

**BRIEFING PACK FOR THE CABINET SECRETARY FOR ECONOMY, JOBS AND FAIR WORK'S VISIT TO GERMANY – SUNDAY 5 TO TUESDAY 7 MARCH 2017**

<b>Key Themes</b>	<ul style="list-style-type: none"> <li>• Scotland is open for business.</li> <li>• Scotland is committed to deepening its trade and investment links with Germany, Europe's largest economy.</li> <li>• Scotland's commitment to deepening trade links will be delivered through the Berlin Hub and the increase of SDI staff throughout Europe.</li> <li>• Our paper, "Scotland's Place in Europe" makes clear the importance of single market membership to our economy and sets out proposals to protect Scotland's interests, even if the remainder of the UK chooses to leave the single market.</li> </ul>
<b>Key Messages</b>	<ul style="list-style-type: none"> <li>• There are substantial opportunities to grow international trade and investment between Scotland and Germany in a number of different sectors, including energy, hospitality and engineering</li> <li>• The Scottish Government wants to build on the 155 German-owned enterprises working in Scotland, employing 17,980 with a turnover of £4,403m</li> <li>• Exports to Germany were £1750bn in 2015 – more than 6% of all Scotland's international exports. The Scottish Government wants to develop this further by supporting more companies to export, including to German markets</li> <li>• The Scottish Government is determined to protect Scotland's national interests. The Scottish Parliament voted by a clear majority for Scotland's place in the Single Market to be protected, and agreed that "alternative approaches within the UK should be sought that would enable Scotland to retain our place within the single market". This is a significant compromise compared to EU membership, for which the people of Scotland voted.</li> <li>• We embrace the so-called four freedoms and believe that, short of EU membership, full membership of the single market is the best outcome not just for Scotland but for the whole of the UK.</li> <li>• Scotland should continue to be a member of the European Economic Area, even if the UK leaves the single market. This would safeguard social and environmental protections and would pave the way for additional close collaboration with the EU in other areas.</li> </ul>
<b>Who</b>	<ul style="list-style-type: none"> <li>• Mr Brown will engage with a range of representatives from the German business sector as well as meet with politicians from regional/national parliaments and a State Secretary from the German Federal Government.</li> </ul>
<b>Why</b>	<ul style="list-style-type: none"> <li>• The visit to Hamburg and Berlin will be the first in a series of trade and investment focused visits that the Cabinet Secretary for Economy, Jobs and Fair work will undertake. This visit will provide a platform for the Cabinet Secretary to reaffirm that Scotland is open for business and to help encourage and develop trade relations with Germany. The trip will also provide a useful opportunity to reiterate the Scottish Government's objective to remain in the Single Market.</li> </ul>
<b>When</b>	<ul style="list-style-type: none"> <li>• This visit will take place from Sunday 5<sup>th</sup> to Tuesday 7<sup>th</sup> March. Sunday evening and Monday morning will involve meetings and engagements in Hamburg. The group will then travel to Berlin around lunchtime on Monday for the second part of the programme.</li> </ul>
<b>Official(s) attending</b>	<ul style="list-style-type: none"> <li>• [REDACTED], Head of European Engagement – (m) [REDACTED],</li> <li>• [REDACTED], Private Secretary – (m) [REDACTED],</li> </ul> <p><u>Additional members of the group</u></p> <ul style="list-style-type: none"> <li>• [REDACTED], SDI Dusseldorf (Hamburg only)</li> </ul>

	<ul style="list-style-type: none"> <li>• Andy McDonald, SDI Director (Berlin only)</li> <li>• Liz Cameron, CE Scottish Chambers of Commerce (Berlin only)</li> <li>• [REDACTED], SDI Dusseldorf (Berlin only)</li> <li>• [REDACTED], SDI Dusseldorf (Berlin Only)</li> </ul>
<p><b>Media Handling</b></p>	<ul style="list-style-type: none"> <li>• Comms have prepared a media plan for the trip. This will include news releases and social media activity on each day of the visit; as well as telephone interviews with the Evening Times and Berlin daily paper on Tuesday 7<sup>th</sup> March.</li> </ul>
<p><b>Briefing Notes</b></p>	<p><b><u>Hamburg</u></b>          Briefing 1: Honorary Consul Dinner          Briefing 2: Meeting with Graham Brocking, TÜV SÜD          Briefing 3: Meeting with CEO of Hamburg Port          Briefing 4: Meeting with Wolfgang Schmidt, Deputy Mayor of Hamburg</p> <p><b><u>Berlin</u></b>          Briefing 5: Meeting with Stefan Lenze, Motel One          Briefing 6: Dinner with Ambassador Wood and Bundestag members          Briefing 7: Breakfast meeting hosted by German Chambers of Commerce.          Briefing 8: Meeting with Parliamentary State Secretary, Dirk Weise          Briefing 9: Meeting with Bosch Rexroth (tbc)</p> <p><b><u>Additional Briefs</u></b>          Briefing 10: Energy Brief          Briefing 11: OCEA Economic Brief          Briefing 12: T&amp;I 4-Point Plan          Briefing 13: [REDACTED],          Briefing 14: [REDACTED],          Briefing 15: European Championships          Briefing 16: SDI Trade and Investment Brief</p>



British Embassy  
Berlin

Official Sensitive  
**PROGRAMME**

**Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work**  
The Scottish Government

Hamburg/ Berlin, 05-07 March 2017

Members of the Delegation:

1. [REDACTED], Private Secretary
2. [REDACTED], Head of European Engagement
3. Andy McDonald, Scottish Development International (Berlin leg)
4. [REDACTED], Scottish Development International (Hamburg leg)
5. [REDACTED], Regional Manager, Scottish Development International (Berlin leg)
6. [REDACTED], Scottish Development International (Berlin leg)
7. Liz Cameron, Scottish Chambers of Commerce

Accompanied by: [REDACTED], First Secretary Environment&Energy

**1. Sunday, 5 March**

**HAMBURG**

<b>16.10</b>	Edinburgh to Hamburg with Flight EZY6931 Dep 13:25 - Arr 16:10	Met by: [REDACTED],
--------------	---	------------------------

	Transfer from airport to The George Hotel	⇒ Minibus 0-49-10
--	---	-------------------

	Time to refresh	<u>Venue:</u> The George Hotel Hamburg Barcastraße 3 22087 Hamburg Tel.: +49 40 890 62 428
	<i>4 rooms booked :</i> <i>Keith Brown, [REDACTED]</i>	

<b>18.20</b>	Transfer from The George Hotel to Honorary Consul's residence	⇒ Embassy car
--------------	---	---------------

<b>19.00</b>	<b>Dinner hosted by Honorary Consul Nicholas Teller with interesting companies in attendance</b>	<u>Venue:</u> [REDACTED], Hamburg
--------------	--	--------------------------------------

		<u>Contact:</u> T. [REDACTED],
--	--	-----------------------------------

pm	Depart residence to The George Hotel	⇒ Embassy car
----	--------------------------------------	---------------

	Overnight in The George Hotel	<u>Accommodation:</u> The George Hotel Hamburg
--	-------------------------------	---

**2. Monday, 6 March**

am.	Breakfast in hotel	The George Hotel Hamburg
-----	--------------------	--------------------------

<b>08.15</b>	Depart The George Hotel to TÜV SÜD	⇒ Embassy car
--------------	------------------------------------	---------------

Venue:

08.30-09.15	<b>Meeting with Graham Bocking, Managing Director TÜV SÜD PMSS Deutsche Wind Consult GmbH</b>	TÜV SÜD Hamburg Office Heidenkampsweg 51-57
		<u>Contact:</u> Graham Bocking Tel: +[REDACTED], Mobile: +[REDACTED],
09.15	Depart hotel to Hamburg Port	⇒ Embassy car
10.00	<b>Tour of Hamburg Port</b>	<u>Venue:</u> Hamburger Hafen und Logistik AG, Bei St. Annen 1, 20457 Hamburg
	<ul style="list-style-type: none"> <li>• Keith Brown, Cabinet Secretary</li> <li>• [REDACTED], Head of European Engagement, Scottish Gov.</li> <li>• [REDACTED], Private Secretary</li> <li>• [REDACTED], Botschaftssekretärin Umwelt &amp; Energie</li> </ul>	<u>Contact:</u> [REDACTED], t: [REDACTED],
	Meeting with HHLA CEO, short presentation on Europe's 3. largest logistic hub	
	10.30 - Transfer (ca. 15 mins.)with HHLA mini-bus( 5 seats only!) to harbour and control centre	
	accompanied by [REDACTED],	
	10.45 - Tour of harbour ~ 1.5 hours	
	12.15 - Depart back to HHLA HQ, Bei St. Annen, 20457 Hamburg with mini-bus (15.mins)	
12.15	Depart Port to Hamburg Townhall	⇒ Embassy car
12.30 -	<b>Meeting in Hamburg Townhall</b>	<u>Venue:</u> >on arrival met by protocol Senatskanzlei Rathausmarkt 1 20095 Hamburg
13.15	with <b>Wolfgang Schmidt</b> , State Secretary, Plenipotentiary to the Federation, the European Union and for Foreign Affairs + 2 tbc.	
	Keith Brown [REDACTED], [REDACTED], Nicholas Teller [REDACTED],	<u>Contact:</u> [REDACTED], Tel.: [REDACTED],
13.15	Depart Townhall to Hamburg main train station	⇒ Embassy car
13.38	Departure from Hamburg Hbf with ICE train to Berlin, ICE 1613, Platform 8	
<b>BERLIN</b>		
15.21	Arrival at <b>Berlin Hbf</b>	>To come out at the side of the Bundeskanzleramt
	Transfer from Hauptbahnhof to Motel One	⇒ Minibus B-WY 3274
16.30	<b>Meeting with Motel One</b> with <b>Stefan Lenze</b> , Head of Development & Managing Director	<u>Venue:</u> Motel One Berlin Tiergarten, An der Urania 12

17.30	Depart Motel One to HMA residence	⇒ Embassy car
	Time to refresh	<u>Venue:</u> Ambassador's Residence
19.00	<b>Dinner with Ambassador Sir Sebastian Wood and German Parliamentarians</b>	<u>Venue:</u> Ambassador's Residence
	<u>Attendees:</u>	[REDACTED], Berlin Grunewald
	1. Keith Brown, Cabinet Secretary for Economy	
	2. [REDACTED], Private Secretary	
	3. [REDACTED], Scottish Government	
	4. Andy McDonald, SDI	
	5. Liz Cameron, Scottish Chambers of Commerce	
	6. [REDACTED], SDI	
	7. [REDACTED], SDI	
	8. HMA	
	9. Lady Wood	
	10. Nick Leake	
	11. [REDACTED]	
	<b>Committee on Economic Affairs and Energy members:</b>	
	12. [REDACTED],	
	13. [REDACTED]	
	14. [REDACTED]	
	15. [REDACTED]	
	<b>German-British Parliamentary Group members:</b>	
	16. [REDACTED]	
	17. [REDACTED]	
	overnight	Ambassador's Residence

<b>3. Tuesday, 7 March</b>
----------------------------

07.15	Breakfast in residence	
07.45	Depart residence for DIHK	⇒ Embassy car
08.30-10.00	<b>Roundtable in the "Haus der Deutschen Wirtschaft" with representatives from the Association of German Chambers of Commerce</b>	<u>Venue:</u> DIHK, Deutscher Industrie- und Handelskammertag Breite Straße 29 10178 Berlin
	[REDACTED] [REDACTED]	<u>Contact:</u> [REDACTED] T.: [REDACTED]
10.00	Depart from DIHK to BMWi	⇒ Embassy car

10.45-  
11.30

**Meeting in the Federal Ministry for Economic Affairs and Energy**  
with Parliamentary Statesecretary **Dirk Wiese**

Venue:  
BMW i > Tor 1  
Scharnhorststraße 34-37

Contact:  
[REDACTED]  
T.: [REDACTED]

11.30

Depart BMW i to Bosch

⇒ Embassy car

???

**Meeting with Bosch**

Venue:

Embassy tbc

12.15

Depart for Schoenefeld airport

⇒ Embassy car

14.04

Berlin Schoenefeld  
to Edinburgh  
Dep 14:05 - Arr 15:15  
Flight EZY6978



**USEFUL CONTACT NUMBERS**

**Accommodation Hamburg**

The George Hamburg  
Barcastraße 3  
22087 Hamburg

Tel.: +49 40 890 62 428

**British Honorary Consul**

Nicholas Teller  
Secretary: [REDACTED]

Tel: [REDACTED]

Mobile: [REDACTED]

**BRITISH EMBASSY BERLIN**

Wilhelmstrasse 70/ 10117 Berlin  
HM Ambassador- Sir Sebastian Wood  
Private Office: [REDACTED]

Tel: [REDACTED]

Fax: [REDACTED]

Tel: [REDACTED]

**HMA residence**

[REDACTED], BERLIN- GRUNEWALD

**Info for taxi drivers: *just off Hagenplatz on  
Koenigsallee***

Tel: [REDACTED]

**Embassy Duty Officer:**

[REDACTED]  
First Secretary Environment/Energy

[REDACTED] Environment Team assistant

Mobile: [REDACTED]

Office: +[REDACTED]

**Mobile:** [REDACTED]

**Mobile:** [REDACTED]

Office: +[REDACTED]

**Transport Transport Manager: [REDACTED]  
Hamburg**

**Driver:** [REDACTED]

**Minibus 0-49-10**

Mobile: [REDACTED]

**Mobile** [REDACTED]

**Berlin**

**Driver:** [REDACTED]

**Minibus: MB V-Klasse B-WY 3274**

Airport Berlin Tegel information  
Taxi: Call Hamburg  
Taxi call Berlin

**Mobile:** [REDACTED]

0180- 5000 186

+49 (0)40 – 211 211

(+49-30) 21 01 01 or (freecall) 0800 22222 55

[REDACTED]

[REDACTED]

[REDACTED]

M: [REDACTED]

M: +[REDACTED]

M: +[REDACTED]

## **HONORARY CONSUL DINNER – HAMBURG**

### **Venue**

Private home of Mr. and Mrs. Teller  
[REDACTED] Hamburg  
at 19:00 hrs

### **Guest list**

#### **Honorary Guest**

- Keith Brown

#### **and his delegation:**

- [REDACTED], Private Secretary
- [REDACTED], Head of European Engagement
- [REDACTED], Scottish Development International
- [REDACTED], First Secretary Environment & Energy

