

Briefing Pack**CABINET SECRETARY FOR ECONOMY, JOBS AND FAIR WORK**

What	Scottish Chambers of Commerce (SCC) International Business Dinner with the Chinese Ambassador to the UK.
Where	Grand Central Hotel, 99 Gordon St, Glasgow G1 3SF
When	Tuesday 19 September, 18:00 – 21:45 (you are due to arrive around 18:45)
Key Message(s)	<ul style="list-style-type: none"> • 2017 has proved to be yet another very busy and successful year of collaboration between China and Scotland – and we are keen to explore new ways to foster co-operation between our two countries, including through collaboration with Chambers of Commerce. • The fundamentals of our economy remain strong. Scotland is and remains “open for business”. The reach and dynamism of the Scottish Chambers network is evidence of that.
Who	Liu Xiaoming , China’s ambassador to the UK, will be guest of honour and after dinner speaker at the dinner, which is being hosted by Scottish Chambers of Commerce in partnership with the Confucius Institute at the University of Glasgow. Tim Allan , SCC President, and Liz Cameron , SCC Chief Executive, will deliver opening and closing remarks respectively and will join you at the top table.
Why	You will deliver the pre-dinner speech of around 12 minutes at 19:00 (see full programme at Annex B). The dinner is a follow up to a delegation of senior Chambers officials from across Scotland to China in April, which the Ambassador is keen to build on. It will involve around 170 businesses who are keen to develop opportunities and is seen as a forerunner to a Chinese inward delegation to Scotland in the near future.
Supporting official (incl. mobile no.)	Paul Lewis , Managing Director, SDI, [REDACTED]
Briefing contents	Annex A – Summary Annex B - Programme, guest list and key biographies Annex C – Trade and Investment with China Annex D – Engagement with China Annex E - China - Key Achievements Annex F – FDI Results and Inward Investment Annex G - Chambers of Commerce and International Trade Annex H – Scotland’s Economic Performance Annex I – Brexit Annex J – Programme for Government
Media Handling	SCC will seek a Ministerial quote for a news release to be published on 19 September. Some media will be present at the dinner.
Greeting Party and specific meeting point on arrival	[REDACTED] Meeting point will be the Main Reception of the Grand Central Hotel.
Specific entrance for Ministerial car/parking arrangements	[REDACTED]

SUMMARY

Purpose of meeting

- This dinner is a follow up to a delegation of senior Chambers officials from across Scotland to China in April, which the Ambassador is keen to build on. It will involve around 170 businesses who are keen to develop opportunities and is seen as a forerunner to a Chinese inward delegation to Scotland in the near future.

Key Issues

- China is Scotland's **14th** largest export market and has been for the last **3** financial years – representing **2.1%** of all international exports in 2015.
- From 2007 to 2014 **exports from Scotland to China doubled** (from **£265m** to **£530m**)
- China has very recently become a **top 5 source** of inward investment to Scotland
- Scottish Chambers of Commerce sent a trade delegation to China in April. Following the visit, on 16 May SCC announced the official opening of a new International Trade Office in the city of Yantai. SCC intends to return to Shandong Province later this year to conclude discussions on further Memorandums of Understanding and explore new ways to foster co-operation between the two countries.

Lines to take

China and Trade

- Whilst our trade and investment relationship with China is healthy and developing rapidly, there is more we can do.
- Keen to explore new ways to foster co-operation between our two countries, including through collaboration with Chambers of Commerce.
- Working collectively, Scotland's bilateral relationship with China will continue to go from strength to strength.
- We are committed to attracting investment and jobs to Scotland from China and elsewhere. That is even more important if Scotland is going to be taken out of the Single Market against its will.
- Chinese investment is supporting economic growth and jobs across Scotland.

PROGRAMME AND KEY BIOGRAPHIES

5.30pm	Room set / Cloakroom open
6pm	Guests arrive / Welcome Drinks outside of Ballroom <i>Entertainment from Royal Conservatoire of Scotland</i>
6.30pm	Guests called into Ballroom
6.45pm	Opening remarks from Tim Allan, President SCC
7.00pm	Speech from Cabinet Secretary for Economy, Keith Brown MSP – 12 mins
7.15pm	Dinner service
8.45pm	Networking break
8.55pm	4 minute performance by soloist from Royal Conservatoire of Scotland
9.00pm	Keynote speech from Ambassador Liu Xiaoming
9.25pm	Closing remarks from Liz Cameron OBE, Chief Executive SCC
9.45pm	Formal close and networking

TOP TABLE GUESTS

Tim Allan, President of SCC

Professor Neal Juster, Senior Vice Principal and Vice Chancellor, University of Glasgow

Adam Hardie, Johnston Carmichael, Business Development Partner and Head of Food and Drink

Sarah Malone, Trump International Golf Links, Executive Vice President

Liz Cameron OBE, Scottish Chambers of Commerce Chief Executive

Liu Xiaoming, 13th Ambassador of the People's Republic of China to the United Kingdom

Sir Jim McDonald, Principal of Strathclyde University

Paul Lewis, Scottish Development International, Managing Director

Dave Valentine MBE, Valentine International

KEY BIOGRAPHIES



Liu Xiaoming graduated from Dalian University of Foreign Languages with a major in English and undertook further studies in the United States, obtaining a master's degree in international relations from the Fletcher School of Law and Diplomacy at Tufts University in 1983. Between 2001 and 2003, Liu acted as China's ambassador in Egypt, and from 2006 to 2010 as Chinese ambassador in North Korea. In 2010 he replaced Fu Ying as Chinese ambassador in the UK.

