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Witnesses: John Barry, Gilly Lord, Stephen Pattison and David Stanley
Examination of Witnesses

John Barry, Country Chair, Abu Dhabi, Shell, Gilly Lord, Partner, Head of Regulatory Affairs, PWC, Stephen Pattison, Vice-President, Public Affairs, ARM, and David Stanley, former CEO, the Penspen Group Ltd

Q218 The Chairman: I thank our four witnesses for being with us; it is extremely helpful. This Committee is concerned with Britain’s overseas influence and soft power—or perhaps it should be the other way round: our soft power deployment and our overseas influence. A formality is that you have in front of you a list of the interests that have been declared by the Committee, which perhaps helps you a little in knowing where we are coming from. We will have about an hour and a quarter of discussion and evidence. Can I begin with the brutal and basic question? I understand that Gilly Lord would like to make a statement—that is fine; do that—but can I just put a question before your statement, because you may all want to make opening remarks? In your opening remarks, give us a guide as to whether the soft power that is supposed to be a major asset of this country is helping you in your business. Or is there a more brutal pattern in which your efforts and merit are the things that decide, and the efforts of this nation to make itself attractive, persuasive, contactable and in good dialogue with the rest of the world are only secondary or maybe even tertiary? That is the sort of question behind your opening statement. I will start with you, Miss Lord.

Gilly Lord: Thank you for inviting me. I would like briefly to indicate how I might contribute to this afternoon’s discussion. I am an accountant and a member of a profession. The concept of a profession is something that is unique to the UK and in my experience is respected outside the UK. The UK accountancy profession in particular has a great reputation around the world. Together, I see that as a very valuable source of soft power for the UK which we, the professions and the Government, should work hard to maintain.

Lord Foulkes of Cumnock: I did not quite understand that. Are you saying that accountancy is not a profession elsewhere?

Gilly Lord: No, I am not, but the concept of a profession arose in the UK, a profession being a group of people working together in a common activity with an overarching public interest, a code of ethics and education standards that allow entry. So that idea of creating a profession was something that we created in the UK. Our professions therefore are among the oldest in the world and command some respect because of that. The accountancy
profession in the UK in particular is the oldest accountancy profession in the world and is respected around the world by other accountancy professions in other countries.

**The Chairman:** Can I stick to opening statements and ask Mr Barry next to tell us quite frankly whether the discovery and production of oil and gas around the world, and the processing and the sale of products, are helped or particularly hindered by the soft power qualities of this nation?

**John Barry:** Thank you, Lord Chairman. For 30 years I have been in the upstream part of the industry, the extraction of natural resources. Our clients, if you like, are Governments or national oil companies. It is incredibly important that there is a projection of the right sort of image beyond the company. In fact, when we think about how to secure new business, and these are quite significant deals or access to concessions, we think about having a good technical offering—that is the table stake; we think about a good commercial competitive offer. But in our analysis we also look to the political and the relationships, which are very often nothing to do with Shell but with UK plc aspects. Those relationships have been developed between members of Governments and national oil companies, through education, through visiting, through having properties in the UK, through admiring the BBC and so on, which I think is the definition of soft power that I have read in the literature of this Committee.

**The Chairman:** Just one codicil to that: is the fact that you are a Dutch as well as a British company an advantage or a disadvantage?

**John Barry:** My answer to this depends on where I am sitting. Since 2005, Shell has been a 100% UK plc, but we have a big office in the Netherlands. We are a UK plc.

**Q219 The Chairman:** Could I turn to you, Mr Stanley? I was informally telling the Committee earlier that I had encountered a great many of your colleagues this morning—or your former colleagues, because you have just retired, I think—who were much involved in ambitious and forward-looking investment and involvement in Iraq, which is a challenging market to put it mildly. What help, if any, are the efforts of this country to deploy its soft power in your business?

**David Stanley:** Thank you, Lord Chairman. We are a medium-sized business, so we do not have a huge interrelation at political levels of dynamics between countries, but using Iraq as a particular example, I am also a member of the executive committee of the IBBC and heard you speak at the conference there this morning. The Iraq Britain Business Council provides soft-power facilitation. That has been very instrumental in us being able to establish a foothold in Iraq, both in southern Iraq and Kurdistan, and has provided us with opportunities to speak to key people in Iraq, starting with Deputy Prime Ministers, and to develop relations. The soft power benefit for us is particularly in relationship development. Relationships are at all levels, but they are always personal. The perception of soft power by the person with whom you are developing a relationship varies enormously. It can be the BBC, it could be the Premier League, it could be all sorts of things. It is a matter of establishing common ground with those people, hopefully within the value system that we adopt as our company, which are British values.

**The Chairman:** Thank you. Could I just ask Mr Pattison to comment, the fourth in this opening scene, perhaps illuminating for us the range of activities and services of ARM, because you are a very familiar name as a company, but you cover such a vast range that it is difficult to get our heads around it sometimes.
Stephen Pattison: Thank you very much. Put simply, we design microprocessors. Those designs have found their way into a vast number of modern goods, primarily but not exclusively mobile phones. Our designs are used all over the world by a great variety of companies to build some of the most technological products of our era. Does soft power play a role in our winning business? The short answer is no, or at least not a very big role. Certainly, if I phrase the question along the lines of whether UK ideals and UK culture are a significant or major factor in our winning contracts, I think that the answer to that would have to be no. The main reason why our designs are so successful is that they are technologically superior and innovatory. We have a business model that respects the clients in ways in which some of our competitors might be said not to do. There are of course elements which, if you stretch the definition of soft power, might contribute. The English language is one: it is a hugely beneficial advantage to us to be able to operate in the English language all over the world. There is something around Cambridge; we are based in Cambridge. Cambridge is a huge brand when it comes to technology. There is of course something around trust and reliability, which is very nebulous. If I come back to whether UK ideals and culture are significant factors, I think that I would have to say no.

The Chairman: That is a very interesting reply, particularly your touching on the brand element. As you say, very words like Cambridge thanks to its development in the past 30 or 40 years have become internationally resonant. I think that on this Committee we are somewhat stretching our view of soft power to cover your wider scene, and we do not expect you all to answer that you have closed a deal that morning because you are British and they like the British; it is not like that. That is certainly very important to us. I do not know whether any of my colleagues would like to ask a pursuing question on this opening scene.

