

Cross Party Group on China

Minutes of the Meeting of 28 May 2013, 18.00 – 19.30, Committee Room 5

Present

Graeme Pearson MSP, Convener

Margaret McDougall MSP

Jamie McGrigor MSP

Robin Dyet, Office of Graeme Pearson MSP

Gary Dunion, Office of Jean Urquhart MSP, Highlands and Islands

Angus Tulloch, Joint Managing Partner, Asia Pacific and Global Emerging Markets Equity Team, First State Investments (UK), **Expert Panel**

James Anderson, Partner and Head of Global Equities, Baillie Gifford, **Expert Panel**

Wanyi Yao, Investment Manager, Global Equities Team, Baillie Gifford, **Expert Panel**

Archie McGlynn, Director, Hong Kong Schools Self-Evaluation Network, **Expert Panel**

Iain Valentine, Director, Giant Panda Project & Strategic Innovations, Edinburgh Zoo, **Expert Panel**

Martin Low, Deputy Director Asia Pacific and WTO International Affairs, Scotch Whisky Association

Professor Natascha Gentz, Director of the Confucius Institute for Scotland and Chair of Chinese Studies at the University of Edinburgh

Professor Barbara Fennell, Personal Chair in Language and Linguistics and Director of the forthcoming Confucius Institute at the University of Aberdeen

Andrew Welsh, former Scottish National Party MP, MSP and Provost of Angus

Eric Balish, Director, Barclays Trade and Working Capital

James Brodie, General Manager Scotland, China Britain Business Council (CBBC)

Ken Robinson, Global Sales Director, the Howden Group

Carolyn Dunion, Director of Global Sales, UK & Europe, IDF Global

Dr Andrew Mackie, former Environmental Health and Scientific Services Manager, City of Edinburgh Council

Gordon Ogilvie, Development Officer (Economic Development), Angus Council

Dr Hong Zhang, Academic Development Manager (China and South-East Asia) University of Abertay Dundee

De Lihe Liu, (PhD in Chinese Public Policy), Steen Bali McSherry Solicitors and Solicitor Advocates

Graham Thompson, The Blackford Trust

Neil Phillips, Positive Solutions (Glasgow)

Paolo Buoni, Director of the European Energy Centre

Douglas Ledingham, First State Investments

Dr Roger Collins, University of Edinburgh

Adam Purvis, Director, The Power of Youth

Anna Tomlinson, Deputy Headteacher (Boarding and International) St George's School

Judith McKerrecher, Curriculum Leader, Languages, Liberton High School

Janette Kelso, Confucius Institute for Scottish Schools and SCILT

Bella Wang, SCEN Youth Committee, St George's School

Susie McCosh, Master in Chinese Studies Student, University of Edinburgh

Dr Meryl James, Confucius Institute for Scottish Schools, University of Strathclyde

Rory Swinson Reid, Project Co-ordinator, Transition Institute
Farai Magodo, University of Aberdeen
Simon Macaulay, Teaching Fellow, University of Aberdeen; SCEN Executive Committee
Dr Juan Zou, University of Edinburgh
Henry He, University of Edinburgh
Helen Ford, former teacher in China
Ye Liu (Orchid), freelance writer on Scotland/China Tourism
Carole Couper, China & International Business, PhD Researcher at University of Glasgow
Judith McClure, Convener of the Scotland China Education Network, Secretary

1 Welcome

The Convener, Graeme Pearson MSP, welcomed all present and said how pleased he was to see the attendance of fellow MSPs.

2 Apologies

Apologies had been received from:

Lindesay Low, Legal Advisor, Scotch Whisky Association
Councillor Douglas Reid, East Ayrshire Council
Cathy Gu, Ernst & Young, Director of Young Chinese Professionals
Peter Kwok, Director of Young Chinese Professionals
James Trolland, Ridrum International, Spae Consulting, Maritime Security Management

3 *Doing Business with China: Discussion by Expert Panel*

The Convener said that the Cross Party Group had been struggling to find the right way of forming relationships with China. He looked forward to the discussion and he welcomed and introduced the members of the expert panel:

- ❖ Angus Tulloch, Joint Managing Partner of the Asia Pacific and Global Emerging Markets Equity Team, First State Investments (UK)
- ❖ James Anderson, Partner and Head of Global Equities, Baillie Gifford
- ❖ Wanyi Yao, Investment Manager, Global Equities Team, Baillie Gifford
- ❖ Archie McGlynn, Former HM Chief Inspector of Education in Scotland; currently Director of the Hong Kong Schools Self-evaluation Network (HKSSSEN)
- ❖ Iain Valentine, Director of Giant Panda Project and Strategic Innovations, Edinburgh Zoo (who arrived a little later)

Thoughts from Angus Tulloch on *Doing Business with China* had been circulated and members had been given the link to the Official Report of the Discussion held at the Meeting of the European and External Relations Committee on 2 May 2013, as part of its Inquiry into the economic aspects of the Scottish Government's China Plan. Angus Tulloch and James Anderson had given evidence to the Committee.

Angus Tulloch said it was an honour to speak at the Cross Party Group and he thanked the Secretary for circulating his paper. He said that he had worked in Hong Kong from

1980 – 1984; at that stage, China seemed remote. When asked *are you doing anything about China?* He would reply that he was not, because the state employed everyone, and there were no incentives. Then there came the liberalisation of the agricultural sector then the industrial; within ten years China had taken off. Now it is important to all of us. China is a huge market: we must respond. No company is a serious player if it is not in China, in the view of the CEO of General Electric.

Angus Tulloch said that as a Scot, perhaps not so implicated in Britain's imperial past (though Scots were indeed involved), he has found that Chinese businesses are indeed interested in Scotland. He advocated decisive action to facilitate this involvement:

- There should be a direct air link between Edinburgh or Glasgow and Beijing, Shanghai and Hong Kong. This should be subsidised by money from SDI. Direct flights would change the Chinese perspective of Scotland as a destination.
- There should be a focus on services, not simply manufacturing. There is huge potential for managing money in China.
- A third major area is tourism, including golf tourism; here it was essential that the current Visa situation should be improved.

James Anderson spoke next and said that he agreed with almost everything that Angus Tulloch had said. As ever, Angus was characteristically modest about his great expertise. He said that his own asset management company, Baillie Gifford, had £10bn of its clients' money invested in China: it was a very serious commitment. He believed that in general perceptions of the Chinese economy were skewed: people were wary that China stressed heavy exporting industries. For Baillie Gifford, great innovations were happening in China through:

- The internet
- Brand development
- Consumption

Thus building knowledge was critically important. We have a century of accumulated knowledge of the USA, but not of China. James Anderson said he believed that China is an incredibly receptive environment for us; Scotland was indeed viewed differently. It was an easier market than Japan, though not fundamentally different from elsewhere, because people have learned about investment from the USA, both bad and good. He concluded by stressing that we must take China seriously.

Wanyi Yao said that she had been given the great opportunity to open a Shanghai office for Baillie Gifford, a company with a hundred years' experience of global investment. Chinese entrepreneurs are now interested in global opportunities, not simply national, and this created an incredibly beneficial environment.

The Convener said that, in terms of Visas, the UK Borders Agency had spoken of technical difficulties: he wondered what the problem was? Neil Phillips, of Positive Solutions, said that in his view it was simply that Britain wanted to keep the door closed for political reasons. Angus Tulloch agreed; he believed that there was not enough effort to identify the skilled. Professor Barbara Fennell of the University of Aberdeen spoke of the inordinate time taken in classification; she sensed these were stalling procedures.

Archie McGlynn, former HM Chief Inspector of Education in Scotland and for the last ten

years Director of the Hong Kong Schools Self-Evaluation Network (HKSSSEN), said he was grateful for the invitation to join the expert panel. On the previous question, he said that a visa to enter mainland China from Hong Kong used to cost £10; now it was £30 or £40.

Archie McGlynn said his contribution to the discussion was founded upon his educational experience: he applauded the emphasis in Angus Tulloch's paper on the need for cultural awareness. In his view, Scottish Gaelic was the only language more difficult to learn than Cantonese with its nine tones. It was important to demonstrate knowledge and understanding of systems of thought such as Taoism and Confucianism and festivals such as Golden Week and the Sweeping of Graves. His own work was largely in Hong Kong, with 20% of his time in Guangdong, where the population was greater than that of the UK. He highlighted the need for patience in all dealings. At first he had been impatient; he wanted, for instance, short meetings. He came to recognise the importance of *face* and the need to take time in all contracts and commissions. Sometimes it would seem agreement had been reached, then there would be silence, perhaps for six to eight months. He remembered one occasion when, after a long gap, the telephone rang: *please come to lunch with the Permanent Secretary today!* He stressed too the need to develop reliable partnerships. HKSSSEN had started small and had grown; it was now celebrating its tenth anniversary. To be successful, it was important to identify with the project.