Professor Neal Juster, Senior Vice Principal and Vice Chancellor, University of Glasgow. Neal Juster is currently Vice-Principal (Strategy and Resources), a role he has held since August 2007. His responsibilities include developing and implementing the University's strategic plan, leading the annual planning cycle and prioritising the rolling, ten year capital plan. Immediately prior to his appointment to the University of Glasgow, Neal was Pro Vice-Principal at the University of Strathclyde (2006-7).





Adam Hardie, Johnston Carmichael, Business Development Partner and Head of Food and Drink. Adam Hardie brings a particular expertise in the understanding of clients' issues, unlocking routes to market and the development of strategic plans. His early career was in Business-to-Business Sales Management in blue chip corporates in London and Scotland before setting up and running his own small business. He also has a particular expertise in commercialisation of Intellectual Property and Franchising. Adam's sector experience is in fast growth owner-managed and early stage companies across various industry sectors. Food and Drink, Technology and Life Sciences.

Sarah Malone, Trump International Golf Links, Executive Vice President. Sarah's role as Executive Vice President encompasses Strategic Development, Master Planning, Legal, Architecture, Design, Construction, Operations, Public Relations, Branding, Product Development for Trump International Golf Links.



Sir Jim McDonald, Principal of Strathclyde University. Jim joined the University of Strathclyde in 1984 following seven years in the electric utility industry and was appointed to the Rolls-Royce Chair in Electrical Power Systems in 1993. He became Principal and Vice-Chancellor of the University of Strathclyde in March 2009. He Co-chairs, with the First Minister, the Scottish Government's Energy Advisory Board. He is Chairman of the Independent Glasgow Economic Leadership Board and the Board of the Glasgow Science Centre.

Dave Valentine MBE, Valentine International. Graduated from Duncan of Jordanstone College of Art, Dundee in 1975 before joining Angus District Council as a Chartered Town Planner. An experienced economic development practitioner and Chief Officer responsible for portfolio of services including business support, international trade and tourism as well as environmental health and consumer protection. Since 1996, led Angus Council's "Angus in China Initiative" and "Sister City" links with Yantai, Shandong Province. A former member of CBBC's Steering Group for Scotland. Made honorary citizen of Yantai in 2008. Vice President of Dundee and Angus Chamber of Commerce and a member of Scottish Chambers of Commerce International Sub-Group.



TRADE AND INVESTMENT WITH CHINA

- SDI is working with partners to deepen long-standing trade and investment relationships between China and Scotland which benefit both countries. This involves helping Scottish companies to trade more strongly in China as well as identifying investment and collaboration opportunities for Chinese investors.
- Scotland and China have worked together in the oil and gas sector for many years. This has seen significant investment from China's national oil companies (CNOOC, Sinopec and Petro China) in the North Sea and our oil and gas infrastructure. This has led to an increasing number of Scottish engineering companies doing business in China. Our collaboration in the energy sector is now broadening. For example, we have seen significant new investment from China in Scotland's rapidly growing Offshore Wind sector (SDIC and China Three Gorges), as well as collaboration in areas such as tidal energy where Scotland is helping to lead the way on the global stage.
- Scotland has also recently welcomed new investment from leading Chinese technology companies, Huawei and Tencent. Leading Chinese travel company Ctrip invested 1.4 Billion GBP in Scottish technology company Skyscanner in 2016 and last week announced it was creating 200 new jobs in Edinburgh. This is a clear demonstration of how Scotland can benefit from being open to investment from China.
- Whisky and golf remain iconic symbols of Scotland and are being used to help drive visitor numbers, as well as capture the imagination of a very rapidly growing consumer market in China. Enabled by ecommerce, Scotland is selling more premium products and services into China than ever before. This includes luxury food and drink products such as Scottish salmon, for which demand in China is outstripping supply.
- The overall rate of inward investment from China to Scotland has increased rapidly in recent years. According to the 2017 EY Attractiveness Survey which tracks global FDI trends, China has now become a top 5 source of inward investment to Scotland. Scotland and China are also doing more trade with one another than ever before in an increasing number of sectors.
- Whilst Scotland's trade and investment relationship with China is healthy and developing rapidly, there is more potential. The Scottish Government (principally through SDI) is continuing to work with its partners in the private and university sectors to identify and unlock new trade and investment opportunities with China. As well as requiring more Scottish companies to be 'China ready', this will involve us identifying new investment opportunities in Scotland and with overcoming issues that can sometimes restrict access to Chinese markets, for example, regulation, complexity, cultural and language barriers and IP protection.
- Scotland's education sector and research and development capability is of huge interest to Chinese companies that are investing heavily in innovation. Through its activities in China, the University sector can also help Scotland to secure trade and investment outcomes. SDI is keen to support this process, for example, the University of Edinburgh has been assisted by SDI to develop new business in China through securing of the recent VVIP Guangzhou Party Secretary Visit to Edinburgh, by supporting its collaboration with technology giant Huawei, aircraft manufacturer COMAC and the establishment of a Centre for Climate and Carbon Innovation in Hong Kong.

- As well as close joint working over many years with the China Britain Business Council, SDI has been working with the Scottish Chamber of Commerce around its intentions to develop plans around how it will support the stimulation of greater levels of trade with China. This involved SDI providing market briefings and providing support with an initial learning journey in April which was attended by representatives from various Scottish Chambers of Commerce. SDI is keen to continue discussion with the SCC around how it can add most value to overall efforts in Scotland and in China to stimulate greater levels of trade with China.

ENGAGEMENT WITH CHINA

28 June 2017

Meeting with Party Secretary of Jinan, Mr Wang Wentao

Dr Allan had a courtesy meeting with Mr Wang, and conveyed how the Scottish Government values its relationship with Jinan City, and looks forward to further collaboration.