Q220 Lord Janvrin: Thank you, Lord Chairman. Could I just explore the key question? We have slightly different views among you, which is excellent, about whether there are ways in which soft power is useful at the moment. Looking to the future in a very fast changing world, partly because of digital phones and all that, do you think that soft power may become more useful to you? We are very keen to look forward here rather than backwards about how you see the influence of some of these more nebulous factors such as national brand, trust, integrity et cetera. In particular, I was very interested in that opening statement from you, Miss Lord, about the importance that people attach to the British creating standards kitemarks et cetera, which I think lay behind your statement. Looking forward to the kind of world we are moving into, do you see soft power being more important in the future? That question is to everybody.

David Stanley: The digital world is a big factor even in straightforward engineering—we are in the oil and gas engineering business. We use training and education as one of our great tools to penetrate markets around the world. As examples, we put huge work into developing the MSc at Newcastle University. In the past two or three years, we have developed the first module of an MSc course at Northumbria University. The difference at Northumbria is that it is a distance-learning programme. We have been overwhelmed by the take-up around the world, by the hunger and desire to get into our education system. The digital world is remarkable in how it has provided that access. We do it not because it is a marketing exercise; we do it genuinely to share our competency and know-how. It set us up as experts and a reference in our field. As a result, people who study those courses come back to you later when they come up against another problem, so it is a feeder of business for us. We have a number of cases where a course that we have run in Houston has led to
Stephen Pattison: Your question is whether soft power is likely to play a bigger role in future. The answer to that is undoubtedly yes. It will have to play a bigger role if the UK is going to succeed. Let me explain. It is a cliché to say that the market is now global, but the market is global. Over the next 10 or 15 years, we will see a number of other significant countries attaining similar standards of technological development, something which my company is particularly interested in, and competing with us in the same marketplace. At that point, the UK’s soft power could become a very important factor. It is obviously going to be crucial in attracting inward investment into the UK. I think that some of the broader things about soft power are hugely relevant: for example, the rule of law and the patent protection arrangements in the UK. These are the sorts of things that will attract business into the UK. However, I also think that soft power will play a bigger role than hitherto in British companies winning orders from overseas. We are a cutting-edge, high-tech company. I would like us to be able to say in due course that we come from a cutting-edge, high-tech country. That is a kind of soft power that I do not think Governments have entirely realised can provide a huge driver for Britain’s economic growth and its continued competitiveness on the world stage.

Q221 Lord Forsyth of Drumlean: I apologise for being late. Could I just follow up on that, Mr Pattison? I am not quite sure that I understand what you are saying. In your earlier statement, you said that you thought that the fact that our having the English language and the brand educational advantage associated with Cambridge may be an advantage, but you thought your product was so far ahead of anybody else’s that they would buy it anyway and it did not really matter. Is there another country where if you based as a company you would do better in tackling the global market than Britain?

Stephen Pattison: We ask ourselves that question quite often. We have chosen to stay in the UK for a whole variety of reasons. Whether some of these are soft power or not I leave to you to judge. One is time zone, which is very important to us. The other of course is culture. We are a British company. We were formed in Britain, and we remain loyal to Britain in all sorts of indefinable ways, but we could have a debate about whether we would be better placed to be on the west coast of the United States or even somewhere else. Right now, the UK is the best place for us to be headquartered. Looking ahead, I worry a bit about us and maybe one or two other companies from the UK surviving as exceptional British high-tech companies because the rest of the country is not looking at high-tech in the same way. That is what I mean when I say I think there is scope for the British Government to focus on how they can develop a soft-power image of the UK as a centre of high-tech excellence. That would generate more companies to do work here, which would have a snowball effect and drive growth.

Lord Forsyth of Drumlean: Forgive me for pursuing this. Is not our image as people who are frightfully good at being high-tech and producing brilliant ideas out of Oxford and Cambridge, which are then developed by the Americans?

Stephen Pattison: There is certainly that, yes. Part of this will be whether we can devise a way of turning some of those ideas into good, home-grown commercial successes.

Lord Foulkes of Cumnock: I find your answers very interesting answers, but I am still perplexed about why you are here, because this is taking up a lot of your time. Mr Barry has come from the United Arab Emirates. I do not know where the rest of you come from. You had to come through security, and you are spending an hour and a half sitting here
answering our questions. Why? When you read that this House of Lords Committee had
been set up and that this is what we are studying, what said, “I am going to go along to them
and give them evidence. I want to do this, that and the other”. What motivates you to come
along and to give us so much of your time? What do you want us to do? What do you want
us to recommend? What do you want us to tell the Government to do, or other people to
do? Mr Barry first perhaps; you have come a long way.

John Barry: If I may have a go at that as the Air Miles man, my day job back in Abu Dhabi is
as the country manager. Because of the importance of soft power to a natural resources
company, as I alluded earlier, quite a bit of my time is spent over there working with the
representatives of Her Majesty, the ambassador and others. It is obvious to me that a
reflection on how we can do this well into the future, and possibly even better, is worth my
time—I happened to be here anyway, which was a happy coincidence—so I have no qualms
in saying that this is important. I accept that there may be areas of industry where
competition is purely on technical and commercial grounds, although that is certainly not the
case for my part. What would I like to see done differently? There are many elements in my
draft preparations for answers here, but in terms of facing the future it is not that we need
more soft power but that we will need it differently, and it is good to be very self-aware
going into that.

In a world that is more connected—one can think of the Arab spring and the demands for
transparency, which are growing in places that were never there before—the UK can bring a
lot. Some aspects such as transparency, ethics, and the Bribery Act, if well sold, play to our
strengths and are easy. Sustaining our image as a high-tech country is going to be very tough.
I have just come back from Korea, and I can tell you that they are very good at it and they
are not shy about telling people. It needs self-reflection—I know this goes on in the
corridors of government—and a way in which industry and government can draw their ties
closer together so that it is not just me sitting with the ambassador out there but perhaps at
this end a strategic relationship to help the Government in steering their way forward. Not
all soft power is to do with government, I appreciate, but we are talking today about what
can be done differently in this context.

Lord Foulkes of Cumnock: Gilly, what stirred you?

