Members present

Lord Howell of Guildford (Chairman)
Baroness Armstrong of Hill Top
Lord Forsyth of Drumlean
Lord Foulkes of Cumnock
Lord Hodgson of Astley Abbotts
Lord Janvrin
Baroness Nicholson of Winterbourne
Baroness Prosser
Lord Ramsbotham

Examination of Witnesses

Peter Callaghan, Director General, Commonwealth Business Council, Uday Dholakia, Chairman, National Asian Business Association, and Chair, Leicestershire Asian Business Association, and David Maisey, Director, Institute of Export

Q93 The Chairman: Welcome, gentlemen, and thank you very much for coming. You have the interests of the Members of this Committee before you on a list, I hope, so you will know how our views are shaping. I am not going to identify all three of you because we know who you are and you know who you are. I note that Mr Dholakia would like to make an initial statement. I would like to make an initial statement as well, which in a sense is going to be an umbrella question, but I would just like to say this to set the tone of the whole discussion.

I think we all recognise, and you recognise, that we are seeing an era-shifting change in technology going on in world markets, and indeed the Prime Minister has spoken of a battle for Britain’s future in a super-competitive world. What we are doing on this Committee is asking whether a key element in that struggle is the deployment of so-called soft power, which of course is not really soft at all. As you will appreciate, it is tough and intense, but it does stand in contrast to the doctrines of force of the past or the belief that we could just threaten or walk into or bluster our way into new markets and succeed. That was yesterday and today we have to consider new approaches. You are really one of the spearheads to these new approaches in the front line, and it is your views and assessment of how you see the soft-power element and what you would like to see change and improve and what more you would like to do that we want to hear from you today. That was my opening statement, and now I would ask Mr Dholakia, as you asked, to make an opening statement.

Uday Dholakia: Thank you, Lord Chairman, my Lords. Soft power in terms of the British Asian community is not a new phenomenon. It has been in existence within our culture for a long time. It embraces human dignity, culture, media, religion, entertainment, arts, family and commercial links. The invitation to a potential business colleague, be it an exporter or importer, to come home and have a meal with the family essentially goes beyond just the price and the contract. It is a soft-power engagement, based on a relationship on a long-term basis, whether the business is transacted today, in five years’ time or on behalf of somebody else or to help somebody else. In conclusion, my submission is very much that we have an
inside track into the commercial centre of gravity towards the east and as a country we ought to engage with that inside track. Thank you.

Q94 The Chairman: Thank you very much. In a sense, it was a very valuable opening statement that has really answered what is the first question to all three of you, which is how you see the soft-power element in your work and the ambitions and goals of the various members of your organisations. I should also have mentioned that Mr Maisey and Mr Dholakia have sent through notes that we have. I am afraid it was rather late in the day, but they are very useful and simple and short, which is the best thing of all, and we can probably have questions built on those as well because they are in front of Members of the Committee. Let me start with Peter Callaghan of the Commonwealth Business Council. How do you respond to the question I put about the soft-power element in your work?

Peter Callaghan: I have long held the view that philosophies are much stronger than rules. People are much more likely to do things for philosophical reasons than they will do by following the rulebook. Another saying that I have is that leadership is not taken but it is given. It is given as a result of followers being willing to follow you, so you cannot impose leadership on people; people have to want to follow you as a leader.

I think that applies to what you are looking for in this soft power. The UK occupies a very interesting position in terms of people aspiring to many of the values that Britain has and so people are willingly following the leadership that is provided by the UK. You see that in our language, education, sports and business; people willingly follow the values and the policies and style of doing things that Britain has. I think Britain has soft power and it has always had that. It occupies a unique position between Europe and the rest of the world.

One thing I would go back to is in the day of sailing ships Britain had a unique position that it had many of the harbours where large ocean-going ships had to trans-ship into smaller ships that went into the rest of Europe, and I think Britain is in a similar position today. It bridges the gap between the European world and other parts of the world, whether that be Africa, North America or Asia. The UK occupies a unique position, especially because of education. A lot of people in these countries have been educated here or they have sent their children or they have had special courses. I think that is a very important part of the soft-power aspect of the UK.

The thing I would like to finish on is relationships—my colleague touched on this—and the fact that business is all about building relationships. You do not do business with people you do not know. You need to have time to build those relationships and from those relationships comes an understanding of each other—not necessarily an acceptance but certainly an understanding. The Commonwealth is an important way of building those relationships very quickly because we have a common language and we have some common history. So while the Commonwealth is not a super-weapon, so to speak, in this battle that the Prime Minister talks about, it is nevertheless a very important enabling part of building the relationships that are necessary for trade to be based on around the world. Thank you.

Q95 The Chairman: The clerk has just reminded me that I said outside that we had already stripped down in this Committee. I believe it is the hottest day of the year so far, and if any of you would like to take your jackets off, we would completely understand. Thank you very much. We are going to come back to a number of the points you have made, too, but could I just ask Mr Maisey if he would like to begin with the central point: what his organisation does and how he sees this soft power dimension?
**David Maisey:** Thank you, Lord Chairman. I am representing the Institute of Export today as a newly appointed director and trustee. I also own and manage a company, ICC Solutions Ltd, and we supply and develop test tools for chip and PIN by way of a very large global customer base. So I am actively engaged in export on a day-to-day basis with my organisation.

