

FIRST MINISTER VISIT TO CHINA – 8-13 APRIL 2018

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CHINESE PROTOCOL AND ETIQUETTE

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Addressing people

Most people should be addressed by a title and their last name. You can address people by professional titles such as General Committee Member or Bureau Chief or, alternatively, if a person does not have a professional title, use Mr, Madame or Miss, plus the last name. In Chinese names, the family name comes first, so "Wen Jiabao" is Mr Wen. If you forget a name or can't pronounce it, say "my honourable host/your colleague" and gesture towards the person.

Personal questions

The Chinese often ask seemingly intrusive questions about your age, income or marital status. These questions are not meant to offend, but if you don't want to answer, remain polite and give an unspecific answer.

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Gifts

The Chinese like to give gifts, which are used to express friendship, the successful conclusion of an endeavour or appreciation for a favour done. Often the symbolic value of the gift is of more importance than the material value. It is a good idea to bring along small gifts for your hosts, wrapping them in red or gold, colours traditionally regarded as lucky. Avoid clocks, white wrapping paper, and sets of 4 items, as these are considered inauspicious. If you have only prepared one gift, you should give it with both hands to the most senior person. Receive gifts with both hands and then put it to one side, it is not customary to open presents in front of the giver, unless encouraged to do so.

Meetings

Meetings start on time and it is good practice to arrive at the location early. Formal introductions are standard and it is usual to be introduced to the most senior person first, followed by the rest of the group in descending order of seniority.

Business cards are essential and it's advisable to take a good supply (due to the FM's status it's unlikely cards will be exchanged in government meetings, but they may be exchanged in commercial meetings). At the beginning of meetings where those present have not met before, it is customary to exchange business cards when being introduced. Present your card and receive the cards of others with both hands.

Spend a few seconds examining the cards you receive as this shows respect for the card's owner. Do not write on the card, as this is seen as disrespectful. When exchanging calling cards, greeting your Chinese counterparts with simple phrases such as "Ni Hao" (hello), "Zao Shang Hao" (Good morning) and "Xia Wu Hao" (Good

afternoon) can help to break the ice. It is common for Chinese to set your business cards out in front of them during a meeting.

Apologies and compliments

Chinese hosts often begin with apologies for lateness/appearance/weather, and end with elaborate compliments. In both cases, guests should respond with compliments, but avoid compliments like "Chinese X is better than UK X" - which can be seen as disloyal.

Entertainment – meals

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- Do not arrive late for a Chinese meal. Chinese often arrive up to fifteen minutes early. They also tend to leave en masse as soon as the last dish has been eaten. Chinese hosts make it quite clear when the meeting is over and you will not be expected to linger.
- If hosting at a Chinese restaurant at a customary round table your seat should face the door with the Chinese guest of honour on your right. Guests are then seated away from the host in descending order of seniority, with the most junior having their back to the door.
- It is polite to try a little of each dish offered to you. Otherwise, you can discreetly leave any dishes that do not appeal. Avoid finishing dishes as this will signal that insufficient food was provided. For the same reason, it is considered bad manners to ask for extra rice or noodles at formal banquets.
- Frequent toasts finishing the whole glass to good health, Sino-British friendship and so on are standard. It is acceptable not to drink, but do raise a glass.
- Do not leave your chopsticks pointing into the bowl, as this resembles images Chinese associate with death. Place them horizontally on the rest provided.

CHINA KEY FACTS AND SCOTLAND-CHINA KEY ACHIEVEMENTS

World's most populous country

Population: **1.4 billion**

Population Growth rate: 0.5%

Life expectancy: 78 years (women); 75 years (men)

Only 17% aged under 15

Capital **Beijing** has population of **21.7m**

Governance

President: **Xi Jinping**

Prime Minister: **Li Keqiang**

World's second economy by nominal GDP and largest by purchasing power

GDP (purchasing power parity): **\$23 trillion** (2017)

GDP per capita: \$8,260 (World Bank, 2017) – in the upper middle income bracket, alongside countries such as South Africa and Colombia.

Currency £1=8.9 Chinese Yuan Renminbi (March 18)

Growth rate: 6.8% (2017)

China is the world's largest manufacturing economy and exporter of goods.

China is the world's fastest growing consumer market and second largest importer of goods. With 772 million users, China has the **world's largest online population**. Three powerful companies - Baidu, Alibaba and Tencent - dominate the market.

Major Industries:

Since 1978 China has transformed from a traditional agricultural society to a modern industrial society. China's factory outputs are generally low tech (though this is changing rapidly) and extend from textiles to heavy industry and computers. China is the largest producer of inexpensive cotton textiles in the world and exports large quantities of textiles and garments. Food processing is very important, and many agricultural goods are exported. China is a leading cement producer. Iron-and steel-making has declined recently, to about 50 million tonnes annually.

China's Focus:

The government's 13th Five-Year Plan (March 2016), emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy. Beijing has committed to giving the market a more decisive role in allocating resources, but the Chinese Government's policies continue to favour state-owned enterprises and emphasise stability. Chinese leaders in 2010 pledged to double China's GDP by 2020,

and the 13th Five Year Plan includes annual economic growth targets of at least 6.5% through 2020 to achieve that goal.