Gilly Lord: I had a shorter commute here, just 10 minutes, but I was still stirred. My
business is about selling advice, people and services, so it is intrinsically linked to soft power
and to reputation. If UK accountants stopped being regarded around the world as good
accountants, that would be highly detrimental for our business. That is why it is important to
me. The crisis of 2008, following which my profession among others was criticised, showed
us how vulnerable our soft power is. In today’s digital world and with Twitter storms, it
shows us how quickly it can be lost. So, again, why am I stirred by this? It is because, first, it
is very important and, secondly, it is very vulnerable.

In terms of what we might do in the future, I talked at the beginning about the accountancy
profession and about our creation in the UK of standards that are now used around the
world. We started creating those standards in 1840. They are great and they have worked
very well. However, the world is now changing, and we as a profession in the UK are
behind to allow those standards to evolve. If we do that and are creative and innovative,
and if we come up with an audit model, say, that still works in today’s world, our profession
will continue to be at the forefront of the accountancy profession globally. If we do not, and
if we stick with the models that we created in 1840, we will dwindle into irrelevance. That is
really why I am here today.
The Chairman: That is a really interesting reply.

Q222 Lord Foulkes of Cumnock: I am terribly ignorant about the Penspen Group, so you will have to forgive me. What motivated you this morning? Did you say, “I’m going along to tell these Peers what they should be doing”? What did you want to tell us?

David Stanley: The principal driver for coming to speak to you today is that the environment within which we talk to our clients and hopefully win business from them is influenced enormously by soft power and the British message that goes across. Similar to the accounting profession, the engineering profession is also very well regarded, and British engineering is regarded very highly around the world. Endorsing and developing that environment—the legal framework, the finance framework, all those elements coming together—will make winning business for us much easier. We do not directly influence the legal framework of course, but we work within it and depend on it enormously, and it is a factor in whether we go into a particular country potentially to undertake business. Similarly, there is the ability to get paid. There really are very mundane aspects to it.

Lord Foulkes of Cumnock: They are important though.

David Stanley: Yes. All those drivers of soft power—the educational side and the cultural side—create a much better business environment for us to be able to do business in. That is the message that I wanted to pass across.

Lord Foulkes of Cumnock: I do not know whether Stephen wanted to say something, so I get a full hand.

Stephen Pattison: I think my answer has been borne out in the answers of my colleagues, but I am also here to try to shake out from the Select Committee’s work any complacent reliance there might be on what I would regard as an old fashioned notion of British power. We might think that all we have to do is teach English, make sure that we uphold the rule of law and we are home and dry, but it is not going to be like that. If you asking me what I want government to do, I have a whole list of things which I think not this particular Government but any British Government could do to make the UK a cutting-edge high-tech country. Some of it starts with using some of the great soft power things that we have. We can have a debate about the health service, but let us assume that the health service is embedded as part of the UK’s culture and ideals. As we move towards an ageing population, we will need financial as well as other drivers to look after the elderly more in their homes than in hospitals. That will require investment in remote health monitoring. It is a major challenge if you want to describe yourself as a high-tech country: can you actually do remote health monitoring for your ageing population? There are simple ways in which the UK could do this. The technology is already there, but actually we have been pretty slow.

I could go on with other examples, but my main message is that we need to think about soft power from a future perspective and not rest on our laurels.

The Chairman: Good. That is what this Committee wants to hear. That is a really useful message. I am going to ask Baroness Hussein-Ece to join in the discussion, and then Baroness Morris.

Q223 Baroness Hussein-Ece: Thank you, Lord Chairman. On your last point, I was going to preface my remarks by asking you whether you think there is a danger that we are resting on our laurels a bit, given what we have already heard and the fact that we have been the world leader historically in key professions and with the English language and the BBC, all these things that we know about. Do you feel that we are lagging behind? We have heard a
lot of evidence, and we hear constantly that when it comes to investment in some of these new and emerging markets in places like China we are still lagging behind. I was in Edinburgh this weekend at a British-Turkish forum with key businesses, with their Rolls-Royces, PA systems and all the rest of it. People had come from Turkey, and I was a bit shocked to hear that we are lagging way behind the French, the Germans and the Italians in investing in a big market like that. We were confronted with people from the Turkish side who were very smart and going around the world doing business in all sorts of areas. There was a feeling that we are not quite there. We are not engaging enough, and we are resting on our laurels a little, relying a little on things like “Downton Abbey”. All these marvellous things are very good, but we are not taking full advantage. I would be interested to hear your comments on that. Gilly Lord talked about how the accountancy profession had started off. Many countries have now caught up and are perhaps doing better in some of these fields. Are we looking a back a bit rather than forward?

The Chairman: Can I just add to that? Some people say that accountants rule the planet anyway, so we have to observe that with respect. Is our position that British accountancy standards are at the moment more or less globally accepted but that you feel that, with the pace of technology, this is going to change unless we move very quickly? Was that what you were saying?

Gilly Lord: I think that the UK accountancy profession today holds a great reputation around the world, but it is vulnerable. On your point, I do not think that we can rely on the fact that we have had a good profession for 100-odd years and assume that that will serve us just as well in the future, because it will not. Many of the things that we have done very well for the past 100 years are becoming less relevant today. Are we lagging behind? I do not believe that today we are. I shall share two examples that provide a counterweight. First, one thing that we are exploring at the moment in the world of corporate reporting is something called integrated reporting, moving away from pure financial reporting, where you reported on last year’s financial results, to something much broader that is forward looking and incorporates lots of different ways of measuring performance. The country that is most innovative in that space is South Africa, which is renowned for having lots of companies that have experimented with their accounts and done really interesting things—we might not like them all, but they are much more creative in that area. Secondly, I think about audit, which is an important part of the accountancy profession. In relation to audits of 30 September year end accounts, the UK was the first country in the world to radically change our auditing opinions away from the binary, true and fair view-or-not opinion to something much more subjective that tells readers about the audit process and gives them a much more qualitative view. In that regard, we are still world-leading, but we have to be if we are to maintain the soft power of this profession.