Our view of soft power is it defines a nation’s brand image and influences how our organisations and our products are perceived. There are a number of components of soft power: government, education, culture and, very importantly, innovation. Certainly from my experience, one of the most powerful things about UK business is our ability to be innovative and deliver the highest levels of excellence in terms of solutions and customer service. We are engaged in a relatively niche market but we work, as ICC Solutions, with all of the payment associations and the major banks over the globe. They demand the best-quality solutions. Our closest competitors are based in Europe, in France, Holland and Belgium, yet we rise above these other organisations simply because of the British way of doing business and how we excel in certain things.

There are some tangible components of soft power, notably, for example, the Queen’s Awards for Enterprise. My organisation won two Queen’s Awards for Enterprise last year in international trade and innovation, and I can tell you that these have been exceedingly well received by our global client base, not just within the Commonwealth but outside the Commonwealth as well. They have a massive impact on how our organisation has been perceived. I think generally soft power is about excellence; it is about innovation and quality and the British way of doing business.

**Q96 The Chairman:** Thank you very much indeed. The British way of doing business—that is a very useful springboard phrase to develop. Would any Members of the Committee like to come in at this stage?

I think what you have described is fine in general, but we have to try to work out how this is going to be developed in the British interest. Let me start with a headline from today or yesterday: the Olympics are said to have contributed mightily to actual deals and real returns. Is that the sort of soft power that you have in mind? Do you think those figures are right, incidentally, about getting £9.9 billion-worth of extra deals out of the Olympics? Would any of you like to comment on that?

**Uday Dholakia:** I think that was something to celebrate, but the Olympics only comes around after so many years. I was listening to the radio on the way down here, and I also, if my memory serves me right, heard how many millions were put into the Olympic redundancy packages. We live in the real-time values of Twitter, e-mails and blogs. While we celebrate, the perception of what the Olympics did and did not do is mixed around the world. While we have a very good reputation, and my colleague has touched on that, as a result of the British way of doing business, my question is: what is the British way of doing business in the contemporary competitive and globalised world today? I think there is need for some rebuilding, recalibration and redefinition of what “British” means. We start off with a very good base in terms of integrity, creativity, innovation and sense of fair play. I am speaking in my voluntary role. For my day job I work for Birmingham Airport, and I just secured Air India flights into Birmingham four times a week from 1 August, so that we have connectivity and inward investment with India. But we need to define what is the new British way of doing business, and I would like to think that we can build empathy and other people’s values into this as well.
Q97 The Chairman: There is a note of challenge or criticism in what you just said, and indeed in your paper, where you remark: “A very real perception by many British Asians is that upper echelons of diplomacy, trade and inward investment promotion are narrow and established hands for whom diversity in Britain has only comparatively recently been accepted as relevant”. That is quite a sharp observation. Is this based on the fact that some of your colleagues feel real difficulties in—

Uday Dholakia: It is a factual observation, Lord Chairman. I started my career as a local authority officer, and I was headhunted into DTI. I worked for Kenneth Clarke as Minister then for four years. It is a real observation. It is also an observation based on travelling abroad and doing business day in day out. I do not see many people from diverse communities at the hierarchy within FCO, BIS, UKTI. I have not seen any non-executive directors, and yet we are held-up as a good entrepreneurial community.

Q98 The Chairman: I will turn to Mr Maisey. You too put in a paper, again with a critical note to it, which is good hard stuff to build on. You say, “We are not seeing a joined-up approach from Government. It appears to start with great ambitions and then runs out of time, which leads to a compromise”. What are you looking for from Government?

David Maisey: There are generally some good ideas being put forward, but none is really taken through to complete fruition. There is a lot of mismatch and confusion for people like myself and other organisations like the Institute of Export. They see that certain initiatives can be undertaken in one governmental department but not reflected in another, and we have the situation where generally what we find day to day, especially for smaller businesses, is there is no centralised resource for all the information that exporters need. We have personal experience of this, as do many organisations within the Institute of Export, which have to in many ways rely upon HMRC for information, and that can typically take two weeks. When you want to be very dynamic, very proactive and you have clients chasing you on a daily basis as to certain criteria that they may need to satisfy, two weeks is completely unacceptable. It is just generally a number of components. It is the disparity between different departments within the Government and certain departments not knowing what is happening in other departments. The essential point is having a complete, centralised resource of information that people can turn to.

The Chairman: That is very interesting.

Q99 Lord Ramsbotham: I was very interested by that comment because that impinges on various things that we have been hearing before and have been exploring, for example that the National Security Council is the general overseer of soft power. Is that right, or is that far too shadowy? Do you, as a person involved in the marketplace, feel that Government is coming together to help you, or are you having to deal with a splintered and fragmented Government, having to pick off each bit of it as you have to, which makes life more difficult for you?

David Maisey: Absolutely, and I would totally agree that there is too much fragmentation. Exporting now, we all appreciate that we have to be a lot more dynamic. The world is very much a changing and evolving place. We are seeing more activity taking place in the east as opposed to the west. The UK has enjoyed being in pole position for soft power, but we can see that will soon start to decline unless we attack it and challenge it. Some of the major assets for the UK, such as the BBC World Service and the British Council, are having more challenges now with funding; some have been cut or removed completely. These have been a fantastic way to sell the UK to the globe. What we are seeing now are these diminishing,
and additionally we see nations like China and Turkey becoming very much focused on soft power. China especially—we all know the massive economy there. They have always had a very hard-line stance and have been negligent of soft power, but they are now very much focusing on soft power. In fact, they have established some 320 educational institutes over the globe simply to promote China and the Chinese culture and the Chinese language and so on, and it is a subtle way of them opening the door to do more business.

