



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Thursday 16 May 2013

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**EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**  
**9<sup>th</sup> Meeting 2013, Session 4**

**CONVENER**

\*Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP)

**DEPUTY CONVENER**

\*Hanzala Malik (Glasgow) (Lab)

**COMMITTEE MEMBERS**

\*Clare Adamson (Central Scotland) (SNP)

\*Roderick Campbell (North East Fife) (SNP)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Helen Eadie (Cowdenbeath) (Lab)

\*Jamie McGrigor (Highlands and Islands) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Humza Yousaf (Minister for External Affairs and International Development)

**CLERK TO THE COMMITTEE**

Katy Orr

**LOCATION**

Committee Room 6



## Scottish Parliament

### European and External Relations Committee

*Thursday 16 May 2013*

[The Convener *opened the meeting at 09:00*]

### Decision on Taking Business in Private

**The Convener (Christina McKelvie):** Good morning and welcome to the ninth meeting in 2013 of the European and External Relations Committee. I make the usual request that mobile phones and electronic gadgets be turned off, as they interfere with the broadcasting system.

Agenda item 1 is a decision on whether to take agenda item 4 in private. I remind the committee that we previously agreed to take items 5 and 6 in private. Do members agree to take item 4 in private?

**Members** *indicated agreement.*

## Scottish Government's Country Plan for China and International Framework

09:01

**The Convener:** The second item on our agenda is the continuation of the inquiry that we have been conducting for the past few months into the Scottish Government's country plan for China and the international framework. The inquiry has focused on the strategy for economic engagement between Scotland and China that is set out in the China plan and the perceived benefits of the policy, and it will consider the potential for further strengthening of the plan and subsequent trade relations with China.

We will now hear oral evidence from the Minister for External Affairs and International Development, Humza Yousaf. I welcome him and his officials Heather Jones and Ed Payne—Ed has been here before. The minister has a brief opening statement to make.

**The Minister for External Affairs and International Development (Humza Yousaf):** Good morning. I thank the committee for inviting me to speak about the Scottish Government's engagement with China as part of your inquiry into the international framework and the country plans.

Our country plans, including the recently published China strategy, sit beneath the international framework. The framework explains the what, why and where of our international engagement. It renews the Government's commitment to developing a focused approach to our overseas engagement, so that we can deliver maximum benefit for Scotland on the world stage in pursuit of our overarching goal of promoting sustainable economic growth in Scotland.

As members will be aware, China is now the second-largest economy in the world and is growing fast. It is critical that Scotland continues to build on its presence there and to focus on the opportunities that exist for Scotland and Scottish businesses in China. The Scottish Government's China strategy, which was published in December 2012, sets out clear priority areas, associated targets and how we will deliver them.

The China strategy is an important statement of commitment from the Scottish Government. China is a highly competitive market. Scotland already has world-class companies, talent, research excellence and industries, and we need to ensure that we fully exploit those assets in China for the economic gain of Scotland.

In its 12th five-year plan, China has prioritised seven industry sectors, in four of which Scotland

has world-class strengths: energy, energy conservation, biotechnology and new information technology. That is why life sciences, energy and creative industries are all highlighted in our China strategy as priority areas. We also have a focus on delivering luxury provenance products—especially Scotland's excellent food offering and, of course, whisky—to the expanding consumer class. The other area of priority is financial services, particularly asset management, the importance of which the committee heard about from Angus Tulloch at its round-table discussion.

We are seeing ambition from our Scottish companies to enter China. China has been ranked first by Scottish businesses as a future market and has been identified by most growth sectors as being in the top five geographies that they want to break into in the future. We need to support our businesses and sectors to turn that demand into exports.

However, doing business in China can often be challenging, which is why we need a targeted approach that focuses on where Scotland is most competitive. We also need to take a long-term view, as it takes time and effort to establish a presence. Government-to-Government relations have a critical role to play, given the business culture in China, so ministers have a role in opening doors and fostering high-level relationships.

Scottish Development International staff are on the ground in China. SDI has increased the number of staff in mainland China by 30 per cent in the past year, as well as opening a new office in Shenzhen. SDI has more than doubled the number of companies that it has assisted in the past three years, and that number continues to rise.

We are moving in the right direction, but we need to maintain pace and focus. As James Anderson told the committee at its last meeting, the opportunity that exists in China is similar to the opportunity that existed in the USA 100 years ago. Not only does Scotland need to be there, it needs to be competing and winning against the rest of the world. The Government is committed to supporting ambitious companies and industry, and in the China strategy we have clearly set out that ambition and how we will pursue it.

**The Convener:** Thank you, minister. We will go straight to questions from the committee, and Jamie McGrigor will kick off.

**Jamie McGrigor (Highlands and Islands) (Con):** Good morning, minister. According to the Scottish Government, its strategy

"is intended for all Scotland and has been developed after extensive engagement with key stakeholders."

What engagement and consultation took place with the stakeholders in developing the plan, and who were those stakeholders?

**Humza Yousaf:** There was quite a high level of engagement. The 2008 report on the country plan for China said that wider engagement with stakeholders was needed, so the Scottish Government held a high-level conference in March 2012. Almost 100 key China partners from various sectors fed into the strategy development—I will not go through them all, but we can supply that information if the committee would find it useful.