Relations with Scotland

Scotland's Engagement Strategy with China was published in December 2012. It will be refreshed this spring. The strategy has 4 guiding principles:

- Securing Sustainable Economic Growth
- Respect for Human Rights and the Rule of Law
- Understanding of Culture
- Increasing Scotland's Influence

The strategy outlines 4 key priority areas:

- to increase trade opportunities for Scottish business in China and encourage more Chinese investment in Scottish industry and infrastructure
- to expand and deepen Scotland's education links with China
- to increase collaboration in research and development between China and Scotland
- to promote an innovative and creative Scotland through deeper cultural exchanges and sporting links with China and Hong Kong Special Administrative Region; and promoting Scotland as a destination of choice for Chinese tourists

Bilateral links

- FM met **vice premier Liu Yandong on 5 December 2017** in Edinburgh as part of the Chinese Government's annual **P2P dialogue** with the UK
- **Keith Brown** welcomed then **Party Secretary of Guangdong, Hu Chunhua**, to a reception at Edinburgh Castle in June 2017.
- Memoranda of Understanding 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.
- Ministerial visits have supported many of the achievements listed below. Since 2007, there have been **twelve Ministerial visits to China**, including **five by a First Minister**.

Trade and Investment

- **Scottish Development International** has offices in Beijing, Shanghai, Shenzhen and Hong Kong.
- China is now a **top 5 source of inward investment** to Scotland (*source: EY Attractiveness Survey 2017*)

- From 2007 to 2015 exports from Scotland to China increased from £265m to £605m as measured by Global Connections/Exports Statistics Scotland
- Key sectors include energy, technology and engineering, financial services, food and drink, life sciences, tourism, textiles and education.

Market Access

- China is **Scotland's 17th largest export market** (source: *Export Statistics Scotland 2016*)
- 250 companies were directly or indirectly assisted by SDI in mainland China in 2015/16.
- Scotch whisky exports to China valued at £61 million in 2017 (source: HMRC)
- Exports of Scottish salmon to China worth £68.7m in 2017 (source: HMRC)

Investment

- **10 Chinese owned enterprises** operating at 25 local sites, **employing 2,630** (+800 on 2016) with **Scottish turnover of £1.068bn** (2017). Examples:
 - PetroChina JV with INEOS to own and operates **Grangemouth refinery**.
 - Chinese Nationally Owned Companies **CNOOC** and **Sinopec** subsidiaries own approx. 23% of UK O&G infrastructure
- Recent activity includes
 - **Ctrip** bought Edinburgh-based Skyscanner for **£1.4bn** in Nov 16. Ctrip's size, insights and technology will help to grow the company on a global scale
 - **State Development Investment Corporation Power Holdings (SDIC)** FM opened its subsidiary – Red Rock Power Ltd – in Edinburgh in November 2016 from which they will seek further investment opportunities in Scotland.
 - Chinese telecoms giant **Huawei** signed 2 R&D collaborations with University of Edinburgh in 2017, setting up a joint lab in Edinburgh on Data Management, and research to investigate AI robotics systems

Education

- In 2016-17 there were **9,415 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.
- **18 Higher Education Institutions** now have **academic and research links** with Chinese HE Institutions offering mutually beneficial research arrangements/ study opportunities for students from Scotland and China.
- Examples of Higher Education partnerships:
 - **The University of Edinburgh** hosts the Scottish Centre for Chinese Studies which links China-related research to other higher education institutions in Scotland.

- The **University of Glasgow-Nankai University** Joint Graduate School. Founded in 2014 it provides students with a research-led education of the highest international quality across a range of subjects.
- **University of St Andrews** has signed a memorandum of agreement with Beijing's largest teaching hospital to provide student exchanges and scientific collaborations.
- There are five Confucius Institutes in Scotland at Strathclyde, Glasgow, Edinburgh, Aberdeen and recently Heriot Watt University. Scotland has the most Confucius Institutes per head of the population in the world.

Culture and Tourism

- **Memorandum of Understanding** between the Chinese and Scottish Governments on greater collaboration across the **arts, creative industries, heritage and national collections** signed during the former First Minister's visit to China in 2011 and renewed in July **2015**, by the First Minister and Chinese Minister of Culture, Luo Shugang.
- **Tourism** (statistics from International Passenger Survey, 2016):
 - Total visits 2016 - 41,000 trips
 - Total nights 2016 - 498,000
 - Total spend 2016 - £36 million
- Scotland currently accounts for almost a fifth (17%) of all Chinese visitors to the UK. The rise in visitors from China to Scotland and the UK is expected to be driven by the young adult traveller. In 2016, half of Chinese visitors to the UK were aged between 25 and 44. **China is an important and growing market for the Scottish tourism sector with Edinburgh the most popular UK destination after London.**

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. In December 2013, visitors to the pandas surpassed the 1 million mark.
- The Royal Botanic Garden Edinburgh (RBGE) has a long history of working with China, dating back more than 100 years.
- RBGE has hosted visits from senior Chinese leaders including former President Hu Jintao.
- 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 annually shows Chinese plants to over 900,000 visitors.
- 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.

FIRST MINISTER'S 2015 VISIT TO CHINA

The First Minister visited mainland China and Hong Kong from **26 to 31 July 2015** to promote Scottish innovation and deliver a programme covering education, culture, trade and investment, including oil and gas. During her time in the country, the First Minister promoted the work of 50 Scottish businesses and announced business partnerships between Scotland and China worth a total of £55 million over three years.