Uday Dholakia: I have a rather sanguine view of this. I think we live in realistic times where money is tight and the government apparatus can only do so much. This is why I am here. We want to come to the crease and bring our own resources, networks, cultural links, inside track, not just in the Asian subcontinent, but in east Africa, South Africa, the United States and parts of Europe and the Middle East as well. We have real challenges. My fundamental concern is that something like the UKTI ought to be a core function of the Government and not something that is outsourced here, there and everywhere. Look at the US Department of Commerce and how aggressively it promotes the hard power as well as the soft power worldwide. I think there is a lesson to be learnt out there.

We are an island and, while we are very good at export documentation and export support, let us think about supply chains and imports as well. We have to import a lot of raw materials to make Land Rover Jaguars or food and drink, or whisky as well, if I may use that as an example. We need to be savvy at import relationships as well as exports. One of our biggest unique selling propositions in this country is our regulation. This summer I spoke at the Trading Standards annual conference in Brighton. They were rather hoping that I would complain about the burdens of regulation on SMEs. I did a little bit of that, but what I talked about was that we have the best regulations in the world. If you buy a British product or service abroad, you know it is legitimate, it is transparent and there is a redress complaints procedure. I think that is something that we need to build on so that the world looks at us in terms of better regulation models and frameworks. I feel that is one soft area of power that will give us ongoing competitive advantage.

Q100 Lord Hodgson of Astley Abbotts: You have raised the question of the gap between firms, particularly SMEs, and the Government, and it is multi-faceted. One of the intermediaries that Lord Heseltine referred to, of course, is the role of the chambers of commerce, which are closer to the ground for many SMEs, and yet, as he points out in his report, the membership of chambers of commerce is very small indeed compared to equivalent organisations in Germany. Should we be thinking about ways to use the chambers of commerce as protagonists and informers and developers of smaller firms to work around the world? If so, is that going to be better than trying to find a way to focus the huge panopoly of governmental apparatus on one contact point?

Uday Dholakia: If I may address that, let me give you the example of Leicestershire, which I know reasonably well. We have some 45,000 businesses in Leicestershire, from micro to quite substantial businesses. I would say not more than 10% are members of the CBI, LABA or the Federation of Small Businesses. How do we engage with the 90%? Clearly Government does not have the resource to do this. What I am advocating is a partnership that goes beyond just chambers of commerce. I read Lord Heseltine’s No Stone Unturned report. In fact, Lord Heseltine was in Leicester two Fridays ago, and had lunch with all the representatives of the business community. I really feel there are big gaps in the government offering. We will ignore it at our peril. What we need is real leadership from this institution—from both Houses—to create alliances and partnerships that are legacy-based that add real value. The chamber on its own cannot deliver this.
Compare our chambers of commerce network to, say, those in Germany, which are a quasi-statutory instrument in Germany. I feel really depressed when I go abroad and see that my competitors have all the data from the French chamber, the German chamber, and US Department of Commerce and the only access I have is to OMIS reports from the UKTI. We need to look at a wider coalition. Let us tease out the best in what the people have to offer. One of the reasons I am here today is that we have nine British Asian business associations up and down the country which trade internationally and bring in inward investment; they are really keen to engage, to go out there and promote UK plc, but unfortunately they are not engaged.

Q101  The Chairman: I am just going to chuck a question at Mr Callaghan, which I hope will pave the way for Lord Janvrin, who wants to pursue something. What I want to ask you, Mr Callaghan, is whether you feel that your members and you are operating in new markets with new patterns of behaviour, new conditions and new tastes and techniques for operating and doing business. Has something quite big changed in the world, and are we moving away from our traditional business patterns?

Peter Callaghan: I have worked in most parts of the world except South America. I have run a lot of international businesses. I have actively used UKTI. As you can tell, I am not from this country, but I have been here 23 years, so I have run businesses from here and from Australia, and from places including Russia, eastern Europe, North America, Asia and India. I have a slightly different view about UKTI. I have found it extremely helpful and extremely useful in-country. You get out of it what you put into it. I do not think business has changed one bit. I think it is still about relationships and, whatever the technology you are dealing with, it does not really matter unless you have a good relationship with someone.

You asked earlier about sport and the role it plays in these things, like the deals at the Olympics. I think these events bring people together—they get to know each other and relationships are formed, people start talking, they feel good and they say, “Let us work on this together”. The CBC has run lots of Commonwealth business forums in conjunction with the Heads of Government meetings, and lots of deals always come out of this. It takes a while for them to be completed afterwards, but nevertheless people get together in these forums, they build relationships and they say, “Let us work together and make something happen”. That is what business is about.

I think the thing that has changed for the UK is a thing called integration—I do not know if you are familiar with this term. Today you cannot export low-value products; you have to export highly integrated products or highly integrated services, so you are either exporting a car or an aerospace subsystem, a jet engine. They are highly integrated, they involve lots of different suppliers and technologies—drugs are an example of a highly integrated product—or you are exporting highly integrated systems, such as power transmission and generation, water supply and sewerage, or railway transportation. These are highly integrated systems, and they bring a lot of suppliers with them. I think if there is anything that has changed for Britain it is that we have to be more in the integrated product, integrated system supply arrangement, and for that we need more companies like the BAEs and the Rolls-Royces.

