy, France and Germany—and go on from there.

Giles Blackburn: To my knowledge, all three of those countries—although I am not too sure about Italy right now—have a bigger value of exports to China than the UK. As I understand it, Germany has four or five times more exports to China than the UK, which reflects its strength as an exporting and engineering nation, but the UK is the largest investor in China from the European Union. Furthermore, the figures often do not take account of the value of the growing financial services sector and its engagement with China. The short answer is that we are behind some of our European competitors in terms of straight exports, but we are often preferred for setting up in China to serve the market.

Christopher Harvie: How large in your thinking would that deficit bulk in terms of remedies to it? In other words, would you tend to go for those areas where we are already strong, such as financial services, or would you consider ways in which manufacturing exporting could be fitted into different niches or ways to complement exports from European states? What might your tactics be?

Giles Blackburn: You have hit the nail on the head by mentioning niches. First of all there are the products that are imported into and bought in China because they are made overseas. Secondly, safety-critical, health care and engineering efficiency products are often imported because China cannot produce them itself. In

health care, for example, it might want to get the best product for particular patients. It is about niches and solutions to problems that Chinese manufacturers cannot solve. We might call them niches but in a market as large as China there are significant opportunities. It is about being canny with regard to where China is heading, how it is trying to position itself and what its immediate problems are.

There is a general perception that China's overall aspiration is to make many of the products it imports, so there is a relatively short-term window of opportunity to export such products before a competitor sets up a joint venture or its own factory in China to supply the market from within the country.

It is a difficult question to answer but, as a general rule, if we can identify products—including luxury and consumer products—that are attractive in China because they are imported, we are on the right track.

Christopher Harvie: Do any of the smaller European nations such as Switzerland and the low countries, or certain regions of Germany, Italy or France, seem to have struck it rich by providing that type of niche product in China? Thinking about that might offer us some possible ways in.

Giles Blackburn: I will have to think about that and come back to you. I have not mentioned some other sectors, such as the transport and automotive components sectors, in which the UK in general is providing products. Those sectors are part of a bigger supply chain.

Italy has done pretty well in fashion and luxury consumer goods; it operates at the very high end. It is known for fashion, so high-fashion suits and designer goods are doing particularly well in China's swanky shopping malls. They are often sold at much higher prices than they would be here.

Moving on to France, the red wine market has gone through the roof in China; there is a greater level of sophistication than expected in relation to that type of luxury product. I understand that the situation is similar for whisky: the trend is going up because of the prestige that is associated with being seen to consume very expensive branded products. Those are a few examples of areas in which some companies are exporting products.

Christopher Harvie: I got to know quite a few Chinese students quite well while they were studying economics in Germany. They were from three different areas—Hong Kong, Taiwan and the People's Republic of China—but they all stressed the strength of family connections. How would you evaluate that?

One of my students, who is now the dean of an economics faculty in Taiwan, said that if you go into the reception area of a Chinese store in the far east and the proprietor invites you into the room behind the store, you realise that you are in the network, which is an important breakthrough. Do you view that as a myth, or is there a canny opportunity there?

Giles Blackburn: I will make a comment on that and then pass over to Wendy Liu.

There is no doubt that family is an important element of private enterprise in China—I am talking mainly about the People's Republic of China, where most of the private enterprise that has been set up involves family-oriented businesses. There are, therefore, sectors that benefit from family connections, particularly in supply chains and so on. That is a double-edged sword, because somebody could favour a family member to produce something even though they are not best placed to produce it.

Family tends not to come into the interaction between foreign companies and China; business is conducted much more on the basis of price, quality and service, with an eye to creating win-win situations. Family is an important factor, but unless a foreign company is engaging with family businesses in the private sector in China it will not come into contact with that issue too much.

Wendy Liu: I agree. Family is an easy entry point if you know the person. We talk about the *guanxi* form of relationship. If companies here have some sort of relationship with friends in China, it will be easier for them to enter the Chinese market. However, there is a risk that people will rely on that sort of relationship too much. Eventually, companies should go for professional assistance or advice rather than rely on their relationships. On the other hand, when we are giving cultural training to companies that are already established in China and are dealing with Chinese companies, we tell them that they should be aware that the family is the most important value for Chinese people and that showing an interest in and getting to know people's families will help them to build a *guanxi* and a business relationship.

Christopher Harvie: Many of our high-value-added enterprises are foreign owned—Diageo is not at all Scottish these days. Does the foreign ownership of a Scottish enterprise have an effect on the responsiveness of companies to opportunities abroad? From our examination of the small businesses that we have been examining in the luxury goods area and the niche consumer goods area, I have a sense of how rapidly they can react to opportunities—notably, it goes back to the old shortbread and soup traffic and so on—whereas a big international company is more

concerned with its corporate interests than with a particular branch plant in Scotland that is seen simply as one of its product feeds.

Giles Blackburn: In China, the point of origin of a product is important with regard to their responsiveness to it. If a consumer product or an engineering product is manufactured in Britain, it will be viewed as British. The ownership of a company will not be too much of a problem. However, the extent to which that company can act on the interest from China is an issue that has to do with the overall strategy of the company and whether the investor is of the hands-on or the hands-off type. In the companies with which we come into contact, we have noticed that there has been quite a bit of autonomy in the way in which they deal with those opportunities.

10:15

Marilyn Livingstone (Kirkcaldy) (Lab): Scotland has an excellent reputation in education and training. Do you think that we are maximising the opportunities in that regard in China? What kind of relationship does the CBBC have with Scotland's universities and colleges?

Wendy Liu: Most of the activities of universities and colleges are focused on the first-tier cities and some of the second-tier cities. China is a vast market, and there are cities and regions that most of the universities and colleges have not explored.

Overall, my experience is that the education sector is active, especially when compared with other sectors. It is one of the most active sectors in terms of working with China.

Giles Blackburn: The early interest among institutions in Scotland and the UK was in student recruitment, which has generally been successful. Nowadays, the provision in China is improving. The question is, to what extent can institutions forge longer-term co-operative ties in the market and get revenue streams from that? Things are probably heading towards the development of new co-operative in-market relationships in China.

Marilyn Livingstone: Wendy Liu mentioned the untapped opportunities in China. How can education institutions find out where those opportunities are? What support exists to help them do that?

Wendy Liu: The British Council is the main organisation in that regard. It runs exhibitions in China—

Marilyn Livingstone: Yes, we took evidence from it.

Wendy Liu: As for exploring opportunities in the third-tier cities, the CBBC organises an annual education mission to China. The most recent one

went to Chongqing and Chengdu in the south-west of China, and focused on vocational education, which is a niche area in which Scotland is quite strong.

Giles Blackburn: To some extent, the CBBC has to rely on its own channels to get the message out to people that activities are taking place and that opportunities might exist in some of the off-the-beaten-track cities in China. We would welcome the opportunity to promote those opportunities more broadly through co-operation with the public sector.

Wendy Liu: Very few Scottish education organisations took part in the vocational education missions that I mentioned. We might need to promote that sort of initiative more widely in Scotland.

Marilyn Livingstone: What can this committee recommend the Government does to help get that message out?

Giles Blackburn: About the education sector?

Marilyn Livingstone: Or more generally, if you wish.

Giles Blackburn: More generally, it is about mapping where the expertise is on particular markets or things and ensuring that the companies are fully engaged. Whatever happens, the persuasion to get a company interested in a market and the interactions that can clinch the decision to make an exploratory visit need to take place here, on the ground, in Scotland. Ways in which organisations can help the public sector to reach its targets, get people into markets and deliver services are welcomed by organisations such as the CBBC, which is looking for opportunities for fuller engagement with companies in the early stages of their thinking about whether they should enter markets.

Although we are involved in promoting trade with China, we are open-minded about it. China is not for everybody—that is true. We can also be involved in helping a company to prioritise one market above another by giving it information on the basis of which it can make an informed decision. Generally, we would welcome greater engagement that comes not through individual referrals around the network, but through a more strategic approach to engaging with organisations such as ours.

Stuart McMillan (West of Scotland) (SNP): The impression that people have of Scotland is one aspect of trade. What is Scotland's image in China and what impression do people in China have of Scottish business?

Wendy Liu: Scotland's image in China is at the "Braveheart" level. Chinese people see Scotland as part of the UK. However, many people are still

confused about the concept of Scotland and England, so they refer to the whole of the UK as England. There may be a need for stronger promotion of the Scotland brand. That said, golf and whisky have helped a lot in promoting the Scotland brand, and the Scottish education system has quite a good reputation in China. Overall, there is an increasing awareness of Scotland.

As for Scottish businesses, people are more aware of Scottish products such as shortbread, whisky, golf and tourist destinations. Scotland's engineering, manufacturing and life sciences businesses are not that well known.

Stuart McMillan: The cultural differences between the two countries have been touched on. What specific things would the CBBC assist a Scottish company with if it wanted to export to China for the first time?

Giles Blackburn: Do you mean culturally?

Stuart McMillan: Yes.

Giles Blackburn: It obviously varies from case to case. When a company is trying to convey a particular brand of consumer good in China, there are all kinds of ways in which to translate a UK or Scottish name into Chinese characters. Part of our cultural training that relates to communication is in advising companies how they can best convey the attributes and advantages of a product into a name that resonates with the Chinese consumer or the Chinese buyer. That is an example on a branding level.

We can also provide basic pre-first-time-visit advice on how to conduct oneself in China, on how negotiations are likely to proceed in a formal sense and on what type of things to try to convey to the Chinese side to put oneself in a positive light. For example, we might highlight the fact that China has a gift-giving culture, that it is important to make the right impression and that people need to build relationships because things will not happen overnight and it might take several visits to market to make an impression. We can provide, I suppose, a mixture of general pre-visit advice and more specific branding and communications advice on how to get the best from the Chinese side. Those are the types of things that we might cover.

Stuart McMillan: Do you work in tandem with the likes of Scottish Enterprise, the SCDI and other bodies to help businesses deal with those cultural aspects, or do you just deal with that yourself?

Giles Blackburn: I know that, in co-operation with SDI, we have delivered master classes in Scotland about cultural issues.