Stephen Pattison: Perhaps I can give you an example from Turkey of something that we are trying to do. Earlier this year, Turkey put out a tender for a large number of tablets to be used in Turkish schools—mobile tablets, computer tablets. We are very keen that that tender should go to a company that is using our designs. We do not make tablets; we just make the chips that go into them. So we are working with a company that makes tablets using our designs. In the world debate on using computers in schools, quite a lot of suspicion has been raised that companies try to dump a lot of computers on to schools that are not ready for them, particularly in developing countries—I am not suggesting that Turkey is a developing country. They are dumped on schools where the teachers do not know how to use them, where the kids are accessing dodgy material, where the power supply is irregular, and where the thing does not really work. We are trying to put together an offering whereby we are able to go and say, “Here’s a company that makes a tablet. It’s great value
for money. Our chips ensure that it’s very energy-efficient and, by the way, we’re also working with educationalists to make sure that the whole offering is coherent from an educational point of view”. Now, that would be hugely enhanced if tablets were the order of the day in British schools and we could say, “A lot of British schools have been there and know what this is like”. As it is, we are drawing on expertise that is Cambridge-based, with luck, but the studies have been done elsewhere. I hope that that gives you an example of why if we had a modern form of soft power—tablets in British schools—it would strengthen our case in trying to get tablets using our technology into schools overseas.

**Baroness Hussein-Ece:** Does that mean that you have put a bid in for the tender for these tablets?

**Stephen Pattison:** We are not bidding at all. We do not sell tablets. It will be a non-British company that is making a tablet using our designs—there are several actually—but the chances are that we will end up working with a Chinese company that makes tablets trying to get this sale in. That is a good example of soft power, if I can put it that way without treading on too many toes. If you are the Turkish Minister of Education, you might well think this is a good offering: you have a Chinese company making things relatively cheaply with a British company in the background bringing in a British expert on education. That suddenly looks like a pretty good package.

**Q224 Baroness Morris of Bolton:** I, too, apologise for being late. I rather like this idea of shaking us out of our complacency about British soft power. It is rather like our whole attitude to languages: the rest of the world speaks English so we do not feel that we need to learn another language. You said that you wanted to live in a country that is known to be high-tech. I take a point that John made: that the Koreans are not shy about telling people what they are doing. I wondered, again, whether there is just something in the British psyche. We are doing a lot of really exciting things, not just in Oxford and Cambridge but throughout the country, and I just wonder whether we do not tell the world enough about what we are doing. I have always thought that this is one of the big problems with soft power. It is below the radar, you do not tend to shout it, and it is not as visible as the hard power. I would like to think that it is not quite as woeful as maybe you think it is and that you might not have to relocate to California.

**Stephen Pattison:** Let me assure you that we have no immediate intention of relocating to California. The point is a very good one. Take, for example, last year. As you probably know, the British Government ran a GREAT Britain campaign to coincide with the Olympics. There were loads of posters. Some of them had technology pictures on them, but not all of them. The GREAT Britain campaign tried to cover the whole waterfront. It had a picture of a Cambridge college, and everybody was thinking, “Oh, that’s sweet; that’s exactly what you think of about Britain”. It did indeed have a picture of one of our designed chips and a picture of a prosthetic arm. These things got hideously confused. I went into a British embassy somewhere and said, “Have you got the ARM poster there?” “Oh, yes,” he said, and the bloke showed me it, and it was a picture of the prosthetic arm. People are trying to do too much, actually. We need a focus on the technology bit, which is what I am here to try to say. There is a good story to tell. You are absolutely right that people are doing very good things in Shoreditch, Cambridge, Bristol and all sorts of places, but it still does not add up to the popular global image that Britain is a high-tech country.

**Q225 Baroness Prosser:** I find this completely fascinating, but the reality in this country is that at the moment we are short of some 20,000 engineers. I do not lay the blame entirely at the door of this current Government or even the one before, but the atmosphere in this
country about that kind of education has not been positive for many years. What can you say to us that we should be saying in detail—not precise detail, but rather more meat on the bone—about how we are going to get over the kind of snobbish attitude that the country has towards the sort of education and training that lead into those fields? There may be a lovely picture of Cambridge, but that is academia. People think of Cambridge itself. They do not associate it with high technology. So we have this big gap. Everybody talks about the need for everything to be smart and new and whatever, but the funding for that kind of education is way behind funding for academic learning.

**Baroness Armstrong of Hill Top:** That is why they are in Newcastle. In the north-east, we still like engineers.

**Baroness Morris of Bolton:** And in Bolton

**Baroness Prosser:** I will have to shout for Shoreditch in a minute.

**The Chairman:** I had better call this meeting to order. These are very interesting themes. I do not know whether you would like to elaborate more on them.

**David Stanley:** Perhaps I may pick on the engineering source of future resources. It is an issue, although recently there has been a bit of a shift back towards engineering as a chosen career, at least perhaps more engineers who graduate staying in engineering rather than going into financial services or the lure of the City, which was really high. Engineers, being pretty numerate, were pretty attractive feedstock for that sector. That having lost some of its allure in last five years has made a lot of people think more seriously about what a serious career is. I do not mean that financial services are not a serious career, but if you were an engineer, that was one of the options. On the masters degree course that we have in Newcastle, less than 30% of the students are British, I am sorry to say. I was asked whether we are losing our position. In many countries—for example, in Mexico, in Thailand and in other countries where we work and have had to develop indigenous engineering capabilities—they are extraordinarily proud to be working for a British international company. They see it as an aspiration. We find it very easy to recruit engineers in that environment—unfortunately, they are not British engineers of course.

On the language side, we work in Spanish in Mexico and Latin America; we work in Thai in Thailand. Although we have to be able to communicate our work, our standards and processes in those languages, they adopt British values in the execution of that work and are extremely proud to be able to do that. To come back to the question whether we are losing our place a little bit, I think the answer is yes, we are falling behind. I am not quite sure how to stimulate more engineers to come into, in my case, the oil and gas industry and to get over the message that it is a really good career. It does not seem to drive many young people.