The one thing that I would be encouraging about where there might be something Government could do is the post-trade mission consortium. Trade missions go to countries, they build relationships and people say, “Let us do such and such”, but it falls flat afterwards because there is no follow-through. So if there was one thing I would vote for it is not to change UKTI but somehow to encourage the formation of post-trade mission consortia. It does not have to be a Government-led institution—it could be a chamber, it could be the
bodies that are represented here today—but it should pull together those teams. I think that is where the Germans, whom I have competed with, the Chinese and the Japanese are much better than we are. They form consortia willingly, and that is soft power. Coming back to the starting point of soft power, people want to be part of it rather than be compelled to do it.

**Q102 Lord Janvrin:** That leads straight into the area that I want to get into. All of you started off by saying, “We had terrific advantages, we had the language and the education and the Commonwealth”, and so on, but then all of you have said, “UKTI could do more of this”, or, “We could use people in different ways”. You have all mentioned Chinese, the US Chamber of Commerce, the Germans and so on. Is there advice that we can give to Government on how other people do it, in your experience, that we could make use of? Can you be a little bit more specific? I am addressing this to all three of you, if I may, on how we can learn from others.

**Peter Callaghan:** I was competing in my previous job for a £100 million contract to supply mobile hospitals to the Saudi Arabian health service, and we were competing against a German company. A hospital is not just a set of boxes. There is quite a lot of money involved in all the equipment that goes inside the hospital as well as all the supplies, so you have to form a consortium to be able to bid for that hospital. It is not just one single company. The leading company was called Zeppelin, but there were lots of companies involved in that bid, and they had active involvement from their trade organisation to facilitate the bid. They obviously won it. That is something that I think we could do in this country—encourage those sorts of consortia. I am not suggesting that UKTI should lead the consortium, but certainly it has to be able to facilitate, encourage different firms to get together and know each other. In the case of Zeppelin leading that consortium, it had built up relationships with all the various suppliers over years in order to make the bid. A £100 million bid is a big bid for a mobile hospital. So I would be encouraging doing something to facilitate the building of consortia. Rolls-Royce and BAE already do this when they are bidding on big projects, but I think we could learn to do more of that. If we are going to succeed in the UK, it is about selling or exporting more integrated products that pull with them the supply base in both this country and elsewhere.

**David Maisey:** I completely agree that voluntary consortia are a very efficient way to work. There is no doubt about it, from my own personal experience globally, that when people pull together for the benefit of all involved they tend to achieve a lot more as opposed to being forced into doing something. The Institute of Export is committed to the education of their members to ensure that all of their 2,000-plus members have the basic infrastructure and knowledge requirements to help them export globally to existing and new and emerging markets, which is absolutely vital as a first layer to have that education and the information and knowledge of what needs to be done.

Referring back to the UKTI, I think they are also an excellent organisation and they have launched a few initiatives. One of these is Export Champions. That is where the UKTI select a number of high achievers who have done well at export and have them collaborate to share their experience with other companies to encourage them to export, to help them actually export, all based on experience. There is absolutely no doubt that in today’s climate we need to utilise technology more. Technology is going to change the way that we all communicate; it has already done so, but it will do so more when we look at soft power and what can be achieved by technology. We all know the World Wide Web. That has made such a huge difference to my own business, because we deal mainly electronically although, having said that, people still want the face-to-face relationships. In Canada and the USA, for
example, they are very keen on face-to-face and you cannot take that away, but you can collaborate more, you can have more consortiums and you can utilise the power of technology more.

**Q103 Lord Janvrin:** Can I come back to my question? You mentioned the Germans. How are they doing better at this than we are? Do they have a different organisation? Is there a different structure? Where can we learn from the people who are beating you on contracts?

**David Maisey:** I think it was my colleague who mentioned Germany. **Uday Dholakia:** The end issue is legacy. Let me give you a practical example. You decide that you want to export to India, for example. You do your market research; you have your local export adviser from UKTI; you commission an OMIS report. You turn up in India, you have a nice drinks reception at the High Commission, and next morning you wonder, “How the hell do I do business? How the hell do I get repeat business, and how do I expand on this?” I feel that UKTI in this country is not fit for purpose. Abroad, yes. If I am a £10 million business exporting to Saudi Arabia, I am sure I will get the Prime Minister to take me with him to Riyadh. I am talking about the SMEs who are not based in London, who are based out in the country, in the Midlands, in the north-east of England. We need to create a legacy-based relationship.

So, you have been to India, you have met a few people, and you have come back to a place like Leicester or Derby or Lincoln. What I would like to create is a relationship with the Asian business community. There are 11 Indian banks in Leicester. Each of those bankers is very well experienced in doing business and getting money out of India for customers. What can I do to bring those bankers and those mentors to work with a farmer in Lincoln, to work with an engineering company in Derby so there is a legacy base, so that somebody who understands you can talk to you on a regular basis and create that next stage of your relationship? That is where I am coming from. Yes, there are sterling people within UKTI doing a great job; I have tremendous respect for them. The proposition that I am putting to you, my Lords, is: is UKTI fit for purpose in this country compared to what the Americans, the Germans or the Japanese do? It is something that I would like you to investigate. I feel that it is not fit for purpose.