Iain Valentine said that he agreed totally with Archie McGlynn. The agreement to bring the Pandas to Edinburgh Zoo had taken, not eight months, but five years! He had learned over this time the importance of maintaining long-term relationships. He did not speak Mandarin, but he learned to be respectful and to learn that business was often done at dinner. He said that we still had much to learn. 83m Chinese went on holiday last year; we need to be more welcoming:

- Our websites should be translated;
- We should make it easier for Chinese people to understand signs and to visit sites;
- If we use a translator, they must understand the technical side of the business we are conducting.

Iain Valentine concluded that we can develop our relationships for the benefit of others; we must think of making the right introductions.

4 General Discussion on the Theme of *Doing Business with China*

The Convener asked whether our relationships with the Chinese were essentially different from those elsewhere. Wanyi Yao said that the challenge of the language was very significant, though many Chinese entrepreneurs spoke English. James Anderson agreed that building relationships could take time; on the other hand we must not react by going too slowly, because equally things can happen very quickly. We must exploit our opportunities. Angus Tulloch took the same view, and pointed to the speed of railway development in China. He also believed in the importance of the learning of Mandarin, now that there was increasing expectation from the Chinese that their language should be understood.

Adam Purvis, Director of The Power of Youth, referred to Angus Tulloch's advice that we must anticipate opportunities. This approach worked with the young entrepreneurs in his network, for whom language and cultural awareness were not issues. He believed

that there were hungry young entrepreneurs from China who were searching Europe for opportunities, yet the father of China's Facebook was stopped at the UK border and did business in Germany instead. Scotland, Adam Purvis said, needed to prepare for entrepreneurs coming from China and to address the issue of UK borders.

The Convener said that he admired the work of the Confucius Institutes, the Confucius Classroom Hubs and SCEN in preparing the next generation. Professor Barbara Fennell was in no doubt that Scotland needed a short term, medium term and long term plan: today's young people would be in the medium term phase when they arrived in the work force. China had set up four hundred Confucius Institutes throughout the world, she said: they certainly wanted other nations to learn Chinese.

Jamie McGrigor MSP said that, as a member of the European and External Relations Committee of the Scottish Parliament, he had taken part in its Inquiry into the economic impact of Scotland's China Plan. He had visited two fish farms: one had an office in China; one did not, and attempted to use the services of SDI (Scottish Development International). He asked Angus Tulloch whether he believed that its resources had not been well used in the past. Angus Tulloch said that he did not work with SDI and was unable to comment; Neil Phillips said that the difficulty was in fact that SDI was under-resourced for the challenges it faced. As a result, it was obliged to focus on the support of big operations and could not support small businesses.

Judith McClure, Convener of the Scotland China Education Network (SCEN), referred to Professor Barbara Fennell's opinion that we needed short, medium and long-term plans. The China Plan provided an effective short-term plan, but to make progress it was clear that stakeholders of all kinds needed to collaborate more effectively, as Iain Valentine suggested. She asked how we could work together effectively through the proposed online China Information Hub. The Convener said that this had been under discussion since Fiona Hyslop MSP, Cabinet Secretary for Culture and External Affairs, addressed the Cross Party Group on 29 January 2013. Neil Phillips hoped that it would include regional centres. The Convener asked whether the CPG should put together a grouping of enterprises and propose a medium and long-term plan of practical developments? In areas such as direct flights, intelligence was needed. Angus Purvis agreed. James Brodie, General Manager Scotland of the China Britain Business Council (CBBC), said it was important that all organisations were prepared to give too: we must use the delegations from China that visit Scotland; he was often frustrated that he did not get enough support here. We must also be prepared to travel to China and to recognise the importance of language. It was vital that we had a clear view of where Scotland could have influence, stressing its competitive advantages. Iain Valentine said that his experience had taught him that we were not good at sharing high-level delegations from China, as James Brodie had argued.