**Stephen Pattison:** On education, I think we all agree that we need more young people going into engineering. Statistically, kids who are most likely to go into science come from science-y parents. Therefore, if we are going to increase the numbers going down that route, we need to create different role models for them, because they are not getting role models from their parents. This is particularly true of girls and women going into engineering. In order to create role models for them, the key has to be teachers. Teachers need to see themselves as role models and champions. The traditional science teacher might not necessarily be the best role model. In fact, we are working with an organisation called Code Club, the main aim of which is to get kids as young as eight or nine to take an interest in computer coding. It does so through a very engaging piece of software designed in the United States. Part of the thought is that you might get other teachers engaged in this, too.
Suddenly, you have the cool teacher keeping—if I can use an old fashioned metaphor—one page ahead of the kids learning coding and bringing a whole lot of kids with him or her and being a role model for it. That would help. We should take that thought all the way through to university. One idea that needs exploring is more joint honours so that young people could go to university and study, for example, media studies with sound engineering, or fashion and computer graphics, so that they are not being asked to specialise artificially. Okay, at the end, they will not come out with quite such a high degree of knowledge, but then we employ people with two degrees in computer science and we still need to train them. Companies will always have to do some training. We are not asking for oven-ready graduates; we are asking for defrosted graduates at best. I think there are approaches to this, but it needs a bit of big-picture thinking.

Q226 Lord Forsyth of Drumlean: Mr Stanley, I do not mean to be personal or provocative, but looking at your CV I see that you are an engineer but have ended up doing banking, project administration, marketing and sales. Is that not because we no longer actually have a comparative advantage globally in heavy engineering? We all love the idea of bringing back the Brunels, educating engineers and getting back to what made us great in the 19th century, but is there not another reality? I should declare an interest in that I am a director of a company that has a big fabrication yard in Abu Dhabi, which Mr Barry will know very well. I see labour coming from India and elsewhere that is highly skilled and very competitive in its costs, and I question the idea that we can exercise some kind of revival of engineering as opposed to what we are good at, which is what you do: project management and pulling things together. Is that not where our comparative advantage lies, and should we not be concentrating on that rather than, at the risk of upsetting some of the other Members of the Committee, harping back to a past that is long since gone?

The Chairman: That is a very central question. I should just like to supplement it, because it is one of the key questions that we are going to ask you. Are we trying to climb Mount Impossible, or is there not a world trend anyway towards more and more sophisticated services in the context of the information revolution? Is that not a strength that we should rather gladly play to, while recognising that India is churning out hundreds of thousands of engineers and we can never keep up? It is the same question, and it is a very central one. To what extent are we fighting a trend and to what extent should we ride with the trend?

David Stanley: To merge the questions—

Lord Forsyth of Drumlean: The Chairman’s questions are much more succinct than mine.

David Stanley: There are two aspects to this. Even though we establish engineering operations around the world to deliver engineering locally to where the demand is and use a lot of indigenous engineers in that work, it has to be led by British engineers. That is part of our marketing and representation. There is a marked difference in the general statement of the capability of good engineers from the UK. We have a wider, more lateral thinking process. We have a better adaptation to the client’s requirements. We can put ourselves into the client’s shoes and think about what the client really needs from this. Yes, he might have written a scope and a definition of the project, but that is not necessarily quite what he wants. We bring extra expertise to deliver those solutions. Perhaps Brunel was given a scope of work to build a railway to Bristol, but he did it with much more thinking, with larger radius bends so that it could take much faster trains than were thought about at the time he was building it.
My point is that there is still great strength in British education and British engineering and the thinking process which they develop that other countries do not have. We have that issue regularly with Indian engineers. We have a very large group of Indian engineers in our Abu Dhabi office, but we lead them with British engineers and our clients look for that leadership. They are very happy to have the lower price, which is the other factor in it: we cannot staff it with 100% British engineers because it is too expensive if we are going to win in a competitive environment.

To answer your question about why I moved away from engineering and more towards marketing—

**Lord Forsyth of Drumlean:** I was teasing you.

**David Stanley:** It is about the relationship, about the trust and the confidence that you build with a client by having the dialogue with the client about you and your company’s competency. To be able to talk at an engineering level ends up with the client being confident that you and your company can deliver what he needs.

**Q227 The Chairman:** Mr Barry, is it all services nowadays? In 1982, our trade figures hardly mentioned services. Now we are told that they are 52% of our overseas earnings. Is it a service world that we moving into?

**John Barry:** It seems to me that when we look globally we have to have a slightly larger definition of services. Listening to the conversation about British engineering and British engineers versus others, it seems to me that one of the things that we can very usefully do, based on our strengths, is to help others to be good engineers. We know how to do it. We have the know-how. That is what we really bring to the party. We could take an engineer who comes out of a university in India and turn him into someone who can do useful things in the modern commercial world, and can do them globally. That takes us back to education and to free exchange, which is so important. We talked earlier about campaigns to sell our technical abilities and so on. They are worth thinking about. The GREAT campaign was good: the posters are still up over the road in Victoria Street.

On a smaller scale, the person who comes in to study for a couple of years or the people from Gasco in Abu Dhabi who came to Mossmorran in Scotland for a year to learn about health and safety engineering seem to me to be where we can really play strongly. That is what creates the aura that for me is the soft power that I can leverage. It is not all about having to do everything ourselves; it is about being open, about facilitating people coming in and out. On a hobby horse, I would love to see us declare visa-free entry for Emiratis before Schengen does it. That would really get some Brownie points, but that is an aside and I realise it is very Abu Dhabi-specific.

**Q228 The Chairman:** You are touching on an issue that concerns this Committee, and we are going to have evidence on it, so do not feel that you need to hold back on this. I will, if I may, turn to the next part of our discussion. What more can the government agencies and departments—HMG—do to reinforce your efforts? You are at the sharp end. Mr Pattison, dipping back into your past, you were, I think, part of the Foreign and Commonwealth Office and worked in Washington. Do you draw from that time any particularly precise views on what more could be done by government to reinforce your efforts? That is something that we are going to report on.

**Stephen Pattison:** As I have said earlier, I think that, at its broadest, the Government could more to establish the UK as a high-tech country. That would be extremely significant. If you are looking at what the various government agencies can deliver in this area, my own view is
that they do a reasonable job but that frankly it is a bit patchy. They are getting better but they lack expertise in high-tech, for example, and in how to present Britain’s high-tech excellence. Too many agencies regard their main role as simply bringing two people into contact with each other, a willing buyer and a willing seller, rather than promoting an image of the UK as a place of high-tech excellence.