#### **Guests:**

- [REDACTED]
- [REDACTED]
- [REDACTED]

#### **Host:**

- Nicholas Teller, British Honorary Consul, Chairman of the Advisory Board of E.R. Capital Holding, Hamburg & Member of the Supervisory Board of Commerzbank AG, Frankfurt

- and his wife [REDACTED]



## MEETING WITH GRAHAM BROCKING, TÜV SÜD

<b>Key Messages</b>	<ul style="list-style-type: none"> <li>Scotland has a proven track record of delivering value to inward investors. 2015 was a record-breaking year for investment into Scotland – 2nd location in UK outside London and 1st in UK for R&amp;D FDI projects</li> <li>We welcome TÜV SÜD's investments into Scotland and look forward to the new investment in Glasgow</li> <li>Scotland remains committed to renewable energy and a transition to a low carbon economy and SG has increased their targets, as can be seen in the recently published Energy Strategy draft.</li> <li>Scottish Government is clearly committed to a continued positive contribution to the EU and the Single Market and happy to discuss government's position and strategy in this area.</li> </ul>
<b>Who</b>	<ul style="list-style-type: none"> <li><b>Graham Bocking</b> (Managing Director of TÜV-SÜD PMSS Deutsche Wind Consult GmbH)</li> </ul>
<b>What</b>	<ul style="list-style-type: none"> <li>TÜV-SÜD is an important existing investor with activities in Glasgow, Edinburgh, Eaglesham, East Kilbride, Dundee, Aberdeen, Janetstown/Thurso, operating in different sectors as TÜV SÜD PMSS, TÜV SÜD Whittle, TÜV SÜD NEL and TÜV SÜD Nuclear Technologies</li> </ul>
<b>Why</b>	<ul style="list-style-type: none"> <li>The renewable sector is of vital importance to the Scottish economy. There are 21,000 jobs in the low carbon and renewable energy economy in Scotland across 9 renewable energy sectors.</li> <li>The TIC-sector (testing, inspection, certification) in which TÜV SÜD is active is important to a number of sectors in Scotland.</li> <li>This meeting provides an opportunity to better understand where TUV sees future growth in renewables and oil and gas</li> <li>It also provides the opportunity to gain insights into perceptions of Brexit on their business and any implications for their activities in Scotland</li> </ul>
<b>Where</b>	The George Hotel, Barcastr. 3, Hamburg – Germany
<b>When</b>	Monday 6 <sup>th</sup> of March 8:30 am – meeting during breakfast (meal)
<b>Dress code</b>	Business
<b>Official(s) attending</b>	PS [REDACTED], Senior Executive Renewables and Low Carbon Technology and Andy McDonald, Director EMEA, Scottish Development International.
<b>Media Handling</b>	N/A

**Purpose of meeting:**

- TÜV-SÜD is an important existing investor with activities in Glasgow, Edinburgh, Eaglesham, East Kilbride, Dundee, Aberdeen, Janetstown/Thurso, operating in different sectors as TÜV SÜD PMSS, TÜV SÜD Whittle, TÜV SÜD NEL and TÜV SÜD Nuclear Technologies
- The renewable sector is of vital importance to the Scottish economy. There are 21,000 jobs in the low carbon and renewable energy economy in Scotland across 9 renewable energy sectors.
- The TIC-sector (testing, inspection, certification) in which TÜV SÜD is active is important to a number of sectors in Scotland.
- This meeting provides an opportunity to better understand where TUV sees future growth in renewables and oil and gas
- It also provides the opportunity to gain insights into perceptions of Brexit on their business and any implications for their activities in Scotland

**Key Facts:**

- Scotland is committed to renewable energy and Offshore Wind. More than 21,000 people work in the sector and the ambitions for more renewable energy and commitments to decrease with low carbon technology the impact on the climate are very high.
- Scotland is has amongst the best natural resources due to its geographic location and wants to capture this energy treasure for the Scottish Energy needs.
- Scotland is leading the world with innovative technologies, such as floating wind projects (most renown, the Hywind Project from Statoil) and wants to build on its world class rating for renewable energy projects.
- SG published a draft Scottish Energy Strategy this year which aims to meet 50% of Scotland's heat, transport and electricity energy needs from renewable sources by 2030. The strategy sets out a vision for the transition away from oil and gas dependency and towards a low-carbon economy by 2050.

**Lines to Take:**

- Scotland has a proven track record of delivering value to inward investors. 2015 was a record-breaking year for investment into Scotland – 2nd location in UK outside London and 1st in UK for R&D FDI projects
- We welcome TÜV SÜD's investments into Scotland and look forward to the new investment in Glasgow
- Scotland remains committed to renewable energy and a transition to a low carbon economy and SG has increased their targets, as can be seen in the recently published Energy Policy draft.
- Scottish Government is clearly committed to a continued positive contribution to the EU and the Single Market and happy to discuss government's position and strategy in this area.

**Issues to Note:**

- Slow and limited allocation of subsidies, for offshore wind projects (through auction of Credit for Difference), by the UK Government have impacted the industry. There is a direct correlation between number of projects build and number of jobs. (TÜV SÜD PMSS in Scotland works mainly on UK projects outside of Scotland)

## COMPANY BACKGROUND

### Company & Investment Project Background

#### TÜV SÜD AG

Headquartered in Munich, Germany and founded in 1866, TÜV SÜD is one of the world's leading technical service organisations.

TÜV SÜD focuses on independence and impartiality. This is ensured by the unique legal structure of the Group. In its capacity as management holding company, the parent company, TÜV SÜD AG, manages its subsidiaries around the world by means of a matrix structure.

#### Strategy 2020 – growing profitably in a changing market

In order to achieve its strategic goals, the organisation actively leverage the opportunities offered by the attractive world-wide TIC (testing, inspection, certification) market – a growth market, but one also characterised by constant change. They expect the process of concentration in the market to continue in the coming years, and will play an active part in shaping this development. In addition, TUV SUD is significantly expanding its global presence by making targeted acquisitions of companies in growth sectors and regions.

By 2020, they want to generate at least 50% of our revenue outside Germany as these regions offer particularly attractive growth opportunities. Growth, internationalisation and constantly increasing the value of the company remain the fundamental principles that guide actions aimed at securing the long-term future of the company. At the heart of their strategy is growth and efficiency.

TÜV SÜD today operates in some 50 countries around the world. At more than 800 locations on five continents, around 22,000 people increase safety and add economic value for our customers. In globally networked competence centres,

#### TÜV-NEL

**NEL is the former National Engineering Laboratory. It has been established in East Kilbride since 1947, and since 1995 has been part of TUV SUD AG.**

TUV-NEL is one of six operating businesses of TUV SUD Limited; it is a subsidiary of TUV SUD (UK) Limited. **It has 95 employees and provides services related to flow measurement and fluid mechanics, principally for the upstream oil and gas sector on a global basis. NEL sales revenue in 2014 was £10M.**

**TUV-NEL is responsible for those aspects of the UK National Measurement System (NMS) that relate to flow measurement, primarily through maintaining the UK's National Flow Standards, working closely with the Department for Business, Innovation and Skills (BIS). TUV-NEL services to industry range from calibration of instrumentation through to major research and development projects.**

#### **SE and TUV-NEL (Opportunity for post visit investment announcement)**

TUV-NEL is an account managed company (since April 2005) and is an anchor tenant at the Scottish Enterprise Technology Park in East Kilbride (SETP).

Since the acquisition of the Technology Park from DTI in 1994, Scottish Enterprise has worked collaboratively with TUV-NEL to assist them in their occupational requirements at the Park. This included supporting the private development of the Napier Building which they subsequently leased for their Scottish Head Office.

SE owns the land for the proposed expansion and will make it available on commercial terms to TUV-NEL or their nominated developer. This project proposal would be a hugely significant development and a catalyst for wider sectoral activity at SETP.

In November 2016, the SE Board approved up to £4,950,000 towards the development of a Centre of Excellence for Flow Measurement and Fluid Mechanics in Scotland. The company intends to invest £11.1M, which is by far the largest capital investment in the UK business.

The facility will target major oil & gas production companies and SME businesses that plan to develop and test equipment at high pressures for deep/marginal production fields. The project to deliver this new facility builds on existing capability at TUV-NEL and focuses on two elements, the extension of an existing building and the construction of the HPMF equipment. Both elements will be developed in parallel over a two year period and the facility is expected to have a lifespan of approximately 25 years.

**BIOGRAPHY - Graham Bocking**



Managing Director, TÜV SÜD PMSS Deutsche Wind Consult GmbH. Appointed in June 2012 with offices in Hamburg. Mr. Bocking manages the PMSS business in Germany, providing full range of project development and management services in the renewable energy sector, in particular for wind projects.

Prior to TÜV SÜD, Graham was Interim Commercial Director at SeaReenergy Offshore (from Feb. 2012 to May 2012) and worked for NORDEX in various roles at the end for Nordex Energy Ireland Ltd. as Director & Company Secretary.

## **MEETING [REDACTED] AT HAMBURG PORT**

### **Briefing from British Embassy**

[REDACTED]

#### **Objectives**

- Hamburg harbour plays a significant role in Germany's export success story. Gaining insight as to how this has developed, what the future strategy is and which challenges and opportunities they envision would be useful to understand

[REDACTED]

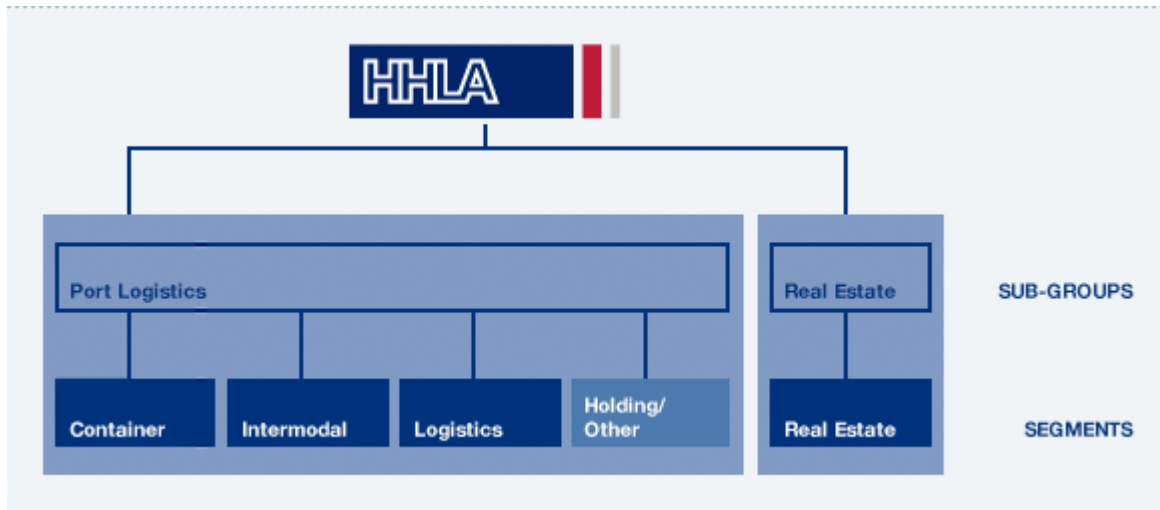
#### **Corporate Background**

1866 the Founding of the HHLA takes place, looking back on Hamburg's legacy as important trading place for over one thousand years. Already in 1885 the "Speicherstadt" was the world's largest and most technically advanced logistic centre. By 1914 The Hamburg Harbour was the world's third largest port after London and New York. In 1999 the deepening of the Elbe was completed and with it a boom phase began for the port of Hamburg with sustained double-digit growth rates in container traffic. Hamburg profits from its position as the most important port in Europe for Asia and the Baltic region. In 2007 a part privatisation was performed.

Current status:

- After years of construction the port has been reinforced in 2016 with the most modern tandem container gantry cranes. They are now able to process the newest generation of mega container ships.
- Today Hamburg is the third most important port in Europe after Antwerp and Rotterdam. The UK is with 0.25 Mio containers transshipping the sixth important partner. Due to the decreasing growth in China and the sanctions to Russia the importance of the UK as partner is increasing.
- The Goal to reduce the CO2-Emission per container up to 30% by 2020 was nearly reached with 29.5% in 2015.

## GRUPE STRUCTURE



In summary the company has:

2015

Revenue:	1,141.8 Mio Euro
EBIT:	157 Mio Euros
Container:	6.6 Mio
Employees:	5345

Investor Relation

Activities with the UK: With 28% the UK is the partner with the

Shareholder structure: 31.6% Free float  
68.4% Free and Hanseatic City of Hamburg

**MEETING WITH WOLFGANG SCHMIDT: STATE SECRETARY, PLENIPOTENTIARY TO THE FEDERATION, THE EUROPEAN UNION AND FOR FOREIGN AFFAIRS**

**Monday 6<sup>th</sup> March**

<b>What does this stem from</b>	<ul style="list-style-type: none"> <li>Trade and Investment focussed visit to Germany</li> </ul>
<b>Key Message</b>	<ul style="list-style-type: none"> <li>Scotland open for business in spite of the Brexit vote and keen to protect and deepen its trade and investment relationship with Germany (including through a Berlin Innovation and Investment hub and increasing SDI presence in the EU)</li> <li>Scotland continues to lobby the UK for a differential solution to Brexit which would allow us to remain in the European single market. Not seeking to negotiate with Member States (understand that is for the UK) but keen that Member States remain open to our ideas whilst we engage the UK on the detail of them.</li> </ul>
<b>Who</b>	Wolfgang Schmidt, Deputy Mayor of Hamburg
<b>What</b>	<ul style="list-style-type: none"> <li>Introductory meeting with the Mayor of Hamburg's Deputy with a focus on:- <ul style="list-style-type: none"> <li>- deepening trade and investment links with Germany;</li> <li>- updating Hamburg's Land Government on our trade and investment strategy (Berlin hub and increased SDI EU presence);</li> <li>- EU referendum and Scotland's compromise proposals;</li> <li>- forthcoming German Federal elections.</li> </ul> </li> </ul>
<b>Why</b>	<ul style="list-style-type: none"> <li>Opportunity to engage with an economically important Land Government on the trade and investment agenda, understand its concerns around Brexit and emphasise Scotland's position on remaining in the European Single Market post- Brexit.</li> </ul>
<b>Where</b>	Senatskanzlei Rathausmarkt 20095 Hamburg <span style="float: right;">1</span>
<b>When</b>	Monday 6 <sup>th</sup> March 2017
<b>Dress code</b>	Business
<b>Official(s) attending</b>	PS, [REDACTED], Head of European Engagement, UK Honorary Consul in Hamburg, Nicholas Teller.
<b>Media Handling</b>	Possible social media post the meeting.
<b>Annexes</b>	Annex A Summary page Annex B Key Brief Annex c Biography



## SUMMARY PAGE

### Purpose of meeting:

- **Stress commitment to deepening economic relationship with Germany in spite of Brexit vote. Outline Scotland's compromise proposals to remain in the European Single Market after UK leaves.**

### Key Issues:

#### Trade and Investment links

- Exported £1.8 billion in 2015 to Germany. In 2015 German companies were responsible for 17,060 jobs with a turnover of £4.5 billion. The European Championships is a new multi-sport event to be co-hosted in its first year 2018 by Glasgow and Berlin. Lucrative opportunities for German companies through sponsorship.