The Cabinet Secretary for Culture and External Affairs delivered a keynote speech at the conference, as did China's consul general, and SDI arranged specific China investment-and-trade days. We pulled in some high-level stakeholders such as Sir Angus Grossart; Lord Wilson of Tillyorn, the former governor of Hong Kong; Sir Tim O'Shea; Jonathan Mills, the director of the Edinburgh festival; and various others.

We also thought that it was important to engage with the diaspora, because of their knowledge of the market, language skills and cultural awareness and understanding. The engagement was quite extensive. As I said, we can supply a full list of those with whom we engaged.

**Jamie McGrigor:** How does the strategy assist organisations that wish to work with China to achieve the aims of the plan?

**Humza Yousaf:** That assistance can be varied. In essence, the question is what the Scottish Government and SDI can do to assist those companies. First, we have a responsibility to ensure that the company is truly ready to enter that market. The Chinese market is different from any other market, especially the European and North American markets with which Scottish companies traditionally work and feel quite comfortable.

There are a range of things with which the Scottish Government, SDI and other partners can assist. First, they can help with the early stages, such as finding out about a company's export potential, holding market awareness events to gauge interest and carrying out market analysis to look at where companies should direct their energies and which geographical areas they might want to focus on.

Once a company gets into the country, there are a number of ways that we can help. SDI has given grants in previous cases and it has given advice. For example, it helped Stag Bakeries in Stornoway with advice on how to package its water biscuits so that they look more like a luxury product to appeal to the consumer class. An incredible range of support is available, from the inception stage when someone decides that they want to export to

China all the way through to providing in-country support.

**Jamie McGrigor:** You said that you want to ensure that a company is ready to export to China. It was suggested in evidence to the committee that companies should cut their teeth on exporting to Europe first before moving on to China. If a company has an idea that is specific to China, why should it have to go through the European model first before it goes into the Chinese market?

**Humza Yousaf:** You make a good point. I should state clearly that no company would have to go to Europe first in order to break into China. I think that the point that was made—which has, I hope, been clarified in the supplementary evidence that the committee has received from SDI—was that the Chinese market is incredibly different from those traditional markets that are a lot closer to home. Many companies will have dealt with the Chinese market, but very few companies will go straight into it. The market is different, because Government-to-Government relations are important and the culture of doing business is incredibly different.

In Europe, that often involves getting straight down to business, shaking hands and signing a contract. In China, there is a lot more relationship building, as there is in the Gulf and other parts of the world. It is a lot more about building relationships, understanding the culture and, sometimes, understanding the hierarchy and structure that are involved. Nevertheless, there is no limitation put on companies that want to go straight into the Chinese market. If they are ready to do that, they will get the support of SDI and other Government agencies. If a company has already exported to Europe, that experience will stand it in good stead—it certainly will not stop it. I hope that the supplementary evidence that you received clarified that point.

**The Convener:** Thank you, minister. I would like to expand on that a wee bit from the perspective of the stakeholders. Where does the China plan fit in the bigger picture of working with other organisations in the EU or worldwide?

**Humza Yousaf:** One of the main recommendations of the 2008 report was that we should collaborate better with other agencies. We work closely with the United Kingdom Government, UK Trade and Investment and other bodies. It is not often that Scottish Government departments can say that they work closely with UK Government departments, but I am happy to say that we do and that the relationship is strong.

Can you clarify in what respect you mean working with EU and international partners, convener?

**The Convener:** We received evidence from Owen Kelly, who suggested that the China plan is only one small part of a bigger international framework. How does it all slot together to create that?

**Humza Yousaf:** Thank you for the clarification. Although our exports to China are relatively modest, which is why the targets are ambitious, we are still punching above our weight in comparison to other European partners. The China plan is part of the bigger pie. The idea is that we cannot just put all our export eggs into one basket—or whisky bottle, I suppose. The plan plays a pivotal role and will be a fast-expanding part of that international framework, but that will not be at the expense of the work that we do in our traditional markets in Europe—such as in Germany and the Netherlands—and in North America, which continues to be our biggest market. The China plan will not be at the expense of those two markets by any stretch of the imagination; it will complement that work. We will continue that work and will seek to increase the share of the China element as we seek to increase our total exports. The China plan fits in with the Government's economic strategy and how it intends to increase exports up to 2017 in order to create sustainable economic growth in Scotland.

**The Convener:** You mentioned governmental relations, which takes us on to Clare Adamson's questions.

**Clare Adamson (Central Scotland) (SNP):** Minister, you have touched on how important personal relationships are at all levels in engaging with China. I am specifically interested in the Scottish Government's plans to use ministerial visits to further the aim of the China plan. Can you give us an idea of how SDI's involvement in that enhances the China plan?

**Humza Yousaf:** Again, I refer to the comment in my opening statement that Government-to-Government relations are incredibly important. I would go a step further and say that the relations between those within the hierarchies of the Governments can also be incredibly important and, frankly, the First Minister can open more doors than any other member of the Scottish Government. That goes not just for China, but for other markets, too.

Government-to-Government relations are incredibly important. One example of that is the announcement in 2012, by the company 3, of the creation of more than 300 call centre jobs in Glasgow. That came as a result of the Government-to-Government contact that the First Minister had with Canning Fok, the chief executive of the parent company of 3. Those discussions have continued since his visit.