Lastly, more could be done to professionalise the skills of some of the people working in British government agencies, at home and overseas. That is not done simply by bringing in external people. My own view is that some Governments spend a lot of time bringing in external people, and it is a bit hit and miss. What is needed is a more significant effort to get the people they have, who by and large are pretty good, to focus on the sorts of issues that we are talking about today.

**Gilly Lord:** The area of the Government’s domestic policies that is most relevant to my business is how financial services and professional services are regulated. I talked earlier about the importance of innovation and creativity to our profession so that we cannot rest on our laurels. We need to move our codes and standards forward. A very careful balance needs to be established between regulation and the absolutely apparent and fundamental need to make sure that our financial system is stable and secure, while still allowing people to innovate. That is the single thing for my profession that is most important for the Government in setting policy.

**The Chairman:** John Barry, would you like to add to that?

**John Barry:** Yes, a couple of things. One was triggered in the pre-read by the reference to the Commonwealth. I found myself wondering why the Chinese have made such inroads into Africa, which ought to be our natural playing ground and indeed was for many years. If we think about how we can fix that, we bring different things to what the Chinese bring. We bring sustainability. We bring transparency. There is a role for building into the Government’s narrative, through the Commonwealth perhaps, the reason why it would be better to be with the British. We should not be ashamed of doing that, in a non-arrogant fashion of course. There is something in that big picture in how we can leverage the Commonwealth.

Then there is consistency. Many countries that do not have a turnover of government every five years wonder whether we are good partners for a 30 or 40-year typical oil and gas project. An example that comes to mind is the statements that are being made around the European Union. Are we in? Are we out? Do we like it? Do we not like it? If I was a partner looking at the UK, either to invest in or potentially as someone to partner with, I would be wondering about things like that, and I would like to see evidence of a Government having a real long-term view when it comes to these commercial matters.

Finally, it is very good that we see government now making efforts to travel around the world and often to take industry players with them and so on. We see a lot of these very good missions. I would just urge that they are sustained. It is, in the end, all about relationships. I think one of you said earlier that they are personal, and I do not think it is good enough to say, “Right, we can tick the box now. We have done Indonesia”. You actually have to work at these things at all levels and keep going, and the rewards come in the somewhat longer term.

**The Chairman:** I cannot resist asking this. Should we be working with the Chinese? Should we be advising them with the services of how to get on in various parts of Africa, because they have not always been very successful?
John Barry: That is very profound, is it not, Lord Chairman, because in fact different countries are good at different things. We alluded to that in the engineering conversation earlier on. Maybe there is scope to do more together. I see that the Chinese will take over from the Koreans, who took over from the Japanese in engineering construction, and we will be working with them because we will be designing the clever things that they are probably the best placed to build in the end. Perhaps that is an analogy that we can use as well.

Q229 Lord Janvrin: I wanted to follow up on the point that I think you made, Stephen: that government agencies need better focus. From where you sit, and given that you have sat inside as well as outside the government machine, do you see a need for a much clearer strategic view from government in this whole area of soft power? Do you think that that is actually possible, having worked from within?

Stephen Pattison: Is there a need for it? Yes. Is it possible? That is a separate question, I think. No one has said this, but some of the questions about Africa touch on this. There are reasons why the Chinese are successful in Africa and why Britain has not been successful in Africa. It is not because we lack the companies that can go and do it, it is because we have a bit of baggage in Africa. Some of it is historical, some of it is ideological, and so on and so forth. If you are looking at the British role in this area, and you are talking about soft power, it is conflicted. On the one hand we are asking whether we can do more to promote British commercial interests. On the other hand, we are asking whether we can do more to promote other values that might not necessarily support British commercial interests. Let me say, for example, because it is well known, that the present Government’s decision to receive the Dalai Lama resulted in an 18-month or two-year freeze—whatever it was—in UK-China relations. It has only just recovered in a sense with the recent trade missions by the Chancellor and the Mayor of London. That is a trade-off that you have to make in arranging your foreign policy priorities.

The Chairman: It could be a trade-off between the short term and the long term, could it not?

Stephen Pattison: Yes.

The Chairman: Occasionally, things that are painful in the short term win out in the long term.

Lord Forsyth of Drumlean: Are you right about Africa and baggage? Is not the reason why the Chinese have done very well there that they have something that we do not have, which is loads of money, which they spent on infrastructure, roads and all kinds of things that have been welcomed with open arms?

Stephen Pattison: That is part of it, too. They have loads of money and loads of people. They send their own people, who live in their own villages, and they get on with it and do it.

The Chairman: I know that Mr Stanley wants to come in on China as well.

David Stanley: We have worked with the Chinese for about 15 years, not in China but outside China. They were looking to undertake an EPC contract, in Abu Dhabi actually—the Abu Dhabi crude oil pipeline, which is a very big pipeline across Abu Dhabi—to bypass the Straits of Hormuz. They recognised that they were not able to do the engineering and the project management in a manner that would be acceptable to the Emirati client, and they appointed us to do that for them. We had already worked on other projects with them, and we continue to work with them in that area. You could say that that is perhaps a short-term horizon, because they will learn how to do it themselves, but we ring-fenced it. Of course they will learn a lot from it, but we are confident that we will move further forwards ahead
of the pace at which they can do that. If we did not do it, someone else would have to do it. We are in business to do business, and as the opportunities come up we take them.

Q230 Lord Foulkes of Cumnock: This has been really helpful, and I must say I find it fascinating. I want to help you with another question. I am glad you said that we should not be complacent and look to our past, because I agree fully with that. Currently we have lots of great engineers; Mr Dyson is one of them. We have people building airports out in China who are doing a good job, and we have great artists, wonderful authors and great musicians—and I do not just mean One Direction, who we were talking about earlier, but lots of others. I am looking for a silver thread that joins them all together, a theme. I do not like the Great Britain theme. I think that “Great” implies imperialism, that we are better than you. I personally prefer Cool Britannia, but that might be too Blairite for some of my colleagues. I just wondered whether you could help us. Is there something that links it all together, that describes Britain—and I mean Britain: England, Scotland, Wales and Northern Ireland—a phrase or something that can link it all together.

The Chairman: It is a very difficult question.