Wendy Liu: We sometimes run workshops or round tables to raise cultural awareness of China and of general business practices in China, but we also work directly with companies to deliver cultural training. In London, companies can join one of our regular cultural training sessions, which are a chargeable service. We also deliver a tailor-made cultural training service to companies. For example, we recently provided one such session to an engineering company that intends to send a group of engineers to China for the purposes of technology transfer with their Chinese partners. That will be their first visit to China and it will be not to Beijing or Shanghai but to an inland city, where we have a presence. We were in a good position to provide that training to let them know about the local characteristics as well as business characteristics. We can provide training at different levels: for one person, for a group of people or for the whole company.

Stuart McMillan: What is the biggest challenge for any Scottish company that wants to enter the Chinese market for the first time? Obviously, that could be sector dependent.

Giles Blackburn: Surveys of UK companies, including Scottish companies, suggest that communication issues rate very highly as a business challenge, as do concerns about intellectual property. Bureaucracy is still an issue. I guess that one of the biggest challenges is the overall cost of market entry because of the amount of resource a company needs to commit to get the wheels rolling. For a small company, visits to market and attending to the detail of building up the relationship can be quite a big commitment, so a dedicated China person might be needed to manage that process at the beginning. When companies come to the CBBC, we always remind them that achieving market penetration will require quite a bit of commitment, which might take them off other activities.

Stuart McMillan: My final point relates to my first question and picks up on what Ms Liu said in an earlier answer. When asked about the impression of Scotland, she answered by saying that people in China do not understand the difference between Scotland and England and that they refer to the UK as England. During the time I spent studying in Europe, I found that that was common. From what you said, it is still the case in China. I agree that promoting Scotland, be it as an independent nation or as part of the current devolved situation in the UK, is a massive issue. There is an issue about promoting Scotland as a different area from the whole of the UK, which is often referred to as England.

10:30

The Convener: I think that that was a comment rather than a question.

Stuart McMillan: Yes.

The Convener: Could we try to avoid comments, please?

Ms Wendy Alexander (Paisley North) (Lab): I have two questions, both of which it might be easier for the witnesses to answer in supplementary written evidence.

Your submission notes the attractiveness of the Danish trade commission's export incubator scheme and you go on to state that the CBBC's launchpad scheme has some parallels with that. It might be helpful if you could write to us about the advantages of the Danish scheme. As other members suggested, we are trying to think about how Scottish Development International can best use its resources. Perhaps you could write to us about some of the ways in which you might like to see the launchpad scheme develop to resemble more closely the Danish scheme, were the public resources available for that.

Given the time constraints, I will ask about the other issue now. Again, it might be a matter for reflection, although we have touched on it already. There are more than 5,000 Chinese undergraduates and graduates studying in Scotland. The challenge is not simply the quality of their experience of Scotland as a warm, hospitable, interesting educational environment but how we use the opportunity of the presence of 5,000 Chinese students in Scotland to give them a wider exposure to the Scottish business community, to encourage them to stay for a period of time and, when they return home, to take with them a knowledge of the opportunities for trade links. There is a sense that the number has grown to 5,000 without sufficient cross-the-nation thinking about how that resource is supported and understood. Any thoughts on that, perhaps in writing, would be helpful to the committee.

Giles Blackburn: On your first point, I have independently looked at the performance of companies that have gone into our launchpad service, which started in about 1994. It actually started before the Danish trade commission scheme, which was no doubt started by the Danes independently, and which operates not just in China but in a variety of countries. I noticed that there was an interesting model out there that was doing what CBBC was doing, in other markets. I subsequently found an interesting academic paper that uses the Danish export incubator to make some findings and comments. I can forward that to you. It is a recent paper; it was published in 2008.

Ms Alexander: I am particularly interested in the matter because SDI has run incubators in the United States but I do not think that it has done so in other markets. When we see it next week, we will want to explore its experience of the US incubators over 10 years. Any further insight about the experience of the Danish model would be helpful in that wider context.

Giles Blackburn: I will send you what I have about it.

On your comment about students, we discussed branding earlier, and I think that branding a country in China is difficult because we are throwing a small pebble into a massive pond. I have seen organisations go into China and try to promote their country or region but without great success because the only people who are listening are the people who turn up; they go away again and the splash is finished.

You mentioned the 5,000 people who study in Scotland and then go back to China. There is obviously a huge opportunity to find advocates to tell other people and—

Ms Alexander: The figure of 5,000 is annual, so the turnover is extraordinary.

Giles Blackburn: Yes. It is a question of finding ways of making the best use of those students. If we do the maths that people often talk about—if we think about the extent to which the students tell their family members and other people—we see that they will make a bigger impression than if we were to go to the expense of having a promotion. I agree that they are a tremendous resource.

Ms Alexander: Will you perhaps give the issue a little reflection offline and think about how that work might be done in a Scottish context? I know that the British Council and others have thought about that but have not developed their thinking. One question is how to do it in a culturally sensitive way. You are the right people to think about what in an extended welcome and return programme might be of interest without being seen as an imposition on people. As I said, any insight you have into that would be very helpful.

Giles Blackburn: Certainly.

The Convener: I would like clarification of a comment in your submission. In answer to question 9, which Wendy Alexander mentioned in relation to the Danish scheme, you state:

“CBBC would welcome the opportunity of working with the public sector in Scotland to provide a package of like support for Scottish companies.”

Does that comment refer specifically to the Danish scheme or to the launchpad scheme that you operate?

Giles Blackburn: I was referring to the launchpad scheme. In my background reading about business incubation, I found that a high percentage of schemes are publicly funded, either wholly or in part. The CBBC has launchpad, but the opportunity that it provides is charged out to companies at a commercial rate because we have to hire the space in China to accommodate the people who work as launchpad managers. It struck me that there may be opportunities to select companies that it is felt have an opportunity in the market, and that the public sector could think about subsidising some of their presence using launchpad. That is where I was coming from.

The Convener: So you are looking at a body such as SDI providing direct support to a company that uses the launchpad scheme rather than a subsidy to the CBBC to support the scheme in general.

Giles Blackburn: That is correct.

The other thing about the launchpad scheme is that, because of shifts in exchange rates, the costs have gone up fairly significantly. Although it is an excellent scheme and has high success rates in terms of the number of companies still in the market after several years, the cost to a smaller company is sometimes seen as an entry barrier. It would be good to consider creative ways in which we can work with agencies to identify companies that could best benefit.

The Convener: Do you currently receive any support from UKTI for the launchpad premises? Do any businesses in other parts of the UK receive such support from public sector agencies?

Giles Blackburn: No.

The Convener: So it is entirely self-funding.

Giles Blackburn: The launchpad side of the CBBC's operations is entirely self-funding.

Christopher Harvie: May I ask one purely factual question?

The Convener: Briefly, please.

Christopher Harvie: I believe that there is no word for “British” in Japanese. Is that also the case in China?

Giles Blackburn: No. To follow what Wendy Liu said, the word for “Britain” is “yingguo”, and the word for “English” is “ying ge lan”. The overlap in people's understanding of Britain—tying in England automatically—probably comes from the first character of those words. Would you agree, Wendy?

Wendy Liu: Yes.

The Convener: I thank Wendy and Giles for giving us a helpful background to what is an

important potential market for Scotland. We will continue with the inquiry a little later, with representatives of the consular corps in Scotland.

10:39

Meeting suspended.

10:42

On resuming—

Subordinate Legislation

Census (Scotland) Order 2010 (Draft)

The Convener: Item 2 is a return to the draft Census (Scotland) Order 2010, which has been revised. I welcome back the minister and his team. Since they appeared before the committee in March, they have made changes to the draft order. I ask the minister to introduce briefly his supporting cast and to outline the changes.

The Minister for Enterprise, Energy and Tourism (Jim Mather): I am here with Peter Scrimgeour and Duncan Macniven, who are from the General Register Office for Scotland.

I welcome the chance to discuss again the draft order, which gives the go-ahead for the next census. We had a full discussion at the committee's meeting on 10 March, when we agreed that the process could be improved. In particular, it would be better if a lead committee were identified well in advance and could take a continuing interest in the development of the census proposals over several years. I would be happy to see such a recommendation from the committee.

In a wider context, we had an excellent and thorough discussion on 10 March. Several important points were made about the census-taking process and about the question set. I concluded that it would be best to withdraw the draft order, to continue the process of trying to achieve a consensual outcome. The draft order that we are discussing is the result of that process.

The draft order contains several changes from the version that we discussed on 10 March. I described the changes in detail in my letter of 18 March to the convener, but I will summarise them now. The most important point is that the revised draft omits the household income question. It was clear to me that, despite the question's usefulness, it could not command members' support, because of its perceived intrusiveness. The pros and cons have been well aired and we have left scope for our successors to debate the matter further in due course.

In response to the important points that Wendy Alexander made, we changed the health conditions question to make perfectly clear how the categories apply to people with autism or Asperger's syndrome.

Although it does not actually involve any changes to the draft order before the committee, we can commit to changing the census form to

take on board the convener's point about central heating powered by renewables by adding a write-in box.

10:45

I also carefully reconsidered, at Marilyn Livingstone's behest, the way in which the ethnic group question treats Arabs and, at the convener's behest, the language questions. Although I understand the points that have been made, I have been forced to conclude that we should not change those questions, and my letter of 18 March and the attached schedule explain the reasons why.

I hope that, in the changes to the draft order that I made following our discussion on 10 March and the changes that I made originally, we have been shown to be properly responsive to members' views on this important subject. Indeed, I believe that our collaboration has improved a questionnaire that was based on the registrar general's careful consultation and research.

That said, I also believe that there is a limit to the further value that we can realistically add, and delaying beyond this point will, in fact, result in real penalties. The registrar general is contractually required to provide a final questionnaire to the printers in the middle of May, and missing that deadline would increase the census's cost and might well result in the window of opportunity to hold the census on 27 March 2011 being lost.

I hope, therefore, that the committee agrees to recommend that Parliament approve the draft order.

The Convener: I am slightly surprised to hear that the questionnaire has to be at the printers by the end of May, given that the census is still some months off. However, I will let that lie.

I am very pleased that my point about central heating powered by renewables has been taken on board, but I remain unconvinced that the purpose of the language questions has been satisfactorily explained and that anything valid will come out of them. However, beyond making those comments, I do not intend to push the point any further.