#### Trade and Investment Strategy

- We are supporting international collaboration by opening Innovation and Investment Hubs in Dublin (already open), London, Brussels and Berlin and increasing SDI's presence (our trade and investment arm) from 20, in the main EU offices in Paris, Dusseldorf and Copenhagen, to 40.

#### EU Referendum

- Reflection on what we've heard so far from German business about the consequences of Brexit. Our own compromise proposals for retaining membership of the single market.

#### Forthcoming Federal German Elections.

- Deputy Mayor's thinking on the Autumn Federal elections

### Lines to Take:

- Committed to deepening commercial ties with Germany particularly in view of the referendum result. Germany third biggest EU export market for Scotland and third largest inward investor.
- Establishment of an innovation and investment hub in Berlin is key to delivering this ambition as well as doubling the number of trade and investment staff in the EU.
- On EU, Referendum, Scotland did not vote for the direction set out in the UK Government's White Paper and the Scottish Government is determined to protect Scotland's national interests.
- The Scottish Government's paper, "Scotland's Place in Europe" sets out proposals that would protect Scotland's interests and makes clear the importance of single market membership to our economy even if the UK leaves which it seems intent on. . If Scotland's interests cannot be protected in a UK context, independence is an option people in Scotland must have the right to consider.

### Issues to Avoid:

[REDACTED]

## KEY BRIEF

## ANNEX B

### Trade and Investment links

Exported £1.8 billion in 2015 to Germany. Electrical and instrument engineering, chemicals and mineral products, rubber and plastics, business services and finance were top exports. In 2015 German companies were responsible for 17,060 jobs with a turnover of £4.5 billion. Big investors include E.ON, RWE and Siemens (in the energy sector), Merck (pharmaceuticals), Muller Wisemann (dairy) and Lidl and Aldi (food retail). Key priority is to ensure these investors stay and we will work to ensure that Scotland remains a viable and attractive investment location.

The European Championships is a new multi-sport event to be co-hosted in its first year by Glasgow and Berlin, 2-12 August 2018, bringing together existing Championships under a single umbrella, and a new team event in Golf.

Berlin will host the 2018 European Athletics Championships from 7-12 August, with Glasgow hosting the six other European Championships over the full 11 days. Lucrative promotional opportunities for German companies through sponsorship of the games.

### Trade and Investment Strategy (Innovation and Investment Hub in Berlin)

We are supporting international collaboration by opening Innovation and Investment Hubs in Dublin (already open), London, Brussels and Berlin and increasing SDI's presence (our trade and investment arm) from 20, in the main EU offices in Paris, Dusseldorf and Copenhagen, to 40.

We are appointing a ministerial led Board of Trade, to bring together business interests to provide practical advice to improve Scotland's exporting performance, and appointing new Trade Envoys to champion export market opportunities.

We are providing £400,000 to the Scottish Chambers of Commerce to support new business-led trade missions and forge new trading alliances. Germany will be a key priority going forward.

A new £500 million Scottish Growth Scheme will provide individual investment guarantees, and some loans of up to £5 million, to new and early-stage high growth potential companies, with clear export growth plans.

**The Berlin Hub** is intended provide a platform for business, academia and government to access trade and investment opportunities and collaborate on common challenges, innovation and R&D; for VisitScotland to further develop Germany's status as no 2 for visitors to Scotland after the US and a strong business/conference market; to enhance Scotland's profile and reputation; and build networks, relationships and inter-Governmental working which will benefit Scotland.

Germany has been selected because a) it is consistently in Scotland's top five export destinations - £1.75bn in 2015, b) it is the 3<sup>rd</sup> largest inward investor to Scotland, c) it accounts for the 2<sup>nd</sup> largest number of visitors to Scotland and that is predicted to

grow over the coming years and d) It is at the heart of the EU with significant opportunities for enhanced collaborative working with Scotland in areas such as manufacturing.

## **EU Referendum Result**

We have yet to have any detailed response from the UK Government to our proposals on Scotland's Place in the EU , or any indication of whether or how the UK Government intends to take them forward as part of its forthcoming negotiations. If Scotland's interests cannot be protected in a UK context, independence is an option people in Scotland must have the right to consider.

The Scottish Government appreciates the importance of obtaining a guaranteed right to remain for EU nationals (including the 30,000 German citizens in Scotland) and we will continue to press the UK Government on this.

## **Forthcoming elections**

Interested in the Deputy Mayor's take on how the elections will pan out. Mr Schmidt is a member of the SPD, which at Federal level is in a grand coalition with the CDU/CSU. Germans go to the polls on **24 September 2017** [REDACTED]

## **Key German Reactions to EU Referendum Outcome**

- **24/06/2016:** Angela Merkel said "we take note of the British people's decision with regret. There is no doubt that this is a blow to Europe and to the European unification process."
- **28/06/2016:** Angela Merkel – "We will make sure that negotiations will not be carried out as a cherry-picking exercise. There must be and there will be a palpable difference between those countries who want to be members of the European family and those who don't."
- **04/07/2016:** Chancellor Merkel has reportedly said that Juncker has become "part of the problem" and that his recent meeting with Scotland's First Minister was provocative. Although Juncker said the EU commission had no intention to interfere with Scotland's desire to join the EU, he told reporters that it had "won the right to be heard in Brussels."
- **11/07/2016:** David McAllister MEP said he remains neutral in the debate about Scottish independence but praised Nicola Sturgeon for heading to Brussels to speak to politicians, of which he was one. Mr McAllister said: "Once again it's a leap into the dark, nobody knows, there are so many questions that we don't know answers. "Would it be possible that a member state leaves the European Union and a part remains? Is that possible, probably not, but I just don't know if that is possible legally"
- **15/11/2016:** Angela Merkel has signalled a readiness to discuss the parameters of the free movement of people in the EU, suggesting there may be some room for manoeuvre on the issue in Brexit talks. Merkel said the EU could not divide its four freedoms to allow Britain to restrict immigration from the bloc while retaining tariff-free access to the market. But she opened a door to discussions on the framework of the free movement of people. Chancellor Merkel said "I personally

am of the view that we will have to discuss further with the [European] commission when this freedom of movement applies from.”

- **09/01/2017:** Chancellor Merkel said there could not be negotiations based on “cherry picking” of the Union’s four freedoms of movement for capital, goods, services and people. She said it was important that “we also make clear on the other hand that access to the single market can only be possible on the condition of respecting the four basic freedoms. Otherwise one has to talk about limits (of access).”
- **15/02/2017:** Gunther Krichbaum, EU Committee Chair in the German Parliament, said that “Scotland will enjoy the sympathy of Germany in any EU application”.

### **Recent SG Engagement with Germany**

- **3 March 2017** – FM met with the German Federal Agriculture Minister Christian Schmidt
- **28 February 2017** – FM met with Thomas Oppermann, Chair of the Socialist Democratic Party’s Parliamentary Group in the Bundestag.
- **17-18 November 2016** – Mr Russell visited Berlin and participated in a panel discussion at the Süddeutsche Zeitung Economic Summit on ‘The Brexit and its consequences’. Mr Russell also met with The UK Ambassador to Germany and representatives of the Konrad-Adenauer-Stiftung (think-tank) while he was there.
- **11-12 October 2016** – Mr Wheelhouse visited Munich as part of a Scottish ‘Entrepreneurial Tech Mission’.
- **25 August 2016** – FM met with Germany’s Ambassador to the UK, Dr Peter Ammon.
- **09 August 2016** – FM met with Minister Michael Roth, State Secretary for Europe at the German Federal Foreign Office, during a visit to Berlin.
- **05 July 2016** – FM hosted an EU reassurance meeting with the members of the consular corps. German Consul-General Peter Voss was in attendance.
- **27 June 2016** – Ms Hyslop met with Ambassador Dr Ammon in London.

### **Upcoming Engagement with Germany**

- **23<sup>rd</sup> – 24<sup>th</sup> March** – Delegation from Bavaria, including Ilse Aigner, Deputy Minister-President of Bavaria, visiting Edinburgh.
- **30<sup>th</sup> March** – Dr Allan is meeting with Guido Wolf, Minister for Justice and European Affairs at Baden-Wurttemberg Landtag.
- **30<sup>th</sup> March** – Mr Matheson is meeting with Guido Wolf, Minister for Justice and European Affairs at Baden-Wurttemberg Landtag.

**ANNEX C**

**BIOGRAPHY**

**Wolfgang Schmidt (SPD)**

**City Councillor in Hamburg's Senate Chancellery. Hamburg's Representative to the German Federation and the European Union, responsible for Foreign Affairs**

Born 1970 in Hamburg. After studying law in Hamburg and Bilbao, Schmidt served as private secretary to (then) SPD Secretary General Olaf Scholz from 2002 to 2005, moving to the Bundestag with Scholz when he became SPD chief whip. In 2007, Schmidt followed Scholz to the Federal Labour Ministry, serving as head of the minister's office and head of the policy planning staff. From 2010 to 2011, he served as Director to the Representation of the International Labour Organisation in Germany, before taking on his current position in Scholz's Hamburg government in March 2011.



**Briefing 5****MEETING WITH STEFAN LENZE, MANAGING DIRECTOR, MOTEL ONE**

<b>What does this stem from</b>	Recommended business engagement with tourism sector inward investor as part of Mr Brown's trade and investment activity in Germany.
<b>Key Message</b>	<ul style="list-style-type: none"> <li>• Motel One selected Scotland as its first location outside of Germany and Austria which reflects the strength of our tourism sector.</li> <li>• We welcome Motel One's ongoing investments into Scotland and look forward to the opening of the significant new property in Glasgow.</li> <li>• Scottish Government is clearly committed to a continued positive contribution to the EU and the Single Market and happy to discuss government's position and strategy in this area.</li> </ul>
<b>Who</b>	Stefan Lenze, Director Development
<b>What</b>	<ul style="list-style-type: none"> <li>• Meeting with Motel One, foreign direct investor in Scotland with two existing hotels in Edinburgh and a planned new hotel in Glasgow</li> </ul>
<b>Why</b>	<ul style="list-style-type: none"> <li>• The Tourism sector is of vital importance to the Scottish economy, employing 200,000 people or 8% of the Scottish workforce.</li> <li>• We want to increase the tourism value from Germany to Scotland. Germany is already Scotland's second most important source for overseas visitors and along with Visit Scotland, we are looking to increase this further.</li> <li>• Motel One is one of the fastest growing hotel chains in Europe and they chose Scotland as their first foreign investment location outside Germany and Austria. This meeting is an opportunity to gain insights into the company's future growth strategy.</li> <li>• Opportunity to discuss the possible impact of Brexit on their business and any implications for their activities in Scotland.</li> </ul>
<b>Where</b>	Motel One Berlin Tiergarten, An der Urania 12
<b>When</b>	<b>Monday 6<sup>th</sup> March 4.30 pm</b>
<b>Dress code</b>	Business
<b>Official(s) attending</b>	PS [REDACTED], Senior Executive Tourism, Scottish Development International
<b>Media Handling</b>	N/A

<b>Annexes</b>	Annex A: Summary page Annex B: Company background Annex C: Attendee profile
----------------	---

**SUMMARY PAGE****Purpose of meeting:**

- The Tourism sector is of vital importance to the Scottish economy, employing 200,000 people or 8% of the Scottish workforce.
- Motel One is currently constructing its third hotel in Glasgow. The opening will be in late 2017.
- We want to increase the tourism value from Germany to Scotland. Germany is already Scotland's second most important source for overseas visitors and along with Visit Scotland, we are looking to increase this further.
- Motel One is one of the fastest growing hotel chains in Europe and they chose Scotland as their first foreign investment location outside Germany and Austria. This meeting is an opportunity to gain insights into the company's future growth strategy.
- Opportunity to discuss the possible impact of Brexit on their business and any implications for their activities in Scotland.

**Key Facts:**

- Motel One's new 374-bed hotel, bar and restaurant will be built on the corner of Oswald Street and Argyle Street, next to Central Station and the international finance services district.
- Germany is Scotland's second largest source for overseas visitors.
- 323,000 people from Germany visit each year, spending £175 million and staying 7.4 nights on average.
- Scotland attracted 14.6m visitors in 2015 – visitor numbers have grown by over 9% between 2013 and 2015.
- In 2015 overnight and day visitor expenditure in Scotland totalled £8.9bn.
- Over 217,000 jobs are supported by 14,090 tourism related businesses in Scotland which is 8.5% of Scottish employment.
- There were 29 new hotel openings in 2016, an increase of approximately 500 rooms from 2015. There are 45 hotels in the pipeline due to be built between 2017-19 (this equates to approx 4948 rooms). This does not include speculative/unconfirmed projects.

**Lines to Take:**

- Motel One selected Scotland as its first location outside of Germany and Austria which reflects the strength of our tourism sector.
- We welcome Motel One's ongoing investments into Scotland and look forward to the opening of the significant new property in Glasgow.
- Tourism from Germany is an essential driver of Scotland's tourism sector success.
- Visitor numbers continue to grow with a 9% increase since 2013.
- The Tourism Agency Visit Scotland actively promotes Scotland as a tourism destination and Germany is a priority market.
- Skills Development Scotland launched a Tourism Action Plan to promote work in the tourism industry as attractive career option and to improve skills like customer service, leadership and digital competencies.
- There are increased direct transport connections between Scotland and Germany. In March 2017 Eurowings will fly directly from Munich to Edinburgh (5x weekly).
- Scottish Government is clearly committed to a continued positive contribution to the EU and the Single Market and happy to discuss government's position and strategy in this area.

