

## MINISTERIAL MEETING BRIEFING: KEITH BROWN

<i>Engagement Title</i>	Meeting with the Russian Consul General <b>Mr Andrey Pritsepov</b>
<i>Timing</i>	CG will be accompanied by Attaché <b>Magomet Zyazikov</b> <b>Normal</b>
<i>Where</i>	T4.03, Parliament
<i>Date and Time of Engagement</i>	Date : <b>15 March 2017</b> Time : <b>17:10 – 18:00</b>
<i>Background / Purpose</i>	Following the trade and investment briefing Mr Brown held with [REDACTED], the Russian Consul General asked for a meeting to discuss bilateral trade and investment co-operation.  <b>NOTE : Mr Brown was due to meet the Russian CG back in August 2016 on HMY Britannia but [REDACTED] did not attend the event. The event was hosted by the Russian CG and was a commemoration of the 75<sup>th</sup> Anniversary of the first Arctic Convoy, ‘Dervish’.</b>
<i>Main message to communicate</i>	The Scottish Government is firmly committed to developing a long term relationship with Russia.
<i>Agenda &amp; Lines To Take</i>	<b>Annex: A</b>
<i>SDI Business Engagement with Russia</i>	<b>Annex: B</b>
<i>Russia Overview</i>	<b>Annex: C [REDACTED]</b>
<i>Sanctions</i>	<b>Annex: D [REDACTED]</b>
<i>Human Rights</i>	<b>Annex: E [REDACTED]</b>
<i>Arctic Convoy Project</i>	<b>Annex: F</b>
<i>[REDACTED] Payment Dispute with [REDACTED]</i>	<b>Annex: G</b>
<i>Scottish Exports to Russia</i>	<b>Annex: H</b>
<i>Biography – Consul General</i>	<b>Annex: I</b>

*Official Support  
(incl. mobile number)*

**Official Support**

**[REDACTED]** – Mob [REDACTED]  
Trade team, Economic Development Directorate  
**[REDACTED]** – Mob [REDACTED] Senior  
International Relations Policy Adviser  
**[REDACTED]** – Mob [REDACTED]  
Trade team, Economic Development Directorate

**AGENDA & LINES TO TAKE****1. Scottish Trade mission to Russia**

- SDI, jointly with DIT, is organising a one-day workshop in Aberdeen at the end of March. It is aimed at companies which are considering entering the Russian oil & gas market or wish to expand their business in Russia. The event will feature Russian industry specialists talking about the current business climate, major upcoming projects and the opportunities for companies. Existing exporters will provide case studies and legal advisers will talk about the best routes to the market.
- This is not a commitment to a visit but it is intended to test the market for interest in the possibility of a mission to Russia later this year.

**2. Elaboration of a roadmap for strengthening economic (trade) relations between Russia and Scotland**

- As expected, trade between Scotland and Russia has been heavily impacted by the combination of sanctions and the weakness of the Russian currency.
- Understand you are scheduled to meet with SDI 's Managing Director Paul Lewis in the near future.

**3. Promotion of existing links between Russia and Scotland (establishment of the House of Scotland in Russia)**

- Interested in any update . Understand you planned to meet with Scotland Food & Drink to discuss.

**4. Potential Support for Arctic Convoys Project**

- Fundraising for the Museum continues. However, the Scottish Government is subject to considerable financial pressure should further support or advice be sought, it is unlikely that we can offer funding at present or in the future.

**5. [REDACTED]**

- Understand you have been very helpful to [REDACTED]. I would be grateful for any update you can give me.

**SDI BUSINESS ENGAGEMENT WITH RUSSIA**

- At present trade between Scotland and Russia has been heavily impacted by the combination of sanctions and the weakness of the Russian currency.
- Aside from Oil and Gas, much of Scotland's trade is in items such as premium food, drink and textiles, which have been affected by a combination of those challenges.
- There is still some small but important trade in those premium products but the opportunities are far less than might have been seen a few years ago and other markets are currently considered as the sectoral priorities for SDI.
- In Oil and Gas, similar factors are limiting opportunities, however there are some major projects still being developed. Later this month SDI will be holding events in Aberdeen alongside DIT to raise awareness of these opportunities within the Scottish industry base. This is intended to test the market for interest in the possibility of a mission to Russia later in the year.  
However, at the moment, we are only exploring the potential interest, not committing to a visit.
- [REDACTED] (SDI) met with the Consul General last year with a number of representatives of the Government of St Petersburg who are interested in a multi-faceted visit to Scotland incorporating trade, tourism and culture. Discussions are continuing regarding this visit.
- Additionally, there have been links established between Scottish education institutions and Russia to provide training and teaching courses.
- There is also on-going work with [REDACTED], account managed in Scotland by SE, who have business in Russia and with whom SDI have been working with both in Scotland and in Russia.  
Note : On 1st February 2017, the Consul General visited the manufacturing facilities of [REDACTED]. At a meeting with the [REDACTED] General Manager, the prospects of co-operation with Russian partners and further development of company's business in Russia were explored.
- The Consul General is due to meet with [REDACTED], SDI Managing Director, date to be finalised but should be at the start of April