11 June 2017

Meeting with Party Secretary of Guangdong, Mr Hu Chunhua

Keith Brown welcomed Mr Hu to Scotland and reaffirmed the value the Scottish Government places on its relationship with Guangdong Province. The meeting at Edinburgh Castle was followed by a business networking dinner with potential Chinese investors.

25 January 2017

Chinese New Year Reception and Performance

Dr Allan attended and spoke at this event at the Usher Hall.

28 September 2016

Chinese National Day Reception and Performance

Dr Allan attended and spoke at this event at the Chinese Consulate, which marked the 67th anniversary of the founding of the People's Republic of China.

23 September 2016

Meeting with Vice Chairman of the Chinese People's Consultative Conference (CPCC) and member of the Secretariat of the Central Committee, Mr Du Qinglin

Ms Hyslop had a courtesy meeting with Mr Du - a senior figure in Chinese politics.

22 September 2016

Meeting with Vice President of the Chinese Friendship Association (CFA), Mr Song Jingwu

The First Minister welcomed Mr Song to Scotland and thanked him and the CFA for their support during her visit to China in 2015. They also discussed what could be included in a future visit to China as well as the EU Referendum result, Scotland's position and the view from China.

6 September 2016

Meeting with Mayor of Shenzhen, Mr Xu Qin

Ms Hyslop had a courtesy meeting with the Mayor and key members of his government and business delegation. She reaffirmed the Scottish Government's relationship with Shenzhen, following on from the MoU signing between Edinburgh City Council and Shenzhen Municipal Government on Creative Industries in 2013. Whilst in Edinburgh the Mayor attended an event to mark the one year anniversary of the Edinburgh (Shenzhen) Creative Incubator. He also visited Edinburgh University's BioQuarter.

Cultural Collaborations

- We were honoured that China once again chose the Edinburgh Festivals to showcase many marvellous cultural performances.
- This year, there was a wide array of artists, performers, and shows from China bringing music, theatre, dance, puppetry, spoken word, circus and more.
- As part of the Momentum festivals relationship, Festivals Edinburgh, Creative Scotland and British Council worked with Shanghai to bring a mini-China focus to the Fringe in 2017 which launched on 4th August. Some of the activity included:

- **From Shanghai with Love**, a combined exhibition and fashion show at the Playfair library.
- **Stories from China** is a music and dance children's show which brings the essence of China: Beijing Opera, chorus, string orchestra, drama, traditional folk music and dance. Presented by talented Chinese teenagers, the show includes traditional costumes, musical instruments, hairstyles, and even an oriental dragon.
- **Divine Melody from Chinese Fiddlers**, performing at the EICC, combines classic melody and innovative performance to show the charms of traditional Chinese music and dance.
- There has also been much Scottish cultural activity in China, for example:
 - **Romantic Scotland – Castles, Land and Sea** is a partnership project between Historic Environment Scotland, the National Galleries of Scotland, Nomad Exhibitions, and Nanjing Museum in China. It created an exhibition which was displayed in Nanjing Museum (April - August 2017).
 - **Scottish Opera's** education team is taking the "*Warriors! The Emperor's Incredible Army*" performance to Fang Cao Di International School and their associated schools from 23 October – 3 November 2017, working over 9 consecutive school days with 900 children, culminating in all the children performing the show in Beijing.

Education links

- Scotland continues to be successful in attracting increasing numbers of **international students** from China and Hong Kong Special Administrative Region.
- In 2015-16 there were 8,650 students from China (including Hong Kong, and Macau) studying at Higher Education Institutions and Colleges in Scotland. This is an 8% increase from the 2011-12 figures
- Scotland's flagship **Saltire Scholarships** have been awarded to over 200 Chinese undergraduate and post-graduate students since 2011.
- 18 (out of 19) Higher Education Institutions now have **academic and research links** with Chinese HE Institutions offering mutually beneficial research arrangements and study opportunities for students from both Scotland and China.
- 12 of Scotland's Universities now have a presence in China (research collaborations, student exchange and recruitment).
- There are **five Confucius Institutes** in Scotland at **Strathclyde, Glasgow, Edinburgh, Aberdeen and most recently Heriot Watt University**. Scotland now has the **most Confucius Institutes per head of the population in the world**.

CHINA – KEY ACHIEVEMENTS

1. Bilateral links

- Memorandum of Understandings to collaborate on a number of key policy areas (from which key achievements outlined below) and to increase our exchanges signed between Scotland and:
 - **Tianjin**
 - **Shandong**; and
 - **Shenzhen**

Relations already established with **Beijing, Shanghai and Hong Kong**.

- Highly successful visit of then **Vice Premier Li Keqiang** in January 2011 which initiated and progressed engagement in a number of key areas including progression of direct salmon exports and the loan of the giant pandas. Also visits from former Chief Executive of Hong Kong and official high level delegations from priority regions above.
- Ministerial visits to China have worked towards progressing many of the achievements/areas of progress listed below. Since 2007, there have been **twelve Ministerial visits to China, including five by a First Minister**.