Government meetings

Beijing

State Councillor Yang Jiechi – discussed China's on-going focus on innovation and Scotland's expertise in areas such energy and low carbon technology, coupled with educational strengths that could be beneficial for both economies.

During the meeting with State Councillor Yang, the First Minister shared the key message of her earlier speech to the Chinese Friendship Association: that women's rights and human rights both in China and in Scotland are a fundamental part of achieving greater equality and greater economic growth.

Minister for Culture, Luo Shugang - signed a renewal of the Cultural Memorandum of Understanding

Hong Kong

Chief Secretary Carrie Lam - discussed opportunities for economic collaboration between Hong Kong and Scotland. The meeting focused on Hong Kong's programme of constitutional reform and the shared challenges of in work poverty and meeting the needs of an older population.

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CHINA - DOMESTIC POLITICS

1. The Communist Party of China (CPC), not the Government, makes the decisions in China. The CPC is a Leninist authoritarian political party which dominates the Chinese political system. Founded in 1921, it came to power in 1949 after the Second World War and a four-year civil war against the KMT (Nationalist Party). Its organisational reach extends to villages, schools, factories and government departments across the country and it retains ultimate control over the levers of power: government, legislature, judiciary, media, army/security apparatus and state owned enterprises.
2. The CPC sets the ideological and policy approach and objectives which in turn are implemented by the various government and administrative organs. The line between the CPC and government is blurred and the administration is most aptly seen as a unitary 'Party-state'. The CPC has a ubiquitous presence at all levels.
3. The key organs in the CPC are the **Party Congress**, the **Central Committee**, the **Politburo** and the seven-man **Politburo Standing Committee**. Power is concentrated in the latter which is the apex of the political system. Its members include President and Party Secretary Xi Jinping and Premier Li Keqiang.
4. The Central Committee is in theory responsible for electing the Politburo and the Politburo Standing Committee. In reality the make-up of these bodies is decided in advance. The Central Committee meets once a year in sessions known as plenums. Its members are the elite of Chinese politics.
5. Whilst the Party retains control over the direction of policy, it is the Government in China which implements it. China's Government is effectively split into two parts – a system of ministerial organisations and a system of geographic organisations. **The highest government administrative body is the State Council**. Akin to the Cabinet in the UK, this is chaired by the Premier, has 35 members and meets every six months. Affairs of the State Council are managed by its General Office. It sits at the top of a complex bureaucracy of commissions and ministries and is responsible for making sure policy is implemented from national to local level. It maintains an interlocking membership with the top levels of the CPC, creating a fused centre of power.
6. Nominally answering to the National People's Congress (national legislature), the State Council submits legislation and measures which the NPC then approves. 80% of legislation made in China is formulated by Government. The State Council's most important roles are to draft and manage the national economic

plan and the state budget. When legislation has been passed, it is implemented by Ministries, State Bureaus and Organisations under the State.

Party Congress (Nov 2017) and National People's Congress (March 2018)

Constitutional and Personnel Change

7. As well as the unanimous election of Xi Jinping to a second term as President, the recent National People's Congress also introduced a number of amendments to the state constitution, most notably to remove the two-term limit of President and Vice-President. This will allow Xi Jinping to lead China beyond 2022, supporting Xi's credentials as China's strongest leader in decades and reinforces his firm grip of the Party.
8. This limit was introduced when the state constitution was enacted in 1982 as part of Deng Xiaoping's political reforms, intended to limit Chinese leaders to 10 year terms and avoid the risk of an autocratic leader gaining unlimited power like Mao.
9. "Xi Jinping Thought" (coined as "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era") will also be written into the constitution preamble. Xi Jinping's key ideas, including the "rejuvenation of the Chinese nation" and Xi's flagship foreign policy mantra: the "Community of Common Destiny for the future of mankind", as well as ideas that were introduced at the 19th Party Congress, turning China into a "prosperous, democratic, culturally advanced, harmonious, and beautiful" country, will also be included.
10. This places Xi's ideological contribution on the same level as Mao Zedong, the founding father of the People's Republic of China.
11. The NPC also heralded a number of personnel changes (noted in the table below) and the biggest government restructure since 2008. Key changes include:
 - Seven new ministries, including a Ministry of Natural Resources, Ministry of Ecological Environment and Ministry of Agriculture and Rural Affairs. The influential National Development and Reform Commission (NDRC) will lose some of its power to these ministries.
 - A new State Administration of International Development Cooperation will take charge of China's aid programmes overseas, including on the Belt and Road. The administration will facilitate overseas aid as an "important tool for major power diplomacy".