**Q104 Baroness Nicholson of Winterbourne:** I was just going to carry on with this one, not the question I was planning to ask. Going back to the beginning of some of your points, while supporting fully what Mr Callaghan has said about lack of follow-up, despite the fact that the Foreign Office has quite properly put trade and industry at the very top of its agenda, Mr Maisey says, quite correctly I think, that there is a huge lack of joined-up government on the ground. What suggestions do you have that can be taken from examples from other nations of how you should get a completely cohesive single face on the ground that will enable our businesses to succeed where we are at this moment failing in the face of other competition? For example, would you like to see DfID maybe not necessarily always choosing a British company but giving British companies first choice and only turning to another company from another nation if the British company does not fit the standards? What recommendations do you have? Would you like to see UKTI, the Foreign Office and DfID more closely linked together on the ground? What is it you are suggesting? You are giving us what is wrong. Have you any thoughts as to what we should have on the ground?

**David Maisey:** That is a very good point, and this is what we need to further assess, because there are no magical answers immediately, but we do agree that we need that collaboration. We do need more power given to the likes of the Institute of Export and the
UKTI so that these can become a centralised resource of information. But I think also we cannot overlook the fact that we have to encourage everything from the bottom up, so this is all about innovation. It is about manufacturing excellence, and this is why some countries are doing better than the UK, because they are more innovative and maybe the manufacturing is better. We have taken some knocks. We still have some fantastic organisations here doing extremely well, but often we just lack that attitude of, “Go for it and make it a success”. This is something that I see a lot in my line of business. We export a software application and it is very technical, very innovative, we have won many awards for that, but it is about having the guts to start with.

A lot of people I know—because I speak to a lot of different business leads—are concerned about the economy, they are concerned about stepping too far beyond their comfort zone. They have so many other things to think about these days that it is suffocating the capability to be innovative and achieve these higher levels of excellence. So we have to look at that as well to encourage all of that activity, as well as what you have suggested, having the overall body that co-ordinates and provides the information.

Q105 Lord Forsyth of Drumlean: I am getting two messages, listening to your experience. Perhaps I am misunderstanding you, Mr Callaghan, but you seem to be presenting a sort of big-business picture, the £100 million contract with the consortiums, while Mr Maisey and Mr Dholakia are saying, “We have to have innovation, and we have to give the SMEs more of an opportunity”. Certainly my own experience, talking to small and medium-sized businesses, is that they say, “It is impossible for us to break into these markets, because we do not have the resources, we do not have the knowhow, and the DTI and other organisations are only interested in the big boys”. You have emphasised the importance of businesses like British Aerospace and so on, which are very fine businesses, but most large businesses in the end decline and it is small and medium-sized businesses that become the big businesses of the future.

What I would like to know is: how do we use our networks, whether they are Commonwealth networks or whether they are relations with India or whether it is particular sectors where we have a comparative advantage, as in technology? How can we solve this problem? There are lots of words, but it is not clear to me in practical terms what the things are that we need to do. I do not for the life of me see why the Government should be involved in helping you to put together a consortium to bid in Saudi Arabia. I would have thought that if you have a bid you want to get the best people together for that purpose, but I can see how there may be a very innovative high-tech firm that is at the leading edge that wants to be able to export its product but simply does not have the resources or the manpower, or the time even, to do so. How do we deal with that?

David Maisey: Let me reflect, if I may—I know Peter wants to speak—on you have said. My organisation, ICC Solutions, has 18 people. Last year we exported to 63 countries, the year before it was 55, the year before that it was 44, and that was with fewer staff. We have achieved a lot with a small number of people. We do not become involved in consortiums. We do it all ourselves. Our challenge has been to find all the information that we need in order to export to markets, and especially new and evolving markets, the Middle East being a very good example, because there are so many criteria that you must satisfy. It is having that centralised resource of information for us. We have worked with the chambers over the years, we have worked with UKTI, we have worked with the Institute of Export, and they have all been excellent in their own way, but we have had to jump from one to the other, to HMRC as well, to the—
Lord Forsyth of Drumlean: So you are talking about the compliance requirements, regulatory requirements of the countries concerned. You are not talking about how to market your product.

David Maisey: Absolutely, yes. We believe we firmly know how to market and position our product, but of course what is beneficial is obtaining information about that particular market so you know how best to deal with the people and also how to fully position your product.

Lord Forsyth of Drumlean: So marketing and access and credibility are not an issue; it is knowing how to get through all the regulatory and local hoops that you are concerned about.

David Maisey: Essentially, combined with some of the local knowledge. I do feel that is very important, because as a small business we have seen diversity of cultures and we have to work in many different ways to satisfy our clients, and, as you will appreciate, with a small team of 18 people, that is very hard to achieve unless you have very focused and committed staff. That commitment is there, but we have wasted quite a lot of effort over the years going off down alleyways searching for information when really it should have just been there immediately.