2. Trade and Investment *(source for all facts HMRC except where indicated)*

- China is Scotland's **14th** largest export market and has been for the last **3** financial years – representing **2.1%** of all international exports in 2015.
- From 2007 to 2014 **exports from Scotland to China doubled** (from **£265m** to **£530m**) *(Source: Global Connections/Exports Statistics Scotland)*
- China has very recently become a **top 5 source** of inward investment to Scotland.
- Majority of other exports to China are from engineering services companies such as **Aggreko** and the **Weir Group**.
- SDI has **5** offices in China (Beijing, Shanghai, Shenzhen, Hong Kong, Taipei (Taiwan))
- SDI's assistance to Scottish business to access China more than tripled (+243%, from 77 to 264 businesses) (2007-2014)
- There has been significant export growth in most industries in the last five years (2007-2012) e.g.
 - Food (& livestock) increasing by 343% to £19.5m
 - Beverages (& tobacco) increasing by 78% to £72.7m
 - Machinery and transport equipment increasing 77% to £249m
- There are currently **10** major Chinese investors recorded in Scotland *(source: IDBR November 2016)*
- Examples:
 - **Ctrip**: China's largest online travel company bought one of Scotland's "unicorns", Edinburgh-based technology company **Skyscanner** for **£1.4bn**, in a deal which is expected to allow the company to continue with its ambition of making travel search as simple as possible for travellers around the world
 - **Red Rock**: Chinese power company, and subsidiary of State Development and Investment Corporation (SDIC), opened its Edinburgh offices in November 2016 *(opened by FM)*. Company has plans to invest further in renewables developments in Scotland, building on its existing offshore wind projects.
- Scotland offers a strong proposition to investors thanks to our strong entrepreneurial ecosystem, pipeline of high-growth technology-focused companies, well developed business infrastructure and strong talent pool of highly-trained graduates from our world-class universities
- Example:
 - In October, Scotland piloted our **first technology investor showcase in China** – Engage Invest Exploit or EIE – where **11 new or growing Scottish technology companies travelled to Shenzhen and Hong Kong** to take part in a mission aimed at getting them in front of and pitching to Chinese investors. This is one of many activities taking place to stimulate relationships and put Scotland on the map with the investment community in China, encouraging them to consider Scotland in the future
- Scotland played host to the SME China Forum in September 2016, the leading event for UK SMEs looking to expand their business in the China market. Over the course of the event, held at Celtic Park

in Glasgow, participants heard from experts on a range of essential insights, including digital strategies, IP protection and investment pitching.

3. Market Access *(source for all facts HMRC)*

- Scotland's total food and drink exports to China were valued at £74 million in 2015, down 13% from 2014 and up 59% from 2007.
- The value of food exports to China decreased to £33 million in 2015, down 29% from 2014 and up 639% from 2007. This phenomenal growth was driven primarily by growth in fish and seafood exports.
- Scotland's total food and drink exports to Hong Kong were valued at £14.6 million in 2015, down 36% from 2014 and down 22% from 2007.
- Food exports to Hong Kong were valued at £6.2 million in 2015, down 28% from 2014 and up 186% from 2007.
- Far East markets accounted for around 2% of estimated fresh **Scottish salmon** exported from the UK in the years prior to 2011 when the Scottish Government secured a new import deal with the Chinese Government. This new deal followed on from the First Minister's discussions with then Vice Premier Li KeQiang during his visit to Scotland in January 2011.
- Exports of salmon to China were worth **£58m** in 2016.
- China remains the third most important export market for fresh Scottish salmon, accounting for **14%** of the value of total Scottish salmon exports.
- **Scotch Whisky** received Geographical Indication of origin status in China in 2010, protecting it against counterfeit products in China. This followed on from negotiations between the First Minister and the Deputy Minister for General Administration of Quality Supervision, Inspection and Quarantine during his visits to China in 2009 and 2010.
- Scotch whisky exports to China were valued at **£41.4m** in 2016.
- **There has been a drop in the value of Scotch whisky exports to many Asian countries. Weakening demand in emerging markets and the decision by the Chinese government to clamp down on ostentatious drinking and gifting is likely to have contributed to the fall in the value of whisky exports to China and Hong Kong.**
- In October 2012, the First Minister announced that mobile company **Three** would create 381 new high value jobs in Glasgow, almost doubling the size of its sales and support service hub. The expansion of operations follows discussions between the First Minister and Canning Fok, Group Managing Director of **Hutchison Whampoa Limited** (the parent company of Three) during the FM's visit to Hong Kong in December 2011.
- In January 2014, it was announced that **AMEC** – one of the companies in the oil and gas sector led by the FM on his visit to China and Hong Kong in November 2013 – has been awarded a **six year contract by Nexen Petroleum**, who are owned by Chinese oil firm CNOOC.

3. Education

- Scotland continues to be successful in attracting increasing numbers of **international students** from China and Hong Kong Special Administrative Region.
- In 2015-16 there were **8,650** students from China (including Hong Kong, and Macau) studying at Higher Education Institutions and Colleges in Scotland. This is an **8% increase** on the 2011-12 figures.
- This overall 2015-16 figure also incorporates a **74% increase in the number of Hong Kong students** studying in Scotland compared to 2011-12, and which is a **6% increase from the 2014-15 numbers.** *(Source: HESA Stats, January 2017)*
- Scotland's flagship **Saltire Scholarships** have been awarded to **over 200 Chinese undergraduate and post-graduate students** since 2011.
- 18 Higher Education Institutions now have **academic and research links** with Chinese HE Institutions offering mutually beneficial research arrangements and study opportunities for students from both Scotland and China.
- 12 of Scotland's Universities now have a presence in China (research collaborations, student exchange and recruitment). In 2014 there were approximately **150 ongoing and new Sino-Scottish research collaborations** in China *(Source: figure from Scottish Affairs Office review of Scottish University collaborations – Jan 2014)*
- There are now **five Confucius Institutes** in Scotland at **Strathclyde, Glasgow, Edinburgh, Aberdeen and most recently Heriot Watt University**, announced during the First Minister's visit to China in

November 2013. Scotland now has the **most Confucius Institutes per head of the population in the world.**

