

BRIEFING NOTE FOR FIRST MINISTER

SCOTLAND INTERNATIONAL ANNUAL DINNER

Friday 2 December 2016

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] FM has also agreed to meet both the [REDACTED] and Chinese Ambassadors – for 15 minutes each – [REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Where	Gleneagles Hotel , Auchterarder, PH3 1SH [REDACTED]
When	Friday, 2 December 2016 - 18:15 to 22:30 [REDACTED]
Supporting official	<i>None</i>
Attached documents	[REDACTED] Annex D: First Minister's Meeting With Chinese Ambassador To The UK, Liu Xiaoming Annex E: Memorandum Of Understanding With Sinofortone And China Railway No. 3 Engineering Group [REDACTED]

[REDACTED]

18:30 First Minister meeting with the Chinese Ambassador to the UK,
Liu Xiaoming (*Pronounced LAY-OO*)

[REDACTED]

ANNEX D

FIRST MINISTER'S MEETING WITH THE CHINESE AMBASSADOR TO THE UK, LIU XIAOMING

Top Lines

- The Scottish Government is committed to further developing a **strong, collaborative relationship with China**. (*to note First Minister last met with Ambassador Liu (LAY-OO) on 28 January 2015*)
- After a positive campaign, Scotland has delivered a **strong, unequivocal vote to remain in the EU** and the SG welcomes that. We will table specific proposals in the coming weeks to **protect Scotland's interests and keep us in the single market**, even if the rest of the UK decides to leave.
- Our links with key countries such as China are critical to realising the Scottish Government's purpose of **sustainable economic growth**. Going forward, the Scottish Government is committed to ensuring continued trade and investment links with our priority countries (including China), ensuring continued access to competitive research and funding collaborations and doing all we can to continue to attract and welcome international students to study, work and live in Scotland.

Chinese Government's Reactions to the EU Referendum Result

[REDACTED]

- At a World Economic Forum meeting in Tianjin on 27 June, Premier Li Keqiang is quoted as saying that the Brexit vote was; *"adding new uncertainties to the world."*

[REDACTED]

- Most recently Ambassador Liu told HSBC's China RMB Forum in London on 11 October *"Britain is now China's major trading partner and investment destination in Europe – the Brexit referendum has certainly not dampened the enthusiasm of Chinese businesses about investing in this country," ... "On the contrary, it opens the door for the possibility of exploring a higher level of financial, trade and investment arrangements.*
- The Ambassador went on to say that China is particularly keen to use Britain's finance, education, legal and professional services industries to fund major infrastructure projects, arrange contracts and train workers as Beijing builds new ports and railways on its "belt and road" trade-boosting project.

[REDACTED]

Recent Ministerial Engagement

- 15 October 2016 - First Minister opened the new offices of Red Rock Power Limited, a subsidiary of China's State Development & Investment Corporation (SDIC) in Scotland.
- 23 September 2016 – Fiona Hyslop met with Du Qinglin, Vice Chairman of the Chinese People's Consultative Conference and member of the Secretariat of the Central Committee.
- 21 September 2016 – First Minister met with Vice President Song Jingwu of the China Friendship Association.
- 21 September 2016 – Keith Brown met with the Vice Governor of Shandong Province and spoke at a China Britain Business Council China SME conference in Glasgow on 21 September.
- 20 September 2016 – Mark MacDonald and Shirley Anne Somerville spoke at Hanban conferences at the Universities of Glasgow and Strathclyde
- 6 September – Fiona Hyslop with the Mayor of Shenzhen during his visit to Edinburgh to mark the one year anniversary of the Edinburgh – Shenzhen Creative Incubators.

Recent years successes in the Sino-Scottish relationship

- Exports from Scotland to China were at their highest ever level in 2013, totalling almost £580 million. (*Source: Global Connections Survey*)
- At present Scotland has twelve mainland Chinese inward investors through a mix of direct investment, Mergers & Acquisitions, R&D partnering and Joint Venture business models.
- FM visited China in July 2015 (Beijing, Shanghai, Hong Kong), promoting the work of 50 Scottish businesses and announcing partnerships worth £55 million between Scotland and China over 3 years.
- Other engagements included meetings with State Councillor Yang, holder of China's highest foreign affairs office, Culture Minister Luo Shugang to renew the Cultural MoU, Madame Xu Lin of Hanban as well as meeting with state-owned oil companies: Sinopec, CNOOC and Petrochina.

MEMORANDUM OF UNDERSTANDING WITH SINOFORTONE AND CHINA RAILWAY NO. 3 ENGINEERING GROUP

ISSUE: On 21 March, an MoU was signed by you with representatives (Sir Richard Heygate and Dr Peter Zhang) of two Chinese companies - SinoFortone Group and China Railway Number 3 Engineering Group (CR3). The MoU was focused on exploring possible investment of up to £10 billion in Scotland.

- CR3 is one of 46 subsidiaries of the China Railway Group (CRG). There have been numerous media reports about the Norwegian Oil Fund's *Council on Ethics* 2014 recommendation to exclude CRG from the Fund's investments because of 'an unacceptable risk of the company being responsible for gross corruption'; and about a 2013 *Amnesty International* report accusing the Congo International Mining Corporation, another subsidiary of CRG, of forcibly evicting people from their homes in the Katanga region of the Democratic Republic of Congo.
- On 31 May, over 70 pages of internal correspondence and briefing on the MoU were published. We also responded to 37 parliamentary questions from Willie Rennie MSP.
- On 15 August, Sir Richard Heygate wrote to the First Minister on behalf of SinoFortone and CR3 advising that they wish to withdraw from the MOU because "we cannot move ahead on our MOU without further inaccurate and defamatory material being put in the public domain" and that "....the spirit of the MOU was a non-legal agreement to framework constructive and trusted dialogue - something most commentators seem to have missed. This is how China likes to work, but alas, it is impossible in the current climate in Scotland".

[REDACTED]

[REDACTED]

[SCOTTISH GOVERNMENT OFFICIAL]

[REDACTED]