In answer to the second part of your question, I would say that SDI greatly assists with that work. SDI is pulled in right at the beginning, when we decide that we are going to travel to China, to tell us what discussions have been continuing. SDI has three offices in mainland China and one in Hong Kong. It has members of staff on the ground there, and it has recently increased their number by 30 per cent. SDI uses the networks that it has established on the ground to inform us of the potential opportunities for ministers and where they can be best used. Ministers cannot travel to China every day, and when they do we ensure that their engagement is critical and focused.

09:15

**Clare Adamson:** When we took evidence from the financial services sector, particularly the asset management area, the witnesses said that they often use alternative routes into China and that they use the established financial centres in Hong Kong, Singapore and Taiwan to access China. Are there any plans to look at expanding ministerial involvement in those areas to try to enhance that route into China?

**Humza Yousaf:** I am certainly happy to explore that. We are looking closely at the evidence that was given by people such as Angus Tulloch, whose experience speaks for itself. When the First Minister was in Beijing in December 2011, he made financial services one of the key areas to target. He delivered a welcome speech at the asset management forum in Beijing.

There are about 50 high-level contacts and continued SDI engagement in China, but what you described is an incredibly interesting method to explore. If we want to get into a market, we must understand that there are various hubs to go through. Going through Singapore, more than any country, shows how we can use such hubs. We have had an SDI presence in Singapore for a number of years, so I am certainly open to exploring that.

**The Convener:** Talking about exploring, I think that Willie Coffey is going to pick up on air links.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** In past weeks, some witnesses have talked to the committee about direct air routes between Scotland and China. They specifically said that that could potentially be a huge boost for us in developing our market with China. I imagine that the Scottish Government would support that. Can you give the committee an indication of what might be happening to see whether we can establish direct routes to China to serve Glasgow or Edinburgh, or even Prestwick, which is in my part of Scotland?

**Humza Yousaf:** I was waiting for the mention of Prestwick from the member. However, his point is absolutely correct in that, be it our tourism targets, export and trade targets, education targets or cultural targets, every one of them would be enhanced by having a direct air link to China—there is no doubt about that.

The Scottish Government has been focusing on trying to get a direct air link, but members will understand that an incredibly competitive global market is involved. In some areas and aspects, Scotland's geography certainly helps us, but it does not do so in other aspects. However, we are starting to build our reputation as a hub to connect to Europe and, going the other way, to the USA. We have had discussions on a direct air link to China, and when the First Minister was in China, he had such discussions with the Civil Aviation Administration of China. At the time, the CAAC put us on to a specific carrier to have conversations with it about a direct air route to Scotland. It is fair to say that, after a couple of years, they have not progressed as much as we would have liked.

We have not had discussions with the CAAC again, but we had discussions on the issue with the chief executive of Transport Scotland in April, whose suggestion was to go directly to a carrier such as Air China International, the state-owned carrier, and start to have conversations with it about a direct air link. We will certainly pick up on that to see whether we can update the conversations. Again, I am sure that that will be included in any further discussions at ministerial level or, indeed, in discussions with SDI on the ground. As updates come in, I am more than happy to keep the committee informed. However, I would not necessarily hold out hope for Prestwick in that regard, although that is not to say that it will not happen.

**Willie Coffey:** Do the Chinese see direct air routes as opportunities? We sometimes focus on our needs and ambitions in developing relationships with a particular country, but what about the Chinese view? Do they have a view on the issue? Do you think that they would be supportive of a direct route to Scotland, or are they happy with present arrangements?

**Humza Yousaf:** It is about market demand. If there is an opportunity that they think would be economically and financially beneficial for China and Scotland, they will take it. We have to make a case in that regard, but I think that there definitely is one. In addition, as I said in a previous answer, Scotland might also appeal as a hub for going on to further destinations, which is another part of the case that we are trying to make to the Chinese aviation authorities. A number of things are involved that would be of benefit.



Also, China's expanding consumer class is interested in coming not just to the UK but to Scotland for things such as our festivals and, frankly, our golf and whisky, which are incredibly popular. Certainly, air links are of increasing interest, and it is for us to make the case for them where it makes financial sense to do so.

**Willie Coffey:** The issue of trade barriers and tariffs was raised by several witnesses and by some companies that committee members visited during the course of our inquiry. We are aware that import tariffs on goods going from Scotland into China can have quite a debilitating effect on the ability of some companies to do business there. We also understand that China provides a tax rebate system for Chinese exports to the rest of the world, including Scotland. There was a wee bit of concern about that. What can the Scottish Government, in its relationship with the UK, do to provide more of a level playing field on which Scottish companies might be able to compete?

**Humza Yousaf:** The member hits on the correct phrase, as we need to work with the UK Government on that. The trade barriers and tariffs that UK companies face in China might be reasonable compared with those in other countries across the world, but trade barriers and tariffs are an issue, as is the tax rebate for Chinese companies.

SDI is liaising with the trade policy unit in the UK Government's Department for Business, Innovation and Skills so that we can fully understand those concerns and consider what further action might be taken. We are currently awaiting a response from BIS. Once those discussions have taken place and BIS has formulated a response, I will certainly feed that back to the committee.

As I said in my opening statement, China is an incredibly competitive market and we need to show that we are able to compete, but that is where Government-to-Government relations can come in handy. We are working closely with the UK Government on those issues.