- There were 330 presentations for **National Qualifications in Chinese Languages** in 2015/16. This compares to 343 in 2014/15 and 82 in 2008/09. (The figures include both local authority and independent school centres).
- In 2016 there were 306 passes in National Qualifications in Chinese Languages (SCQF levels 3 to 7) (figures include both local authority and independent school centres).
- There are now **23 Confucius Classroom Hubs across Scotland**, including 1 independent school and 1 grant aided school, serving 21 Local Authorities. Each Hub is supported by teacher from partner school in Tianjin.
- 12 new primary hubs have been approved and will be launched in the coming months.
- In December 2014, the Confucius Institute for Scotland's Schools, based at the **University of Strathclyde, was named the global Confucius Institute of the Year.**
- In December 2015, **Leith Academy in Edinburgh** won the **Hanban Confucius Classroom of the Year Award.**
- From 2014/15, **Hanban have paid Scottish local authorities up to 50% of the cost of one GTC registered teacher of Chinese per hub local authority.** This agreement is unique to Scotland and will help kick-start the learning of Chinese language and culture in our schools. In 2015, Hanban have increased this offer to 21 teachers.
- CISS held a successful conference, entitled "Our Confucius Classrooms: five countries in conversation", attended by delegates from across Scotland as well as key Hanban representatives. The Minister for Childcare and Early Years delivered a keynote address.
- In January 2016 Hanban renewed their agreement with CISS for a further 5 years.

5. Environment and Science

- China agreed to loan two **Giant Pandas** to Edinburgh Zoo as a strong symbol of friendship between the China and Scotland. The Pandas arrived in Edinburgh on 4 December 2011 and will remain there for 10 years establishing another key link in Sino-Scottish relations. In December 2013, visitors to the pandas surpassed **1 million.**
- The **Royal Botanic Garden Edinburgh (RBGE)** has a long history of working with China, dating back more than 100 years and continuing to this day.
- RBGE has hosted visits from senior Chinese leaders including former President Hu Jintao, and maintains a very close working relationship with the Consul General in Edinburgh.
- RBGE was an editorial centre for the Flora of China project, an international collaboration to publish a comprehensive summary of all Chinese wild plants, completed in 2013.
- RBGE's living plant collection contains more than 1,600 Chinese species – the largest collection of Chinese plants outside of China.
- RBGE's Chinese Hillside showcases Chinese plants to over 900,000 visitors each year.
- The **Chinese Scottish Tartan** was created to signify the special relationship between China and Scotland. Its green bands symbolise the great co-operation between Scottish and Chinese botanists at the RBGE.

FDI RESULTS AND INWARD INVESTMENT

BACKGROUND

- The 2017 Ernst and Young Annual Attractiveness Survey for Foreign Direct Investment (May 2017) reported a record number of projects for Scotland in 2016.
- The survey shows 122 inward investment projects secured, up from 119 in 2015 and consolidating Scotland's place as the most successful region for FDI behind London.
- Job creation figures fell by 47% from 5385 to 2868, the lowest figure since 2010. This may be in part due to 35 projects having no job details attached and a 70% fall in software project jobs which have in recent years been contributed significantly to the job numbers.
- However, both Department for International Development and SDI surveys on FDI reported an increase in both project numbers and jobs.
- Different methodologies are used to record data for each report.

Top Lines

With over 2,300 foreign-owned companies employing 317,000 staff and realising a combined turnover of £92 billion, Foreign Direct Investment plays a vital role in Scotland's economy.

2016 was yet another record year for FDI in Scotland, according to each of the three main Inward Investment surveys.

On number of projects

- The **2017 Ernst and Young Attractiveness Survey** records **122** inward investment projects, **up 2.5%** on the 2015 previous record and cementing Scotland as **the most successful place in the UK for FDI projects** outside of London.
- **21 were R&D projects** – a third of all UK R&D projects - securing Scotland's status as **top place in the UK for research and development.**
- In **9 out of the last 10 years**, Scotland has been the **top UK region** for inward investment in R&D projects.
- **Three Scottish cities ranked in the top ten** – Glasgow (5th place), Edinburgh (6th) and Aberdeen (7th)
- **More than 1 in 50** investment projects **across the whole of Europe are located in Scotland.**
- **Department for International Trade (DIT)** results (July 17) for 2016/17 record **183 projects**, a **69% increase from 108** in 2015/16.
- **SDI recorded 137 FDI projects**, a **45% increase** from 96 projects the previous year with **31** classed as Research & Development projects.

On job creation numbers

- **DIT reported** an improved performance on both job creation and safeguarding figures of **5,547** new jobs and **3,050** safeguarded – an increase of **2,692** from the previous year.
- **SDI** also reported an **increase** in jobs at **7839**, 10% up from 2015-16.
- Although the **EY report recorded a drop in job creation numbers** this may be in part due to shift towards **fewer but higher skilled jobs** and to the different reporting periods,

Quotes:

“This robust FDI performance – achieved amid widespread uncertainty – confirms the strength of the Scottish economy’s ability to attract and secure cross-border investments.”

(Mark Harvey, EY Senior Partner & Mark Gregory, EY Chief Economist, 23 May 2017)

Notable recent inward investments

20 June 2017 – HSBC, Edinburgh Park

- Welcomed HSBC expansion in Scotland, creating **500 new roles** across its Scottish operations, including across its Global Risk function in Edinburgh.
- HSBC has **increased the size of its SME Fund in Scotland to £500 million** in an effort to meet rising demand for investment capital from Scottish businesses.

21 June 2017 – Michelin, Dundee

- The announcement of **£16.5 million** investment at Michelin’s Dundee manufacturing facility.
- This investment will **support the 850 skilled workers in Dundee** and help move the site towards being a low carbon manufacturing facility.
- A great testament to the talented team and its leadership that the site has transformed into a cutting edge facility using the latest manufacturing techniques which is attracting significant investment.
- Scottish Enterprise supported the project with an **Environmental Protection Aid Grant of £4.5M.**

26 June 2017 – Computershare, Edinburgh

- Welcome Computershare’s announcement that it will establish its new Technology Centre of Excellence in Edinburgh.
- The project will create up to **300 new roles**, 103 of which will be filled by workers who are further from the labour market.
- Scottish Enterprise and SDI have supported the project with advice and **grant support of £2 million.**

CHAMBERS OF COMMERCE AND INTERNATIONAL TRADE

Top Line

Pleased that we are working closely with the Scottish Chambers of Commerce network to boost international trade.