Lewis Macdonald: I welcome the minister's general approach to the process and in particular his decision to withdraw the household income question. He is right that the general view did not favour such an approach. However, the committee will broadly share his ambition to obtain more helpful information about wealth and poverty. Perhaps before the next process gets under way there will be an opportunity to discuss the matter further.

I have a technical question that might have wider implications. With regard to the motion that we are to debate, which is to recommend that the Parliament approve the italicised areas in the draft order, will our approval of those areas mean that they will be moved into a different category in 10 years' time? In other words, do the areas that will be added for the first time to the 2011 census through the draft order's approval become the status quo and therefore no longer liable to amendment under affirmative procedure in 10 years' time?

Jim Mather: I will let Duncan Macniven answer that question, because I think that you and I both will learn something from his response.

Duncan Macniven (General Register Office for Scotland): The answer is that they will have no special status in the next census. The purpose of the italicisation and the affirmative resolution procedure that the italicisation attracts is to mark not those questions that are new but those questions that are not strictly about demographics—in other words, the size and nature of the population—but relate more to socioeconomic information about the population. That distinction is made in the Census Act 1920, which we still use to guide our drafting of such orders.

Obviously, when we come to the next census—assuming, of course, that we have one—we will look very carefully at what happened in 2011 and will learn from that process, the way in which questions were answered and the questions' continued relevance to society 10 years on. I repeat, though, that Parliament's approval of the italicised bits gives them no special significance.

Lewis Macdonald: Some of the questions about ethnic and national identity that we debated and amended at the previous stage will be subject to the same process the next time around, regardless of whether they are in the first or second draft of changes made at this stage.

Duncan Macniven: That is correct. With my Scottish Government colleague Rob Wishart, we will consider whether that amended question set should be used for the census, and also for other Government and societal surveys between now and the census.

Ms Alexander: I thank the minister and the registrar general for their listening ear, albeit that the issue arose at the 11th hour. Given the process that has been imposed on us, we have ended up with a real step forward in relation to the autism issue. The minister is aware that there are different views, although we have made progress. However, one of the reasons why the issue loomed so large was because there is an outstanding commitment dating back to 2001 to

sample accurately those in the population who are affected by the disorder. In the interests of joined-up government, which I know is close to the minister's heart, I hope that he will convey to his health colleagues that, notwithstanding the progress that has been made, development disorder is wider than autism and there is a need for measurement in that area. He should also advise them to pursue the 2001 commitment in parallel with the important progress that will be made in the 2011 census.

Jim Mather: I guarantee that that will happen. We are also keen to make sure that, when we finish the process, we will have a package that successor committees and members of Parliament will be able to take on to continue the process that we have evolved.

Marilyn Livingstone: I was pleased to hear you say in your introduction that you will recommend that the whole process be looked at next time. Some of the issues about ethnic groupings that I raised could have been taken care of in such an approach, and raising them at the 11th hour was not the best way of dealing with them. I take on board the points that you made and am pleased that you have spoken to the organisations and tried to reach the best accommodation possible. However, as I say, the issues could have been dealt with better if the process had been widened.

Jim Mather: This has been a learning exercise. The Arbitration (Scotland) Act 2009 was about getting people in the room and getting the debate going to accelerate a process. We could do more of that with the next census.

Stuart McMillan: I have a point of clarification about the process. Given what has been said this morning and what was said at the previous meeting, am I right in thinking that every time a census has been taken, even before the Scottish Parliament was re-established, the process has been different?

Jim Mather: Given the relatively recent re-establishment of the Scottish Parliament, that might well be true. I will ask Duncan Macniven to answer that because I am sure he has more depth of knowledge about it than I have.

Duncan Macniven: I do not know that my memory goes back to 1801, or 1861, when the office of the registrar general for Scotland took over the running of the census. However, I suspect that what Mr McMillan says is correct. Ten years is a long time in the life of any elected legislature, and the details of the way in which things are handled change from time to time. As the minister said, there was obviously a big change between the 1991 census and the 2001 census, and changes have occurred between 2001 and now. We see clearly how the process

could be improved for next time, and I will ensure that that is written up and remembered for the future.

Stuart McMillan: Did the Westminster Parliament go through the same process between the 1991 census and the 2001 census? Was the matter referred to a particular committee for examination towards the end of the process, before the Parliament signed off the order?

Jim Mather: I will let Duncan Macniven answer that question. Again, I will learn in the process.

Duncan Macniven: I do not know that the minister will learn much, as I am not absolutely sure of the answer. I would not like the committee to take my view as authoritative, but I understand that such matters are considered in committee and, as necessary, in plenary, because of the affirmative component of the order, to which Mr Macdonald alluded.

Stuart McMillan: My next question relates to individual question 13 of the census, on religion and religious denomination. I did not raise the issue during the 10 March meeting, when we took evidence from you, but it struck me when I looked at the paperwork again over the weekend. If someone attends a church but is not a member of that body—I am thinking of the Church of Scotland, in particular—will they have difficulty answering the question?

Jim Mather: It is a highly subjective and personal matter that is down to the individual concerned. You are evoking in my head the vision of Dave Allen, who famously said, "May your god go with you." I leave the matter open.

Duncan Macniven: The minister is correct. In the question, we are aiming not to establish membership—whether someone is a card-carrying member—but affiliation, as discrimination on the ground of religion is not restricted to people who are card-carrying members. The general public—those who may discriminate against people—are not aware of whether people are members of a body. We are satisfied that in 2001, when we asked the same question, affiliation was established fine. The question caused no significant grief that came to our attention for those who answered it.

Stuart McMillan: I have a final question about individual question 13. At the end there is a box for "Another religion or body, please write in".

Committee members have received correspondence from representatives of paganism. One of my friends is a pagan. I spoke to him about the issue, and he was happy with the wording of the draft census, despite the representations that we have received. What

correspondence or discussions have you had with representatives of paganism?

Jim Mather: Probably the same correspondence and discussions that members have had. We have received representations from a wide spectrum of people and have drawn on many different sources to reach what we believe is a balanced decision that meets the needs of the widest possible group and gives the pagans an opportunity to designate their affiliation.

The Convener: As there are no further questions, we move to formal consideration of the motion in the minister's name.

Motion moved,

That the Economy, Energy and Tourism Committee recommends to the Parliament that the Census (Scotland) Order 2010 to the extent that it relates to the following particulars in Schedule 2—

(a) item 1;

(b) in item 2, the words "and, as the case may be, where there are 5 or fewer persons in the household, the relationship of each of the previous persons mentioned in the return and where there are 6 or more persons in the household, the relationship of the sixth and subsequent persons to the two previously mentioned persons in the return";

(c) item 7;

(d) in item 8, the words "and, if not born in the United Kingdom, month and year of most recent arrival to live in the United Kingdom";

(e) items 9,10,12,14,17,18,19,20;

(f) in item 21, the words "on a Government sponsored training scheme;"

(g) items 22,27,28,30,31,33,34;

and items 1,2,3 and 4 of Schedule 3 to the Order, be approved.—[*Jim Mather.*]

The Convener: No member has indicated that they wish to make changes to the italicised parts of the draft order.

Motion agreed to.

The Convener: I thank the minister and his officials for their attendance.

I ask members to remit to the clerks and me the task of producing the committee's factual report on the matter. Do members agree that it should include some recommendations about future process? I suggest that we ask that the Government advise the Parliament at an early stage when preparation of the 2021 census is under way, so that the Parliament can refer the matter to a lead committee. I also suggest that we include the equivalent of a stage 1 process, which would involve an early draft being placed before the Parliament so that the lead committee could take proper evidence from interested bodies, and that the matter be referred to the Standards,

Procedures and Public Appointments Committee for formal consideration.

Members indicated agreement.

The Convener: That concludes this item of business. I suspend the meeting for a few moments to allow the witnesses for our next item to be brought in.

11:01

Meeting suspended.

11:04

On resuming—

International Trade Inquiry

The Convener: We return to our inquiry into public sector support for exporters, international trade and the attraction of inward investment. I am pleased to welcome a panel of witnesses representing the consular corps in Scotland. Welcome to the meeting. We will have a round-table discussion, to give everyone the opportunity to contribute as they think appropriate. I invite each of the witnesses to introduce themselves and to make some opening remarks.

Kenneth H Stewart (Consulate of Mongolia): Thank you, convener. I am the consular attaché for Mongolia.

I have submitted a letter to the committee, which I am sure members will have read. I would like to make a few brief points that will give members some background information about where we are coming from.

Our concern has been to try to have more trade missions from Scotland, especially Scots-sourced trade missions, as opposed to Scotland tagging on to London-based UKTI trade missions. We have received a letter of support on that from Dr Rabinder Buttar, who was Scottish businesswoman of the year and regularly goes on trade missions. She pointed out to me how successful the Scots are on trade missions and that she did not see why the Scottish Parliament or the Scottish Executive could not have more say on having more Scots-sourced trade missions.

My main concern is Mongolia, of course. We have seen opportunities there that the Scottish Government and the Scottish Executive have missed. The population of Mongolia was around 4 million, but after the break-up of the Soviet Union its population dropped by 1.2 million within two years as the technocrats from Russia returned home. That meant that there was a great lack of expertise and professionalism in Mongolia. A gap was created, and opportunities were created for those with the presence of mind to take advantage of them.

Mongolia is backed by the World Bank and the International Monetary Fund, which are considering large projects that can bring benefits to it. Funding is available for the right initiatives. The country has perhaps the richest untapped sources of minerals in the world. It has everything from copper and gold to coal and oil, and also timber and forestry, so there is vast potential in what are frontier times for Mongolia. Over the next few years, opportunities will be offered to

contractors and enterprising nations to take advantage of that.

Through the embassy in London, we received a letter that highlighted Dornogobi province, which has all the minerals to which I have referred. People there were looking to tie up with Scottish companies to see whether they would work on joint ventures. Their unsophisticated way of doing things included a suggestion of a twinning arrangement, although the kind of twinning that we around this table would accept was not meant; rather, they were looking for a consensus of minds where there were joint venture opportunities.