**The Convener:** Further to Clare Adamson's question, I want to explore the issue of the financial services and asset management market, which you mentioned the First Minister had made a priority during his visit to China. Can you give us any insight into whether we should put more emphasis on that market? Are there plans to include that in the next refresh?

**Humza Yousaf:** Certainly, Scotland as a nation and Edinburgh in particular are still viewed as having a strong reputation in financial services and asset management. As Angus Tulloch pointed out in the round-table discussion, where the Scottish Government can help best is through

Government-to-Government relations. The industry does not necessarily need financial aid or grants or market awareness—it has all that in abundance—but we can help with key contacts, key networks and so on.

In the current plan, some areas have been chosen as a priority, but not to the exclusion of others. The priority areas are just where we have a target and a focus, based on what our stakeholders tell us and on our existing strengths, which it makes sense to build on in country, too. However, I am always happy to explore what further we can do to assist our financial services and asset management companies.

**The Convener:** Clare Adamson will pick up on the issue of branding and visibility.

**Clare Adamson:** On 7 May, *The Herald* reported that Scottish Enterprise

"is to spend up to £2.5 million on a team of international public relations experts to help promote Scotland abroad."

How will that increased public relations budget be used by Scottish Government organisations such as SDI to promote Scotland abroad? How will that contribute to the delivery of the international framework and, in particular, the China plan?

**Humza Yousaf:** Thank you for the question. It is not for me to take issue with newspaper reporting, but when we retendered that contract for the next four years, we secured a potential saving of £1 million and ensured that the resource will be available not just to Scottish Enterprise but to VisitScotland, EventScotland and other such agencies. That kind of collaborative team Scotland approach to international marketing is incredibly vital. As I keep saying, we live in a globalised and competitive world and cannot simply rely on the fact that people know about, have heard about and have a warm feeling towards Scotland; all that is true, but we have to be up there, pushing and promoting exactly what we mean when we talk about Scotland and the opportunities and benefits that are available. Be it through Disney films that help to portray Scotland to the rest of the world or major international events such as the Commonwealth games, the Ryder cup and the year of homecoming, all of which will take place in 2014, visibility is important and we need to get the message out about the benefits of those events.

As for the international branding of Scotland, any global branding expert will tell you that it is not enough just to say that you are creative and innovative—that is what every country says. Of course, that is true in Scotland's case, but we have to send out a more specific message and this budget will help us do that.

**The Convener:** Jamie McGrigor will pick up on some of those points.

**Jamie McGrigor:** In evidence to the committee, Giles Blackburne of the China-Britain Business Council suggested that support is needed to increase Scottish companies' visibility in China. How can the China plan support those companies in increasing their visibility in the Chinese market?

**Humza Yousaf:** A number of things can be done. Indeed, SDI's supplementary evidence sets out a range of things that it can do—

**Jamie McGrigor:** Are you talking about the paper that we got this morning?

**Humza Yousaf:** Did you get it only this morning?

**Jamie McGrigor:** Yes. I do not think that we have actually read it.

**Humza Yousaf:** In that case, I understand why people might not have had a chance to read it, but I assure members that it is a very good paper and lists a number of things that can be done.

We can, for example, use the globalscot network that has been set up by Scottish Enterprise and SDI and which comprises high-level businessmen and businesswomen and market experts, who can use their influence, contacts, skills and knowledge and essentially provide a free mentoring service to companies seeking to access those markets.

On top of that—and as the plan points out—SDI can assist by building capacity through talent Scotland, globalscot and other mentoring approaches. Market research and market entry are also important elements of our support and, once the company is in the country in question, we can help it to achieve visibility through very important exhibitions, trade fairs and trade expositions. As you have rightly pointed out, those kinds of measures, which also include business incubation, are instrumental to the plan's delivery and without them we will not achieve the level of penetration that we want to achieve in the Chinese market.

**Jamie McGrigor:** Giles Blackburne also mentioned the importance to a company's profile of having an office in China—indeed, we know as much from the experience of Marine Harvest, which has done well with such an approach—and the potential for running business incubation schemes. Are the Scottish Government and its agencies considering the potential of such schemes and is increasing Scotland's profile likely to increase investment from China?

**Humza Yousaf:** The short answer is yes. The SDI directs businesses to the business incubation scheme offered by the China-Britain Business Council through its Launchpad service, which provides a simple, cost-effective, low-risk and legal means for a company to have a presence in

China before it sets up an office. Of course, that is a big leap for many companies, and the CBBC will employ a project manager dedicated to taking the business forward in China. As I have said, SDI will direct businesses to that service, which is available in Beijing, Shanghai, Shenzhen and many other areas. Incubation schemes can play an important part in helping companies before they make a definite commitment to setting up an office and having a presence, which of course will be important in the Chinese market.

09:30

**Roderick Campbell (North East Fife) (SNP):** Good morning, minister and panel. Earlier this month, Scottish Enterprise produced a refreshed business plan with the aim of accelerating Scotland's economic recovery and of improving international sales by £1.7 billion. How is Scottish Enterprise going to do that? Will the Scottish Government provide additional funding? What can you tell me about that?

**Humza Yousaf:** Although there are no plans to allocate additional funding to the strategy, we want to make the best use of existing funding pools. That is not to say that we are limiting our funding by any means, but it has to be about the existing market opportunities. We take the team Scotland approach and maximise collaboration across Scotland, focusing intensely on the key areas in which Scotland has its biggest strengths and prioritising what we can provide to the Chinese market, and ensuring that appropriate action is taken in that business plan.