**Issues to Note:**



Official Sensitive

- Free movement of people, following the Brexit negotiations and the possibility to continue employing EU-nationals are key concerns for the tourism industry. Another issue is rising salary costs, which might lead to increased automatisisation (e.g. virtual receptions) in hotels.

**COMPANY BACKGROUND****Company overview:**

Motel One successfully combines the concept of the low budget and designer hotel trade with first-class city centre locations. High service standards, valuable materials and good design are all distinctive features of Motel One hotels. The company currently operates 55 hotels with 14.600 rooms in Germany, Austria, the UK, Switzerland, Belgium, the Czech Republic and the Netherlands and employs over 2,000 people.

**Presence in Scotland:**

Locations and main business activity	Motel One Princes (Edinburgh, 2012) Motel One Royal (Edinburgh, 2014)
Operating in Scotland since	2012
Total employment in Scotland and employment by location	Approx. 40 FTE's excluding outsourced cleaning. The new project for Glasgow will create an additional 30 FTE's and additional outsourced cleaning jobs Motel One Princes: 208 room hotel, CapEx £20m Motel One Royal: 140 room hotel, CapEx £12m
Recent/planned job growth/expansion Recent/planned job reduction	Motel One Glasgow, 374 room hotel, CapEx £ 30m 30 new jobs

**BIOGRAPHY**



Stefan Lenze was appointed as Head of Development for Motel One in 2011 and has been responsible for the development activities of Motel One in the UK. Mr. Lenze is a lawyer by training and worked for Freshfields Bruckhaus Deringer and Hogan Lovells prior to joining Motel One. He lives in Munich, where Motel One's headquarters are located as well.

**DINNER WITH UK AMBASSADOR AND BUNDESTAG PARLIAMENTARIANS****Proposed Speaking Note - (Ambassadors dinner/ also****German Chambers' of Commerce roundtable event):****International Trade & Investment and Scotland**

- Delighted to be making my first visit to Germany in my current role. Part of a continuing process to deepen diplomatic, economic and cultural ties to Germany, and the largest economy in Europe. This work assumes even more importance in view of the EU referendum result, which I will come back to.
- Delighted that the CEO of the Scottish Chambers of Commerce Liz Cameron has been able to join me on this visit to develop bilateral business links between our two countries.
- Germany is Scotland's 3rd largest European export market with £1.8bn exported in 2015 (11% increase 2012-14). Germany is our third largest inward investor. In 2015, German companies were responsible for 17,060 jobs in Scotland with a turnover of £4,493 million (with names such as Eon, RWE, Siemens, Lidl, Aldi and Mueller Wisemann all active in our country). My mission is to ensure that those investments are protected and that new investment continues to come to Scotland.

- As I am in Berlin, also didn't want to miss the opportunity to mention next year's European Championships - a new multi-sport event to be co-hosted in its first year 2018 by Glasgow and Berlin. This will present a number of lucrative promotional opportunities for German companies through sponsorship and further strengthen links – I'd be happy to discuss that in more detail.
- Encouraging sustainable and inclusive economic growth is at the heart of everything we do as a government in Scotland.
- As a small, open economy in a rapidly changing, globalised world, our ability to create a more productive and fairer Scotland depends more than ever on trading with the rest of the world, and on attracting investment into our economy.
- The Scottish Government is bringing forward an ambitious programme of internationalisation, as set out in our Trade & Investment Strategy, published last March.
- This includes measures to broaden Scotland's export base and to grow exports beyond traditional markets.
- However, we face a challenging global economic climate with world trade volume growth still below pre-crisis trends, subdued global demand pushing down commodity prices and of course

the result of June's referendum on European Union membership.

- However, the Scottish economy is facing those challenges from a position of relative resilience and strength.
- The Scottish Government is clear that now more than ever, Scotland must be – and must be seen to be - a country that is confident, outward facing and open for business.

### **The EU Referendum and 'Scotland's Place in Europe'**

- On June 23 the people of Scotland voted emphatically to remain within the European Union in spite of the UK vote to leave.
- The Scottish Government strongly believes the best way to build a more prosperous and equal Scotland is to be a full independent member of the EU.
- However, after the EU referendum the Scottish Government committed to explore all options to protect Scotland's national interests in order to respond to the democratic wishes of the people of Scotland, and the national Parliament of Scotland.
- In December last year we published a paper, "Scotland's Place in Europe" which met that commitment and was the first,

detailed plan for dealing with the implications of Brexit to be published by any government in the UK.

- At its heart are proposals to keep Scotland, and preferably the whole of the UK, in the European Single Market of 500 million people and stop the disaster of a hard Brexit, which could cost 80,000 Scottish jobs within a decade and cost people an average of £2,000 in wages.
- The paper sets out a route through which Scotland could maintain its place in the European Single Market, even if the remainder of the UK chooses to leave (as it looks like it will) – whilst retaining access to the UK market and the provisions of the Common Travel Area.
- The paper also calls for a substantial transfer of power from Westminster to Scotland to protect Scotland's interests, and the rights currently enjoyed as EU citizens, as much as possible while we are inside the UK but outside the EU.
- Scottish Ministers are clear that these proposals are a compromise, and whilst they will not fully protect Scotland, Ministers believe the proposals will mitigate the worst damage of Brexit and are put forward in a spirit of seeking consensus.

## **Importance of Single Market for Trade & Investment**

- Keeping our place in the single market of over 500 million people matters for our economy and to jobs, trade, living standards and investment.
- The EU is the largest trading bloc and ranks first in both inbound and outbound international investments.
- Membership of the single market has reduced barriers to trade with the EU by:
  - eliminating tariffs, quotas and duties;
  - harmonising rules and regulations;
  - allowing Scottish businesses in various sectors to establish companies to provide services in other member states;
  - allowing financial service firms in Scotland to provide services to the EU;
  - allowing EU citizens to live and work anywhere in the EU.
- 43% of Scottish International exports go to the EU and 7 of Scotland's top 12 export destinations are in the EU, with the EU remaining the largest single market for Scotland's International exports.



- Scottish exports to the EU were worth £12.3 billion in 2015. This increase was driven by a £750 million (11.9%) increase in EU exports from the manufacturing sector.
- 79% of investors listed access to the EU single market as an important element of the UK's attractiveness for investment.
- Any relationship with the EU short of full membership of the single market risks increasing barriers to trade, reducing exports and lowering migration, all of which will affect growth rates and reduce productivity.
- The EU Customs Union also removes barriers to trade with non-EU countries through 36 FTAs negotiated by the EU which cover 53 markets, reducing tariffs on goods and delivering some access to the market in services.

### **SG action to support Trade & Investment**

- As well as working to protect Scotland's place in the single market, we are taking specific actions to support internationalisation and boost export and investment performance, in line with our Trade & Investment Strategy.

- Last October The First Minister set out a further four point plan to respond to the EU Referendum result and make clear that Scotland remains open for business.
- We are supporting international collaboration by opening Innovation and Investment Hubs in Dublin, London, Brussels and here in Berlin and increasing SDI's presence (our trade and investment arm) from 20, in the main EU offices in Paris, Dusseldorf and Copenhagen, to 40.
- We are appointing a ministerial led Board of Trade, to bring together business interests to provide practical advice to improve Scotland's exporting performance, and appointing new Trade Envoys to champion export market opportunities.
- We are bringing individuals, businesses and agencies together through local or regional Export Partnerships to promote an international business mind-set and collaboration.
- We are providing £400,000 to the Scottish Chambers of Commerce, which Liz here heads, to support new business-led trade missions and forge new trading alliances. Germany will be a key priority going forward.
- A new £500 million Scottish Growth Scheme will provide individual investment guarantees, and some loans of up to £5

million, to new and early-stage high growth potential companies, with clear export growth plans.

- So look forward to a constructive exchange of views and to your questions.

Attendees:

1. Keith Brown, Cabinet Secretary for Economy
2. [REDACTED], Private Secretary
3. [REDACTED], Scottish Government
4. Andy McDonald, SDI
5. Liz Cameron, Scottish Chambers of Commerce
  
6. HMA
7. Lady Wood
8. Nick Leake
9. [REDACTED]

**Committee on Economic Affairs and Energy members:**

10. [REDACTED]
11. [REDACTED]
12. [REDACTED]
13. [REDACTED]

**German-British Parliamentary Group members:**

14. [REDACTED]
15. [REDACTED]

**Biographies**

[REDACTED]

## **BREAKFAST MEETING HOSTED BY GERMAN CHAMBERS OF COMMERCE**

### **DIHK Berlin**

The Association of German Chambers of Commerce and Industry (DIHK) is the political umbrella organisation of 79 regional Chambers, in which industry and commercial business are members. Thus, DIHK speaks for more than 3.6 million entrepreneurs. Moreover, DIHK coordinates the worldwide network of 130 German Chambers, Representatives and Delegations in more than 90 countries.

### **Proposed Speaking Note - (German Chambers' of Commerce**

### **roundtable event/also Ambassadors dinner):**

#### **International Trade & Investment and Scotland**

- Delighted to be making my first visit to Germany in my current role. Part of a continuing process to deepen diplomatic, economic and cultural ties to Germany, and the largest economy in Europe. This work assumes even more importance in view of the EU referendum result, which I will come back to.
- Delighted that the CEO of the Scottish Chambers of Commerce Liz Cameron has been able to join me on this visit to develop bilateral business links between our two countries.
- Germany is Scotland's 3rd largest European export market with £1.8bn exported in 2015 (11% increase 2012-14). Germany is our third largest inward investor. In 2015, German companies were responsible for 17,060 jobs in Scotland with a turnover of £4,493 million (with names such as Eon, RWE, Siemens, Lidl,

Aldi and Mueller Wisemann all active in our country). My mission is to ensure that those investments are protected and that new investment continues to come to Scotland.

- As I am in Berlin, also didn't want to miss the opportunity to mention next year's European Championships - a new multi-sport event to be co-hosted in its first year 2018 by Glasgow and Berlin. This will present a number of lucrative promotional opportunities for German companies through sponsorship and further strengthen links – I'd be happy to discuss that in more detail.
- Encouraging sustainable and inclusive economic growth is at the heart of everything we do as a government in Scotland.
- As a small, open economy in a rapidly changing, globalised world, our ability to create a more productive and fairer Scotland depends more than ever on trading with the rest of the world, and on attracting investment into our economy.
- The Scottish Government is bringing forward an ambitious programme of internationalisation, as set out in our Trade & Investment Strategy, published last March.
- This includes measures to broaden Scotland's export base and to grow exports beyond traditional markets.

- However, we face a challenging global economic climate with world trade volume growth still below pre-crisis trends, subdued global demand pushing down commodity prices and of course the result of June's referendum on European Union membership.
- However, the Scottish economy is facing those challenges from a position of relative resilience and strength.
- The Scottish Government is clear that now more than ever, Scotland must be – and must be seen to be - a country that is confident, outward facing and open for business.

### **The EU Referendum and 'Scotland's Place in Europe'**

- On June 23 the people of Scotland voted emphatically to remain within the European Union in spite of the UK vote to leave.
- The Scottish Government strongly believes the best way to build a more prosperous and equal Scotland is to be a full independent member of the EU.
- However, after the EU referendum the Scottish Government committed to explore all options to protect Scotland's national

interests in order to respond to the democratic wishes of the people of Scotland, and the national Parliament of Scotland.

- In December last year we published a paper, “Scotland’s Place in Europe” which met that commitment and was the first, detailed plan for dealing with the implications of Brexit to be published by any government in the UK.
- At its heart are proposals to keep Scotland, and preferably the whole of the UK, in the European Single Market of 500 million people and stop the disaster of a hard Brexit, which could cost 80,000 Scottish jobs within a decade and cost people an average of £2,000 in wages.
- The paper sets out a route through which Scotland could maintain its place in the European Single Market, even if the remainder of the UK chooses to leave (as it looks like it will) – whilst retaining access to the UK market and the provisions of the Common Travel Area.
- The paper also calls for a substantial transfer of power from Westminster to Scotland to protect Scotland’s interests, and the rights currently enjoyed as EU citizens, as much as possible while we are inside the UK but outside the EU.

- Scottish Ministers are clear that these proposals are a compromise, and whilst they will not fully protect Scotland, Ministers believe the proposals will mitigate the worst damage of Brexit and are put forward in a spirit of seeking consensus.

### **Importance of Single Market for Trade & Investment**

- Keeping our place in the single market of over 500 million people matters for our economy and to jobs, trade, living standards and investment.
- The EU is the largest trading bloc and ranks first in both inbound and outbound international investments.
- Membership of the single market has reduced barriers to trade with the EU by:
  - eliminating tariffs, quotas and duties;
  - harmonising rules and regulations;
  - allowing Scottish businesses in various sectors to establish companies to provide services in other member states;
  - allowing financial service firms in Scotland to provide services to the EU;
  - allowing EU citizens to live and work anywhere in the EU.



- 43% of Scottish International exports go to the EU and 7 of Scotland's top 12 export destinations are in the EU, with the EU remaining the largest single market for Scotland's International exports.
- Scottish exports to the EU were worth £12.3 billion in 2015. This increase was driven by a £750 million (11.9%) increase in EU exports from the manufacturing sector.
- 79% of investors listed access to the EU single market as an important element of the UK's attractiveness for investment.
- Any relationship with the EU short of full membership of the single market risks increasing barriers to trade, reducing exports and lowering migration, all of which will affect growth rates and reduce productivity.
- The EU Customs Union also removes barriers to trade with non-EU countries through 36 FTAs negotiated by the EU which cover 53 markets, reducing tariffs on goods and delivering some access to the market in services.