The consulate in Scotland was invited to approach Scottish companies and give them the opportunity to get on board at the start—not in a tender situation, but in an appointment situation—to consider the range of opportunities and see whether they would be interested in them. We wrote to the Minister for Enterprise, Energy and Tourism to offer that, and received a letter back from him. I will sum up the reply. He said that the second function of Scottish Development International is

“to help Scottish companies do more business overseas”,

but that

“The SDI office in China has no explicit remit to cover Mongolia ... Mongolia’s economic situation and industrial structure might only provide limited opportunities for Scottish companies in the immediate future. Therefore, we are doubtful that a twin link between a Scottish region and Dornogobi is worth pursuing.”

We did not ask for such a twin link; we just asked for an opportunity to give background information and find areas of mutual opportunity.

We wrote back, stating:

“we are disappointed that our point of contact appears to be based in China.”

At the end of the letter, there was a Chinese telephone number, which, as far as we were concerned, was as much good as a chocolate fireguard. We decided to go on our own and approach the university-linked companies and other enterprising companies in Scotland. We wrote:

“The object of the exercise was to meet up, explore common ground and opportunities for Scottish companies and then to form a tight strategic alliance to deliver business for Scotland ... Sadly, it appears however, that despite UKTI enthusiasm for such an initiative, there does not appear to be the same level of understanding within the Scottish Parliament and its officials. Consequently, we will pursue this opportunity ourselves through the Scottish Universities and their spin-off companies, concentrating on education, solar, geothermal and targeted mining opportunities. In so doing, we will create the required platform of interest and advancement, without Scottish governmental inclusion.”

That was disappointing for us. However, we made those approaches and, I am delighted to say, the response from the university-linked companies and from industry in general was tremendous.

Following the demise of the Soviet Union, America started to invest heavily in Mongolia and English became the second language in the country. Mongolia is strategically placed between Russia and China, and the USA obviously had geopolitical aspirations in that area. The important thing was that the USA started to throw money at Mongolia, as did the World Bank and the IMF. They saw the opportunity in Mongolia, but we obviously had problems. We recognised a lack of political overview or direction from SDI, and we were confused. SDI seems to be an amorphous organisation—we do not know to whom it is responsible, who its chief executive is or what its remit is.

We were further confused about SDI's role. I sit on the cross-party group on Palestine, among whose members there is a unanimous feeling that Scotland should be careful in initiating business with Israel and Palestine during the delicate and sensitive United Nations negotiations that are going on around potential war crimes and all sorts of acts. Notwithstanding that, SDI ran a trade mission to Israel, which created a great PR opportunity for Israel. We were concerned about SDI's remit.

SDI responded to us, saying that the Scottish Government and SDI are interested in engaging in dialogue with any two nations that can lead to solutions, but that was too open-ended for us. There must be excepted nations that Scotland should be careful about doing business with. Are there no sensitive global hot spots when dealing with potential rogue nations? Dealing with them does give them credence. Trade networking and Scottish Government-backed recognition at this time are a political PR coup for Israel. Does Scotland not recognise and support the UN resolutions and the overwhelming global support for bringing Israel into international alignment? Are there no political checks and balances, and is no advice on such matters given to non-governmental organisations such as SDI?

The Convener: Thank you, Mr Stewart. Do you want to add anything, Mr Murray?

11:15

Robyn M Murray (Consulate of Mongolia): I am the honorary consul general for Mongolia in Scotland. I echo what my colleague has said and bring to the table a couple of examples regarding Scottish Enterprise.

The first example concerns a friend of mine who is well-experienced in cashmere and well-

respected throughout the world—as Cameron Buchanan, who is also in the garment trade, will no doubt testify. In trying to set up a business in Scotland, my friend created his business plan as usual and, being based in Langholm, he took it to the people in Dumfries and Galloway, where I gather that moneys are still available following the foot-and-mouth outbreak. The people in Dumfries and Galloway said that it was the best business plan they had ever seen. However, when he went to the people in Galashiels, his business plan was ripped apart, because it was either not good enough or too good. The matter then went to Glasgow. The reply that he received was that Scottish Enterprise could not get involved in the business plan because the business could run out of funds before sales were made and

“the business has an extremely high degree of dependence on sales”.

That seems somewhat ironic to me.

As the chap was looking for only 15 per cent of the necessary capital, he decided that enough was enough. He went out to Mongolia and inner Mongolia, which is part of China, and he has now set up the warehouse distribution, the sales and marketing and the research and development for his cashmere business outwith Scotland. Therefore, Scotland and Langholm—a place that needs jobs—has lost at least 30 jobs. Knowing the entrepreneurial leadership of this chap, I consider that the company would have gone from strength to strength here. I am sure that Cameron Buchanan would concur with that. The warehousing is now based in England and the rest of the work is being carried out in Mongolia. It seems a great shame that Scotland has missed out. One reason for that is that Scottish Enterprise did not come up with the goods. To use the excuse that

“the business has an extremely high degree of dependence on sales”

shows a rather remarkable level of naivety.

After that, we proceeded to send a freedom of information request to the First Minister's office to ask for a breakdown of Scottish Enterprise's budget. We wanted to know how much of its budget was spent on salaries, consultants, its own assets and incurred expenses. We also asked how much was given in cash grants and loans to business as a discrete sum and as a percentage of Scottish Enterprise's budget and so on. We were told that the Scottish Government did not have those figures and that we should inquire directly with Scottish Enterprise. When we did that, we were told that such figures were not available. If someone could tell us how we can get hold of those figures, we would be extremely grateful. We feel that Scottish Enterprise is letting Scottish

businesses down and is giving Scottish enterprise a very bad name.

I also want to take up Kenneth Stewart's point about the universities. We have been in discussions recently with the universities in Mongolia, where people are desperately keen to westernise their outlook on life, both commercially and socially. Having lived under the yoke of foreign invaders for the past so many hundred years, they seek a method of getting to grips with things, especially given all the mining and commercial activity that will happen there. The Open University is now actively engaging with the university in Ulan Bator to help to bring 20,000 students up to western standards. That project involves in excess of £15 million and is being done through Drumsheugh Gardens in Edinburgh. Again, that is another example of Scotland helping not only itself but foreign countries.

I just feel very frustrated that Scottish Enterprise is not punching its weight. As such, I feel that there should be a better form of leadership, as well as some sort of continuity as to who is who, so that we can move things forward.

Cameron Buchanan (Consulate of Iceland): I understand that you want a short introductory statement from us before we move to questions. Is that right?

The Convener: Yes.

Cameron Buchanan: I am the honorary consul of Iceland, but I am also a businessman involved in the textile trade who travels all over the world on business.

I have two points to make. My principal interest is in trade missions and their lack of co-ordination, as Ken Stewart mentioned. Do you want me to carry on speaking about that just now?

The Convener: Yes, carry on.

Cameron Buchanan: As the committee knows, Iceland was in the arc of prosperity but is now in the arc of insolvency, so it is necessary for it to have trade missions. Icelanders are very keen on trade missions, because that is the right way to go about restoring their balance sheet and their credibility. Iceland is very close to Scotland geographically, ethnically and in how its people think, and it is keen to receive trade missions. It has been in the papers that I have tried, without great success, to get a trade mission to Iceland. The Icelanders' only requirement is that any such mission must be fairly high powered. In other words, they would like a minister or a senior official to be in charge of it.

I have led trade missions to Japan, Korea and Sweden on behalf of what was the Board of Trade, but which is now UKTI. Those missions always had on them an official or a minister from the

Government—it might have been a low-ranking person in the Board of Trade. The problem with the trade missions that are being launched in Scotland is that there seems to be a lack of co-ordination. Iceland is extremely keen—I will not say that it has insisted—that a trade mission be led by someone such as the First Minister, because that would make it high powered and would ensure, in a small country such as Iceland, that it got huge press, television and radio coverage. That would not happen if it were led just by the consul or another business person. Trade missions are important to Iceland.

A more general point is that, as a businessman, I find the number of organisations that are involved in promoting international trade muddling. There are too many organisations in Scotland that are trying to do the same thing, and they do not appear to be co-ordinated. Six months after hearing of an SCDI mission to X, we hear that SDI or the UK branch, UKTI, is to run the same mission to the same place. The chart in the committee's papers lists Scottish Development International, VisitScotland, Scottish Government initiatives, Scottish Chambers International and the Scottish Council for Development and Industry. I submit that there are too many international trade organisations. I think that SCDI and SDI should be put together. People do not understand the present set-up. Scotland is a small country that can be compared to Austria or Iceland, for example. Austria, which I know well, has two organisations for external missions. Iceland, which has a smaller population of 300,000, has one. It is a trade organisation that is co-ordinated to promote trade bilaterally.

When we have trade missions, they should be publicised and should have some momentum. We should not have too many of them, nor should they be too multisectoral. As someone who has led trade missions, part of the commentary that I have received is that they need to be a bit more specific. They should not be too wide or too generalised. We do not want to have just three people from three companies in three different sectors—widgets, textiles, which is my area, and jewellery, say—on the same mission. There should be four or five textile companies, four or five jewellery companies or four or five widget companies. We need a more concentrated approach. It is difficult to get people to visit a trade mission—or to hold it, unless it is a scatter mission—if there is no concentration. Very often, trade missions are too multisectoral. SDI might say that a mission was extremely successful because there were 19 companies on it, but those 19 companies might have been promoting 15 different items, whether in the hotel business or whatever. From my experience of leading trade

missions, I have found that that approach is not terribly successful.

Reto Renggli (Consulate General of Switzerland): Good morning. I am the Swiss consul general here in Edinburgh. I will be brief. Trade relations between Switzerland and Scotland are rather good, but unfortunately not many statistics are available. The only ones that I know about are the export statistics from 2007, in which Switzerland is ranked at number 9, which is rather good.

From the consulate general's point of view, co-operation with Scottish institutions on trade promotion has been excellent. Relations have operated at a project level. We have implemented projects in the financial industry, which have involved Scottish Financial Enterprise, its Swiss counterpart and SDI. SDI does not have its own office in Switzerland; it is based in Düsseldorf. However, it seems to me that all its employees have an active interest in Switzerland. If we have questions for our colleagues in Düsseldorf or in Glasgow, they are very open minded and give us all the support that we need. From our perspective, co-operation has been excellent. We have been able to implement projects, with excellent results, and we have received very good feedback. In my view, we have nothing to complain about.