Increasing our overall export performance is a key priority. The table in the Scottish Parliament information centre briefing gives HM Revenue and Customs figures that show how incredibly well Scotland has competed during the past year. We have taken our exports to their highest level and exports to China to almost their highest share of total exports, at 2.9 per cent. That is not necessarily about increasing the funding that we give to the strategy but about using existing funding to work with what market opportunity is available.

**Roderick Campbell:** We have concentrated primarily on one of the guiding principles. One of the other guiding principles is respect for human rights and the rule of law. You referred earlier to the international framework, which has a fairly limited commitment to the protection and expansion of human rights. What is your view on this area and on issues such as due diligence checks being carried out by businesses? Can we put in a bit more help and assistance in that area?

**Humza Yousaf:** As the member says, human rights is an underlying principle of our China

strategy. We are not shying away from that, because we believe that, just as the EU strategy for engagement with China says, respect for the rule of law and human rights is in China's best interests in terms of its economic development and prosperity.

We expect Scottish companies to respect the rule of law in whichever country they operate and to follow the United Nations-recognised Ruggie principles for how businesses should operate across the world, for example in terms of business transparency. We and the UK Government are discussing how we can implement those principles and cement and entrench them a little bit more in the business that we do overseas. Such principles are and always have been important for us.

Angus Tulloch also made the point that we have to raise human rights at the appropriate opportunity; otherwise it is incredibly counterproductive, not just for the economy but for the human rights agenda. On previous visits, the First Minister has invited Amnesty International, the Scottish Human Rights Commission and Professor Alan Miller to engage and discuss how to best move human rights and the rule of law on in China. If ministers go out in the future, that invitation will again be extended to Amnesty International and the SHRC.

**Roderick Campbell:** One of the panellists—I am not sure who it was—referred to the difficulties of lecturing China when we come from the UK, with its background of the opium wars in the last century. We have to tread warily when we deal with these issues. Do you agree with that?

**Humza Yousaf:** Yes. Lecturing does not help anyone. When we go to the middle east, China, the far east, and the African continent, there is a way of getting the message across. It is similar to a friendship. You will get a better result with a friend if you take them to the side, speak to them about their behaviour, and give them sincere and genuine advice that will benefit your relationship. They will take that a lot better than if you publicly ridicule them.

There are ways of getting the message across tactfully. That is where it is important that Amnesty International and the SHRC come in, because they absolutely understand the complexities and want to get the same results as we do. Given the UK's history in many parts of the world, in which Scotland had a role to play, it is not always best for us to point our finger and lecture.

**Roderick Campbell:** When it reviewed the China plan, the previous committee referred to the relationship with the UK Government and the UK Government's China plan. According to some press reports, the UK Government has, in some respects, hit choppy waters with China. What

steps is the Scottish Government taking to try to understand, as far as possible, the UK Government's position in relation to China?

**Humza Yousaf:** We have regular dialogue with the UK Government when it comes to international work. When we make visits, they are co-ordinated with the British embassy or high commission in the country concerned.

On the relationship between UK Government ministers and their counterparts in China, essentially that is for them. Although we share information, Scotland is very much set on its own path when it comes to building relationships. We are not confused with the UK—we are seen as separate in respect of what Scotland has to offer and Government ministers. People understand our constitutional set-up. We liaise closely with the UK Government, but I would not say that we were necessarily there to broker relationships. I do not think that the UK Government views our role in that way and it would not necessarily welcome it.

**Hanzala Malik (Glasgow) (Lab):** Welcome to the committee, minister. I am really pleased with your presentation so far and I am impressed with your knowledge about the different attitudes to trade in Europe and Asia. That is encouraging.

I want to ask you a couple of questions. They may be a bit detailed, so if you do not have the full response today, I am happy to get it from you in due course. First, can the Scottish Government provide evidence to demonstrate that there has been an increase in trade as a result of its intervention and support for companies in China?

**Humza Yousaf:** I thank the deputy convener for his kind words. I will try not to disappoint him with my answer.

The SPICe briefing that the committee received shows that exports increased by 88 per cent between 2007 and 2012. Even last year's exports have increased. In truth, it is difficult to say exactly what was the result of Government intervention. We would like to say that we had something to do with it. We most certainly did when it came to building the Government-to-Government relationship.

I previously gave the example of the more than 300 call centre jobs at 3 in Glasgow. Government intervention was important in those discussions with the chief executive of the parent company of 3. That could have happened only with Government intervention. Certain doors can be opened only with Government intervention. As I said previously, which doors can be opened even depends on the level of minister who goes out there.

In addition, SDI has supported more and more companies over the past two years. More than

1,300 companies have been supported worldwide over the past year and SDI has increased its support in China by 44 per cent.

It would be difficult to demonstrate in figures exactly how Government has helped. However, our export figures have increased and the number of Scottish companies that are working in China has increased, and I would like to think that the Government has had some input into that.

**Hanzala Malik:** I am keen to identify the exact input that the Government has had. It would be helpful if we could try to collate that information. I agree with you that Government interventions are very important—there is no doubt about it. That leads to my next question. What other engagements are planned in a bid to increase the support to companies to develop increased business activity in China?

**Humza Yousaf:** We continue to look at when there will next be a ministerial visit. I hope that we will be able to let the committee know as soon as that is ready to be announced.