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**Appointments of State Leaders at the National People's Congress
19th March 2018**

TABLE 1: STATE LEADERS

(new incumbents and those who have met SG Ministers highlighted)

Position	Previous Incumbent	NPC March 2018
State President	Xi Jinping	Re-appointed
Vice President	Li Yuanchao (retired)	Wang Qishan , former Party Secretary of Central Commission for Discipline Inspection
Premier	Li Keqiang Former FM met with Li Keqiang when he was Vice Premier	Re-appointed
Vice Premiers	Zhang Gaoli (retired)	Han Zheng , former Party Secretary of Shanghai
	Liu Yandong (retired) FM met with Liu Yandong in December 2017	Sun Chunlan , former head of United Front Work Department Mme Sun Chunlan is now the only woman in a top political position in China, taking that designation from Liu Yandong. Mme Sun is one of two possible high level politicians the FM may meet – we're finalising this with the Friendship Association.
	Wang Yang (promoted)	Hu Chunhua , former Party Secretary of Guangdong. Mr Hu visited Edinburgh in June 2017 and was hosted at Edinburgh Castle by Keith Brown. Mr Hu is one of two possible high level politicians the FM may

		meet – we're finalising this with the Friendship Association.
	Ma Kai (retired)	Liu He , former Vice Chairman of the NDRC
State Councillors	Chang Wanquan (retired)	Wei Fenghe , also Minister of Defence, former Vice-Minister of Defence
	Yang Jiechi (promoted to Politburo Oct 2017) FM met Mr Yang during her 2015 visit to China	Wang Yi , also Minister of Foreign Affairs
	Guo Shengkun (promoted to Party Secretary of Central Committee of Political and Legal Affairs)	Zhao Kezhi , also Minister of Public Security
	Wang Yong	Re-appointed
	Yang Jing (disciplined and demoted in Feb 2018)	Xiao Jie , former Minister of Finance
State Council Secretary General	Yang Jing (as above)	Xiao Jie (as above)
Chairman of National People's Congress	Zhang Dejiang (retired)	Li Zhanshu
Chairman of Chinese People's Political Consultative Conference	Yu Zhengsheng (retired)	Wang Yang , former Vice Premier
Chairman of the new National Supervision Commission	NA – new department	Yang Xiaodu , former head of Ministry of Supervision
President of Supreme People's Court	Zhou Qiang	Re-appointed
President of Supreme People's Procuratorate	Cao Jianming (retired)	Zhang Jun, former Minister of Justice

TABLE 2: CABINET MINISTERS (new incumbents highlighted)

Department	Previous Incumbent	NPC March 2018
Ministry of Foreign Affairs	Wang Yi	Re-appointed
Ministry of National Defence	Chang Wanquan	Wei Fenghe , former Vice-Minister of Defence
National Development and Reform Commission	He Lifeng	Re-appointed. Also elected Vice Chairman of CPPCC
Ministry of Education	Chen Baosheng Met FM at meeting with Vice Premier Liu Yandong during P2P (Edinburgh, Dec 2017)	Re-appointed
Ministry of Science and Technology	Wan Gang	Wang Zhigang , former Vice Minister of Science and Technology
Ministry of Industry and Information Technology	Miao Wei	Re-appointed
State Ethnic Affairs Commission	Bate'r	Re-appointed
Ministry of Public Security	Zhao Kezhi	Re-appointed. Also appointed as State Councillor
Ministry of State Security	Chen Wenqing	Re-appointed
Ministry of Supervision (merged with Supervision Commission)	Yang Xiaodu	--
Ministry of Civil Affairs	Huang Shuxian	Re-appointed
Ministry of Justice	Zhang Jun	Fu Zhenhua , former Vice Minister of Public Security
Ministry of Finance	Xiao Jie	Liu Kun , former Vice Minister of Finance
Ministry of Human Resources and Social Security	Yin Weimin	Zhang Jinan , former head of Central Institutional Organization Commission
Ministry of Natural Resources (formerly Ministry of Land and Resources)	Jiang Daming	Lu Hao , former governor of Heilongjiang

Ministry of Environmental Protection	Li Ganjie	Re-appointed
Ministry of Housing and Urban-rural Construction	Wang Menghui	Re-appointed
Ministry of Transport	Li Xiaopeng	Re-appointed
Ministry of Water Resources	Chen Lei	E Jingping , former head of the South-North Water Diversion Project
Ministry of Agriculture and Rural Affairs	Han Changfu	Re-appointed
Ministry of Commerce	Zhong Shan	Re-appointed
Ministry of Culture and Tourism (formerly Ministry of Culture)	Luo Shugang	Re-appointed FM met during 2015 visit and will do so again this visit
National Health Commission (formerly National Health and Family Planning Commission)	Li Bin	Ma Xiaowei , former deputy head of National Health and Family Planning Commission
Governor of the People's Bank of China	Zhou Xiaochuan	Yi Gang, former Deputy of the People's Bank of China
Auditor-General of the National Audit Office	Hu Zejun	Re-appointed
Ministry of Veterans Affairs	NA – new ministry	Sun Shaopin , former Vice Minister of Land Resources
Ministry of Emergency Management	NA – new ministry	Wang Yupu , former Director of the State Administration of Work Safety