International Trade

1. In December 2016, the First Minister announced that SG would provide one-off grant funding of up to £400k (£100k in 2016-17 and £300k in 2017-18) to support and accelerate the Scottish Chambers' plans to promote international trade, essentially through better connections between Scottish and overseas Chambers and their members. The Cabinet Secretary for Economy, Jobs and Fair Work specified that support should align with the Trade and Investment Strategy, not relate to any activity which duplicates SDI programmes, and that the two should work together to better support businesses. The SG funding includes an element (and a requirement) for independent evaluation.
2. In March 2017, Liz Cameron accompanied the Cabinet Secretary for Economy, Jobs and Fair Work on his trade visit to Berlin, and the first £100k was authorised for payment, covering planning/building capacity for 2017-18 and air fares for a Chambers delegation to China in April. Following the China visit, on 16 May SCC announced the official opening of a new International Trade Office in the city of Yantai. SCC intends to return to Shandong Province later this year to conclude discussions on further Memorandums of Understanding and explore new ways to foster co-operation between the two countries.
3. Over the remainder of 2017-18, 10 local Chambers of Commerce will develop enhanced programmes and links to China & Hong Kong, Ireland, Iceland, UAE, USA, Denmark, Germany, Italy, Norway, France, Bulgaria, Romania, Egypt, Spain, Slovenia, Canada, Kenya, Holland, Turkey, Greece and Ireland.

Local Export Partnerships

4. The trade and investment strategy, Global Scotland, and the 2016 Programme for Government stated that the Scottish Government would provide up to £400K seedcorn funding to private and public sector partners to establish local or regional export partnerships in 4-6 areas on a pilot basis.
5. SCC have been asked to lead on developing bids for the pilots from among its network of local Chambers. They are currently preparing bids and we will be working with SDI and the Chambers to select the pilot areas. We expect to be in position to announce these in September.

SCOTLAND'S ECONOMIC PERFORMANCE

Recent Economic Developments:

- **Oil and Gas UK's 2017 Economic Report** (6 Sep) sets out the challenging business environment for the industry, however there are tentative signs that investor confidence is starting to return to the sector. They estimate that the industry supported 315,000 jobs across the UK economy in 2016; 60,000 fewer than in 2015 though the rate of job loss is projected to slow to around 13,000 in 2017.
- **The Programme for Government** (5 Sep) outlines an agenda to strengthen and modernise the Scottish Economy; creating the best possible business environment in Scotland, focusing our enterprise and skills agencies on increasing productivity and supporting the growth of key sectors, sending a clear signal that Scotland is the place to be for investment in low carbon and digital technology.
- **Barclays 2017 Annual Wealth & Investments Prosperity Map** (5 Sep) rank Scotland 9th amongst the countries and regions of the UK (Ranked 7th in 2016 and 10th in 2015). Three factors pulling down Scotland's performance were; house prices, business birth-to-death ratios and household expenditure.
- **The Scottish Engineering Quarterly Review** (1 Sep) for Q3 2017 signalled growing optimism in the Engineering and Manufacturing sector with output volumes expanding each quarter for the past year.
- **The First Minister announced** (31 Aug) a **70% increase in Scottish Government funding** for new business R&D projects, with an additional £45 million to be invested over the next three years.

Top Lines - Recent data shows encouraging signs for Scotland's economy.

- Economic data points to an improving picture in Scotland. The economy is growing, number of people in employment is at a record high, and unemployment is close to its record low.
- Scottish **GDP** grew 0.7% in 2017 Q1. In comparison, UK GDP grew by 0.2%.
- There are now 2.65 million people in **employment** in Scotland – a record high.
- **Unemployment** has fallen by 34,000 over the past year. Scotland's unemployment rate of 3.9% is close to its record low.
- The volume of Scottish manufactured **exports** grew by 7.2% in Q1 2017 compared to Q4 2016.
- Scotland secured 122 **Foreign Direct Investment** projects in 2016, more than any part of the UK outside London for the fifth year in a row.

Emerging signs that the situation is improving for oil and gas operators.

- Oil and Gas UK's 2017 Economic Report (6 September 2017) reported that there are tentative signs that investor confidence is starting to return to the sector and that over the first half of 2017, almost \$6 billion was invested in UKCS asset and corporate acquisitions; a trend which is set to continue throughout this year and into 2018.
- Bank of Scotland Oil and Gas report (June 2017) shows that more than half of respondents expect to grow their business over the next year and more than half of companies expect to increase employment this year.
- The Aberdeen and Grampian Chambers of Commerce Oil Survey (June 2017) showed contractors' confidence in the North Sea has improved significantly and is now the highest since 2013.
- Statoil and EnQuest announced in July that their new projects around Shetland will support 1,500 and 1,000 jobs respectively.

The £500m Scottish Growth Scheme will target high growth, innovative and export-focused SME's.

- In June, we announced the first tranche of the Scottish Growth Scheme (SGS).
- This programme aims to stimulate more than £200 million of investment to help businesses grow via the Scottish-European Growth Co-Investment Programme.
- We will also make a further tranche of investment under the SGS, a £25 million expansion of the SME Holding Fund.
- Alongside additional private sector investment, we expect this to provide over £100 million to innovative, high-growth companies.

Barclays UK Prosperity Map 2017 – Top Lines.