Peter Callaghan: Just to correct an impression I created, perhaps, a £100 million hospital involves hundreds of suppliers. It is not just one supplier with a £100 million contract; it is lots of small suppliers as well, but someone has to take the lead to integrate all of that together. I used the example of British Aerospace; in the case of the company I was working for it was Marshall in Cambridge. The business I was running averaged about £60 million a year, so it is not a big business by any means. It is about integrating the supply chain from smaller companies, some of them quite small, where someone takes the lead. Why did the Germans do better and why did they win that contract? They spent seven years bidding against us. They travelled more often to Saudi Arabia. Their trade organisation had more people in their office in Riyadh who knew the lie of the land than the UKTI did. We had a good relationship with UKTI, but they seemed to have just the finger on the pulse of who needed to be talked to and what they needed to be offered. They take a much more proactive role. The thing I would vote for would be to double the number of people in the UKTI offices overseas, the British trade commissioners. I would put more people into those offices, based on my very positive experiences with those offices around the world.

Lord Forsyth of Drumlean: But what would they be doing?

Peter Callaghan: You go to a country maybe once every three or four months, so your relationships are very short-term. If the UK trade commissions had more people to establish relationships inside the country when you go there, you can get a briefing, and you are much more up to speed as to who to talk to, what lines to take. That is what we used the trade commissioners for. They could do a lot more than they are currently doing, but you would probably have to have ex-business people who are oriented to getting an idea of what was going on in the marketplace so that when you got there you could be briefed by them. That is the practical recommendation I would make.

Q106 Baroness Prosser: Why do you think it is that UKTI is so on the back foot on these things? Do you think it is an attitudinal problem or—

Peter Callaghan: I do not find them on the back foot.

Baroness Prosser: No, but what you have just been saying is that—
Peter Callaghan: That was Mr Dholakia.

Baroness Prosser: No. You said you need people to co-ordinate and you gave us an example that the Germans were up there, upfront, spending more time abroad and so on.

Peter Callaghan: I forget the name of the German trade organisation, but in-country they seem to be much more interested in the background and the details to these bids so that when their teams went to Riyadh, they were being briefed by the German trade—

Baroness Prosser: Who is it that is at fault in this country for not being so—

Peter Callaghan: No one is at fault. There are only so many trade commissioners in these offices. I am just arguing you could do with more of them.

Baroness Prosser: So that is a UKTI issue, then?

Peter Callaghan: It is probably a budget issue.

The Chairman: The next witness is from the UKTI, and we can put these questions to him, but we need to move it on because of timing. This phrase of yours, “a British way of doing business”—of course our way of doing business is not the same as the way of doing business with new markets, including emerging markets. That leads to a question that I think Baroness Nicholson wanted to put, which is quintessential.

Q107 Baroness Nicholson of Winterbourne: Mr Dholakia, you mentioned about halfway through the very large amount of regulation that Britain has. I would like to invite anyone to comment on whether your companies, the ones that you have been representing and nurturing, have found the Bribery Act to be a big handicap. I recall that when the Bribery Act came in there was a big consultation period with companies who were not altogether satisfied. Of course in the emerging markets and other markets, with the rise of bribery and corruption globally being horrific, the real struggle is quite often against a country where it is state companies and maybe they do not have the same respect for our Bribery Act as, say, the US would have, and certainly not maybe locally. What is the competition doing about corruption, and is this hampering our companies very badly indeed?

Uday Dholakia: What I would like to see in terms of your question is localised international trade centres where we bring in the synergies of the universities, private equity and the experience of the local business community to help local businesses. In terms of anti-bribery, I think the whole world is moving in the right direction; they want a level playing field, and they want to do away with sharp practices. My concern is that when we come up with regulation and if we do not weigh-up the ethos and the modus operandi of that legislation, we are perceived to be anti-investment, anti-trade and an anti-business country, and I think there is danger in that. I firmly believe in the long-term and medium-term aims and objectives. If we do not communicate with our soft power while we are moving the agenda for anti-bribery forward internationally, then we will be perceived—and we are perceived—as being anti-investment, anti-business, anti-trade, with our regulations on visas and people coming into our universities.

I was in India with the prominent Vice-Chancellor from Nottingham University, Sir Colin Campbell, and we were talking to the Institute of Management in Ahmedabad, to the bright and the best, asking why they were not coming to the Russell Group of universities rather than Ivy League—they were ever so polite and did not say much. After a couple of beers, they said we were perceived to be expensive, stuffy, and you could not get jobs here. More importantly, in America, at MIT or Stanford or UCLA, they saw peers from their own communities who were heads of departments, who were Nobel prize-winning economists,
and that gave them the impetus to go to America. The business case for having soft power in this area is very important.

I go back to my early proposition, that our regulations are the best in the world; that is our USP, but sometimes we do not communicate intelligent regulation very well, and in the short term we send out mixed signals. People do not just listen to the Prime Minister in the House or the Opposition on the television; they also read blogs, they also listen to our commercial radio stations and television stations, and make their minds up. It is no longer that COI and the BBC send the messages to the world. The world is looking at us from all sides, and sometimes we are perceived to be anti-enterprise.

David Maisey: I would also suggest that no one wants to see corruption in business. We all want a fair, competitive, even playing field. To some extent, the Bribery Act is perceived as limiting what companies can do and what they can offer. I know from my own experience in the Institute of Export that there is confusion about what is involved in the Bribery Act. There are companies who are now setting limits on hospitality, for example, because they are concerned that may be perceived as bribery. The other consideration is it is very much unilateral. There should be a multilateral implementation, because we need to be mindful of all of the different cultures globally, and there are different ways of doing business in each of these nations. It is incorrect as westerners if we go along and impose certain ways of doing business on the eastern cultures. We have to be flexible, and I think the Bribery Act itself does not lend that flexibility. It has now put businesses in fear that they may well be overstepping the mark with simple things like hospitality and doing business that is relevant to the nation that they are in. These things do need to be considered and, never mind internationally, even in the UK there is a lot of confusion with it.