Key Facts

1. *Urbanisation:* McKinsey believes that China's economic transformation is happening at **100 times the scale** of the first country to urbanise – the UK – and at **10 times the speed**. Since 2000, China has built **residential property** equivalent to the housing stocks of the UK, France and Germany combined.
2. *Consumption:* **China has the world's largest e-commerce market**. Chinese consumers spent around \$550 billion online in 2016, outstripping the around \$350 billion spent in the U.S. China's e-commerce spending continues to grow at over 10 percent annually (**Source:** McKinsey).
3. *GDP per Capita:* According to the World Bank, **China's GDP per capita in 2016 was \$8,260, putting** it in the upper middle income bracket, alongside countries such as South Africa and Columbia.
4. *Wealth:* According to Forbes, **in 2016 China had 400 \$ billionaires** *Health:* China spent 5.6% of its GDP on health in 2015.
5. *Science & Innovation:* China put £134bn of funding into R&D in 2014, 76% of which was corporate R&D spend. **This represented 2.1% of China's GDP**. China will become the world's top science investor, ahead of the US, by the early 2019. China has the world's fastest Supercomputer; and by mid-2020 it will have the only full scale orbital space station.
6. *Climate Change:* **In 2013 China produced around 29% of global CO2 emissions** (Source: Netherlands Environment Assessment Agency). But China invested \$103 billion in clean energy in 2015, up from \$54 billion in 2013. The current five year plan has the goal of reducing carbon intensity by 18% by 2020, and the increasing the share of renewable energy consumed to 15%.
7. *Tourism:* **41,000 Chinese tourists visited Scotland in 2016**, an increase of 192% since 2007. Chinese tourists contribute £513 million annually to the UK economy. Total spend by Chinese visitors to Scotland has increased by 414% from £7 million to £36 million since 2007.
8. *Education:* In 2016-17 there were **9,415 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.
9. *Education:* **18 Higher Education Institutions** now have **academic and research links** with Chinese HE Institutions offering mutually beneficial research arrangements/ study opportunities for students from Scotland and China.

Beijing

Population: 21.7 Million

With a land area of 6,487 square miles (16,801 sq km),

Governance

- Beijing is the capital of the People's Republic China and the seat of political power.
- It is one of the four municipalities directly under Central Government control and has the second largest urban population.
- Key senior politicians include Mayor Chen Jining and Party Secretary Cai Qi

Congestion and Population Management

After several years of rapid population growth, by the end of 2016, Beijing had almost 22 million permanent residents. With the city stretched to capacity and facing perennial pollution, the Mayor Chen Jining and Party Secretary Cai Qi are progressing plans to relocate non-capital functions to Xiong-an New Area, a purpose built city in neighbouring Hebei, and discouraging unregistered migrant workers to attempt to hold population growth to below 23 million up to 2020.

Beijing was the first city in China to require emissions standards to be implemented on its cars, and strict limits placed on access to city roads. 2017 saw a massive increase in the number of bicycles on the streets with the introduction of share bikes (Mobike and OfO), reestablishing Beijing as one of the bicycle capitals of the world.

Economic Development

Beijing continues to see steady economic development. GDP in 2016 was CNY 2.5 trillion (approx. £283 Billion), putting it on par with Austria, UAE and Norway. Beijing features a strong service economy at 80.3% of the total GDP. Also supporting economic growth is a projected CNY 40 billion sports industry; and tourism. In 2016, 285 million tourists visited Beijing, 4.6% more visitors year on year.

Beijing has a very low official unemployment rate of 1.4%. However, this does not take into account the several million unregistered migrants living in Beijing, who supply the low-income labour market.

UK focus

In Beijing, British expats (approx. 19,000) are mainly employed in the information technology, telecommunication, education and finance sectors in researching, management and marketing positions.

Shanghai

Population: 24 million

Governance

- Shanghai is one of the four municipalities directly under Central Government control and divided into 16 districts
- Li Qiang is the Communist Party of China Shanghai Municipal Committee Secretary and outranks the mayor of Shanghai, currently Ying Yong

Climate Change

- As a city vulnerable to rising sea levels and extreme weather, Shanghai's leadership has expressed determination to play a role in meeting the global challenge of climate change
- Shanghai will peak emissions by 2025 (five years earlier than China's national target) and then reduce emissions by 5% by 2035
- Shanghai will build new flood defences to increase city resilience and consider the feasibility of a Huangpu River Barrier

Economy

- 2018 marks 40 years since the commencement of Reform and Open Up in China
- Policies of 'Reform and Open Up', together with a state-sponsored building boom beginning in the 1980s facilitated Shanghai's rapid transformation and development
- Shanghai has risen sharply up the Global Financial Centres Index, from 21st in 2015 to 6th as of September 2017
- In 2017, the city's GDP was CNY 3.01 trillion (GDP 337 billion)
- In 2016, 70.5% of Shanghai's GDP was attributed to services industries, above all financial services, retail and wholesale and real estate
- The fastest developing sectors are financial services and information industry with annual growth rate of 12.8% and 15.1% respectively
- Shanghai is the base for the vast majority of UK businesses in China and key areas of collaboration include skills, financial services and R&D
- The city's 13th five year plan, running to 2020, focuses on increasing manufacturing competitiveness
- Strategic and emerging industries are to comprise above 20% of the city's GDP by 2020
- On trade, city authorities seek to better integrate the city into global supply chains
- Party Secretary Li has committed to "stepping up efforts to streamline services and facilitate innovation in its pilot free trade zone with an aim to building Shanghai into a global center for economy, finance, trade, shipping, as well as scientific and technological innovation."