Wanyi Yao stressed the importance of enterprise, where there is real momentum, underpinned by Scotland's strong system of education. Ken Robinson, Global Sales Director of the Howden Group, stressed the importance of supporting Scottish SMEs. Angus Tulloch wondered whether SDI had enough SME representation; Neil Phillips said he had one contact for the SDI in China, but in Beijing. After a query, there was no response. Jamie McGrigor MSP added that SDI had said that they should start in Europe before China: he did not regard this as a satisfactory answer.

Bella Wang, SCEN Youth Committee, St George's School, said that she agreed with Wanyi Yao on the importance of awareness of Scottish education. Speaking as a student herself, she said that students in regional cities such as Chongqing and Xi'an are not aware enough of Scotland. She asked whether Scotland could be better promoted. James Brodie

agreed on the need to promote Scotland, particularly in areas which could not be replicated, such as:

- Education
- Tourism
- Food and Drink
- Investment Management

Professor Barbara Fennell suggested the addition of Biomedical Sciences, and Iain Valentine added two areas in which China was currently very interested: Renewables and Biotechnology. Helen Ford, a former teacher in China, said that those who lived there first noticed air, water and food!

The Convener said it was quite clear that we needed a new online China Information Hub, where all information could be gathered and lessons learned could be included. Judith McClure said that John Somers, the First Secretary Scottish Affairs at the UK Embassy in Beijing, was working on such a Hub with the Scottish Government. It would include his present monthly update on events, currently classified.

Note: John Somers, First Secretary Scottish Affairs at the UK Embassy in Beijing, has been invited to speak to the Cross Party Group at its second meeting in the Autumn, possibly on Thursday 28 November 2013.

The discussion continued on the theme of collaboration and on the work of CBBC, SDI and, from Orchid Liu who is currently working on an article on education and tourism, VisitScotland. Gary Dunion, from the office of Jean Urquhart MSP, stressed the importance of seeing the Chinese within the context of the Scottish Government's 1 + 2 strategy for language learning in Scotland: local authorities must be included in this collaboration. Caroline Dunion, Director of Global Sales, UK & Europe, IDF Global, pointed to the example of New Zealand, where funding was available for the forging of links with China.

The Convener said that he would raise the issues mentioned with the Scottish Government. He had already spoken to Fiona Hyslop MSP, Cabinet Secretary for Culture and External Affairs: she was keen to hear more.

The Convener invited closing remarks from the expert panel. Archie McGlynn said it was important not to wait for government. He gave the example of the building of the St George's Centre when he was a governor: it was agreed, it happened. Scotland is regarded highly in education, although interestingly no Scottish independent school was running a school in China. Jardine Mathieson is still one of the biggest firms in Hong Kong, yet does not exploit its Scottish links. Overall, we are too complacent and we need to act. Angus Tulloch agreed: much could be done immediately, such as supporting digital partnerships between schools in China and Scotland, as was beginning to happen, and putting signage in Chinese at Airports and elsewhere. James Anderson said it was futile to pretend that we have the kind of serious industrial culture possessed by, say, Germany; but we do have great strengths in certain areas, already discussed, and we are attractive to the Chinese: we need to be friendly and open. Wanyi Yao agreed wholeheartedly and Iain Valentine said we need to talk about Scotland too: as a small country with big ambitions, we must know ourselves and be willing to collaborate and to benefit each other. Archie McGlynn said that *Brave* had had a real impact in Hong Kong; as Jamie McGrigor MSP said, *Skyfall* too!

The Convener gave great thanks to the expert panel and spoke of his own experience. Twenty years ago, as a Detective in Glasgow, he had achieved one of the first Triad convictions in Europe. It had taken nine months to put the case together and it happened only because of the co-operation of Chinese business people, all of whom were close, humane and encouraging when it became clear that you would stay the course. In policing terms, it was difficult to talk with clarity about the evidence at once, because his contacts may have been seeking simply to please; persistence was necessary to get at the real facts and it took a long time. He knew that he could go back today and get any help he needed, because all the difficulties had been faced, including that of giving evidence in these circumstances. Friendship mattered and we should invest in this.

The Convener said that he would bring the points raised by the expert panel and in the general discussion to the attention of the Scottish Government: he knew that it was keen to listen and to do more to further Scotland's engagement with China.