Péter Horváth (Embassy of the Republic of Hungary): I am the economic investment and trade commissioner for Hungary. I have just arrived from London—I thank you for your invitation. I have written a letter to the committee that I hope will be of help to you.

When we talk about two medium-sized countries like Scotland and Hungary, we have to put a couple of things in focus. Obviously, multinational companies generate most of our exports and imports, so if we want to help our companies to generate more exports or imports through foreign trade, we must focus on small and medium-sized enterprises.

Scotland and Hungary are partners on the one hand and competitors on the other. We would like to generate more trade and consider how we can generate exports. We can do that by leading trade missions and opening offices in each other's countries. We have a consul general here in Scotland; we do not have our own office, but we have a part-time consul working for us. Because of his good work and our efforts, we are able to lead many missions to each other's countries. We arrange trade opportunities and seminars in Scotland, and exhibitions are also a part of the job.

It is difficult to convince companies to focus on small or medium-sized countries, because companies—especially SMEs—often want to

focus on big markets where demand is enormous. It is difficult to convince companies on our side, and perhaps on your side too, to visit each other's countries.

My colleague Reto Renggli mentioned trade statistics. I wanted to check out the statistics for trade between Scotland and Hungary, but they are not easy to find. We use UKTI to get statistics, but the data do not represent reality, because most of the trade that is conducted between our two countries is carried out by intermediaries.

I will point out one more thing about representation in each country. SDI in Budapest works through UKTI, which focuses on income. In practical terms, when a Scottish delegation visits Hungary, it asks the local Budapest UKTI office for help with providing water, arranging meetings, office-based communications and so on.

My agency, the Hungarian Investment and Trade Development Agency, or ITD, has a limited budget, but if we help our companies we generate trade; from that trade we increase our gross domestic product; from that higher GDP we increase tax revenue; and from that higher tax revenue we might end up with a better budget. We ask for money for certain services, but not basic services. That might be something to look into.

11:30

Wolfgang Mössinger (Consulate General of the Federal Republic of Germany): Good morning. I am the German consul general. I will reiterate the main ideas of my short written submission.

First, I expressed my appreciation for the work of the SDI office in Düsseldorf. I have personally witnessed one event in the Borders, at which somebody from SDI in Düsseldorf gave an excellent presentation about business opportunities in Germany. He actually spoke German, which is unusual in this country, and he helped companies to get over the initial hesitation to go to Germany. We often hear from company representatives who say, "But I can't talk to them," or, "I'm not very familiar with the country."

In general, we do not have problems that need to be solved. German companies in Scotland enjoy absolutely equal status with home-grown companies and vice versa. One problem, however, is that most of the German companies that are active in Scotland are headquartered in England, in and around London, which means that the main decisions are not made here. That leads to the fact that the German-British Chamber of Industry & Commerce does not have many genuinely Scottish members. Lots of companies trade or are active in Scotland, but the German-British chamber in London, with its 800 or so

member firms, does not include many member companies that are based and headquartered in Scotland. Unfortunately, that chamber is therefore not professionally represented in Scotland, so there is a kind of imbalance in the relationship between Scotland and Germany when it comes to supporting companies. We are grateful that SDI is much more active than the German-British Chamber of Industry & Commerce in that respect.

SDI covers a big area, including Switzerland and many other countries—everything east of the Rhine, as has been said. We have a bit of territory west of the Rhine, which it covers, too. However, SDI basically covers Germany and everywhere as far east as the border with Ukraine. That is a huge area to cover—it is a big task for SDI to fulfil, considering the number of people that it has.

That is a summary of what I wrote to the committee, and I will leave it at that. I am happy to answer any questions.

The Convener: Thank you all for those opening remarks, which highlight some contrasting views on the relationship between the public sector agencies in Scotland and your consulates and Governments. I have a general related question. Do you think that Scotland does enough to identify opportunities for direct investment by Scottish companies in the countries that you represent and to identify opportunities for trade with and export to your countries? Does Scotland do enough to identify opportunities for companies from your countries to invest directly in Scotland? Can and should Scotland do more?

Wolfgang Mössinger: I suppose that the question is addressed to all of us.

The Convener: To anyone who wishes to answer it.

Wolfgang Mössinger: I will start this time. Of course you can always do more. It depends on the input that you are prepared to make in, for example, an office in Düsseldorf. The more people you have there, the more opportunities would arise, because those people would travel around, visit companies, answer questions and do research on the internet and in various publications to find opportunities. If you have a small office in Düsseldorf and you cover a big area, the main things that you can do are react to requests and be proactive in spreading information. You cannot expect a few people who cover a dozen countries and huge territory to see everything.

We Germans still have a lot to do to discover more opportunities for German companies in Scotland. The problem is that most companies look at the United Kingdom as a whole and then start conquering the market, as it were, from the main population centre—London. Of course, there

are considerable exceptions to that rule, such as the companies that are active in all kinds of green energy production, which see the potential in Scotland. We have a few companies here in Scotland that are active in marine technology, wind energy technology and so on and which trade here. Those companies have discovered that potential on their own; they do not need anybody to guide them or tell them that there is wind in Scotland and water around Scotland that could be explored.

Within the EU and the common legal framework that it represents, the typical trade mission and the typical economic attaché's job in embassies is not required. We do not need to open any doors to anybody from a legal perspective, advise on legal issues or explain what the market is like. Within the EU, that is absolutely not necessary any more—at least in my experience. For our companies, the language problem does not arise. However, it does arise the other way round. At several meetings and in face-to-face conversations, I have noticed that there is a reluctance to explore markets in countries whose language you do not speak. I have noticed that smaller companies might say, "It might be good to go to that trade fair, but I couldn't talk to anybody." I always say that Germans usually speak English quite well and ask why they do not find somebody who can speak German well enough to represent them at those fairs. That obstacle needs to be overcome. However, there are a few good examples: at the meeting in the Borders there were a few companies that are already active in the German market, which told their peers that their fears were not really justified.

The Convener: Does anyone else wish to comment?

Péter Horváth: The office of the Hungarian trade commission is in London, but we have to differentiate between countries. That is why we employ a consultant here in Scotland. We think that it is important to have direct connections. I will set out what we have done during the past four years as far as visits, trade delegations and events go—from Hungary to Scotland. We had two ministerial visits with one state secretary from Hungary. We had three major trade opportunities events—in Stirling, Edinburgh and Glasgow—which were supported by local chambers of commerce, the SCDI and SDI.

Through our consultant, Eurotactics, we organised three missions from Scotland to Hungary. One of those was supported to an extent by the SCDI, but the rest were arranged by us, from Scotland. In Hungary, we arranged matters not through the UK Trade and Investment office but through the Hungarian Investment and Trade Development Agency.

My ambassador and I arrange for companies to visit Scotland at least two or three times a year. The Hungarian Investment and Trade Development Agency's chief executive officer and his deputy have also visited Scotland three times.

That is what we have done during the past three or four years, and I hope that the SCDI will match it soon.

Reto Renggli: I agree with Wolfgang Mössinger that the answer to the question what more could be done depends on the resources that are available. Switzerland is an open and internationalised market—every second Swiss frank is earned abroad—so even our small and medium-sized enterprises know the foreign markets. With regard to the UK, that knowledge and engagement is concentrated on the south of England, London and the greater London area. However, it is important to concentrate on certain sectors. I was pleased by an initiative that was taken by a global Scot who lives in Switzerland—one of the board members of the British-Swiss chamber of commerce—to introduce Scotlink in order to bring Swiss companies into closer contact with Scottish companies, particularly those in the financial and energy sectors. The contacts are already in place, but it is always possible to focus on certain areas and bring in a specialised delegation.

Taking into account the resources that are available to the SCDI and other organisations, I have been very impressed by their work and their availability.

Cameron Buchanan: I think that we probably do enough, in one way. However, the issue goes back to my basic point about co-ordination: we have to co-ordinate our inward and outward trade missions to a greater extent. As I said earlier, the SCDI and chambers of commerce do not co-ordinate their work well enough.

Wolfgang Mössinger's point about language was important. I have heard people say, for example, "I can't go to a trade fair in Mongolia because I can't speak the language," but you can always get an interpreter. I have found that the SCDI is extremely good at finding interpreters for you when you go on a trade mission—you pay for them, of course, which is fine.

We need to co-ordinate these events a bit better and not make them too multi-sector; we need to narrow them down. A recent tweed industry trade mission that I was involved in concentrated only on that particular sector, and people who came to that mission knew that they were going to hear about tweed—there was Harris tweed, a bit of Shetland tweed and so on—and that their dealings that day would be focused on one sector.

I am not suggesting that everything should be focused on one sector; I am simply saying that if the trade mission is about tweed there should not be someone there selling widgets or jewellery.

Scotland has too many organisations trying to do the same thing. That effort needs to be better co-ordinated.

Robyn Murray: I agree with Cameron Buchanan, but I think that there must also be co-ordination at a UK level. Trade missions to Mongolia, Inner Mongolia and various parts of China have been London-based, and Scotland has been excluded from them. If a Scottish co-ordinator were involved in the co-ordination that is being done around such visits, that would be helpful.

With regard to niche missions, we have whisky going one way, cashmere coming the other way and mining requirements going one way. We also have tourism and energy, which is going to be a rising star as far as Scottish export is concerned. We must concentrate on co-ordinating our efforts to ensure that the right hand knows what the left hand is doing. For example—I am not being political here—I fail to understand why, last year, two trade missions went to China within a month of each other. Perhaps someone can explain why that happened, but I find it difficult to comprehend.

11:45

Kenneth Stewart: I will briefly add to Robyn Murray's remarks, convener, so that you understand. The Open University opportunity for Scotland, which SDI did not rate or did not consider, would have meant 20,000 students per annum. It was a dripping roast and had great potential; we felt that it was an opportunity missed by SDI.

We are a wee bit confused about how SDI operates: who is in charge, how economically and commercially aware its personnel are, and who briefs the staff. There is a tremendous role for an effective SDI that is properly run and managed. It would be a very good conduit for going forward.

The Convener: I just want to stress that not all witnesses have to answer every question if they do not have anything particular to add, but feel free to do so if you do.