Q108 Lord Hodgson of Astley Abbotts: On the Bribery Act, which is now out for consultation, people say that the difference between it and the US Foreign Corrupt Practices Act is that you have responsibility for your agents in this country, where you do not in the US. What I am always amazed by is how few people write in to say something. When that consultation closes, there will be a couple of hundred, but there ought to be a couple of thousand. If people really believe that they can influence the Government, that is what they ought to be doing. I hope that organisations like yours, if this is a problem, do write in and say so because the weight of evidence will have an impact. We heard earlier about the BBC World Service and we heard then, Mr Dholakia, about how Britain was perceived as stuffy and anti-enterprise. Is the World Service pro-enterprise? Does it have enough—

Uday Dholakia: My Lord, I have a real concern about the BBC. When I got home after a day’s business, I saw one of your colleagues use the term “lost the plot”. I think if they have lost the plot in internal issues in the UK, they certainly have lost the plot externally. The world does not see us through the BBC any more. There are a plethora of multimedia communication platforms out there. That is my biggest concern, that the world is viewing us in real-time values, not the historical values of cricket, fair play, integrity. Those are still underlying, important values, but the values have changed. Some of the events that happen in this Westminster village are heavily reported worldwide, and people made their own perceptions about these issues as well. I would say that certainly the BBC needs to take stock of that.

One point I will make is that there are no senior people in policymaking or the editorial end from the diverse community. Yes, we see people in front of the television. I had the privilege to work as a commissioner for the Broadcasting Standards Commission, chaired by Lord Dubs, and we worked very hard to put a diversity provision within the Communications Bill before Ofcom was established. I am sad to say the BBC today has no empathy in terms of
policy and direction with the rest of the world because it does not reflect the rest of the world. It certainly does not reflect the communities that are based up here.

The Chairman: Strong words there; that is very interesting.

Q109 Lord Foulkes of Cumnock: That is very interesting, and all the evidence has been interesting. I know you want to get on to the Commonwealth, but I wanted to check something. Do the three of you work together on a regular basis, or are you just here because we happen to have invited you to the same session?

Uday Dholakia: I work with the Institute of Export. In fact, I did a presentation to some of the companies who were keen to do business with India and, rather than doing an academic business presentation, I did almost like Arthur Daley’s philosophy of doing business. What is the reality? Let me give you a quick example. If there is a major festival in Bombay, UKTI and the chambers will advise you not to go during that period. What I was advocating is that is the right period to go and say to your host or your client, “Can I come and spend the day with you or your family to get underneath your skin to build a relationship?” so the next morning when you wake up to do business you have already covered a lot of useful ground. That is the place that I am coming from.

Q110 Lord Foulkes of Cumnock: Each of you has made some very interesting and some quite strong comments. You have given us some very interesting evidence. Was it because we asked you about soft power, or have you been thinking for some time, “Hey, Britain should do more on soft power”? Has that been something that has been seething away in your thoughts?

Uday Dholakia: I have been badgering Lord Stephen Green and Margot James MP on this. I have been badgering for the last 10 years, because it is really frustrating to go abroad and find that we are losing our competitive advantage.

Lord Foulkes of Cumnock: Is that the same with Mr Maisey and Mr Callaghan? Have you been feeling strongly about this issue?

David Maisey: Yes, we have, from both the Institute of Export and the ICC Solutions perspective. Ultimately, “soft power” is a term, but it is all the underlying principles. For my company, that has been absolutely key for our continued evolution and success. Constantly, daily, we are looking at how people globally perceive us and what we need to do to enhance our company.

Q111 Lord Foulkes of Cumnock: I think my colleague Baroness Nicholson mentioned this earlier. If you were asked to point to one country that we should look at to see, “Hey, wait a minute, they are good”, would you say Korea or would you say Australia, or France, or America? Where would you say we should look at to see some really interesting, innovative things, using your word, Mr Maisey?

Uday Dholakia: Germany and United States.

David Maisey: Yes, I would agree.

Lord Foulkes of Cumnock: You think they are ahead in soft power, both of them.

David Maisey: Certainly the US. I think Germany is evolving and, as I mentioned earlier, China and Turkey undoubtedly are evolving in terms of soft power.

Lord Foulkes of Cumnock: What about France? They always seem to be pushing the French case through the French institutes.
David Maisey: I think, with all due respect, many people have had enough of France and the general attitude, again with all due respect. We see this day in, day out. Speaking with clients globally, they have exactly that perception. They are becoming somewhat annoyed with the ongoing arrogance of the French and their failure to be flexible and to adapt. It will be interesting to see how that evolves, but talking from personal experience it is not my own personal point of view.

Lord Foulkes of Cumnock: Mr Callaghan, in the Commonwealth is there a country that we could emulate?

The Chairman: Can I just interrupt? That is the question that we want Baroness Prosser to develop.

Lord Foulkes of Cumnock: Are we going on to the Commonwealth?