- Scotland has more stable growth in house prices than the rest of the UK which contributes to greater affordability of housing.
- We have supported this through increased and accelerated affordable housing.
- At the same time we have protected the most vulnerable in society from the impact of the UK Government's harsh austerity cuts.
- The number of registered business births in Scotland increased by 2.3% between 2014 and 2015.
- The number of registered businesses in Scotland is at an all-time high of 173,995, according to latest figures.
- In the first 6-months of 2017, the volume of retail sales in Scotland has grown by 0.8% compared to 0.1% in GB.

Scotland's economic fundamentals have been strong over the past 10 years.

- **Employment** – Employment is now 86,000 above its pre-recession peak (Mar-May 2008).
- **Productivity** – Since 2007, GDP per hour worked has increased by 7.6% in Scotland, compared to 0.6% for 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 174,000 in 2016.
- **Research & Development** – Business R&D rose by 41% in real terms between 2007 and 2015.
- **Exports** – International exports are up 41% between 2007 and 2015.

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

- We will appoint a new **Strategic Board** to focus our enterprise and skills agencies even more firmly on supporting the growth of key sectors and ensuring that institutions are providing the skills that businesses and our people need.
- We will confirm this autumn a network of **Trade Envoys** to champion and represent Scotland's export interests and strengthen our market intelligence capacity.
- We are adding to our **Innovation and Investment Hubs** in London and Dublin by establishing a new hub in Berlin, developing our existing presence in Brussels into a hub, and will add a new hub in Paris to maximise opportunities in France.
- We will establish a new **South of Scotland Enterprise Agency**, to lead transformational inclusive growth, increase competitiveness and tackle inequality.
- The **£500m Scottish Growth Scheme** will target high growth, innovative and export-focused SME's.
- The **Small Business Bonus Scheme** has removed the rates burden entirely from 100,000 premises.
- We will urgently take forward the **Barclay Review** Recommendations on Non-Domestic Rates.
- We are increasing the supply of **affordable housing** in Scotland. Having exceeded our target to deliver more than 30,000 affordable homes in the last Parliament, we are now committed to delivering at least 50,000 by the end of this Parliament.
- We are improving Scotland's **transport connectivity**, through strategic investments in our transport infrastructure. This includes 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 are investing to improve **Scotland's Digital Connectivity** and in 2017/18 plan to invest £112 million in digital and mobile infrastructure. This includes £51 million to support our commitment to deliver 100% superfast broadband access by 2021.
- We are supporting **Scotland's steel industry** and brokered a deal with international industrial group Liberty House to re-open the Lanarkshire steel plants. We also backed a deal worth £330 million for the sale of Rio Tinto's Fort William aluminium smelter to SIMEC/Liberty.

[SCOTTISH GOVERNMENT OFFICIAL]

BREXIT**RECENT BACKGROUND**

- The UK-EU Brexit negotiations began on 19 June, with the second round w/c 17 July. The third round took place on w/c 28 August. The key issues being discussed are (i) financial withdrawal settlement, (ii) citizens' rights and (iii) Irish border issues.
- On 12 September the Scottish Government lodged a [legislative consent memorandum](#) in the Scottish Parliament, and the Minister for UK Negotiation on Scotland's Place in Europe made a statement setting out why the Government does not currently intend to lodge a legislative consent motion in relation to the EU (Withdrawal) Bill.
- On 7 and 11 September [The European Union Withdrawal Bill](#) had its second reading in the House of Commons. The vote was passed by 326 votes to 290.
- On 6 September the EU Chief Negotiator, Michel Barnier, held a short press conference announcing the publication of 5 further [EU position papers](#) concerning the UK's withdrawal from the EU. These focussed on the Irish border (guiding principles concerning the Good Friday Agreement and Common Travel Area), public procurement, protection of data processed before UK exit, customs matters for goods on the single market before UK exit and intellectual property rights (including for Geographical Indication or 'special foods').
- Mr Barnier also [ruled out the possibility of nonstop talks](#) with the UK in Brussels, an [idea floated by the UK Government](#) to speed up the pace of the negotiations so they can get to discussions on the shape of Britain's future relationship with the bloc. Mr Barnier said he needed to spend time between negotiating rounds briefing heads of state and government, ambassadors from the EU27, members of the European Parliament and other leaders in Brussels.
- The UK Government has published 14 position papers including citizens' rights, customs arrangements, dispute resolution, the Northern Ireland border, nuclear material and civil justice coordination.

TOP LINES

- **The Scottish Government has fundamental concerns about the EU Withdrawal Bill and, without significant changes to it, we will not recommend that the Scottish Parliament gives its consent.**
- **Repatriated EU powers must return to the Scottish Parliament in areas where it is wholly or partly responsible.**
- **The UK Government must adopt a more inclusive approach, with the Brexit negotiations opened up to more parties and to all four nations of the UK**
- **In the absence of full EU membership, Scotland's interests would best be protected by remaining in the single market**
- **The rights of EU citizens and their families must be protected so EU citizens in Scotland can continue to make a strong contribution to our country**
- **The people of Scotland should have a choice about our future direction**

PROGRAMME FOR GOVERNMENT

The Programme for Government sets out a bold, innovative programme of work over the next year

- **16 Bills** mean this is going to be **one of the busiest sessions in the Parliament**
- with **11 carry-over Bills** from 2016-17, Parliament will have a **high** (but not unprecedented) **volume of business** in 2017-18. We expect **10 Bills to carry forward to Year 3**

We are a bold and ambitious government

- we want to make our country **the best place** in the world: **to grow up and be educated; to live, work, visit and do business; to be cared for** in times of sickness, need or vulnerability; and **to grow old**.

Our next steps in creating the better future we all want for our nation include (with PfG page nos.)