Government lobbying has been important for some of our main exports. Government intervention was important in getting an export health certificate for the Scottish Salmon Company, which I know that you have had discussions with and have indeed visited. With whisky, the geographical indication of origin status could be pushed through only via Government.

On the language barrier and getting more young Scots in particular to learn Mandarin, Government intervention in the relationships between educational institutions is very important.

We will therefore continue Government engagement. We plan visits to China and, as the committee is well aware, inward delegations are important too and we need to ensure that we get the maximum benefit from them. I am happy to keep the committee updated on outward visits when they are ready to be announced.

**Hanzala Malik:** Thank you. You have mentioned a couple of times the use of support for industry, but we have not really spoken much about culture today. I know that the Chinese community has a rich, diverse and active culture—I know for a fact that that is the case in Glasgow and I am sure that it is the case throughout Scotland. How much of that are we tapping into? Are local businesses in the Chinese community being used to engage with China? I know that Government interventions are helpful and that they open doors, but are we encouraging people from the community to support that effort? Many small companies in Scotland have perhaps not had that opportunity to date, but it may open doors for them as well if we use local communities to support us in that activity.

**Humza Yousaf:** The deputy convener makes an excellent point that is relevant not only to the Chinese diaspora but to others. I genuinely do not think that we use the skills, knowledge and expertise of all the diasporas in Glasgow and Scotland enough. I can certainly say that we do not use my own diaspora community's knowledge and expertise enough. The development of the China plan was an attempt to understand and rectify that. We are having an event just for the stakeholders to help to develop it.

Going forward, we can use networks such as the young Chinese professionals Scotland network and students who have passed through the University of Glasgow, the University of Edinburgh, the University of St Andrews and the University of Aberdeen and gone back to China. They become incredible ambassadors, as the vast majority of those who pass through have a great experience of Scotland. Perhaps we could do more to ensure that we keep in touch with them and use their skills when they go back to that country.

The important part of the implementation of the plan is the stakeholder implementation and delivery forum. It will ensure that there is diaspora representation and feedback.

We could certainly do more. I entirely agree with Hanzala Malik that such skills and expertise should be used.

**Hanzala Malik:** On Brazil, Russia, India and China—the BRIC countries—some people have suggested in our evidence sessions that we are perhaps concentrating far too much on China and that we should be looking at nearer home as well. The middle east and south Asia in particular have been mentioned. I know that you have a personal interest in that area.

Should the Scottish Government talk to the local authorities about where they can support businesses? Glasgow City Council, for example, has a history of supporting small businesses, and it has supported businesses to travel overseas, to encourage trade. That seems to have fallen by the wayside. Is there scope for the Scottish Government to get together with some of the local authorities to see how we could use our local communities, particularly with the Commonwealth games coming up? There is a good opportunity for us to try to tap into many communities to maximise our trade activity in the coming year.

**Humza Yousaf:** Yes. The point is well made. Local authorities have a great grasp of the businesses in their communities. We do what has been suggested. Scottish Development International through regional hubs, Highlands and Islands Enterprise and other regional partners absolutely do that, and I will happily look into how

we can do that further, not only for China but for other countries.

Picking up on your first point, I reiterate that although we are ambitious and want to increase our exports and share of exports to China, we do not see the China plan as being at the expense of the work that we do in our biggest export markets in Europe and North America. However, we understand that we have to diversify and that, if we are not in these places, we will miss out on a huge opportunity.

09:45

**The Convener:** Thank you, minister. I do not want to frighten Ed Payne, but I would like to pick up on how the Scottish Government monitors SDI's work and reviews its quality and whether SDI is doing what it says on the tin.

**Humza Yousaf:** That is a good point. I am sure that Ed Payne is never frightened. SDI's board is made up of representatives of the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise, and there is a constant review of that.

Over the past few years, SDI's performance has been incredible in terms of Scotland becoming the number 1 region in the UK for foreign direct investment that leads on to jobs. On foreign direct investment as a whole, Scotland is second only to the south region, which of course includes London. We punch way above our weight. International exports taken as a whole have been increasing steadily.

The performance has been positive, but we are not complacent by any stretch of the imagination. The Scottish Government, SE and HIE sit on the board and monitor that performance. SDI has been a great credit to Scotland and of great benefit over the past few years.

**The Convener:** A great export that Scotland has sold to the world for centuries is our education system and the learning and skills that we have developed through a free education system. A challenge for some businesses is how the United Kingdom Border Agency has responded, and the impact of that response on quality research, PhD students coming to our universities and quality businesspeople coming here to invest and grow their businesses. Have you built some of that into the plan? What negotiations are going on with the UK Government to resolve those challenges?

**Humza Yousaf:** You make a really good point, convener. Some factors are in our control, we will work closely with the UK Government on others, and frankly other factors are extraordinarily difficult to debate because others are not necessarily willing to listen.

The immigration restrictions that the UK Government has imposed have been extraordinarily restrictive. Immigration is one of the very few issues that I know of that unites businesses, trade unions and education institutes. I cannot think of another issue that does that. More than a year ago, the Cabinet Secretary for Culture and External Affairs wrote to the then immigration minister to make the very point that you made—that immigration restrictions have an impact on education, business and even our social demography. The plan is heavily focused on two of the four areas—education links and research and development—so it is vital that we continue that dialogue.