## **SG action to support Trade & Investment**

- As well as working to protect Scotland's place in the single market, we are taking specific actions to support internationalisation and boost export and investment performance, in line with our Trade & Investment Strategy.
- Last October The First Minister set out a further four point plan to respond to the EU Referendum result and make clear that Scotland remains open for business.
- We are supporting international collaboration by opening Innovation and Investment Hubs in Dublin, London, Brussels and here in Berlin and increasing SDI's presence (our trade and investment arm) from 20, in the main EU offices in Paris, Dusseldorf and Copenhagen, to 40.
- We are appointing a ministerial led Board of Trade, to bring together business interests to provide practical advice to improve Scotland's exporting performance, and appointing new Trade Envoys to champion export market opportunities.
- We are bringing individuals, businesses and agencies together through local or regional Export Partnerships to promote an international business mind-set and collaboration.
- We are providing £400,000 to the Scottish Chambers of Commerce, which Liz here heads, to support new business-led

trade missions and forge new trading alliances. Germany will be a key priority going forward.

- A new £500 million Scottish Growth Scheme will provide individual investment guarantees, and some loans of up to £5 million, to new and early-stage high growth potential companies, with clear export growth plans.
- So look forward to a constructive exchange of views and to your questions.

**Brexit: Scotland's Place in Europe - March 7, 2017, 8:30 a.m.**

**PARTICIPANTS**

Keith Brown, MSP	Cabinet Secretary for Economy, Jobs and Fair Work
Liz Cameron	Chief Executive of Scottish Chambers of Commerce
Andy McDonald	Scottish Development International Director
[REDACTED]	Head of European Engagement at the Scottish Government
[REDACTED]	Private Secretary to Mr Brown
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

## MEETING WITH DIRK WIESE, PARLIAMENTARY STATE SECRETARY AT THE MINISTRY FOR ECONOMIC AFFAIRS AND ENERGY

Tuesday 7<sup>th</sup> March 10:45-11:30

<b>What does this stem from</b>	<ul style="list-style-type: none"> <li>Trade and Investment focussed visit to Germany</li> </ul>
<b>Key Message</b>	<ul style="list-style-type: none"> <li>Scotland open for business in spite of the Brexit vote and keen to protect and deepen its trade and investment relationship with Germany (including through a Berlin Innovation and Investment hub and increasing SDI presence in the EU)</li> <li>Scotland continues to lobby the UK for a differential solution to Brexit which would allow us to remain in the European single market. Not seeking to negotiate with Member States (understand that is for the UK) but keen that Member States remain open to our ideas whilst we engage the UK on the detail of them.</li> </ul>
<b>Who</b>	Dirk Wiese (Parliamentary State Secretary)
<b>What</b>	<ul style="list-style-type: none"> <li>Introductory meeting with the Federal Government with a focus on:- <ul style="list-style-type: none"> <li>- deepening trade and investment links with Germany;</li> <li>- updating the Federal Government on our trade and investment strategy (Berlin hub and increased SDI EU presence);</li> <li>- EU referendum and Scotland's compromise proposals;</li> <li>- forthcoming German Federal elections.</li> </ul> </li> </ul>
<b>Why</b>	<ul style="list-style-type: none"> <li>Opportunity to engage the German Federal Government on the trade and investment agenda, understand its concerns around Brexit and emphasise Scotland's position on remaining in the European Single Market post- Brexit.</li> </ul>
<b>Where</b>	
<b>When</b>	Tuesday 7 <sup>th</sup> March 10:45-11:30
<b>Dress code</b>	Business
<b>Official(s) attending</b>	PS, Andy MacDonald SDI Director EMEA, [REDACTED] Head of European Engagement, Scottish Government, Nick Leake, Counsellor EU and Economic, British Embassy, Berlin.
<b>Media Handling</b>	Possible social media post the meeting.
<b>Annexes</b>	Annex A Summary page Annex B Key Brief Annex C Biography

**SUMMARY PAGE****Purpose of meeting:**

- **Stress commitment to deepening economic relationship with Germany in spite of Brexit vote. Outline Scotland's compromise proposals to remain in the European Single Market after UK leaves.**

**Key Issues:**Trade and Investment links

- Exported £1.8 billion in 2015 to Germany. In 2015 German companies were responsible for 17,060 jobs with a turnover of £4.5 billion. The European Championships is a new multi-sport event to be co-hosted in its first year 2018 by Glasgow and Berlin. Lucrative opportunities for German companies through sponsorship.

Trade and Investment Strategy

- We are supporting international collaboration by opening Innovation and Investment Hubs in Dublin (already open), London, Brussels and Berlin and increasing SDI's presence (our trade and investment arm) from 20, in the main EU offices in Paris, Dusseldorf and Copenhagen, to 40.

EU Referendum

- Reflection on what we've heard from German business about the consequences of Brexit. Our own compromise proposals for retaining membership of the single market.

Forthcoming Federal German Elections.

- Parliamentary State Secretary's thinking on the Autumn Federal elections

**Lines to Take:**

- Committed to deepening commercial ties with Germany particularly in view of the referendum result. Germany third biggest EU export market for Scotland and third largest inward investor.
- Establishment of an innovation and investment hub in Berlin is key to delivering this ambition as well as doubling the number of trade and investment staff in the EU.
- On EU, Referendum, Scotland did not vote for the direction set out in the UK Government's White Paper and the Scottish Government is determined to protect Scotland's national interests.
- The Scottish Government's paper, "Scotland's Place in Europe" sets out proposals that would protect Scotland's interests and makes clear the importance of single market membership to our economy even if the UK leaves which it seems intent on. . If Scotland's interests cannot be protected in a UK context, independence is an option people in Scotland must have the right to consider.

**Issues to Avoid:**

[REDACTED]

## Trade and Investment links

Exported £1.8 billion in 2015 to Germany. Electrical and instrument engineering, chemicals and mineral products, rubber and plastics, business services and finance were top exports. In 2015 German companies were responsible for 17,060 jobs with a turnover of £4.5 billion. Big investors include E.ON, RWE and Siemens (in the energy sector), Merck (pharmaceuticals), Muller Wisemann (dairy) and Lidl and Aldi (food retail). Key priority is to ensure these investors stay and we will work to ensure that Scotland remains a viable and attractive investment location.

The European Championships is a new multi-sport event to be co-hosted in its first year by Glasgow and Berlin, 2-12 August 2018, bringing together existing Championships under a single umbrella, and a new team event in Golf.

Berlin will host the 2018 European Athletics Championships from 7-12 August, with Glasgow hosting the six other European Championships over the full 11 days. Lucrative promotional opportunities for German companies through sponsorship of the games.

## Trade and Investment Strategy (Innovation and Investment Hub in Berlin)

We are supporting international collaboration by opening Innovation and Investment Hubs in Dublin (already open), London, Brussels and Berlin and increasing SDI's presence (our trade and investment arm) from 20, in the main EU offices in Paris, Dusseldorf and Copenhagen, to 40.

We are appointing a ministerial led Board of Trade, to bring together business interests to provide practical advice to improve Scotland's exporting performance, and appointing new Trade Envoys to champion export market opportunities.

We are providing £400,000 to the Scottish Chambers of Commerce to support new business-led trade missions and forge new trading alliances. Germany will be a key priority going forward.

A new £500 million Scottish Growth Scheme will provide individual investment guarantees, and some loans of up to £5 million, to new and early-stage high growth potential companies, with clear export growth plans.

**The Berlin Hub** is intended provide a platform for business, academia and government to access trade and investment opportunities and collaborate on common challenges, innovation and R&D; for VisitScotland to further develop Germany's status as no 2 for visitors to Scotland after the US and a strong business/conference market; to enhance Scotland's profile and reputation; and build networks, relationships and inter-Governmental working which will benefit Scotland.

Germany has been selected because a) it is consistently in Scotland's top five export destinations - £1.75bn in 2015, b) it is the 3<sup>rd</sup> largest inward investor to Scotland, c) it accounts for the 2<sup>nd</sup> largest number of visitors to Scotland and that is predicted to grow over the coming years and d) It is at the heart of the EU with significant opportunities for enhanced collaborative working with Scotland in areas such as manufacturing.

## EU Referendum Result

Heard throughout the visit concerns of German business about the consequences of Brexit.

We have yet to have any detailed response from the UK Government to our proposals on Scotland's Place in the EU , or any indication of whether or how the UK Government intends to take them forward as part of its forthcoming negotiations. If Scotland's interests cannot be protected in a UK context, independence is an option people in Scotland must have the right to consider.

The Scottish Government appreciates the importance of obtaining a guaranteed right to remain for EU nationals (including the 30,000 German citizens in Scotland) and we will continue to press the UK Government on this.

## Forthcoming elections

Interested in the State Secretary's take on how the elections will pan out. Mr Wiese is a member of the SPD, which is in a grand coalition with the CDU/CSU. Germans go to the polls on **24 September 2017** [REDACTED]



## Key German Reactions to EU Referendum Outcome

- **24/06/2016:** Angela Merkel said “we take note of the British people’s decision with regret. There is no doubt that this is a blow to Europe and to the European unification process.”
- **28/06/2016:** Angela Merkel – “We will make sure that negotiations will not be carried out as a cherry-picking exercise. There must be and there will be a palpable difference between those countries who want to be members of the European family and those who don’t.”
- **04/07/2016:** Chancellor Merkel has reportedly said that Juncker has become “part of the problem” and that his recent meeting with Scotland’s First Minister was provocative. Although Juncker said the EU commission had no intention to interfere with Scotland’s desire to join the EU, he told reporters that it had “won the right to be heard in Brussels.”
- **11/07/2016:** David McAllister MEP said he remains neutral in the debate about Scottish independence but praised Nicola Sturgeon for heading to Brussels to speak to politicians, of which he was one. Mr McAllister said: “Once again it’s a leap into the dark, nobody knows, there are so many questions that we don’t know answers. “Would it be possible that a member state leaves the European Union and a part remains? Is that possible, probably not, but I just don’t know if that is possible legally”
- **15/11/2016:** Angela Merkel has signalled a readiness to discuss the parameters of the free movement of people in the EU, suggesting there may be some room for manoeuvre on the issue in Brexit talks. Merkel said the EU could not divide its four freedoms to allow Britain to restrict immigration from the bloc while retaining tariff-free access to the market. But she opened a door to discussions on the framework of the free movement of people. Chancellor Merkel said “I personally am of the view that we will have to discuss further with the [European] commission when this freedom of movement applies from.”
- **09/01/2017:** Chancellor Merkel said there could not be negotiations based on “cherry picking” of the Union’s four freedoms of movement for capital, goods, services and people. She said it was important that “we also make clear on the other hand that access to the single market can only be possible on the condition of respecting the four basic freedoms. Otherwise one has to talk about limits (of access).”
- **15/02/2017:** Gunther Krichbaum, EU Committee Chair in the German Parliament, said that “Scotland will enjoy the sympathy of Germany in any EU application”.

## Recent SG Engagement with Germany

- **3 March 2017** – FM met with the German Federal Agriculture Minister Christian Schmidt
- **28 February 2017** – FM met with Thomas Oppermann, Chair of the Socialist Democratic Party’s Parliamentary Group in the Bundestag.
- **17-18 November 2016** – Mr Russell visited Berlin and participated in a panel discussion at the Süddeutsche Zeitung Economic Summit on ‘The Brexit and its consequences’. Mr Russell also met with The UK Ambassador to Germany and representatives of the Konrad-Adenauer-Stiftung (think-tank) while he was there.
- **11-12 October 2016** – Mr Wheelhouse visited Munich as part of a Scottish ‘Entrepreneurial Tech Mission’.
- **25 August 2016** – FM met with Germany’s Ambassador to the UK, Dr Peter Ammon.
- **09 August 2016** – FM met with Minister Michael Roth, State Secretary for Europe at the German Federal Foreign Office, during a visit to Berlin.
- **05 July 2016** – FM hosted an EU reassurance meeting with the members of the consular corps. German Consul-General Peter Voss was in attendance.
- **27 June 2016** – Ms Hyslop met with Ambassador Dr Ammon in London.

## Upcoming Engagement with Germany

- **23<sup>rd</sup> – 24<sup>th</sup> March** – Delegation from Bavaria, including Ilse Aigner, Deputy Minister-President of Bavaria, visiting Edinburgh.
- **30<sup>th</sup> March** – Dr Allan is meeting with Guido Wolf, Minister for Justice and European Affairs at Baden-Wurtemberg Landtag.
- **30<sup>th</sup> March** – Mr Matheson is meeting with Guido Wolf, Minister for Justice and European Affairs at Baden-Wurtemberg Landtag.

**BIOGRAPHY**

**Dirk Wiese (SPD)**

**Member of the German Bundestag for Hochsauerlandkreis, North Rhine-Westphalia**

**Parliamentary State Secretary at the Federal Ministry for Economics and Energy**

Born in 1983 in Paderborn, North Rhine-Westphalia. Wiese studied law in Marburg and Munster, passing his second state law exam (bar equivalent) in 2010. From 2010 to 2013, he worked as PS to MP (and former SPD leader) Franz Müntefering. IN 2013, Wiese gained election to the Bundestag, where he was a member of the Bundestag’s Committee on Economics and Energy.

He took up his position at the Federal Ministry for Economics and Energy in January 2017, succeeding Brigitte Zypries, who became Minister. As Parliamentary State Secretary, he speaks for the Minister in the political sphere, particularly to the Bundestag, Bundesrat (upper house) and the parliamentary parties.



## MEETING WITH BOSCH REXROTH

**Additional Briefing will follow if meeting is confirmed.**

Key facts from the technology sector in Scotland:

- In Scotland manufacturing accounts for 52 % of international exports and 54 % of all Scottish business R&D spending. Manufacturing jobs also help drive the prosperity of many regional communities around Scotland with average wages in the sector above the Scottish average.
- A recently published joint plan “*Manufacturing Future for Scotland*” addresses the Scottish Government’s desire, as expressed in “A Stronger Scotland: The Government’s Programme for Scotland 2015-1611”, to work with industry to:
  - Deliver concrete initiatives to boost productivity including leadership, employee engagement and skills, energy efficiency and the adoption of the circular economy across the manufacturing sector.
  - Stimulate innovation and investment in Scottish manufacturing sectors to better compete globally.
- Over the next three years the One Scotland partners will work together to deliver a series of actions to increase levels of investment in Scottish manufacturing and strengthen resilience in the face of fierce global competition and volatile commodity prices. These actions will reflect the importance of manufacturing to the delivery of Scotland’s Economic Strategy and the four drivers of a fair and prosperous economy: Inclusive Growth; Investment; Innovation; and Internationalisation.
- “*A Manufacturing Future for Scotland*” sets out an Action Plan, developed by industry, public sector and academia and launched by First Minister Nicola Sturgeon in Feb. 2016, to work with industry to:
  - Deliver concrete initiatives to boost productivity including leadership, employee engagement and skills, energy efficiency and the adoption of circular economy approaches across the manufacturing sector.
  - Stimulate innovation and investment in Scottish manufacturing sectors to better compete globally.
- To deliver these ambitions, the Scottish Government, the Enterprise Agencies and other public agencies will:
  - Launch an enhanced programme of support to enable companies to capture new opportunities presented by the circular economy - and its impact on product design, manufacturing process and supply chains - through Zero Waste Scotland’s new European Regional Development Fund Circular Economy Programme.
  - Establish a new joint Centre for Manufacturing Excellence and Skills Academy to act as a hub for continuous innovation in manufacturing that can sustain globally competitive businesses in Scotland.
  - Assist companies to assess the benefits of investing in advanced manufacturing technologies and equipment and provide investment case support through an enhanced Scottish Manufacturing Advisory capital asset review service.
  - Address anticipated skill demands by promoting STEM subjects throughout the school curriculum and improving engagement between industry and education.
  - Create momentum behind national ambitions for more, industry-led innovation including providing support for firms to increase workplace innovation through the new Workplace Innovation service which will be launched in 2016.