## **RUSSIA EXPORT OVERVIEW ( DIT GUIDANCE )**

- Russia was the world's ninth largest economy by Gross Domestic Product (GDP) in 2014 according to the International Monetary Fund (IMF).
- Russia improved to 62nd in the World Bank's 'Ease of Doing Business' ranking in 2014. It's making some headway in meeting President Putin's target of reaching 20th position by 2018 after starting from the position of 122nd.
- Some bilateral cooperation and trade support activity is being affected following Russia's interventions in Ukraine and the illegal annexation of Crimea. The European Union's (EU) restrictive measures are targeted, and outside of those specific areas, there remain significant opportunities.
- Russia has started major investment and modernisation programmes which will provide opportunities for business. It is looking for foreign investment, expertise, technology and resources to help.
- Russia's diverse regions also present opportunities for business. These regions are increasingly competing to attract international investment. Some regions have made significant improvements to make it easier to do business, such as Kaluga and Kazan.
- About 600 UK companies have a physical presence in Russia. Over 5,800 UK traders exported goods to Russia in 2013.

### **Benefits for businesses exporting to Russia include:**

- desire of Russian companies to use international accounting and legal standards
- respect for 'UK made' brands, including retail and luxury
- anticipated increase in the number of Russian mid and small sized businesses

### **Strengths of the Russian market:**

- young and well educated workforce
- strong transport links and logistics
- access to supply chains that could lead to exports to other markets in the Commonwealth of Independent States (CIS)

### **Economic growth**

Russian economic growth has slowed annually since 2010. Its GDP grew by only 0.6% in 2014 due to:

- a fall in the oil price over the second half of the year
- the EU's Ukraine related sanctions regime
- existing structural weaknesses in the economy including the large state sector and inefficient use of labour

Russia with the smallest population of the BRIC (Brazil, Russia, India and China) economies is in per capita terms the wealthiest by a considerable margin. Russia's domestic supply of consumer goods and services is underdeveloped in many sectors, but it has a large and growing middle class and discerning consumers who seek out quality and innovation

### **UK and Russia trade**

Top UK exports include:

- engineering products
- pharmaceuticals
- chemicals
- consumer goods
- education

Trade Policy Team  
Economic Development Directorate

**RUSSIA OVERVIEW**

**[REDACTED]**

International Relations  
DEA : International Division

**EU SANCTIONS**

**[REDACTED]**

International Relations  
DEA : International Division

**HUMAN RIGHTS**

**[REDACTED]**

International Relations  
DEA : International Division



## ARCTIC CONVOYS PROJECT

### Issues

Scottish Government Funding: The Scottish Government is under considerable financial pressure at present and guarantees cannot be made about funding in the future.

- We understand that the Chief Executive of Historic Environment Scotland (HES) has written to Gail Ross MSP (Caithness, Sutherland and Ross) to confirm that HES would be able to consider an application to their Historic Environment Support Fund. This fund provides grants towards one off heritage related projects up to a maximum of £5,000.
- The WW2 Festival organisers were advised in October 2016 that they were unfortunately unsuccessful in receiving funding from the Year of History, Heritage and Archaeology event fund (delivered by EventScotland) following a panel meeting of internal and external representatives.
- At that time it suggested that the organisers of the Festival might want to contact EventScotland for feedback. No feedback was sought at that time.
- The Year of History, Heritage and Archaeology event fund is now closed and no further funding is available from EventScotland for events celebrating the 2017 themed year.

### BACKGROUND

Convoys sailed from the UK, Iceland and North America to Archangel and Murmansk. There were 78 convoys between August 1941 and May 1945. About 1,400 merchant ships delivered essential supplies to the then Soviet Union under the Lend-Lease programme. Tragically, 85 merchant vessels and 16 Royal navy warships were lost with a human cost of 3,000 lives.

### Previous events

**NOTE : Mr Brown was due to meet the Russian CG back in August 2016 on HMY Britannia but [REDACTED] did not attend the event. The event was hosted by the Russian CG and was a commemoration of the 75<sup>th</sup> Anniversary of the first Arctic Convoy, 'Dervish'.**

On 15 May 2012, Mr Brown hosted reception for WW2 Arctic Convoy veterans in recognition of their bravery and in support of their demand for a campaign medal from the UK Government.

The reception was arranged to coincide with the donation of £50,000 to the Arctic Convoy Museum Committee by a Russian private citizen, [REDACTED] and an announcement, by the Minister, of a £5,000 donation from the Scottish Government.

Fundraising for the Museum continues. However, the Scottish Government is subject to considerable financial pressure should further support or advice be sought, it is unlikely that we can offer funding at present or in the future.

## **Past commemorations**

31 August 2016 marked the 75th anniversary of the arrival of the first of the Arctic Convoys in Arkhangelsk, Russia. The convoys delivered essential supplies to the Soviet Union during World War Two. HRH The Princess Royal, British and Allied veterans, and the band of the Royal Marines Collingwood participated in commemorative events in Arkhangelsk.