- **promote the use of Ultra Low Emission Vehicles; phase out the need for new petrol and diesel cars and vans by 2032; expand the charging network** (p38)
- build an **Active Nation** by **doubling investment in walking and cycling** from £40 million to £80 million per year from 2018-19 (p57)
- **provide £50m of Attainment Scotland Funding** to primary and secondary schools in 2017-18 to help **close the poverty-related attainment gap** (p75)
- **develop** a full implementation plan for a **Scottish National Investment Bank** for economic growth (p49)
- we will **remove the 1% public sector pay cap from 2018-19**. Future policy will take **account of the cost of living**, continue to **protect the lowest paid** and ensure **public sector budgets** remain in balance (p99)
- on homelessness, we will set a clear **national objective to eradicate rough sleeping** and create an **'Ending Homelessness Together' Fund** of £50 million over five years (p105); invest an **additional £20 million in alcohol and drug services** (p94)
- fund **access to sanitary products for students** in schools, colleges and universities, and consider more actions following the conclusion of the pilot in Aberdeen (p104)
- launch a fund to **support local authorities for pilots on Citizen's Basic Income** approaches (p103)
- take steps to **extend free personal care to all those under 65 years old** - Frank's Law, named after the late Frank Kopel (p93)
- introduce a **soft opt out system of organ and tissue donation** with appropriate safeguards (p97)
- **double Business Enterprise Expenditure on R&D in Scotland** from £871 million in 2015 to £1.7 billion by 2025 which will transform Scotland's innovation performance and add £ billions to our GVA (p38, 42)

Other parties' responses

Scottish Conservatives: *"The First Minister is opening the door on greater tax rises today ... we must instead go for growth" "Judges use short sentences to show repeat offenders .. that their actions have consequences. ... That option should not be removed." "I am genuinely pleased to see the inclusion of Frank's Law in today's programme."* (Ruth Davidson, news release 5.9.17)

Scottish Labour: *"Labour will work constructively with the government where it is in the best interests of the people of Scotland." "[lifting] the public sector pay cap is to be welcomed.... a national investment bank to boost our economy is also good news."* (Alex Rowley, news release 5.9.17)

Scottish LibDems: *"announcement on a presumption against prisons sentences of twelve months or less is a start. ... I am pleased to see the SNP are now prepared to raise the age of criminal responsibility."* (Willie Rennie, PfG debate speech 5.9.17)

Scottish Greens: *"The exploration of a Citizen's Income .. is a positive ste,. ... The phase out of new petrol and diesel cars and vans by 2032 is a good aim"* (Patrick Harvie, news release 5.9.17)

Quotes

Friends of the Earth Scotland: “This is the greenest programme for government in the history of the Scottish Parliament. The Scottish Government has put improving and protecting the environment at the heart of their legislative and policy programme.” (**Director Dr Richard Dixon, news release 5.9.17**)

Howard League Scotland: We welcome the proposals to extend the presumption against short sentences... and to raise the minimum age of criminal responsibility from 8 to 12 years old. (**Twitter feed 5.9.17**)

Greenpeace UK: [on a deposit return scheme] “.. a massive step in stopping plastic pollution ... Hopefully it won't be too long before the rest of the UK follows suit.” [on phasing out the need for petrol and diesel cars and vans] “This is what real leadership looks like.” (**News release 5.9.17**)

Cycling Scotland: “investment in both cycling and walking will help improve people's health, support local jobs and reduce climate change and other harmful emissions (**Keith Irving, Chief Executive, news release 5.9.17**)

Crisis: “I warmly welcome the Scottish Government's renewed commitment to tackling homelessness and their £50million investment in finding solutions to this issue. Banishing rough sleeping from our streets is an ambition we fully support” (**Jon Sparkes, Chief Executive, 5.9.17**)

Shelter Scotland: “Great to see homelessness on agenda for PfG (**Twitter feed 5.9.17**)

Scottish Chambers of Commerce: “.. welcomes the thrust of the Scottish Government's 2017-18 Programme for Government, and applauds its ambition” (**news release 5.9.17**)

Federation of Small Businesses: “Parents and childcare providers will be pleased to see .. a new nursery rates relief. Rural firms and communities will cheer the commitment shown to universal superfast broadband.” (**Andy Willox, Scottish policy convenor, news release 5.9.17**)

CBI Scotland: “the focus on the economy will be welcomed by business“ “we welcome the commitment to increasing investment in business R&D by 70% “ “we look forward to further details on the work and remit of the Scottish National Investment Bank” (**Hugh Aitken, CBI Scotland Director, news release 5.9.17**)

Royal Institution of Chartered Surveyors: “cautiously welcomes proposals to establish a Scottish National Investment Bank to support economic growth, diversification of housing delivery through self-build; and modernising Compulsory Purchase Orders” (**Gail Hunter, RICS Director in Scotland, news release 5.9.17**)

Scottish Council for Development and Industry (SCDI): “we are pleased to see the First Minister highlighting specific measures that will help, such as, investment in R&D and the creation of a Scottish National Investment Bank” (**Mark Bevan, SCDI Chief Executive, 5.9.17**)

For information only - Adverse comments:

Federation of Small Businesses: [On deposit return] “Virtually every Scottish pub, off-license, grocer, deli, hotel and newsagent would have to make big changes if a container deposit scheme was put in place.” [On low emission zones] “new low emission zones will require careful design and delicate implementation” (**Andy Willox, Scottish policy convenor, news release 5.9.17**)

Royal Institution of Chartered Surveyors: “The proposal of an LBTT bill is, unfortunately, a missed opportunity as the Scottish Government could fully assess the impact that the current tax bands are having on market fluidity.” (**Hew Edgar, RICS Policy Manager for Scotland, news release 5.9.17**)