David Stanley: You are asking a physicist and an engineer to do marketing. We have tried in different ways to capture and bottle that and to get a simple message across, but even in your description of it you covered a lot of areas. To try to get all those distilled into a succinct expression is extremely difficult. In fact, Britishness is the only generic word that captures all those values and excellences that you touch on, the music scene being one of them. There is also drama, the arts—all sorts of areas that are amazing. There is huge talent here.

Lord Foulkes of Cumnock: Gilly has an idea.

Gilly Lord: The thing that is most striking about your list is the thing that I would like to be the answer: I would love Britain to be known for its diversity, the fact that we can do so many of these things and the fact that we have this amazing multiethnic population, which should make us able to do business all over the world really successfully. For me, it is about diversity.

Lord Foulkes of Cumnock: That is very good.

John Barry: To me, if there is one word it is “open”; we are open to incomers and to ideas, and we are transparent in the way we do our business.

Lord Foulkes of Cumnock: That brings us back to visas as well, mind you. Open and diverse.

Stephen Pattison: This is not original, but to me it is about innovation and creativity. One Direction and everyone else are successful because they are responding to a demand, particularly among young people, and there is a great angle on innovation and creativity in Britain. If I had to choose one phrase, I would be looking for something like “New Britain”—something that gets across the fact that we are modern but that we rely on some of the old values: trust, respectability and so on.

The Chairman: I am going to jump back a bit, but you have touched a chord: innovation is the story. We mentioned government bilateral missions to China and so on. Is it helpful that X million Chinese people—the number was disputed—watch “Downton Abbey”? Is that the image that we want to get across?

David Stanley: It may create the link by which you can establish your relationship. I do not watch “Downton Abbey”, but I think I am probably the only one among those I ever talk to.
Whether it is “Downton Abbey”, the Olympics or the opening of Parliament, they are all areas where you can establish a dialogue, a relationship, some sort of values between people and the trust that emerges from it. Those are the foundations on which one can then hopefully develop business.

John Barry: In thinking about what is changing, technology, innovation and so on, we must not throw out the baby with the bathwater. There are things in our traditions that are incredibly important. I think of the royal family. For a significant subset of countries they are incredibly important in maintaining relationships at the top level. You will be aware that we secured a very important contract in Abu Dhabi in April this year, and I do not believe it is a coincidence that that was announced on the first day of Sheikh Khalifa’s state visit to this country.

The Chairman: So we could have the glorious paradox in a way that monarchy, which is an ancient institution, is leading us into the age of innovation and soft power in the future.

John Barry: Yes, and as one who is married to a French republican I still believe that the royal family give us good value in the 21st century.

The Chairman: Does the Committee have any other questions on this area?

Q231 Baroness Prosser: Mention was made earlier of the lack of arrangements in Africa being possibly to do with the history and the baggage. That is something that people might debate for ages. The Chinese were there many years ago when we had the money to go in, so there is probably something in that. One thing that is said by people whom I have spoken with who have been working with the Chinese community is that innovation and creativity are not part of what they do. They are extremely hardworking and focused, but the idea of being innovative in the middle of all that is not something that they do, so I wonder what you think of the idea of diversity, innovation and creativity being labels that we can stick with and be very proud of and that separate us a bit from what is going on particularly, say, with the Chinese.

John Barry: Chairman, may I just comment that we have suggested several times without challenging it that our baggage in some Commonwealth countries stops us from being significant players?

Baroness Prosser: In some places it is lauded and people are very happy, I agree.

John Barry: What I am saying is that I think that our Commonwealth debate could include more of a business element. I do not think it is about neocolonialism; it is actually a very positive thing that we could build in in a number of those countries.

Q232 Lord Forsyth of Drumlean: We have talked quite a lot about what government could do, and there is still a bit of mist about exactly where the focus should be, but do you think that business organisations and professional bodies could be doing more in this area? I know that the CBI has come out with a ringing endorsement of the EU today, but do you think that organisations that represent business or the professional bodies could be doing more to promote this concept of soft power around the world, and if so, what?

David Stanley: Actually, if I may, I would bring UKTI into that answer as well.

The Chairman: Please do.

David Stanley: It seems to me that UKTI’s focus is very much on the big business opportunities that there are, and its support to SMEs is much less. As a consequence of that, it is covering too much in too many places. It has a certain number of companies that it has
relations with in the UK and it focuses on them and what they are doing around the world in an account management-type process. From a businessman’s point of view, you segment your markets and identify in each market the strongest product or service that you might sell into it. It does not have to be specifically a pipeline or engineering product. It could be oil and gas in, say, Iraq, which is clearly the dominant part of its economy at the moment. It has a broad coverage. Even though there are many other opportunities than oil and gas, it is the dominant aspect—92%—of its economy. So dedicated or more focused support groups are needed, whether for industry sectors or for countries like Iraq, Britain or China. The China-Britain Business Council, which is an extremely effective operation, looks at much more focused delivery to the businesses in Britain and the opportunities that there are in those places. There are several ways of cutting that cake. One is geographical, through the Britain-and-other-country organisation—a dedicated structure—which helps the businesses to solve the issues of how to do business in those countries, how to find out what the opportunities are and how to get going there. The other, perhaps, is the professional cut or market sector cuts. Each one of those has a role to play. We cannot cover all of them, so like any business you have to choose those that are going to give you the best returns and decide on supporting them. At the moment in Iraq we have a UKTI operation, which is actually fairly small. We have the IBBC not duplicating—it is doing a different service—but overlapping. Why? We should be doing both.

The Chairman: I speak as an adviser to the British Chambers of Commerce. Could our chambers of commerce be more like the Germans’, going abroad with massive delegations and programmes?

David Stanley: From my point of view, we have almost no interface with British chambers of commerce. I am sorry to say that to you. They do not provide any support to us in where we are trying to go. I see that as a massive development, if that is going to become the case.

Stephen Pattison: There are two problems with industry groups. One is that they tend to be very focused on companies that want to make sales abroad, so their agenda is driven very much by companies that want to win a particular contract. Secondly, all industry groups tend to be dominated by a handful of companies, so they are not very good at capturing the new companies. If we think that innovation and creativity is it, and that it is going to be in Shoreditch and with these other companies, I have to say that the traditional business organisations are not very good at representing that lot, so I fear that if we trust those organisations with the message, it will get slightly distorted. I am not sure that they are the answer.