In truth, I think that the UK realises that the rhetoric is damaging. All you have to think about is Prime Minister Cameron's most recent visit to India. He had to go on a charm offensive to tell the top industry leaders, students and everybody that the UK is open for business—it is open for them to come—because the message was getting out very clearly that it was not.

I think that the UK Government understands that the rhetoric around immigration can sometimes be incredibly unhelpful. It can be harmful and restrictive. We want to portray a Scotland that is open to skilled migration and international students when we and universities see benefit in that. We will continue to have that dialogue.

**Hanzala Malik:** I want to reiterate that the UKBA is out of control. I think that it has it all wrong and is damaging our education industry, in the first instance. There are many other areas in which there are also issues and problems, but that seems to be the biggest issue. For us in Scotland in particular, it is a serious issue, because our universities and colleges depend on many overseas students. We depend on different cultures making an input into our education system. The fact that the UKBA has been less than helpful has been extremely detrimental—in fact, I would argue that it is fair to say that our universities and colleges are haemorrhaging students because of that.

We need to redouble our efforts to resolve that difficult issue. Even some MPs cannot deal with it—they seem to be talking to a brick wall. The level of unhelpfulness is far too high. Something has to give if we are to compete fairly internationally across not only Europe but the world. I believe that we are losing students to second and third world countries. Countries such as Malaysia and China are attracting students who, historically, would have come to the UK. In Glasgow, I have seen student numbers diminish as a result of the policy.

If you could assist us by persuading ministers to continue to work in that area to encourage the UK

Government to intervene in some way to support our efforts in encouraging students to come here, that would be most helpful.

**Humza Yousaf:** I put on the record my recognition of the principled stance that Mr Malik has taken for a number of years—since before he became a member of the Scottish Parliament—on the UKBA. I think of certain cultural events such as the Glasgow piping championships, in relation to which Mr Malik had extraordinary difficulties with the UKBA. It is clear that the UK Government agrees with his assessment, because it has scrapped the UKBA, shuffled the deckchairs and taken the body in-house at the Home Office.

I agree with everything that Mr Malik says. Although we have not seen a dip in the number of students from China—it will be interesting to see the figures over the next few years—there has been what Mr Malik described as a haemorrhaging of Indian and other international students. The message that has been sent out that the UK—and, therefore, Scotland—is not open to students is completely the wrong message to send out in the highly competitive world that we live in.

We will certainly do what we can, but I remember speaking to one university principal who told me that, because the UK restrictions were so severe and because the message was being sent out that the UK and Scotland were not open to students, he was directing Indian students to apply to a campus of the university that is outside the UK. We cannot afford to allow that to happen. I fully accept Mr Malik's point.

**The Convener:** The UK Government's minister for Europe is coming to speak to us on 27 June, and I am sure that we will have many such questions to ask him. I alert you to that. We will let you know how successful we are at convincing him.

Willie Coffey has a supplementary question.

**Willie Coffey:** In your opening remarks, you mentioned the comments that Mr Anderson made at our previous meeting. He said that, in relation to the opportunity that exists in China, Scotland is where it was 100 years ago with America. You mentioned the key targets and strengths that China seems to be focusing on, and the fact that they match up with Scotland's strengths.

However, it would be unfair not to mention that Denis Taylor from Hidden Office Ltd, who also gave evidence to the committee, had a different view, which was that the development of relationships with eastern Europe and Poland, in particular, represents a better opportunity than China and has the potential for a greater return for Scotland. What is the Scottish Government's view on that? Is the potential return for Scotland and Scottish companies that exists in China as good

as we think it might be? Should we be concentrating a bit more effort on our nearer, eastern European neighbours?

**Humza Yousaf:** That goes back to my point that our work with China is not at the expense of our work with our European partners. It is true that we must be focused and have a targeted approach, but that should not be at the expense of everything else. We intend to have an internal yearly review of the plan to ensure that the strategy is working and that we are getting the return that we think we should be getting on the effort that we put in. If that is not the case, we should have the ability to be flexible.

As the SPICe briefing indicates, the HMRC figures show an 88 per cent increase in exports to China between 2007 and 2012, which is a huge increase. I entirely agree with Mr Anderson that, in relation to China, we are where we were with the US 100 years ago. I thought that that was a good way of putting it.

However, that is not to limit our involvement to a few priority countries. We have to have a presence in China, because the opportunity is only going to grow, but we must have an eye on where the next opportunity lies, whether it is in eastern Europe—our biggest markets are in Europe—or further afield. Where will the next boom take place? What will be the next growth market for Scotland? The share of Scotland's exports to China has increased, as has the quantity of exports. If we did not have a presence in China, Scottish companies would be losing out and we would be losing out on quite a lot of job creation in Scotland through inward investment.

**Willie Coffey:** Thank you.

**The Convener:** We appear to have exhausted our questions to you, minister. Thank you very much. We really appreciate your coming to committee. It is because you have given very straightforward and detailed answers that we have no more questions for you.

**Humza Yousaf:** Thank you, convener.

**The Convener:** I suspend the meeting for five minutes.

09:56

*Meeting suspended.*

10:01

*On resuming—*

## “Brussels Bulletin”

**The Convener:** Welcome back. Agenda item 3 is the “Brussels Bulletin”, which Scotland Europa put together for us. I invite members to make comments or ask questions.