Rob Gibson: I would like to start off with the point that a country of 5 million people with a Government that is attempting to promote business abroad finds itself with exports to Asia amounting to about 9 per cent of its total exports at present. Mr Murray has talked about how Mongolia is a small part of that. What size ought SDI to be, given that you have heard from countries such as Germany and Switzerland that

chambers of commerce and so on are very important for making contacts? The answer to that question is not clear yet; we have to solve how SDI as the Government body, and the business organisations themselves, make direct links.

Robyn Murray: I find it somewhat strange that, when we try to get information from the SDI, we are given a telephone number in Shanghai. In my opinion there should be someone in the organisation here who we can talk to directly who can point us in the correct direction and we should not have to make a phone call to Shanghai, which is extremely difficult to co-ordinate with the time difference.

Rob Gibson: I think that you have made that point. Others in Europe have said that the whole of Europe east of Germany is dealt with from Düsseldorf. Of course, there is not so much of a time difference problem there. This is a small country and SDI is in strategic places. Would the person in Shanghai not have an answer for you?

Robyn Murray: We tried to get hold of the person in Shanghai and failed.

Rob Gibson: So you are saying that the organisation has failed you.

Robyn Murray: Indeed. It is a bit like Scottish Enterprise. I have a quotation here about Scottish Enterprise, which talks about

"the irrationality of the ... decision making process and the effects of cronyism in the ... system and finally, the concentration of 'process' over 'Outcome'".

That is the difficulty. Everyone wants to process things but they are not prepared to see them through to the final outcome.

Rob Gibson: Do you have an author for that anonymous quotation?

Robyn Murray: They would not be anonymous if I had the author.

Rob Gibson: Indeed, but the quotation's authenticity is important if we are to get to the bottom of the issue. That is why I am seriously asking the question. On the one hand we have a Government agency that is trying to promote business abroad; on the other we have businesses in the chamber of commerce, although presumably there are not chambers of commerce in Mongolia.

Robyn Murray: There are.

Rob Gibson: In that case, has that route been used successfully?

Robyn Murray: Yes. I have been in touch with the chambers of commerce in Ulan Bator on many occasions and they have tried their best, but I ask you to bear it in mind that the country is still quite immature and, as such, it needs a lot of hand-

holding. Western culture and methods of trading need to be explained. I am not talking about horse trading or anything like that, but about proper commercial trading on which we need to try and influence them.

The situation is the same in parts of China. It is not necessarily the case in the main centres of business and commerce but, as soon as we go outwith them, the same—shall we say—herdsman attitude can apply. We need to try to control that.

The universities in Ulan Bator are becoming more mature and better recognised and are taking on western thoughts and processes. That is why—as has been said—the Open University is spending much time and energy on ensuring that distance learning facilitates better trade between the two countries.

I would rather not discuss the authorship of the quotation now, but I am prepared to talk to you about it later. I have been informed that the Scottish Enterprise situation is covered by a caveat that precludes publication, so I cannot say too much about it.

Péter Horváth: We are talking about foreign representation and foreign offices of investment and trade development agencies. Opening an office is expensive. I understand that having an office in Düsseldorf or Shanghai costs a lot, but employing a part-time consultant does not cost a lot and makes a considerable difference. Opening an office requires—I do not know—about £100,000 annually. That depends on whether a secretary, a car and a flat are needed and on the cost of insurance, for example. A part-time consultant costs peanuts and makes a difference because they mean that the country is represented and that someone takes care of the business. If someone is present, that generates interest—the gentleman will go to exhibitions. As is obvious, I cannot come from London to the BioDundee and all-energy conferences or all exhibitions, but when important exhibitions take place at which it is worth while to be represented, I ask Ian Traill to check them out and to make business contacts. That helps.

Many of my colleagues have talked about the language barrier. We cannot have a language barrier between Scotland and Hungary because the University of Glasgow has a centre for Russian, central and east European studies. Anyone who would like to learn Hungarian can go there. Richard Berry is the centre's director.

Rob Gibson: You say that you have an agent in Scotland. Does he work for you part time or full time?

Péter Horváth: He works part time.

Reto Renggli: I will refer to our system to represent a country of 7.6 million inhabitants, which is comparable to Scotland. Rob Gibson raised an important point. As has been said, having an office is expensive. Our approach was to identify first the key markets for Switzerland—existing key markets and those that were to be developed. In the most important markets, the Swiss equivalent of SDI opened offices. That is the public approach. However, many countries have bilateral chambers of commerce that are based on private initiatives. In such countries, our export promotion organisations conclude mandates with those private organisations, to co-ordinate public and private work. The Swiss system is the public-private partnership. I worked for seven years in that system, which works well. A small country cannot have offices everywhere, so it must concentrate on areas and work with private organisations that have the same interests.

Wolfgang Mössinger: Rob Gibson's question is good. The German approach is that we do not carry the business community when it does not want to be carried. Our approach is demand led. Where there is enough demand, there will be a bilateral chamber of commerce, as there is in London. If there was enough demand in Scotland, there would be a bilateral German-Scottish one. There is a German-Irish one. In countries such as Brazil, China and the United States there are several regional chambers of commerce, not just a national one.

If companies from the other side—the partner country—are not yet strong enough to support a bilateral chamber of commerce, the Government gives support. I saw that in Russia after the fall of the wall, when the Soviet Union collapsed. Before the German-Russian chamber of commerce was introduced, we had several years of a German trade mission, which was financed mainly by the German business community but also by the Government.

We have a few other instruments, which are mainly based in Germany, that help German companies that want to go into markets where there is not yet a chamber to support them. There are also relevant websites. For example, our website has links that help other companies to explore the German market by providing information on whom to approach, on what to do, and on the main indicators for the specific sectors that they represent.

Our approach is that if companies are interested in working together, they will come together. They will get some initial support, and later they can use all the other tools that we provide. However, it is not our job to replace the business's own initiative.

Lewis Macdonald: When we heard from the China-Britain Business Council earlier this

morning, I was keen to explore the relationship between the work that it does on behalf of UKTI—as an agent for it, in effect—and the work that is done by the commercial section of the British embassy. The CBBC explained that the development of the private sector in recent years means that 90 per cent of UK input to trade promotion and the development of business connections now lies with it as an agent for UKTI and that the embassy deals with politically sensitive areas, or state enterprise areas in which it has particular skills. In the countries with which you deal, what are the respective roles of UKTI and the British embassy in supporting business connections, particularly in supporting connections between the country and Scotland?

Cameron Buchanan: The embassies around the world were originally there for political reasons, then they became trade and hand-holding enterprises, particularly in the case of new embassies or new countries. That has now stopped. From my experience of being on and leading trade missions, I agree that trade promotion lies mostly with UKTI rather than with the embassies. The embassies are always there to support people. For example, a trade mission can get the embassy to hold a reception, if it is important enough. That is useful because it involves the local community of the country that is being visited. The people who come to the exhibition or the people on the trade mission or scatter mission get invited to the embassy to meet people. The embassy is more a central meeting place than anything else.

The role of the British embassies or the representation of Scotland has changed a lot. I do not believe that it should necessarily be a hand-holding exercise.

Wolfgang Mössinger: I can only agree, although I happened to meet the British ambassador from Berlin at the SDI office in Glasgow a few weeks ago, which shows that he is interested in what German companies do in Scotland and what Scottish companies can do in Germany. SDI had prepared the visit for him, and the schedule, and it was a positive experience.

12:00

I do not think that there is a need for embassies in the EU to support businesses in the classical old fashioned way any more. Because there are more embassies and consulates in the world than trade missions or trade offices, we can observe what is going on. For example, the green energy revolution that is well ahead in Scotland is still not very well known in Germany and in that respect we can all do the same job. SDI can advertise for Scotland; the British embassy can advertise for the UK and Scotland in particular; and we can

interest German businesses in what is going on. Indeed, that is what we do. However, that is about it; the rest is up to the companies themselves.

The situation is completely different in third world countries. As I said before, initial support will always be necessary if the other side does not have enough capacity to support, say, a local chamber of commerce.

Péter Horváth: UKTI's main responsibility is to support UK companies and represent their interests. That is certainly what it does in Budapest, where it employs one office director and seven or eight Hungarian experts, all of whom do a great job. In fact, I would say that the whole British embassy is a UKTI representation, representing British companies' interests. For example, before the new British ambassador to Hungary went to Budapest, he visited our embassy in London and met the ambassador; I then invited him to dinner and we spent hours discussing business opportunities. Most of his work focuses on culture and business. No matter whether we are talking about UKTI or the embassy, they amount to the same thing.

Robyn Murray: I echo Cameron Buchanan's comments. However, I get a bit worried about the downgrading of embassies throughout the world, especially with all the cuts. Very often, larger countries have to look after other countries' interests. That does not work very well, particularly with trade missions to countries that are not properly represented by a British embassy.

Lewis Macdonald: I am interested in finding out how you go about engaging businesses in Scotland. In other words, when you are aware—as you clearly are—of opportunities for Scottish businesses to operate in the countries with which you deal or that you represent, do you find that there is a clear line of communication? Cameron Buchanan expressed concern about a general lack of co-ordination, but in seeking to promote a market to Scottish businesses are you clear about how to identify and reach them in this country?

Reto Renggli: Yes. Approaches should be made not only to SDI but to chambers of commerce, particularly if you want to engage SMEs. After all, as far as SDI or the Swiss system is concerned, those are the businesses that we are talking about, because the big businesses have enough staff to be able to know the various markets.

It is important to go through business organisations and associations and focus on certain sectors. Such an efficient approach has, from my experience as consul-general, worked rather well in Scotland, where we have found business organisations to be open-minded and interested. We have also worked with trade

promotion agencies. I see all this as matchmaking; we are simply bringing people and experts together and, as I said, my experience of matchmaking in Scotland has been good.

Péter Horváth: I agree with that. Every time we approach the SCDI, SDI or local chambers of commerce such as that in Edinburgh, they are open and they help our activity. What they lack a little is that they are not proactive enough in relation to Hungary. Maybe they think that Hungary is not a big enough market or perhaps some local companies think that Hungary is a little too far away for them. Perhaps there is a lack of information. We try to spread the news that Hungary has been in the EU since 2004 and that there is an open market. We have cultural festivals. The manager of Hearts for a couple of years was a Hungarian, and he did well.