Note: the following actions were taken by the Convener in pursuit of the issues raised at this meeting of the CPG:

Questions to the Scottish Government by our Convener, Graeme Pearson MSP

Motion S4M-06993: Enhancing Enterprise for Scotland and China

That the Parliament recognises and celebrates both the historical and contemporary links that exist between Scotland and China; notes that China is currently the second largest economy in the world, with many experts predicting that it will overtake the US as the largest within the next decade; supports all efforts to foster trade links between Scotland, including establishing a direct flight path from Scotland to China, but is concerned that visa regulations are not conducive to Chinese businesses operating in Scotland and vice versa; endorses the educational links that exist between Scotland and China, including what it understands is the high number of Chinese students who choose to study at Scottish universities and the links between schools in the south of Scotland and their Chinese counterparts; welcomes these links, and notes calls for the encouragement of the learning of Mandarin and Cantonese in Scottish schools and their twinning with Chinese schools.

Questions lodged:

Question S4W-15491: To ask the Scottish Government what support it offers to small and medium-sized enterprises that want to do business with China.

Question S4W-15482: To ask the Scottish Government what action it is taking to encourage (a) trade, (b) educational and (c) other links with China; whether it is encouraging airlines to establish direct flights between Scotland and China to help improve these links; whether it considers that the visa arrangements for Chinese citizens entering the UK has an impact on such links and, if so, what discussions it has had with the UK Government in this regard.

Question S4W-15487: To ask the Scottish Government what visa requirements it expects would be in place for people from (a) China, (b) India and (c) the rest of the UK wanting to visit an independent Scotland.

Answered by Humza Yousaf (12/06/2013):

Details of our proposals on independence will be in the white paper to be published later this year. However we have already stated that an independent Scotland would negotiate to remain within the common travel area, maintaining an open border between Scotland and the rest of the UK. Visitors from the rest of the UK would not therefore require a visa to visit Scotland.

Question S4W-15492: To ask the Scottish Government what support it offers Chinese businesses that want to (a) set up in and (b) trade with Scotland.

Question S4W-15493: To ask the Scottish Government what information it has on how many schools (a) are twinned and (b) have electronic links with schools in China and what encouragement it gives to schools wanting to develop such initiatives.

Question S4W-15490: To ask the Scottish Government what measures it is taking to encourage people to learn (a) Mandarin and (b) Cantonese.

5 Information from the University of Aberdeen

Professor Barbara Fennell, who holds a Personal Chair in Language and Linguistics at the University of Aberdeen and is to be Director of its new Confucius Institute, spoke of the formal opening of the Confucius Institute on 27 September 2013. She also indicated an exciting new proposal, in which the University of Aberdeen would open a Scottish Institute (*probably to be known as a Sino-Scottish Centre*) at the Beijing Academy of Science. The University of Aberdeen would have a physical presence to support the Centre, and it would co-ordinate a range of projects, research, lectures and cultural events with a Scottish brand. It would develop a range of partners, including Scottish Opera, the Confucius Institutes and SCEN, other Universities and Chambers of Commerce (linking with SMEs). The CPG was delighted to receive this information about an exciting new venture and looked forward to hearing more as the early plans developed.

6 Date and Theme of Next Meeting

Judith McClure gave advance notice of a possible addition to Homecoming Scotland 2014: an invitation from willing Universities, Colleges and Schools to invite alumni from China back to visit their places of education. She was getting in touch with the Scottish Government and EventScotland, and with the relevant organisations, and she would report back at the next meeting of the CPG. Neil Phillips stressed the useful involvement of SMEs and businesses. The Convener gave his support to this initiative.

The Convener raised the possibility of an event organized by the CPG in Scotland to discuss the difficulties raised at this meeting of developing Scotland's engagement with China. It would be important to consider whether this was a suitable area for the CPG and he left the idea for further debate.

The Convener said that the next meeting of the Cross Party Group on China would take place at the Scottish Parliament on **Wednesday 25 September 2013 at 6.00 pm**. It would be an opportunity to bring the issues discussed to the Scottish Government: he hoped that the Cabinet Secretary for Culture and External Affairs might attend. Mr Li Ruiyou, Consul General for the PR of China in Edinburgh, had agreed to attend.