- Support manufacturing SMEs to keep pace with technology and process developments by working in partnership with industry to develop and deliver a Smart Manufacturing Excellence Programme.
- Support more Scottish companies to achieve supply chain excellence by reviewing sector and cross-sector supply chain capabilities; and launching two re-shoring pilot projects.
- Develop a performance management framework to monitor progress.

## ENERGY BRIEF

### Draft Scottish Energy Strategy

---

**Top Line:** The Scottish Government's vision for 2050 is for a **modern, integrated, low carbon energy system** that delivers reliable supplies of energy at affordable prices to consumers in all parts of Scotland - building upon the existing economic strengths of the energy sector in Scotland, whilst protecting energy security and tackling fuel poverty.

#### Overview

- On 24 Jan the Scottish Government launched its consultation on the **draft Scottish Energy Strategy**. The Strategy is the first of its kind, providing a full explanation of the energy system in Scotland - covering both supply and use.
- It sets out a vision for the future of energy in Scotland which is consistent with our **draft Climate Change Plan** – published on 19 January - and its modelling.
- Driven by the same ambition, the publication of the draft Energy Strategy and the draft Climate Change Plan reinforce our position in the vanguard of the international move towards a low carbon future.

#### Content

- The draft Energy Strategy seeks views on a wide range of issues, including:
  - **An ambitious new 2030 target of 50% of Scotland's energy consumption to be met by renewable energy** - demonstrating SG's commitment to a renewable future.
  - **Getting the market right for renewables as the costs continue to fall** – particularly in onshore and offshore wind; providing **certainty and leadership despite changes to UK Government's support for the sector**.
  - Building on the success of our existing energy industries and exploring the role of new forms of energy – **Scotland's oil and gas industry** as the engineering and technical bedrock for our wider energy transition.
  - Opportunities to develop new energy sources and technologies in Scotland, like **Hydrogen and Carbon Capture and Storage**.
  - **A renewed focus on energy efficiency** – taking a targeted approach to reducing demand and improving the energy efficiency of Scotland's homes and buildings through **Scotland's Energy Efficiency Programme**.
  - **We want to see an energy market that works for everyone** – the role of regulation, Smart Meters and other innovative technologies, and new business models to support enhanced consumer engagement – particularly for the most vulnerable in society.
  - We remain committed to creating **vibrant local energy economies**, as part of a varied and proportionate response to the transformation of Scotland's energy system.
  - **A strategic, local approach to planning for energy** – working in partnership with Local Authorities and partners, building on existing Scottish Government support, and exploring the role of a **Government-Owned Energy Company** and the creation of a **Green Energy Bond** to support Scottish energy projects.

#### Consultation period

- The draft Energy Strategy is **open for consultation until 30 May 2017**.
- There are **four accompanying consultation documents** covering Scotland's Energy Efficiency Programme (30 May), Heat and Energy Efficiency Strategies and District Heating Regulation (18 April), Onshore Wind Policy (30 May), and Unconventional Oil and Gas (31 May).

- Throughout this consultation period the Scottish Government will **engage widely with a variety of stakeholders** – attracting interest and gaining insight from industry, academic, public sector and NGO representatives.



## SCOTLAND'S ECONOMIC PERFORMANCE

- **Scottish productivity (published 15 Feb)** growth in 2015 is around 4 times faster than that of the UK in terms of output per hour worked (3.5% vs. 0.9%). Scottish productivity has grown 9.4% since 2007 compared to growth of 0.1% in the UK as a whole.

### Scotland's economy continued to grow in the 3 months following the EU Referendum.

- Scotland's economy grew by 0.2% in the third quarter of 2016 (UK 0.6%) and 0.7% over the year (UK 2.2%).
- Scotland's GDP per head is now 2.2% above its pre-recession level, compared to the UK which is only 1.5% above its pre-recession level.
- Even without oil, GDP per head in Scotland is higher than the UK average excluding London.

### Scotland's labour market remains resilient: unemployment rate fell over year.

- There are now 47,000 more people in employment than before the recession (Mar-May 2008).
- The unemployment rate in Scotland fell by 0.9 percentage points over the year to 4.9%.
- Most recent internationally comparable data (Q3 2016) shows Scotland's unemployment rate (4.7%) was lower than G7 average (5.5%), OECD average (8.5%) and the EU average (6.3%).
- Scotland's youth unemployment rate is now at 9.0% the lowest since the series began and is the 2<sup>nd</sup> lowest youth unemployment rate in the EU behind Germany.

### Recent data provides encouraging signs for the Scottish economy.

- The Bank of Scotland PMI (13 February) signalled the fastest increase in private sector new business for 20 months. It also showed manufacturing business activity accelerated to a 34-month high.
- The CBI Quarterly Scottish Industrial Trends Survey (25 January) reported business optimism also improved at its strongest pace since July 2014.
- Lloyds report 'Business in Britain' (3 January) showed that business confidence and employment intentions increased markedly in Scotland in recent months.

### Scotland's economic fundamentals remain strong.

- **Employment** – Number of people in employment in Scotland has risen by 174,000 since the recession trough (Feb-Apr 2010). For the majority of the period since 2007 Scotland's employment rate has been higher than the UK's.
- **Productivity** – Productivity (output per hour worked) has grown 9.4% since 2007 compared to growth of 0.1% in the UK as a whole.
- **Registered Businesses** – The number of registered businesses in Scotland has grown by 15% since 2007 to an all-time record level of 173, 995 in 2016.
- **Research & Development** – Scotland's business R&D rose by 41% in real terms between 2007 and 2015 to £871 million.



- **Exports** – The value of Scotland’s international exports has increased by 41% between 2007 and 2015 (from £20.4 billion to £28.7 billion).

### **Real risk to Scotland’s economy comes from a hard Brexit.**

- The EU is the largest single market for Scotland’s international exports, with exports worth £12.3 billion in 2015 – an increase of £520 million on the previous year.
- Responses to the latest Bank of Scotland PMI (13 February) directly linked declines in service sector activity to Brexit uncertainty.
- Financial Times (6 February) reported an Ipsos Mori survey of senior executives which found:
  - 58% felt the referendum result was already having a negative effect on their business.
  - two thirds believe the business environment will become more negative over the next 12 months.
- Fraser of Allander have warned that under a WTO scenario (hard Brexit), GDP in Scotland could be over £8 billion lower than would otherwise be the case, employment 80,000 lower, real wages £2,000 lower, and exports over 11% lower.

### **Scottish Government is taking actions to support businesses and grow the economy.**

- We’ll be providing support to businesses with high growth potential through our £500 million **Scottish Growth Scheme**.
- Committed to expanding the **Small Business Bonus Scheme** in 2017 to remove the rates burden entirely from 100,000 premises.
- We’re increasing the supply of **affordable housing** in Scotland. Having exceeded our target to deliver over 30,000 affordable homes in the last Parliament, we are now committed to delivering at least 50,000 affordable homes by the end of this Parliament.
- We’re improving **Scotland’s transport connectivity**, through strategic investments in our transport infrastructure, including investments in the Queensferry Crossing, the M8 M73 M74 Motorway Improvements Project, the Aberdeen Western Peripheral Route, and continuation of the Edinburgh-Glasgow Rail Improvement Programme.
- We’re investing to improve **Scotland’s Digital Connectivity** and in 2016/17 will invest £90 million in Scotland’s digital infrastructure to help towards our 2017 target to ensure 95% of premises in Scotland have access to next generation broadband.

## TRADE AND INVESTMENT – 4 POINT PLAN

### Board of Trade

Proposals for a Board of Trade were included in the current Programme for Government. The precise role and remit of the Board will be a matter for the Board itself but we anticipate its central function will be to provide advice to Scottish ministers on practical ways to improve Scotland's exporting performance, including for example by:

- Advising on how to realise global market and sector opportunities, particularly post EU Referendum
- Promoting a collaborative approach across the public, private and academic sectors.
- Raising Scotland's ambition and global profile through international networks.

The following Trade Board members were announced on 25 January:

- James Withers
- Linda Steedman
- Afzal Khushi
- Russell Dalgleish
- Michelle Crossan Matos
- Jane Richardson
- Ian Donnelly
- Eric Balish
- Rachel Jones

- The Cabinet Secretary for Economy, Jobs & Fair Work will chair the Board and arrangements for the first meeting are underway .

### Trade envoys

We will appoint a number of Trade Envoys (also on a voluntary basis) whose role will be two-fold:

- In Scotland, to champion export market opportunities and to rally businesses and relevant support organisations around those
- Outside Scotland, to be the public face of Scottish exports for particular markets or sectors and to help 'open doors' to global opportunities.
- The role of the Envoys would be to complement and provide a focus for existing activity, to provide additional leadership and profile for that and to provide a challenge element to current activity.
- We anticipate that Envoys will operate where there are opportunities rather than in particular markets or sectors.
- Candidates for Trade Envoy have yet to be determined but we intend to come forward with initial appointees as soon as possible in the new year.

### Berlin innovation & investment hub

Germany has been selected because:

- It is consistently in Scotland's top five export destinations - £1.75bn in 2015.
- It is the 3<sup>rd</sup> largest inward investor to Scotland .

- Germany accounts for the 2<sup>nd</sup> largest number of visitors to Scotland and that is predicted to grow over the coming years.
- It is at the heart of the EU with significant opportunities for enhanced collaborative working with Scotland in areas such as manufacturing.

The hub will:

- Provide a platform for access to trade, investment and innovation opportunities
  - Give VisitScotland a base from which it can further develop the German tourist market.
  - Raise Scotland's profile in Germany and promote strengthened relations between our two countries.
- We envisage that the hub will bring together staff from Scottish Government, VisitScotland and SDI. However, staff numbers and precise resource requirements, including the specific location in Berlin, will be determined as soon as possible.

### **SDI in Europe**

- We propose an increase in the number of people working for SDI in Europe from 20 to 40.
- Recruitment will be on fixed term contracts of up to 2 years and primarily from local labour markets to reduce costs.
- We believe that this additional resource will enable SDI to further develop its local expertise and focus on a number of key areas where we either have existing strengths like food and drink or where there is scope to exploit opportunities in new and emerging markets.
- Further market analysis will be done to ensure that the right resources are deployed in the right areas. Broadly, however, we will explore the potential in the priority areas outlined in our Trade & Investment Strategy, including digital technology and high value manufacturing, healthcare and the low carbon sector.



[REDACTED]



## THE 2018 EUROPEAN CHAMPIONSHIPS – SPONSORSHIP PROGRAMME

### Background

- The European Championships is a new multi-sport event to be co-hosted in its first year by Glasgow and Berlin, 2-12 August 2018, bringing together existing Championships under a single umbrella, and a new team event in Golf.
- Berlin will host the 2018 European Athletics Championships from 7-12 August, with Glasgow hosting the six other European Championships over the full 11 days.
- This European multi-sports championships, to be held every four years, will:
  - combine already existing European Championship events with the addition of a new event in golf - cleaning the crowded sports calendar;
  - create a strong new brand which will grow with each subsequent holding of the event and promotional campaign;
  - provide extensive and compelling sports content for broadcasters;
  - provide attractive sponsorship opportunities for major brands;
  - be hosted jointly by Glasgow and Berlin in 2018.
- The concept was originally developed by European Championships Management (ECM) and is being led by the European Federations of some of the major sports in Europe. European Swimming and European Athletics are leading the group and will provide the backbone for the event, being the two sports that enjoy the largest audiences and sponsorship pulling power already. They are working in partnership with the host cities of Glasgow and Berlin, as well as the domestic governing bodies.
- The first edition will comprise the following sports in Glasgow (with athletics in Berlins):
  - Aquatics – Tollcross (Swimming), Scotstoun (Synchronised), Royal Commonwealth Pool, Edinburgh (Diving) & Loch Lomond (Open Water)
  - Cycling - Sir Chris Hoy Velodrome (Track), Glasgow City Centre (Road), Cathkin Braes (Mountain) and a new venue for BMX.
  - Triathlon – Strathclyde Park
  - Golf – Gleneagles
  - Rowing – Strathclyde Park
  - Gymnastics – SSE Hydro (this event will also include a junior element)
- Around 1,500 athletes will compete in Berlin as part of the European Athletics Championships while around 3,025 athletes will visit Scotland for the other six sports.
- The European Broadcast Union (EBU), the umbrella body for the continent’s free-to-air channels, will be the broadcast partner for the combined championships, which are expected to generate more than 2,700 hours of programming across some of Europe’s biggest free-to-air broadcasters (with a potential cumulative TV audience of 1 billion) . This will include the BBC for the UK.