Wolfgang Mössinger: He is a German citizen.

Péter Horváth: Yes, but he is Hungarian born. [Laughter.]

By the way—this is nothing to do with answering the question—I recently discovered that a whisky distillery in Arran uses Hungarian Tokaji wine barrels, so I really think that that whisky is fine.

Kenneth Stewart: We have not found it easy to engage. As you heard from my previous remarks, we thought that it should have been easy, but we felt that we were palmed off in the end. It was quicker and more effective for us to go direct to the universities or the linked companies or to other companies. That was very disappointing.

Lewis Macdonald: If I understand you rightly, in the case that you described, the place that you went in the public sector to find those contacts was SDI.

Kenneth Stewart: Eventually. When we were given the opportunity to tie up with Scottish companies, we thought that it was a great chance. It was virtually a blank cheque remit. It came from the Mongolian embassy in London, but we were given the chance to deliver it. We thought that we could work directly in Scotland to tie up with Scottish companies, and that that would be a shoehorn in for those companies, but it did not transpire in that way. However, we have since proved that there is willingness and interest.

Lewis Macdonald: So the issue is about finding ways in which to reach interested parties. I guess that you have done that from experience.

Kenneth Stewart: We approached Scottish Enterprise, which we thought was the way to go, but eventually the correspondence came from that amorphous organisation called SDI, which is a great mystery to us.

Gavin Brown: I have a couple of specific questions, the first of which is for Mr Murray and Mr Stewart. Are there obvious opportunities in Mongolia on which Scottish companies or sectors are missing out?

Kenneth Stewart: Yes.

Robyn Murray: Yes. There are opportunities in energy and mining. Another is in tourism—that would be reverse tourism. There are also opportunities for whisky and various other Scottish products. There is enthusiasm for Scotland throughout the world and not only in places such as America and China. Education is another important example.

I have been approached by Mongolian entities who are trying to establish or create something to help the Mongolian economy. Likewise, Scottish companies approach me wanting to know more about Mongolia. I have to do that myself, rather than go through Scottish Enterprise or an equivalent organisation. That just does not work, because nobody seems to know anything about the country. I often receive inquiries from Scottish Enterprise about Mongolia.

Kenneth Stewart: To follow up on Rob Gibson's question about the size that we think SDI should be, I do not think that the issue is about size—it is about the quality and knowledge of the staff in the organisation called SDI.

Gavin Brown: You have both described skirmishes with officialdom, if I may put it that way. You have had negative experiences, but do you believe that the situation is set to change?

Robyn Murray: I like to think so. The trouble is that frustration builds up, and as soon as someone says, "Scottish Enterprise", you think, "That's another 11in cavity brick wall with nothing in the middle." It can get very frustrating. The chap I mentioned earlier spent six months going backwards and forwards and eventually said, "I've had enough. I'll just have to do it myself." He got the private money that he wanted, as opposed to the 15 per cent he wanted from SDI, and went out to Mongolia. He returned a couple of weeks ago and will go back out again. That is the only way he can do it, because spending time going through all the paperwork and layers of government would just take it out of him. It is a frustrating exercise, as I found out to my cost. I used my contacts in Mongolia and inner China to try to effect trade as opposed to going through any recognised body.

Gavin Brown: Cameron Buchanan talked about the sectoral approach to trade missions. We have received about 40 items of written evidence. Like you, some people said that sectoral trade missions are the way to go. Others have been critical of sectoral approaches. One person said that, in their experience, 10 or 12 people from the same sector

go on a mission and there might be only three or four potential buyers there, so the 12 people end up swarming round those three or four buyers to make a sale. His view was that that did not look or feel right—everyone lost out. Others spoke strongly in favour of sectoral trade missions, as you did. In your experience, is there some middle ground that would make the ideal trade mission, or do such missions always have to be either sectoral or general? What do you recommend?

Cameron Buchanan: It is a question of organisation. If there are 12 companies selling whisky or knitwear, it can sometimes be overkill. I really meant that we should not just have 12 companies selling knitwear or fabrics and one company with widgets or jewellery. Co-ordination is needed. Having led a trade mission, we have found that such missions do not say no to people. People should be told, "This mission is not for you, but maybe the other one is", or, "It's not just for British companies." That is the problem. Sectoral approaches are better because they are a bit more focused. At the same time, though, you can have a general scatter mission. I took a mission to Iceland that included architects and people in the hotel industry. There were people there who wanted to organise pop concerts and so on. However, the mission involved not just one person but two or three from each sector—it was organised in that way. It really is a question of organisation.

Christopher Harvie: In the past couple of years, we have seen the eclipse of Scottish banking as a multinational business run from Scotland. Has that had an impact on the representation of Scotland abroad in other trading areas, or was the banking system so much a concern of itself that its remarkable change has not had a knock-on effect?

Cameron Buchanan: I can answer that quickly by saying that the Icelandic banks have had rather more problems than the Scottish banks.

Christopher Harvie: There is still an Iceland, though, as far as I know. I am not altogether sure about the Royal Bank of Scotland and HBOS.

Cameron Buchanan: I referred earlier to the arc of insolvency and the arc of prosperity. Those phrases were bandied around—they are not mine. The collapse of Scottish banks has had an effect on confidence. It has shaken foreign perceptions of Scotland as being forward looking, thrusting and entrepreneurial.

Christopher Harvie: Any other opinions?

Robyn Murray: That is especially the case if you consider the nature of the Scot abroad, who is well respected and well thought of. A Scottish person or company is perhaps given more credence than an English-based company,

because of the nature of the country that we live in and the type of people that we are.

Wolfgang Mössinger: I might be saying something politically incorrect, but in Germany the collapse of the banks has not been perceived as a particularly Scottish problem; it has been perceived as a British problem, and as representative of an Anglo-Saxon approach to business and regulation. From that point of view, I do not think that Scotland has suffered more than the UK as a whole. I do not think that an ordinary German would understand that the S in RBS stands for Scotland—although they can now see it everywhere at Frankfurt airport, because RBS is the main advertiser there. I do not think that there is a particular problem that makes the situation worse for Scotland than it is for the UK as a whole.

12:15

Christopher Harvie: The other organisation that I want to ask about—and which Mr Renggli was positive about—is the globalscot network that was set up by Scottish Enterprise. It involves asking people in different parts of the world who are more or less notable and have a Scottish connection to subscribe to a network. I think that it has been positive for Mr Renggli; what are other people's thoughts about it?

Kenneth Stewart: All I can say is that a piece of information that always feeds back from UKTI trade missions is that it is a distinct advantage to be a Scot.

Wolfgang Mössinger: I cannot say anything about the globalscot network—I have no experience of it.

Péter Horváth: It is a great idea but it has no effect on business, I am afraid.

Christopher Harvie: I was a global Scot—I received my invitation from Jack McConnell back in 2002 or 2003. Although I involved myself a lot with Scottish representation in Germany, in my case nothing came of it. The situation may have been different in Switzerland, but that was the overall impression that I got. For instance, we received information about all the other global Scots worldwide but with no e-mail addresses. Something as simple as a list of e-mail addresses, which would have brought instantaneous communication, was lacking.

Péter Horváth: I think that the idea focuses on the USA, Canada and Australia and not on Hungary and Mongolia, which is why we cannot answer the question properly.

Reto Renggli: I am not in a position to judge globalscot as an organisation, but for me it is about networking, which is human and depends on the individual. The network organised a

conference in Switzerland last December, involving SDI, to present Scotland and different markets in Scotland, and I was surprised by how many global Scots are sitting in highly important positions in Switzerland. You have board members of ABB and of big banks. The network should not be underestimated, although a network is always what its members make out of it. From my personal experience—which is limited—I was very impressed.

Christopher Harvie: One particular possession of Scotland that could be used a lot more effectively by both Government and trading organisations is the Edinburgh festival—the world's biggest cultural bash. I approached members of the present Government in Scotland about having a minister in residence in Edinburgh who could possibly act as a party giver and host for various events during those three weeks, but it did not seem to occur to them as a strategic input. The festival could be used as a remarkable attempt to get people involved in a diplomatic way. What are your views on that?

Robyn Murray: I had not thought about that particular aspect of the festival. A few practical details spring to mind, such as accommodation—Edinburgh is pretty full during August, and it would be extremely difficult to organise bringing a deputation from London or anywhere else, especially when people are often off on holiday. I am not trying to be negative, but I feel that practical difficulties could arise. However, if it could be well organised and properly structured, an open-door policy of some description should be encouraged. Anything that encourages people to come to Scotland and raises Scotland's profile throughout the world is to be greatly welcomed.

Christopher Harvie: My point was that, given that a lot of the movers and shakers from the various countries will be here anyway, one of the purposes of external commercial representation ought to be to identify them and take the opportunity of their being brought into the ambit of people with potential trading and cultural connections—it was originally, in the 1940s.

Robyn Murray: It would be worth encouraging that.

Christopher Harvie: My next comment is aimed specifically at Switzerland. I was asked recently to help with an article on the west Highland railway, which is our great scenic railway route. I found cause to compare that railway, which is delightful but very primitive, with the glacier express in Switzerland. During my time in Germany, I have seen it go from exactly the same status to being an operation with 10-car trains running every hour from Chur to Tirano, opening up that whole area of the country. I was driven to suggest that First ScotRail and Network Rail could

do worse than get in touch with the Swiss authorities to find out how that sort of thing could be done in Scotland. That would be an excellent example of mutual benefit.

Reto Renggli: That would also be in the interest of my country. At the moment, the embassy has a programme presenting the public transport system in Switzerland, especially the greater Zürich area, where it is integrated. Should there be interest from Scotland, I would be happy to bring such a project up here. Switzerland is well known for its public transport system and is very proud of it. It would also be an excellent opportunity to promote Switzerland in Scotland.

This is a personal remark, not a remark that I make as the consul general. From my personal experience of the Edinburgh international festival, I would be sceptical about what you suggest, as it is necessary to distinguish between culture and business. First, if a delegation is brought to Scotland, they are interested in business, not in culture. Secondly—this is a detail, but a rather important one—in almost all European countries, August is a holiday month during which people do not work. We promote not only the Edinburgh international festival but the whole Scottish festival season tremendously in Switzerland. Many tourists come up from Switzerland for it, and they also want to see the military tattoo. However, I personally think that you should distinguish between trade and culture, although both are very important.