Hong Kong

Population: 7.5 million

Governance

- Former Chief Secretary Mrs Carrie Lam was sworn in as Hong Kong's first female Chief Executive on 1st July 2017
- The CE has no popular mandate, being selected by a small circle election and appointed by Beijing

[REDACTED]

4. MOU WITH SINOFORTE (from FMQ 29 March 2018)

BACKGROUND

- Following an introduction from the Chairman of the Asia Scotland Institute, Roddy Gow, and discussions with officials over 3-4 months, the First Minister signed an MoU with Sinofortone and China Railway No. 3 Engineering Group (CR3) on 21 March 2016 regarding potential investment in Scotland.
- Although the MoU involved no legal, contractual or funding commitment on behalf of the Scottish Government it attracted significant and on-going media and political (especially Willie Rennie MSP) scrutiny and criticism of the human rights and corruption record of CR3's parent company, China Railway Group, and the credibility or otherwise of Sinofortone and associated individuals. Large quantities of material was released in response to FoI requests.
- Although significant concerns were raised there was no evidence to suggest the direct involvement of CR3 or Sinofortone in human rights abuses:
 - Reports by the Norwegian Council on Ethics and Amnesty International make very serious accusations against China Railway Group and the Congo International Mining Corporation respectively, but do not cite CR3.
 - CR3 is one of 46 subsidiaries of the China Railway Group. There is no reference to CR3 in the Amnesty International Report and CR3 is not on the World Bank's list of companies sanctioned from bidding for contracts under the bank's fraud and corruption policy.
 - There was no evident reference to allegations of corruption or human rights abuses by CR3 on the websites and associated reports of the

- In parliament on 22 March 2018, Willie Rennie (North East Fife) asked:

Next month, the First Minister is off to China for her first visit since the so-called "Scottish shambles", when she was so easily duped into signing up with two Chinese companies that were offering £10 billion, although all they owned was a pub in Buckinghamshire and a suspect human rights record. When the economy secretary apologised last year, he promised a new human rights assessment process. Where is it? How many times has it been used?

The First Minister responded that:

I was reading an update on that issue a couple of days ago. The economy secretary will come forward with an update in due course. I am delighted to be visiting China in the Easter recess. The trip has been endorsed and welcomed by the Scottish Chambers of Commerce, the Scotch Whisky Association and, no doubt, others. I will be in China promoting Scotland and the Scottish economy. I will tell members what I will not be doing in China: I will not be mentioning Willie Rennie. If it was up to Willie Rennie, or if people listened to Willie Rennie, nobody would want to invest in Scotland, because all that he does is talk down Scotland and the Scottish economy.

TOP LINES

- **The Scottish Government condemns human rights abuses and corruption wherever it occurs and is fully committed to the UN Guiding principles on Business and Human Rights**
- **The Scottish Government has learnt from the experience of the MoU and is taking steps to ensure that, in line with our commitment to Parliament, investment agreements are only signed where appropriate due diligence, including on the human rights record of companies involved, has been undertaken.**
- **There has been no contact with Sinofortone or CR3 since September 2016. At no point did the Scottish Government enter into any legal or financial commitments with Sinofortone.**

- **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.**
- **We do not see a choice between securing growth and investment in Scotland, and raising human rights. Our experience is that political freedom and the rule of law are vital underpinnings for both prosperity and stability and that, by having a strong relationship with China, we are able to have open discussions on a range of difficult issues.**

We have learnt from the experience of the MoU and, in line with our commitment to Parliament, are taking steps to ensure investment agreements are only signed where appropriate due diligence, including on the human rights record of companies involved, has been undertaken.

- On 29 March 2017, the Cabinet Secretary for Economy, Jobs and Fair Work made clear to Parliament that the Scottish Government regretted that the signing of the MoU had given rise to concerns and that we would take account of these concerns in the future.
- We responded to over 50 parliamentary questions relating to the MoU and extensive information on the MoU was made public
- Following consideration of international, EU, UK and Scottish approaches to due diligence and human rights, the next update of the Scottish Public Finance Manual will include specific advice on the need to undertake due diligence in respect of human rights.
- The Scottish Public Finance Manual provides guidance to the Scottish Government and its agencies on the proper handling and reporting of public funds and promotes good practice and high standards of propriety. As the Manual and associated guidance notes are binding on the Scottish Government and its agencies it is the most effective mechanism for embedding consideration of human rights issues in to relationships with investors.

There has been no contact with Sinofortone or CR3 since September 2016 and at no point did the Scottish Government enter into any legal or financial commitments with Sinofortone.

- There has been no engagement with Sinofortone or CR3 and no contact with Dr Peter Zhang or Sir Richard Heygate since September 2016.
- Ministers last direct contact with Dr Peter Zhang or Sir Richard Heygate was at the signing of the MoU in March 2016.

- The MoU was about developing a working relationship to explore possible investment. It made no legal, contractual or funding commitments and was absolutely clear that any investment would be subject to Scottish and EU law.
- If projects involving the Government had arisen from the MoU, the Government would have carried out full due diligence and the Scottish Parliament would have been able to scrutinise those projects - and if there were concerns, the projects would not have happened.

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.