### The Sponsorship Programme

- The Glasgow 2018 Sponsorship Programme is designed to provide brands with:
  - A flexible marketing vehicle
  - A UK wide marketing platform
  - Industry category exclusivity
  - Bespoke opportunities to support the achievement of companies’ specific objectives
- The Glasgow 2018 platform represents a dynamic and flexible marketing vehicle which can be used to support the achievement of a range of brand objectives. Glasgow 2018 promises to be another must attend, must watch, summer of sport and culture with athletes, our fantastic

home crowd and our many visitors creating magical moments which will showcase what we have to offer across Europe

- Creating a family of dynamic sponsors to support the Glasgow 2018 European Championships is key to the success of the event. Glasgow 2018 is looking to deliver a two tier commercial partner framework:
  - Tier 1 – Partners : a family of 5 commercial Partners and host partners, Scottish Government and Glasgow City Council, benefitting from extensive TV exposure and access to premium rights
  - Tier 2 – Supporters: a family of Supporters providing essential services to the Championships
- These Partners and Supporters will sit across all elements of the Glasgow event, with potential options to expand their involvement across athletics in Berlin.
- The two tiers reflect distinct bands of investment and are designed to allow individual companies within the same business category to assess the value of the opportunity on an individual company basis – with consideration to objectives, investment and associated rights and benefits.
- A higher level of investment is rewarded with a broader and deeper set of marketing rights and benefits. An investment in sponsorship can be funded by cash and/or the value in kind (VIK) supply of Services.
- Glasgow 2018 is seeking leading companies within the industry which are willing to take advantage of this opportunity by investing in a sponsorship marketing relationship and is targeting companies with a vested interest in promoting Glasgow and Scotland.
- Key aspects of the European Championships product and positioning that are resonating strongly with the market includes:
  - **Free To Air Broadcast Coverage:** The Championships mission is to elevate the Champions of Europe. The agreement with EBU and the expected 1 billion cumulative TV viewers clearly delivers against this.
  - **Sustainability:** The Championships does not require significant capital expenditure and uses existing sporting facilities. This responsible forward thinking message is compelling for both brands and consumers and puts it in an advantageous position compared with other multi-sport Championships.
  - **Glasgow and Scotland's rich sporting history:** Using our proven excellence, expertise and warm welcome to create that must attend experience, continuing our journey from staging the best ever Commonwealth Games in 2014 and the Ryder Cup in 2014. Glasgow/Scotland brings together sports, athletes, fans, nations and cultures to create inspirational and memorable moments that can be shared by all its citizens and visitors. Glasgow/Scotland delivers authenticity, embodied in its citizens. Our warm welcome is real and is known the world over by athletes and fans alike
  - **Inclusion:** Making the Championships accessible for all across all consumer touchpoints. Whether that's the price of tickets or the opportunity to be part of the volunteer programme – this is about engagement.
  - **Mass Participation Activation:** A unique part of this major Championships. Brands see this as a key way to “naturally” showcase product and engage with consumers. MPA lends itself to mass social media coverage as members of the public and their families can come and try elements of the sports in this landmark event.

SDI TRADE AND INVESTMENT BRIEF

**GERMANY CORE BRIEFING**

	Key Fact	Supporting Information
<b>Population<sup>1</sup></b>	<ul style="list-style-type: none"> <li>• <b>80.722m</b> (July 2016 est.)</li> <li>• Growth rate: <b>-0.16%</b> (2016 est.)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>19<sup>th</sup></b> largest in world and Europe's most populous. (2015)</li> <li>• Ageing population (<b>35%</b> are <b>55+</b>, 2016 est.) leading to shortage of skilled workers. <b>41%</b> of population <b>25-54 years</b>.</li> <li>• 2015 experienced unusually high immigration, net migration at <b>1.14 million</b>.</li> </ul>
<b>Governance &amp; Geography</b>	<ul style="list-style-type: none"> <li>• Federal Parliamentary Constitutional Republic</li> <li>• Chancellor: <b>Angela Merkel</b> (CDU) since November 2005.</li> <li>• Chief of State: <b>President Joachim Gauck</b> since March 2012.</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-party system dominated by Christian Democratic Union (CDU) and Social Democratic Party of Germany (SPD).</li> <li>• Strong regional government through the länder – <b>16</b> states.</li> <li>• Chancellor nomination to be held following general election scheduled by June 2017, nominations no later than autumn 2017.</li> <li>• President has a role which, while not an executive post, is more than ceremonial.</li> <li>• <b>352,022 sq km</b> – world's <b>63<sup>rd</sup></b> largest area.</li> </ul>
<b>Air Routes</b>	<ul style="list-style-type: none"> <li>• Daily flights from Glasgow and Edinburgh.</li> </ul>	<ul style="list-style-type: none"> <li>• Dusseldorf, Frankfurt, Berlin and Munich served.</li> <li>• New route announced by Eurowings in Dec 2016 Glasgow to Munich starting March 2017.<sup>2</sup></li> <li>• Scotland's <b>2<sup>nd</sup> largest</b> international market after U.S.; <b>322,591</b> visitors (<b>-5.88%</b>) in 2015; contributing <b>£175.25 m (+0.89%)</b> to local economy.<sup>3</sup></li> </ul>
<b>Economy</b>	<ul style="list-style-type: none"> <li>• <b>GDP £3.11 tn (€3.7 tn)</b> 2015 est., <b>£3.06 tn (€3.65)</b> 2014 est.</li> <li>• World's <b>6<sup>th</sup></b> largest economy and largest in Europe.</li> <li>• GDP growth rate <b>1.5%</b> (2015 est.), <b>1.4%</b> (2014 est.)</li> <li>• Unemployment rate <b>4.6%</b>, <b>2<sup>nd</sup></b> lowest in EU (behind Czech Republic).<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Exports account for some <b>40%</b> of German GDP, <b>4<sup>th</sup></b> largest exporter in the world after China, combined EU and USA with <b>£1.06 tn</b> (2015 est.).<sup>5</sup></li> <li>• Leading exporter of machinery; vehicles, chemicals and household goods.</li> <li>• <b>28</b> of Fortune 500 HQ in Germany; <b>30</b> German companies listed on DAX, <b>European Central Bank</b> HQ in Frankfurt.</li> <li>• Major objective: replace nuclear energy with renewable energy.</li> <li>• Main employment sectors: Services <b>73.8%</b>, industry <b>24.6%</b> and agriculture <b>1.6%</b>.</li> <li>• Automotive industry regarded one of the most competitive and <b>innovative</b> in the world, <b>fourth</b> largest by production (behind only China, USA and Japan).</li> <li>• World's <b>28<sup>th</sup></b> highest <b>GDP per capita - £37,950</b>.</li> </ul>
<b>Scottish Links</b>	<ul style="list-style-type: none"> <li>• <b>12</b> GlobalScots.</li> </ul>	<ul style="list-style-type: none"> <li>• Scots and modern day English is massively</li> </ul>

<sup>1</sup> CIA World Fact Book, December 2016

<sup>2</sup> <http://www.glasgowairport.com/corporate/media-centre/posts/2016/december/22/new-post/>

<sup>3</sup> <https://www.visitbritain.org/nation-region-county-data>

<sup>4</sup> <https://www.statista.com/statistics/268830/unemployment-rate-in-eu-countries/>

<sup>5</sup> CIA World Fact Book, December 2016





	<ul style="list-style-type: none"> <li>• Caledonian Society (Founded 1946, Bonn).</li> <li>• <b>22,274</b> Germans by birth resided in Scotland at 2011 Census.<sup>6</sup></li> <li>• <b>2,755</b> students studied in Scotland 14/15. <b>18</b> of our Universities have <b>98</b> unique links with German HEIs.<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>influenced by Germanic language, roots emerged in 12<sup>th</sup> &amp; 13<sup>th</sup> century.</li> <li>• Earliest links to Germany was trade to major Ports, relationship dates to <b>1297</b> when <b>William Wallace</b> wrote after Battle of Stirling Bridge declaring business back to normal.</li> <li>• <b>Robert the Bruce</b> wrote thanking German people for support of Scottish enterprise and ensuring safe passage for their merchants.</li> <li>• Strong cultural links exist to this day – Walter Scot had a profound interest in German romanticism.</li> </ul>
<p><b>Scottish (direct) exports to Germany<sup>8</sup></b></p>	<ul style="list-style-type: none"> <li>• <b>£1750 bn</b> in 2015</li> <li>• <b>£1.845 bn</b> in 2014</li> <li>• <b>£2.15 bn</b> in 2013</li> <li>• <b>£2.21 bn</b> in 2012</li> </ul>	<ul style="list-style-type: none"> <li>• Represents <b>6.1%</b> of all international exports.<sup>8</sup></li> <li>• Scotland's <b>3<sup>rd</sup> largest European market</b> and <b>4<sup>th</sup> largest international market<sup>9</sup>.</b></li> <li>• Electrical and instrument engineering; chemicals and mineral products, rubber and plastics and business services and finance.</li> </ul>
<p><b>Examples of Scottish companies based/doing business in Germany</b></p>	<ul style="list-style-type: none"> <li>• <b>Touch Bionics</b> – Life Sciences company owned by Icelandic firm Ossur, opened sales and support office Germany 2013.<sup>10</sup></li> <li>• <b>Johnston's of Elgin</b> – cashmere specialist active in market with a showroom since early 1980's<sup>11</sup></li> <li>• <b>Aberdeen Asset Management</b> - has office in Frankfurt. Manages Equities, Fixed Income, Property and other assets.</li> <li>• <b>Optos</b> - Medical technology providing devices and solutions to eye care professionals was acquired by Nikon Corporation in May 2015. Opened an office in Germany 2004.<sup>12</sup></li> <li>• <b>RBS</b> - has strong and longstanding relationships with many of the country's largest public and private companies. Branch in Frankfurt.</li> <li>• <b>Standard Life</b> - office in Frankfurt; business in Germany sells with profit, investment and unit linked life insurance products.</li> <li>• <b>Brewdog</b> – opened a bar in Berlin November 2016.</li> <li>• <b>SgurrEnergy</b>, has an office in Hamburg. In August 2016 they secured 12-year construction and operational monitoring contract for <b>396MW Merkur</b> offshore wind farm in German North Sea.</li> <li>• <b>The Weir Group Plc.</b> has a service centre in Essen and a sales office in Heilbronn.</li> <li>• <b>Ayshire Metal Products Plc.</b> has a subsidiary System-Bau Element Vertriebs GmbH in Munich.</li> <li>• <b>KCA Deutag Alpha Limited</b>, Scottish domiciled company registered in Luxemburg, has a technical and procurement hub in Bad Bentheim.<sup>13</sup></li> </ul>	

<sup>6</sup> Office for National Statistics

<sup>7</sup> Universities Scotland

<sup>8</sup> 2014 Global Connections Survey

<sup>9</sup> Scottish Government <http://www.gov.scot/Resource/0049/00493251.pdf>

<sup>10</sup> <http://www.touchbionics.com/news-events/news/touch-bionics-arrives-germany>

<sup>11</sup> SDI office, Dusseldorf

<sup>12</sup> <http://www.optos.com/en-GB/About-us/History/>

<sup>13</sup> <http://www.kcadeutag.com/contactus/Pages/default.aspx>

<p><b>Recent trade activity</b></p>	<p><b>2015/16 – companies assisted unavailable due to system constraints, 124 companies with significant international growth projects.</b></p> <ul style="list-style-type: none"> <li>◦ <b>November 2016: 16</b> Scottish companies and organisations attended <b>Bio-Europe</b> in Munich. Similar number expected for conference in Cologne.</li> <li>◦ <b>November 2016: 21</b> Scottish companies attended <b>Medica</b> in Düsseldorf with 12 Scottish exhibitors and <b>12</b> visiting companies.</li> <li>◦ <b>September 2016: SDI</b> supported <b>Rail Interiors Solutions Group</b>, a <b>5</b> company consortium, <b>3</b> of whom are account managed, to exhibit at <b>Innotrans 2016</b>, the world’s leading trade fair for rail transport technology.</li> <li>◦ <b>Aug 31-Sept 4 2016: SDI</b> for the 3<sup>rd</sup> year funded a Scottish pavilion at <b>Eurobike 2016</b>, a key trade event for the global cycling industry. <b>8</b> companies exhibited and <b>16</b> attending on a Learning Journey.</li> <li>◦ <b>March 2016: International Hotel Investment Forum</b> (Berlin). SDI hosted a Scotland stand where Scottish delegates (from lawyers to architects) held meetings with potential investors/hotel operators providing lead generation.</li> </ul> <p><b>2014/15 - 234 companies assisted, 15 companies with significant international projects.<sup>14</sup></b></p> <ul style="list-style-type: none"> <li>◦ <b>November 2015: MEDICA</b> (Dusseldorf), Life Sciences. <b>21</b> companies attended. <b>5</b> exhibitors stated they already secured business, majority remaining expect to do so as direct result of attending. <b>10</b> companies reported they had identified new distributors with <b>10</b> stating they were hopeful of JV partner agreement in future.</li> <li>◦ <b>November 2015: Tabletop Exhibition</b> (Dresden), TAE. SDI supported <b>7</b> companies to attend, in partnership with NMI (industry trade body). Aggregated <b>44</b> new business contacts, of which <b>20</b> were identified as potential buyers. <b>4</b> companies identified collaborative opportunities.</li> <li>◦ <b>October 2015: Anuga</b> (F&amp;D). <b>Dunnet Bay Distillers</b> (Rock Rose Gin) took part in learning journey to find German distributors. Company now listed by Weinkontor Freund, HAROMEX and available in stockists including Spirituosen Wolf, Scotia Spirit and Weinquelle.</li> </ul>
<p><b>FDI from Germany to Scotland<sup>15</sup></b></p>	<ul style="list-style-type: none"> <li>• <b>155</b> German owned enterprises operating at <b>610</b> local sites, employing <b>17,980</b> with a turnover of <b>£4,403 m.<sup>16</sup></b></li> </ul>
<p><b>German companies based/doing business in Scotland</b></p>	<ul style="list-style-type: none"> <li>• <b>E.ON</b> and <b>RWE</b> have invested heavily in Scotland’s offshore wind farms, biomass plants and hydro-electric schemes. <b>E.ON’s</b> biomass plant near Lockerbie is the UK’s largest dedicated wood-burning plant. <b>Siemens</b> is also active here, testing its 6MW device in <b>Hunterston</b>.</li> <li>• <b>Enercon Limited</b>, <b>fourth-largest</b> wind turbine manufacturer in the world, opened a sales office in Edinburgh in 2012.</li> <li>• Scotland is now home to <b>3 Merck</b> operations: BioReliance Ltd in Glasgow and Stirling; Sigma Aldrich Fine Chemicals in Irvine and Merck Millipore in Livingston which together employ <b>478</b> people.</li> <li>• Engineering firm <b>Mahle Group</b> employs <b>200+</b> at its Kilmarnock site.<sup>17</sup></li> <li>• Global leader in the manufacture of highly concentrated omega-3 fatty acids <b>BASF Pharma Ltd</b> employs <b>80</b> in Callanish and announced July 2016 <b>20 new jobs</b> will be created.<sup>18</sup></li> <li>• <b>Muller Wiseman Dairies</b> employs <b>1000+</b> in Scotland. The company processes and delivers <b>+30%</b> of fresh milk consumed in UK every day.<sup>19</sup></li> </ul>

<sup>14</sup> Figures from SDI’s Corporate Planning and Performance Team

<sup>15</sup> Figures from SDI’s Corporate Planning and Performance Team

<sup>16</sup> Scottish Government IDBR, November 2016 update.