Robyn Murray: I have a question. What representation will the Scottish Parliament have at St Andrews during the open golf championship?

The Convener: The Scottish Parliament will not have any direct representation, but I am sure that the Scottish Government will.

Robyn Murray: That is a similar question to the one that Mr Harvie just asked.

The Convener: I am sure that the Government, SDI, Scottish Enterprise and VisitScotland will all be present, but the Parliament will not be represented there.

Christopher Harvie: But you are the member for the division.

The Convener: I will be present, yes, but the representation will be from the Government rather than the Parliament.

Robyn Murray: Sorry—I was using the word “parliament” in a general sense. I apologise.

The Convener: I am absolutely certain that SDI, Scottish Enterprise and VisitScotland will have strong presences at the tournament.

Robyn Murray: There will probably be more movers and shakers at St Andrews than there will be at the festival.

Péter Horváth: I have two quick comments to make. First, when I give a presentation about tourism and culture, I always tell the delegates first to visit Hungary as tourists and then to return as investors. There is a connection between tourism and culture and business. The beautiful Hungarian town of Pécs is this year's cultural capital of Europe, and you are welcome to visit it.

My second comment relates to Scottish engineering and transport. I recall that the architect of the first bridge in Budapest, the chain bridge, was Adam Clark, a Scotsman. We still remember that, although the bridge was constructed in the 1830s.

The Convener: I have crossed it—it is still working.

Marilyn Livingstone: This morning's discussion concerns support from public sector agencies for exporters. This morning we have heard differences of opinion on how the system works. We have heard from Kenneth Stewart that we are working in a cluttered landscape. What key recommendation could we make to the Government to improve public sector support for exporters?

Robyn Murray: You could recommend co-ordination of all the bodies involved. There seems to be a lack of joined-up thinking as far as some of them are concerned. If you go to London, you may or may not be passed on to another body. In my experience, there is a lack of clarity.

Kenneth Stewart: Entrepreneurial experts should be represented on monitoring or support bodies such as SDI. Someone with a feel for commercial opportunities should be there to guide civil servants.

Marilyn Livingstone: Do companies understand the roles of the agencies?

Kenneth Stewart: The simple answer is no.

Robyn Murray: I go back to what I said before. Scottish Enterprise made the point that the company to which I referred

“has an extremely high degree of dependence on sales.”

To me, that shows a lack of understanding of the commercial world.

Marilyn Livingstone: I put the same question to the other witnesses. What recommendations should we make to Government to improve its support for exporters?

Péter Horváth: You should be more proactive and focus on SMEs and smaller countries. You do not have to help multinational companies, because

they know what they want to do, have networks of offices and can use the services of PricewaterhouseCoopers and others. You should help small and medium-sized companies, because that is where your activity is really valuable.

Sometimes it is worth while to give such companies a guiding hand. You should not tell them what to do—they know what to do—but show them opportunities. You could point out to them that you are organising a mission to Hungary, for instance. A week beforehand, no one may have been thinking about Hungary, but 25 SMEs may take part in the mission and two or three of them may do some business or make an investment. You should focus on SMEs and particular sectors. In trade between Hungary and Scotland, you should focus on the food industry, the information technology sector, biotech and, perhaps, wine. Hungarian wine is really good.

Reto Renggli: I was hesitating, because it is not my role, as a representative of Switzerland, to advise the Scottish Parliament. My comments are based on our experience, because we changed our system 10 years ago. Reference has been made to the number of private and public players in the system. Our goal was to have one point of contact for companies. When a company has a question about a topic or a market, it should know that it can go to an organisation that will refer it to the right person or institution. That is crucial, although the policy is hard to implement. SMEs, in particular, do not normally have knowledge of all of the organisations that are involved in trade and export promotion. Having a body that they can contact and that will refer them to the right person or institution is key to any public export promotion scheme.

12:30

Wolfgang Mössinger: If I may, I will decline to answer. First of all, I have no recommendations to make. We have few recommendations for ourselves for things that need to be improved. Secondly, I agree with what Reto Renggli said. As a professional consul, I would rather not give advice to my host Government.

Kenneth Stewart: If this committee is recommending to SDI how it might operate better in future, it is important to consider working with emergent countries and understanding that business is all about cash flow and that funding might not come from that particular nation but through the World Bank, the IMF or the UN.

There is a perfect example of a successful energy company, SgurrEnergy of Glasgow, which is backed by the Scottish Government, and is doing exceptionally well. Recently I asked Ian Irvine, SgurrEnergy's managing director, if he had

any cash flow problems in funding his initiatives. He said no, because in almost every instance the money comes from a large organisation such as the IMF or the World Bank.

Are the people at SDI aware that they could be channelling Scottish companies towards such opportunities? That is very important.

The Convener: Thank you. I think that that concludes our questions. I thank you all for coming—[*Interruption.*]

I am sorry, Stuart; my apologies.

Stuart McMillan: Thank you, convener. I have two questions. The first is to Mr Stewart and Mr Murray about the debate that you had with Rob Gibson about the size of and knowledge in SDI. SDI will give evidence to the committee later in the inquiry so that is a question that we can ask. However, I suggest that SDI has not focused enough on Mongolia because it is an emergent trading nation as opposed to a long-established nation with a track record in particular areas. What do you think about that?

Robyn Murray: I agree that that is the case. Not many people know where Mongolia is, so it can be difficult, but I would have thought that, with a little bit of homework, SDI would have been able to focus on the mining aspects in particular. We are talking about the largest copper field in the world and, if it goes ahead, it will be like the middle east was 30 years ago once issues such as transport in China are sorted out. The Russians and the Chinese are desperately keen to get in there because of the copper, gold, silver and all the other natural resources.

Even a phone call to someone such as myself or Kenneth Stewart would have helped a great deal, and we would have said that we would be delighted to talk about Mongolia and give as much information as possible about what is needed and wanted and what sort of companies we are looking for. We could ask SDI about the companies it can help with and whether it knows about any mining companies, for example. The offshore technology will be the same as that used for mining—although the mining will be open cast—oil extraction and other similar industries. The thought processes that people will go through will be the same, so more interaction with Scottish Enterprise would be advisable.

To the best of my knowledge, the consular corps has been invited to only one meeting at Apex house in Haymarket in the past five, six, seven or eight years. That was for a general discussion with three members of Scottish Enterprise who gave a spiel. That was not adequate, especially as it was an open meeting. We would really like to have a one-to-one meeting with someone who can point us in the right

direction or who will speak on our behalf to someone who will get back to us.

When I was at Apex house, I asked the speakers for information, but I regret to say that no information was received. That is another example of communication not getting through properly. I will not name names, but the people involved were at a reasonably high level. Perhaps they thought that they had better have a meeting with the consular corps just to tick more boxes. It was somewhat frustrating.

Stuart McMillan: I am sure that SDI will pay attention to what has been said today. We can certainly put those points to SDI officials when they give evidence.

Robyn Murray: I would happily meet them on a one-to-one basis, as would other consuls general, especially those from emerging countries. Obviously, established countries have their own methods and their own way through.

We should bear it in mind that, of the 192 countries in the United Nations, 54 are represented in Scotland. More than 70 per cent of the world's population is represented, so we are talking about a reasonable group of corps members who can speak on behalf of a large number of people. Obviously, China and India represent well over 50 per cent, but many smaller countries have now joined us. For example, Ghana joined two or three weeks ago. Ivory Coast and South Africa have also just joined. According to press reports, Libya claims to have a consul general in Glasgow—albeit that he is not a member of the corps as yet—although he seems to have been based in Glasgow for one obvious reason, so I do not know whether he will continue there. I have no knowledge of that country.

Stuart McMillan: My second question is to Mr Mössinger regarding the German-British Chamber of Industry & Commerce. His written submission mentions that very few Scottish firms have joined that chamber, but he said earlier that, although there is no Scottish-German chamber of commerce, there is a German-Irish Chamber of Industry and Commerce and various such chambers in America. What might be the main obstacle preventing Scottish companies from taking part in the German-British Chamber of Industry & Commerce? Could Scottish companies establish a German-Scottish chamber?

Wolfgang Mössinger: I think that the main obstacle is that Scottish companies do not see the advantage of paying the membership fee because they might not need the services that the chamber provides. I cannot judge whether or not that is right because I do not know what their needs are. The main service that the chamber of commerce could provide to Scottish firms is knowledge of the

German market. Chamber members can tap into all of its networks, knowledge, market research and whatever. Of course, lots of that networking happens through events and if people in Glasgow or Aberdeen constantly receive invitations to events in and around London, they might wonder what advantage they gain from paying a membership fee to an organisation that constantly invites them to London. That might be one of the main obstacles that stops Scottish firms joining the chamber in London.

On why there is no German-Scottish chamber, I think that there would need to be a big number of German companies to start that up. If two or three dozen Scottish companies that have dealings in Germany decided that they wanted a closer network among themselves to talk about their issues with Germany, they would not necessarily decide to set up a German-Scottish chamber of commerce as a first step. They would need a big number of German companies that wanted to join. As I said, the London bubble is sucking in time, capacity and interest.

The problem is that big German companies, which usually carry the chamber of commerce with their big membership fees, hardly ever conceive of marketing campaigns that are specific to Scotland and are not UK wide. They do not seek trading and business partners specifically in Scotland. Big motor companies such as Mercedes-Benz, BMW and others have their central offices in London. They have regional offices all over the UK, but they do not see the need to take a specific Scottish-German approach to their business. Retailers such as Aldi and Lidl are organised on a UK-wide basis, so they see no need to support a specific Scottish approach to their business. Those are the main obstacles that prevent the establishment of a German-Scottish institution.

The Convener: I apologise to Stuart McMillan for missing him out.

That concludes our questions. Our witnesses have shown us that there is a resource in Scotland called the consular corps of which we are perhaps not making as much use as we should. We will take forward that lesson during our inquiry. Thank you for giving up your time to come along this morning.

Meeting closed at 12:41.

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