- With over 2,300 foreign-owned companies employing circa 317,000 staff and realising a combined turnover of £92 billion, FDI plays a vital role in Scotland's economy.
- The 2017 Ernst and Young Annual Attractiveness Survey (May 2017), reported that during 2016 Scotland secured 122 FDI projects (more than any part of the UK outside London) and attracted more R&D projects than any other UK region, including London.
- China is now a top 5 source of inward investment to Scotland. (EY – 2017)
- A wide range of Chinese companies are making an important and positive contribution to the Scottish economy. For example:
 - Chinese tourism group Ctrip bought Edinburgh-based online search company Skyscanner for £1.4bn in Nov 16. Ctrip's size, insights and technology will help to grow the company further on a global scale.
 - Major Chinese State Owned Enterprise's State Development Investment Corporation Power Holdings (SDIC) and China Three Gorges (CTG) have made significant investment in Scottish offshore wind projects. SDIC opened subsidiary – Red Rock Power Ltd – in Edinburgh from which they will seek further investment opportunities in Scotland.
 - Chinese game company Skymoons set up a game studio with 21 jobs in Edinburgh in February 2017. It is the first game studio set up by Chinese company in Scotland.
 - Chinese internet tech giant Tencent made strategic licence partnership investment in Scottish indoor mapping solution company Sensewhere in April 2015, using the Scottish software in Tencent Maps.
 - Chinese NOCs CNOOC and Sinopec subsidiaries own around 23% of UK O&G infrastructure
 - Petrochina JV with INEOS owns and operates Grangemouth refinery
 - Chinese company Jereh Oilfield Services Group has 5% stake in Aberdeen-based wellhead equipment manufacturers Plexus

RECENT UK MINISTERIAL VISITS TO CHINA

Prime Minister – 29 January – 1 February 2018

The Prime Minister visited China (Wuhan, Beijing and Shanghai) for three days in a trip intended to build on the existing ties between the UK and China. The Prime Minister's visit intended to intensify the "Golden Era" in UK-China relations, which was heralded by President Xi's State Visit to the UK in 2015.

The Prime Minister was accompanied by the Secretary of State for International Trade, who headed up a large multi-sector business delegation.

She had meetings with President Xi and Premier Li. People-to-People (P2P) links (particularly on culture, education and language) were at the forefront of discussions. There was also a desire to re-position and raise awareness of the P2P dialogue.

She announced the signings of £9 billion in business trade deals, creating 2,600 UK jobs, and that China's markets would be further opened to Britain, including beef, dairy and other food products. The leaders also discussed a free trade deal and agreed to hold more talks on the Belt and Road Initiative (BRI),

She also, in Wuhan, announced new education links with China in the form of an initiative which includes the extension of a Maths teacher exchange programme and a campaign to promote English language learning in China. Deals in education worth over £700 million were delivered, as well as nearly £300 million in creative deliverables.

Secretary of State for Scotland, David Mundell – 12-13 February 2018

David Mundell promoted the GREAT Festival of Innovation; underlined UK commitment to Hong Kong; heard from senior representatives of the business community and paid his respects to the fallen at the Sai Wan War Cemetery. There was progress on proposed Ministerial statement at the GREAT Festival underlining both sides' commitment to the Strategic Dialogue on Trade Partnership (SDTP) and an invitation from the Hong Kong Government for the UK to send a Minister to their Belt and Road Summit in June.

HUMAN RIGHTS

- The Scottish Government is committed to creating a modern, inclusive Scotland which protects, respects and realises internationally recognised human rights; to embedding equality, dignity and respect in everything we do; and to working with the whole of society to deliver a shared vision of a Scotland where everyone can live a life of human dignity.
- The First Minister's Advisory Group on Human Rights Leadership will work independently of government to develop recommendations on how Scotland can continue to lead by example in human rights. It will report by the end of 2018.
- The 2017-18 Programme for Government contains commitments relating to: social security, child poverty, raising attainment, gender equality, disabled people's rights, fair work, tackling prejudice and preventing ill health.
- We will conduct an audit on further embedding the principles of the UN Convention on the Rights of the Child into policy and legislation.

Human rights – globally

- As a good global citizen, we are committed to securing democracy, the rule of law and human rights across the world.
- Through dialogue, SG seeks to promote international human rights standards in a manner that has practical impact. We demonstrate leadership and share practical experience of a human rights approach to policy-making and delivery.
- The FM met Amnesty International prior to her visit to China.
- International engagement presents an opportunity for the SG to share its experiences across a range of policy areas (*see annex below*).

China – [REDACTED]

- China has signed the same seven core UN human rights treaties as the UK. However, it has not signed certain optional protocols that the UK has signed – for example, on the abolition of the death penalty, and on a system of independent visits to monitor places of detention.
- "Respect for Human Rights and the Rule of Law" is one of the four guiding principles of our China Strategy.
- In 2015, in a speech at the Chinese People's Association for Friendship with Foreign Countries in Beijing, the FM stated that equal rights for women are the key to sustainable economic growth for Scotland and China. The speech was welcomed by Amnesty as a "significant statement of support for equality and human rights in Beijing."
- Human rights and equality also featured when the FM met Chinese Vice Premier Liu Yandong in Edinburgh in December 2017.

Gender equality

- The First Minister's Advisory Council on Women and Girls will play a key leadership role in raising awareness and act as a catalyst for change.
- The SG is taking forward a range of measures to reduce the gender pay gap:
 - transforming our childcare offer
 - working with the Equality and Human Rights Commission to challenge persistent pregnancy and maternity discrimination
 - leading by example and using the levers at our disposal to improve and raise awareness of the benefits of gender balance at senior levels: through the Gender Representation on Public Boards (Scotland) Act 2018; Partnership for Change 50/50 by 2020 campaign, and a gender balanced cabinet

Promoting fair work

- The SG fully supports the real Living Wage and the benefits to our economy of treating people who work more fairly.
- In 2015, SG established the Fair Work Convention and fully endorses the vision in its Framework (2016) for fair work to be embedded in all workplaces by 2025.
- The SG has embedded fair work within our Economic Strategy (2016) and our Labour Market Strategy (2016), and placed fair work as an important component within the Enterprise and Skills Review and its implementation.
- Public bodies must consider statutory guidance on *Addressing Fair Work practices, including the Living Wage, in Procurement* for all regulated contracts.
- The Scottish Business Pledge is a partnership between business and government with a focus on fair work, workforce engagement and development.