The Chairman: Yes, we are going on and it is going to be, I am afraid, the last question. I just declare an interest when I speak on this subject because I am President of the Royal Commonwealth Society and Chairman of the Council of Commonwealth Societies. Baroness Prosser, you put the question and let us build on it with what Lord Foulkes was asking.

Q112 Baroness Prosser: The majority of Commonwealth countries have retained over the years the very similar legal systems, governance procedures and so on that they inherited and developed during the time when we were much more involved. Do you find that dealing with Commonwealth countries as British companies makes it slightly easier at all? Does it give any advantage?

Uday Dholakia: I think that Indians—I speak as somebody who is British and who is absolutely passionate about UK plc—and people anywhere that English is spoken and appreciate Pythonism have a great affection for us. Affection itself does not translate into commercial reality. There is a shift in paradigm that needs to be taken on board. One of the observations is that a lot of our institutions are London-centric. There is an exciting life outside London. There is a lot of business to be done outside London. That is one observation.

The whole world is knocking on the doors of English-speaking emerging markets, so what is our unique selling proposition? Soft power is an important one, but I go back to my original submission that we need to restructure and recalibrate it. It may be a question of learning as well. I will give you an actual example. One of the biggest challenges we have in doing business with the Indian subcontinent is regulation in terms of import and export, especially around food. I put a proposition that better regulation is our USP that sets us apart and the rest of the world wants to adopt our model. The World Bank wants to adopt our model. Rather than just taking SMEs to India, I am taking British regulators to India to a conference and saying to the SMEs, “If you want to do business with us, these are the prerequisites. If you get it right, we can do a lot of business together, but if you need help, these are the signposting areas where we can give you help”. As a result of that, the Indian regulators now want to come to this country and adopt our best practices as well. Those are soft skills. Those are influencing skills that we need to build on.

Q113 Baroness Prosser: Mr Maisey, what do you think?

David Maisey: Certainly, from my experience, it has been a benefit to engage with other Commonwealth countries, and most notably Canada has been our key area for export over the last number of years. We have established somewhat of a monopoly in terms of the test tools that we supply within the Canadian marketplace and that is undoubtedly due to the
very close relationships that we enjoy as both being part of the Commonwealth. It is the same culture, the same business ethos and obviously similar laws and so on. Canada has been a wonderful destination and undoubtedly that is because of the Commonwealth link. Interestingly, because of our activity in Canada as part of the Commonwealth, what we are now seeing is migration to the US. Typically, there is often conflict between Canada and the US, but in this case the US is looking to Canada to see how they have implemented the chip-and-PIN model. Canada looked to the UK; now the US is looking to Canada. That is part of, I suggest, the power of the Commonwealth going beyond and now starting to influence how the US is going to manage their chip-and-PIN migration. That potential, incidentally, is massive, infinitely bigger than Canada itself. As part of that Commonwealth relationship, we are now looking to achieve huge things in the US.

Q114 Baroness Prosser: That is interesting. Could we say the same, Mr Callaghan, if you look at Australia and the very close relationships nowadays in that Pacific Rim with Singapore, Hong Kong, which are themselves ex-Commonwealth, and their legal systems?

Baroness Armstrong of Hill Top: It is still part of the Commonwealth.

Baroness Prosser: Yes, indeed. I was just giving an example.

Peter Callaghan: The first thing I would say is that people build relationships by doing things together. One of the most important things that we have all done and continue to do is education. People in the Commonwealth are educated either in their own country, but, most importantly, they are educated in other Commonwealth countries. It is not just the UK they come to but Singapore, Australia, New Zealand and Canada. They are educated in other Commonwealth countries. In that process, English is the common language and the examples and the case studies and the material they work with are largely Commonwealth examples, whether they be English or Canadian or Australian or whatever. It is a very important form of soft power. When people are educated technically as doctors, engineers, accountants, whatever they might be, in a Commonwealth country, they are taking across the soft power that you are talking about. I think there is a huge benefit in the Commonwealth for that reason—it is inherent that people have done things together. That is the thing I come back to about the trade commissioners in these countries. When you go there, you go and see them. You build a relationship with the trade commissioners, and they in turn build a relationship in that country with people so that you automatically fit into the patterns, the processes, the ways of doing business in those places. I think the Commonwealth is tremendously important because of the soft power it already has.

Q115 Baroness Armstrong of Hill Top: Do Commonwealth countries talk about visa issues?

Peter Callaghan: There is a committee that is looking at this expansion of the APEC card across the Commonwealth, the business visa. That is something that is going on at the moment.

Baroness Armstrong of Hill Top: So, visas are not a problem at the moment.

Uday Dholakia: They are a major problem. It is also how we communicate processing of visas. I think as a country we are sending out mixed signals. Investment money has the opportunity to go anywhere in the world to be invested. We have a competitive advantage because of language, integrity and everything else, but my advocacy is that we ought not to take it for granted. We need to build on it. We need to calibrate it. We need to innovate with that.
The Chairman: Baroness Armstrong has chucked a large rock in the pool right at the end because, of course, the visa issue is one that comes up again and again, but I think we are going to call this to a halt now. We are very grateful to you. Speaking for myself, I have tremendously enjoyed this short session, and I think we can draw on a number of your comments very heavily, particularly in the next session that we are going to have with the UKTI. Thank you very much indeed for taking the time on this hot afternoon to be here and good wishes in all your work. We shall study very carefully what you have told us. Thank you very much indeed.