Q233 Lord Forsyth of Drumlean: Is that not true of government organisations as well? My question was what could be done. You are right in your assessment of how good they are at it, but could they not be better at it? I am not just thinking of organisations like the CBI. I cannot think what they called, but I am sure there is an oil producers’ organisation, and there is the Institution of Civil Engineers. All these bodies have a very grand history. We were talking earlier about the expertise in British engineering of pulling things together. Are they busy promoting that around the globe? Do they need help to do so?

David Stanley: They are doing it, but I think that there are fears of treading on other toes. There are parallels. UKTI is doing some of it; the offshore gas engineering group is doing it—groups like that—but there is no co-ordination between them.

Lord Forsyth of Drumlean: How could this be fixed?
**John Barry:** I wonder whether there is a catalyst role for UKTI, although it clearly cannot do everything. In my own neck of the woods, I see the Institute of Chemical Engineers doing a great job of reaching out to Emiratis, offering all the things that they would offer to young engineers anywhere. That anchors the British connection in the mind for the rest of your career. I see other institutes that could perhaps learn from that. I am afraid that I do not have a solution, but I see that some best practices could be adopted. In terms of business groups in country, Lord Chairman, you referred to a German chamber of commerce. I look at the American Business Council in the Emirates. It does it properly. It has four people working for it. It has an office in Washington DC. All too often, we tend to be very hard working and well meaning amateurs and to under-resource these sorts of things. I think that big companies, and maybe even medium and smaller ones, would come up with some funds if the opportunity were there. This is not high on our agenda every day, so we do not always drive these things—it needs some crystallisation—but we need to put more resources into these things and do them more professionally.

**Gilly Lord:** I would like to comment on the activities of my professional body, which is ICAEW, the Institute of Chartered Accountants in England and Wales. That sounds by its title a very parochial and very UK body, but it has been impressive in how it has responded to change over recent years. It has about 140,000 members, more than 20,000 of whom are overseas. More than that, the great thing that it is doing at the moment is working with many emerging economies to help people establish their own accountancy profession. Rather than saying, “Please come and join our accountancy profession because it is so great”, it is helping them to work out how you do it in your own country. It has done it in Botswana—I have my list here—and many countries around the world. Coming back to one of the things that we talked about at the beginning, establishing relationships and an affection for the UK, I think that is very powerful.

**Q234 Baroness Armstrong of Hill Top:** I have done quite a lot of work through different organisations in Africa. Oil and gas are now very important in east Africa. In Tanzania, they are anxious about how it is developed. They are a bit anxious about us being top-heavy in telling them how to do it. How do you go in in a different way? Your company’s experience in Nigeria has not exactly been a model that people have been able to use elsewhere. I know that there are all sorts of myths around it, but that is how it comes across to them. I have come across your organisation in Africa. I have also come across the organisation of public health workers and that of the people who sort out sewerage and waste. A lot of people who have retired go and do that work for nothing and translate British values around those things enormously. I spoke to a woman MP in Tanzania who had her house burnt because people thought that she was being too friendly to the oil company and that they were doing deals above their heads. It was all myth. What do you think this country needs to do in those developing economies and areas where there is anxiety about the great white country coming in and telling them how to do it, and exploiting them?

**The Chairman:** Sounds like one for you first, Mr Barry.

**John Barry:** I have lived for three and a half years in Nigeria. I confirm that it is a very complex situation. Probably the Nigerians would be the best advocates for working with a company like Shell.

**Baroness Armstrong of Hill Top:** A lot of them would be, I know that.

**John Barry:** But we are not here to discuss that. I cannot help but come back to this idea of openness. Everywhere I look around the world in my business—when I look at the fracking debate, the Arctic, Nigeria—I see that one gains people’s confidence not by trying to be
clever and rushing things through but by being open and showing what things really mean, and being very honest about challenges and problems, if there are any, and how they can be managed and mitigated. I do not know the situation in Tanzania very well—it is not an area I have worked on—but as a general principle I would say that there is no substitute for actually inviting people around, showing them how you do things, being very honest and working with people whom they trust, be it academia or other institutes. You should not pretend that there is not a problem.

Q235 The Chairman: Would any of the other three like to comment on this final, enormous issue? It is very central to our thoughts, but we do not have much more time. Is all the great capital investment coming from the old capital sources of the West, or has that world changed as well?

Gilly Lord: I would like to add one comment that builds on your comment, Mr Barry, about openness. Transparency is hugely important. The relevance to my world is that, much of the time as accountants, we think about reporting profits and pounds and dollars. In fact, what we need to get much better at is reporting a much wider impact. If a company is doing business in Tanzania, yes, we need to ask what profits they might earn, but we also need to ask what they are doing for the local community, what they are doing for the environment and whether they are having a positive or negative impact. I think if we can become much more transparent and rigorous in reporting that much wider impact, I would hope that we would help the kind of situation that you described.

David Stanley: On the Tanzanian question, Penspen started business in Kenya about 30 years ago and we developed the Kenya Pipeline Company. It started from just a consultancy project where we were asked to look at the feasibility of developing a pipeline to bring products from Mombasa up to Nairobi and on to Uganda in subsequent phases. It has gone wrong in recent years. Corruption is a very big factor and creates the accusatory, adversarial environment which I think you are now talking about in Tanzania. I do not have a ready solution, but open consultancy and offering expertise that in a transparent and fair manner might lead to the ability of local politicians or decision-makers to realise that they have the right solution and here is the right way to go forward with it.

Stephen Pattison: A last word on this point, which ties into soft power. Business could do more, because it is not very good at it, at getting across the message that business is a force for good, wherever it is. In the UK, we are very well placed. We have some terrific companies. Unilever is leading the way in sustainability. We have a product that can help ICT infrastructure reach most parts of developing countries at low cost. There is a good story to tell; it gets blotted out by the less good stories that dominate the newspaper headlines. If I were looking at soft power strategy for the UK, one of the things I might factor into it is business as a force for good.

The Chairman: That is a very good note to have. We have hit a lot of nails on the head. We would like to go on, but we do not have time. I am personally thrilled because of my interest in the reference to the Commonwealth by Mr Barry, which I think is a great soft power network, but that is for another session. We thank you all very much indeed for an extremely illuminating session.