<sup>17</sup> <http://stv.tv/news/west-central/1340028-engineering-firm-axes-170-scottish-workers-as-factory-unit-shut-down/>

<sup>18</sup> <http://www.europeanmarinesciencepark.co.uk/news-events/2016/new-life-science-jobs-for-isle-of-lewis/?platform=hootsuite>



	<ul style="list-style-type: none"> <li>• <b>July 2016 Boehringer Ingelheim</b> and <b>University of Dundee</b> collaborate to develop new class of medicines.<sup>20</sup></li> <li>• August 2016 <b>Tchibo</b> acquired <b>Matthew Algie</b> – employing <b>216</b> across UK.</li> <li>• <b>Lidl</b> now has <b>91</b> stores in Scotland and employs <b>1,800</b>. Announced August 2016 opening a new distribution centre in Scotland with <b>100 new jobs planned</b>.</li> <li>• <b>Aldi</b> is planning to open <b>six</b> new stores in Scotland in <b>2017</b> bringing the number in Scotland to <b>78</b> by the end of the year, employing some <b>2,600</b> people. The company's Scottish headquarters in Bathgate is also undergoing a <b>multi-million pound extension</b> and it <b>plans to extend its regional distribution centre</b> in Bathgate over the next two years.<sup>21</sup></li> <li>• <b>Deutsches Windtechnik Ltd</b> established an office in Edinburgh in 2015 and strengthened its on-site staff. This followed a deal with <b>Scottish Power Renewables</b> (SPR) whereby it was awarded a contract for the maintenance of Black Law and the Beinn an Tuirc 2 wind farm. They plan to relocate their UK office to new, larger, premises in Edinburgh and they also plan to move into their new main warehouse in Livingston.<sup>22</sup></li> <li>• <b>Patrizia Immobilien AG</b> owns Scotland's largest business estate Hillington Park.<sup>23</sup></li> <li>• <b>Motel One</b> chose Scotland as its first overseas investment opportunity (outside Germany and Austria) with a 208 room hotel, which brought <b>£20m</b> capital expenditure to the city and creating <b>40</b> jobs. The initial project subsequently led to a further <b>two</b> Motel One hotel projects in Scotland. The latest project to be announced is for Glasgow and will be one of Scotland's largest hotels with <b>370</b> rooms. The Glasgow hotel is due for completion in 2017 and is expected to create around <b>90</b> jobs.</li> <li>• <b>Leonardo Hotels</b> – New hotel In Edinburgh has 282 rooms, with a restaurant, bar and conference rooms. The jobs safeguarded in this project were <b>52</b> and <b>50</b> new jobs will be created.</li> <li>• <b>Bawya AG</b> has an office in Edinburgh and operates a subsidiary <b>Cefetra Limited</b> in Scotland.</li> </ul>
--	--

<b>Recent investment activity</b>	<ul style="list-style-type: none"> <li>• <b>FY2015/16: 3 inward projects with SDI assistance – 704 total jobs, 54 HVAs.</b></li> <li>• <b>FY2014/15: 5 projects by SDI with 90 new jobs, 100 safeguarded – 132 of the total 190 are HVA.</b></li> </ul>
-----------------------------------	---

**RECENT ECONOMIC NEWS**

**Brexit feedback<sup>24</sup>**

- Some German RDAs now heavily try to sell their individual regions as investment location for British companies and seem to get good traction. E.g. Berlin opened a "pop-up-lab" in Soho recently to market itself as a start-up hub and one of the leading venture capital cities in Europe.
- Concerns re the changing perception of immigration / immigrants currently in UK.
- Low £ means German products relatively more expensive now.
- Companies concerned about potential new tariffs and additional bureaucracy in the future<sup>25</sup>.
- The **German-British Chamber of Industry & Commerce** conducted 195 online interviews

<sup>19</sup> <http://www.bbc.co.uk/news/uk-scotland-scotland-business-35933359>  
<sup>19</sup> <http://www.matthewalgie.com/news/2016/08/matthew-algie-acquired-by-tchibo/>  
<sup>19</sup> [http://www.heraldscotland.com/business/14692074.100\\_job\\_boost\\_as\\_Lidl\\_to\\_open\\_new\\_distribution\\_hub/](http://www.heraldscotland.com/business/14692074.100_job_boost_as_Lidl_to_open_new_distribution_hub/)  
<sup>19</sup> <https://www.thestreet.com/story/13684858/1/germany-s-ifo-business-climate-index-unexpectedly-falls-in-august.html>  
<sup>20</sup> [https://www.boehringer-ingelheim.co.uk/content/dam/internet/opu/uk\\_EN/documents/PROTACDundee.pdf](https://www.boehringer-ingelheim.co.uk/content/dam/internet/opu/uk_EN/documents/PROTACDundee.pdf)  
<sup>21</sup> <http://www.bbc.co.uk/news/uk-scotland-scotland-business-38568941>  
<sup>22</sup> [http://cdn.pes.eu.com/v/20160826/wp-content/uploads/2016/11/Deutsche-Windtechnik\\_P098-P101-1.pdf](http://cdn.pes.eu.com/v/20160826/wp-content/uploads/2016/11/Deutsche-Windtechnik_P098-P101-1.pdf)  
<sup>23</sup> <http://www.glasgowchamberofcommerce.com/about-us/partners-and-platinum-partners/partner/patrizia/>  
<sup>24</sup> <http://grossbritannien.ahk.de/en/brexit/>



with their members and German subsidiary companies in the UK November-December 2016.

- **56%** believe that in the medium term Brexit will be **negative for their business**.
- Dr Ulrich Hoppe, Director General of the Chamber, stated “substantial uncertainty continues to be felt in the business community even if the sentiment towards a Brexit is not as negative as it was before the referendum.”
- Respondents were asked follow-up questions about the impact of a soft or a hard Brexit on their likely future investment in the UK. **38%** said in case of a soft Brexit the effect would be fairly positive or very positive.
- **When asked about the consequences of a ‘hard Brexit’ more than two thirds** of companies are of the opinion this would have a fairly negative (**31%**) or very negative effect (**37%**). Only **3%** viewed the effects of a hard Brexit as fairly positive or very positive for their future investment in the UK.<sup>26</sup>

### **Inflation and rising prices**

German inflation is at the highest since 2013 having jumped to **1.7%** in December 2016. The UBS bubble index highlights that Munich is now the **fifth** most expensive housing market in the world and property prices in Hamburg have shot up **70%** over the last five years.<sup>27</sup>

### **Berlin Hub**

The First Minister recently unveiled plans to **increase Scottish Development International presence in Europe** and to **establish a permanent hub in Berlin**. Trade envoys will also be appointed to promote Scottish exports.<sup>28</sup>

---

<sup>27</sup> <http://www.telegraph.co.uk/business/2017/01/08/german-fury-mounts-inflation-horror-kurve/>

<sup>28</sup> <http://news.gov.scot/news/eu-market-key-for-scottish-business>

<b>MEETING TITLE</b>	MEETING WITH MOTEL ONE	
<b>MEETING DATE</b>	<b>MEETING TIME</b>	<b>MEETING LOCATION</b>
09.03.17	4:30 PM	Motel One Berlin Tiergarten
<b>ATTENDEES</b>	<p><b>Stefan Lenze, Director &amp; Head of Development, Motel One</b></p> <p><b>Cabinet Secretary Keith Brown</b>                  [REDACTED] <b>Private Secretary</b>                  [REDACTED] <b>SDI, Regional Manager Central Europe</b>                  [REDACTED] SDI, Senior Executive Central Europe</p>	
<b>DISCUSSION</b>	<p>Stefan Lenze confirmed that Motel One will open its third hotel in Scotland <b>in early 2018 (Glasgow, Oswald Street)</b>. Brexit does not affect their expansion plans in the UK yet.                  [REDACTED] They have also noticed that fewer EU Nationals have applied for for open job positions since the referendum. Stefan Lenze said that Motel One does pay its employees above-average salaries, due to their bonus scheme and that they achieve high employee satisfaction.                  [REDACTED] Mr. Brown explained that promoting the living wage is part of his portfolio and that Motel One could get accreditation for this.                  Stefan Lenze mentioned that in 2015 Motel One won a German price as "best employer" in the hospitality sector and that they have established their own Motel One Campus in Munich to offer further training to their employees.                  Their breakfast is almost entirely organic (except for the meat).</p> <p>[REDACTED] SDI will continue to inform Motel One about new development opportunities. It took Motel One a couple of years to adapt to the UK market and to achieve brand recognition and to become known for their price policy, which is to offer low prices, even during peak times, such as the Edinburgh festival. They are very popular with business travellers. [REDACTED]</p>	
<b>BACKGROUND</b>	<p>With the support of SDI Motel One selected Scotland as its first location outside of Germany and Austria which reflects the strength of Scotlnad's tourism sector. They have two established hotels in Edinburgh and will open a third hotel in Glasgow in early 2018 (374 rooms, capital expenditure of GBP 30 million, 30 new jobs).</p> <p>Motel One successfully combines the concept of the low budget and designer hotel trade with first-class city centre locations. High service standards, valuable materials and good design are all distinctive features of Motel One hotels. The company currently operates 55 hotels with 14.600 rooms in Germany, Austria, the UK, Switzerland, Belgium, the Czech Republic and the Netherlands and employs over 2,000 people.</p>	
<b>ACTION ITEMS</b>	<b>PERSON RESPONSIBLE</b>	<b>DEADLINE DATE</b>
Thanking for the meeting.	Cabinet Secretary's office / SDI	10.03.17
Ask Stefan Lenze to confirm if the living wage is being paid in Scotland	Cabinet Secretary's Office	10.03.17
<b>DISTRIBUTION</b>	<b>Keith Brown, [REDACTED], Andy McDonald</b>	

To: First Minister  
Cabinet Secretary for Culture Tourism and External Affairs

## VISIT TO HAMBURG AND BERLIN: 5-7 MARCH 2017

### OVERVIEW

1. I visited Hamburg and Berlin from 5-7 March 2017. This was a trade and investment focussed visit during which I met with two companies [REDACTED]. It also gave me an opportunity to brief the German Federal Government and the Hamburg Land Government on Scotland's proposals for retaining its relationship with the EU. I also heard, first hand, the concerns of the business community and Federal politicians about the impacts of Brexit. Liz Cameron, CEO of the Scottish Chambers of Commerce accompanied me to a number of events during the Berlin leg of the visit.

### Hamburg

2. In Hamburg I met with the UK's Honorary Consul, Nick Teller, and business people from the banking, shipping and aviation sectors. There was much interest in our position on the outcome of the EU Referendum as set out in Scotland's place in Europe and questions around whether the UK would, in the end, exit the EU.

3. I also met with TÜV-SÜD an international certification business (headquartered in Munich) which has a major role in accrediting a multitude of manufacturing processes with a strong role in the energy sector in Scotland. TUV is planning a major £11 million extension to its National Engineering Laboratory in East Kilbride which will establish a Centre of Excellence for Flow Measurement and Fluid Mechanics servicing the needs of the oil and gas industry. I hope we will be in a position to announce that in the very near future.

4. In addition to touring Hamburg port, which is grappling with the challenges posed by an increase in the size of vessels using its services, I met with the Deputy Mayor of Hamburg, Wolfgang Schmidt (Schmidt is an SPD politician whose party is in coalition with the CDU/CSU at Federal level) . I briefed on our proposals for retaining our relationship with the EU. [REDACTED]

### Berlin

5. In Berlin I spoke at a breakfast briefing organised by the German Association of Chambers of Commerce and Industry (an organisation with around 3 million members). [REDACTED]. I briefed on Scotland's Place in Europe and stressed our determination to deepen trade links with Germany, which would be given a boost by the forthcoming 2018 European championships. I also outlined plans for a Berlin innovation and investment hub and our commitment to double our SDI presence in the EU. [REDACTED] there was discussion of the possibility of German business people being seconded to UK companies. Liz Cameron will take this forward, though we should stand ready to facilitate. Liz is also exploring ways of deepening links with the Association.

6. I also met Parliamentary State Secretary Dirk Wiese - Federal Ministry of Economic Affairs and Energy. He was mainly in listening mode being new in post [REDACTED]

7. I met a number of German MPs at a dinner organised by the British Ambassador, Sebastian Wood. Brexit was the main topic of discussion. [REDACTED]

8. I met with the Development Director of Motel One the German based hotel chain with two hotels in Edinburgh who confirmed that a further 374 bed hotel will open in Glasgow in 2018. [REDACTED] SDI will also be following up a visit I made to the Adlershof technology park which specialises in commercialisation of innovative technologies. A particular focus for Scotland might be around the opportunities for a photonics cluster.

## CONCLUSION AND KEY OUTCOMES

9. [REDACTED]

10. In terms of outcomes, this visit has enabled us to increase understanding in Germany of Scotland's proposals for retaining its relationship with the EU and paved the way to develop trade links further including through an Innovation and Investment hub in Berlin. [REDACTED]

**KEITH BROWN**

**MEETINGS ATTENDED**

**GOVERNMENT MEETINGS**

Dirk Wiese, Parliamentary State Secretary, Federal Ministry for Economic Affairs and Energy

Wolfgang Schmidt, Deputy Mayor of Hamburg, State Secretary Land Government

**PARLIAMENTARIAN MEETINGS**

Dinner hosted by Sebastian Wood, British Ambassador to Germany  
with:-

[REDACTED]

**OTHER ENGAGEMENTS, VISITS & MEETINGS**

Dinner with Nicholas Teller, British Honorary Consul, [REDACTED]

Graham Bocking Managing Director, TÜV-SÜD PMSS Deutsche Wind Consult

[REDACTED]

Stefan Lenze, Development Director, Motel One

Roundtable meeting which included:-

[REDACTED]