**Helen Eadie (Cowdenbeath) (Lab):** I think that we were advised of this earlier, but it is good to see it confirmed in black and white on page 3 of the “Brussels Bulletin” that, in relation to

“the key issue of regional aid to large companies”,

Commissioner Almunia’s proposed ban, which would have had a serious impact on Scotland, is expected to be reversed. That is a small victory for all of us in the Parliament who helped to campaign on the issue. The cabinet secretary wrote about it and a variety of other people campaigned, including me, so we will be delighted by the news.

**Clare Adamson:** I say thank you to the clerks for getting back to us with such detailed answers to the questions that we asked last week. That was very helpful.

In light of the evidence that we have just had from the minister on the importance of education, it is interesting that university rankings are mentioned on page 7. Given that Scotland fares very well in some of the established university rankings, it will be interesting to see how that develops.

**Helen Eadie:** I was interested to read on page 6 that the budget for the proposed Erasmus for all programme is to have

“a reduction from the initially proposed €17 billion (which would have been a 63% increase on the current ... budget)”.

We were all very fearful that there would be a huge reduction, so it is good to see that there will be a large increase in real terms. The Erasmus programme is invaluable in helping students in all sorts of areas—technology, science and so on—to move across the EU. What with the debate that is going on in the UK at the moment, I think that losing all that would be a travesty; after all, the UK has benefited from and been enriched by the science graduates who have been able to work in the country. As a result, I am really pleased by that news.

**The Convener:** The backdrop to that is contained in the section on “Free movement of workers”, which is also on page 7 and says:

“The Commission has proposed legal measures, in the form of a Directive”.

It would be interesting to find out where the UK sits on that question, because the trend is in a different direction from that of Europe and the Commission. If a directive is introduced and needs to be transposed, we will need to find out how that process will happen, given some of the challenges that we have already had with transposition.

**Helen Eadie:** I share those views, convener.

**Jamie McGrigor:** On common agricultural policy funds recovery, which is mentioned on page 5, does the €230 million that has been clawed back from people who have not complied with cross-compliance rules go back into the EU agriculture pot? What happens to that money?

**The Convener:** That is a good question. We will seek clarification.

**Jamie McGrigor:** The bulletin does not say what happens to it.

**The Convener:** In our new approach to the “Brussels Bulletin”, we can get feedback, technical or procedural clarifications, a short briefing from SPICe or a more detailed policy update, or we can request information from the Scottish Government or further written or oral evidence from whoever we think appropriate. If we set those processes up properly, we will get clear answers to questions. We will note the question that you have asked.

**Jamie McGrigor:** Thank you.

**Willie Coffey:** I note that an agreement on the multi-annual financial framework budget arrangements was to be reached a few days ago. Do members recall that one of the potential victims or casualties in that agreement was investment in broadband infrastructure, whose budget was going to take an 80 per cent hit? Is that, in fact, the case and, if so, how might the committee express concern about it? I am sure that other members in the European Union will be concerned by such a huge drop in European investment in broadband infrastructure.

**Helen Eadie:** I certainly support Willie Coffey’s comments.

**The Convener:** I think that the cut was 80-odd per cent.

**Willie Coffey:** Yes—it was upwards of 80 per cent.

**Jamie McGrigor:** I also want to know the effects of such a move on Scotland—

**The Convener:** And the roll-out programme.

**Jamie McGrigor:** Indeed. A lot of money is about to be rolled out for broadband.

**Helen Eadie:** I believe that a previous bulletin said that there was 28 billion across the EU for broadband. Given that the UK Government had

made a certain amount available—£375 million is the figure that comes to mind—the amount of money that was coming to the UK as a member state was pathetic. All these Tories—I am sorry, Jamie—keep going on about the money that we put into Europe, but why do they not work harder at getting the money that the UK is entitled to for things such as broadband and ensure that we get a much bigger slice of the cake? The way in which they are behaving down south is simply farcical.

I have had my rant, convener.

**The Convener:** When the EU minister gives evidence on 27 June, we will be able to ask him those questions. I know that he watches our meetings whenever they are on, so he has probably already been tipped off about some of the questions that we will ask.

**Roderick Campbell:** I have a comment rather than a question on the section on “Free movement of workers” in the bulletin. Given the free rein—as it were—that is being given to Romanians and Bulgarians from 1 January next year, I was quite interested in the proposed directive requiring

“Member States to create ... national contact points to provide information ... and assistance”

to migrant workers wherever they are working.

**The Convener:** As Scotland’s economic and demographic needs differ from those in the rest of the UK, the directive might be vital for our industry and education sectors but might not be as vital for other parts of the UK.

**Roderick Campbell:** Giving employers and migrant workers a port of call to ensure that they understand their responsibilities certainly seems a step in the right direction and anything that helps to chip away at the current anti-migrant-worker climate is to be welcomed.

**The Convener:** I agree.

If there are no other questions, do members agree to send the “Brussels Bulletin” to the relevant committees?

**Members** *indicated agreement.*

**Helen Eadie:** Convener, I should clarify for the *Official Report* that when I mentioned “28 billion” I was talking about euros, not pounds.

**The Convener:** That clarification is on the record.

With that, I move to agenda item 4, which we have agreed to take in private. I thank all members of the public for coming along.

10:10

*Meeting continued in private until 10:44.*



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