On 31 October, the Lord Mayor of Liverpool and Liverpool City Council hosted an event for veterans at the historic Town Hall. Lord Howe, the First Sea Lord and the Band of the Royal Marines Plymouth participated, as did the Russian Ambassador and Naval Attaché.

## **Loch Ewe proposal**

From February 1942 onwards, many of the convoys gathered at Loch Ewe in Scotland before making the perilous journey to Arkhangelsk and Murmansk.

Plans are underway to establish a museum to the convoys at Loch Ewe. The organisers, the Russian Arctic Convoys Museum Project, hope to open the museum in time for special commemorative events at Loch Ewe during the weekend of 5-8 May 2017.

9 May is known as 'Victory Day' in Russia and is the official date for commemorating the end of World War Two in Russia.

**[REDACTED]**

- Understand you have been very helpful to [REDACTED]. I would be grateful for any update you can give me.

When you met with [REDACTED] on 1 February you offered to follow up on an on-going dispute they were having [REDACTED] a Russian company.

Since then, officials have been in contact with [REDACTED] seeking background on the [REDACTED]. The company has been liaising with the Russian Consulate whose intervention has resulted in some [REDACTED].

The initial contract was for [REDACTED] of which [REDACTED].

[REDACTED].

Trade Policy Team  
Economic Development Directorate

**Estimated exports (£millions) from Scotland to RUSSIA**

**ANNEX H**

<b>Industry Groupings using SIC 2007</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Business Services <sup>4</sup> & Finance	20	5	10	10	20	40	20	20	25	60	70	75	90	60
Chemicals & Mineral Products, Rubber & Plastics	10	10	15	15	15	15	20	10	10	20	20	30	25	15
Electrical and Instrument Engineering <sup>5</sup>	275	195	35	60	40	30	30	25	30	25	30	30	35	25
Manufacture of Food & Drink	40	70	80	65	35	60	65	50	65	55	35	40	10	20
Metals, Metal Goods, Mechanical Engineer	5	5	5	5	5	5	5	5	10	10	10	10	5	5
Other Manufacturing <sup>6</sup>	5	10	10	10	15	15	5	5	20	30	25	25	30	25
Other Services <sup>7</sup>	5	20	40	30	45	20	20	5	5	10	5	10	20	35
Primary Industries <sup>1</sup> & Construction & Utilities <sup>2</sup>	5	10	5	25	25	10	5	5	20	15	15	20	20	20
Wholesale <sup>3</sup> & Retail, Hotels & Restaurants	15	25	20	15	20	25	25	30	30	45	35	30	25	30
<b>Total</b>	<b>380</b>	<b>350</b>	<b>215</b>	<b>235</b>	<b>220</b>	<b>215</b>	<b>190</b>	<b>165</b>	<b>220</b>	<b>260</b>	<b>250</b>	<b>275</b>	<b>265</b>	<b>240</b>

<b>Ranking amongst Scottish export territories</b>	<b>13</b>	<b>14</b>	<b>19</b>	<b>17</b>	<b>20</b>	<b>23</b>	<b>26</b>	<b>31</b>	<b>28</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>23</b>	<b>26</b>
<b>% of total International Exports</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.8%</b>

Source: Export Statistics Scotland 2015

\*\* Indicates that figures have been suppressed as the data are disclosive of company level information, which is treated as commercial and in confidence.

**Notes:**

1. Excludes the value of oil & gas extracted from the UK Continental Shelf.
2. Includes manufacturing, mining & quarrying and electricity/gas/water supply.
3. Wholesale figures include the wholesale of agricultural products, fish and crustaceans & molluscs.
4. Business Services include the following activities: insurance, real estate, research & development, legal, accounting, book-keeping and auditing activities, tax consultancy; market research; public opinion polling; architectural and engineering activities, rental and leasing activities, office administration, business and management consultancy.
5. 'Electrical and Instrument Engineering' includes the following activities: Manufacture of machinery and equipment NEC.
6. 'Other Manufacturing' includes the following activities: Repair and installation of machinery and equipment.
7. 'Other Services' includes the following activities: Health and other community activities, social and personal service activities.

**Please note:**

These figures are estimates only.

Country results are subject to a greater degree of sampling error than published industry estimates as they are based on less information. Differences in the reported export markets of the companies responding to the survey could affect the year on year changes in the destination estimates.

**This information is provided for briefing purposes only and should not be published or disseminated further**

## BIOGRAPHY

**ANDREY A. PRITSEPOV, Russian Consul General**

Mr Andrey A. Pritsepov was appointed Consul General of Russia in Edinburgh in March 2014.

Born in 1960, he graduated from Moscow State Institute of International Relations (MGIMO) before joining the Ministry of Foreign Affairs in 1982.

Mr Pritsepov had a number of postings in Russian missions in Norway and Denmark and speaks Norwegian.

2004 - Senior Counsellor of the Embassy of Russia in London.

2009 - Deputy Director of the Second European Department of the Russian Ministry of Foreign Affairs with two portfolios: bilateral relations with the United Kingdom and Ireland as well as multilateral cooperation in the Northern Europe.

Holds the diplomatic rank of Minister Extraordinary and Plenipotentiary of the Second Class.

Married to Mrs Alexandra Pritsepova with two daughters.