Business and human rights

- The **UN Guiding Principles on Business and Human Rights** (UNGPs), are based on a framework of *state duty* to protect human rights; *business responsibility* to respect human rights; and the *requirement for remedy*.
- SG is working with a range of partners to implement the UNGPs in Scotland.
- **Inclusive Growth** is a core priority of our Economic Strategy, which sets out mutually supportive pillars of increasing competitiveness and tackling inequality.
- SG is working with partners to drive this agenda across a range of areas:
 - investments in early years and expanding the free **childcare provision**
 - improving **educational attainment**, e.g. the Scottish Attainment Challenge
 - implementing recommendations on **Widening Access to Higher Education**
 - improving quality of workplaces - **Business Pledge, Fair Work Convention**
 - implementing our **Labour Market Strategy**
 - building the approach into **planning and regeneration**, through the National Planning Framework and in city deals and local authorities activities
 - improving **population health** - support for people with health conditions or disabilities and their carers to stay in or return to work

- **Enterprise and Skills Review** to ensure that public agencies are delivering the support that young people, universities, colleges and businesses need
- In March 2017, the Cabinet Secretary for EJFW made a commitment that **investment agreements** are only signed where appropriate due diligence, including on relevant companies' human rights records, has been undertaken.
- Officials have considered existing **due diligence** processes and international approaches. Work is in hand to formalise the need for the SG and its agencies to undertake appropriate due diligence on human rights by including instruction in the Scottish Public Finance Manual and providing associated guidance.

SG Initiatives That Demonstrate Human Rights Commitment

- **Human rights** – First Minister's Advisory Group on Human Rights Leadership.
- **Children's rights** – audit on further embedding the principles of the Convention on the Rights of the Child into policy and legislation. Ministers have a statutory duty to consider and report on how they might better take forward children's rights, taking account of the views of children and young people.
- **Racial discrimination** – published a Race Equality Framework and action plan.
- **Gypsy/Travellers** - established a Ministerial Working Group.
- **Gender equality** – Advisory Council for Women and Girls.
- **Disabled people** – published *A Fairer Scotland for Disabled People*.
- **British Sign Language** - published the first National Action Plan on BSL.
- **Poverty and social justice** – £100 million every year to mitigate UKG welfare reform; *Fairer Scotland* action plan; new Fairer Scotland Duty; Child Poverty Act 2017 establishes ambitious statutory targets for reducing child poverty by 2030.
- **Social security** – the 7 core principles established in legislation and the Social Security Charter will recognise that social security is a right, essential for the realisation of all other rights.
- **Housing** - investing over £3 billion to deliver at least 50,000 affordable homes over this Parliament (35,000 for social rent).
- **Homelessness** - a Homelessness and Rough Sleeping Action Group and an Ending Homelessness Together Fund (£50 million over five years from 2018-19).
- **Raising attainment** - Attainment Scotland Fund to provide £750 million.
- **Higher education** - paying tuition fees for eligible full-time Scottish domiciled and EU students; bursaries and loans; and a minimum income guarantee.
- **Mental health** – a ten-year strategy and an additional £150 million over five years; commitment to work towards parity between mental and physical health.
- **Violence against women and girls** – *Equally Safe* delivery plan.
- **Human trafficking and exploitation** – strengthened criminal law; a strategy to support victims, disrupt perpetrators' activities, and address wider issues.
- **Asylum seekers and refugees** - (second) *New Scots* strategy 2018-22 to empower people to know their rights and how to exercise them.

- **Conditions in detention** – Scotland’s annual average prison population has fallen. The presumption against short prison sentences will be extended from three months to cover sentences of 12 months or less.
- **Minimum age of criminal responsibility** – introduced the Age of Criminal Responsibility (Scotland) Bill to increase the age from which a child can be held criminally responsible from 8 to 12 years old.
- **Physical punishment of children** – the SG intends to support the proposal, in a member’s Bill to be introduced by John Finnie MSP, to remove an existing defence and ban all forms of physical punishment of children.

[REDACTED]

CULTURE

- On 28 July 2015, First Minister Nicola Sturgeon and Luo Shugang Chinese Minister of Culture renewed the **MOU on cultural collaboration** in Beijing. The renewed MOU was broadly similar to that signed in 2011 with more emphasis on digital; skills development for the performing arts; and co-operation in safeguarding heritage, archaeological research and museum interactions. At the same time, Fergus Linehan, Director of **Edinburgh International Festival** signed an **MOU with the Chinese International Culture Association**.
- During the P2P UK/China visit in December 2017, Vice Premier **Liu Yandong** visited Edinburgh and **attended a cultural conversation** event at the National Gallery of Scotland along with Ms Hyslop. As part of the P2P, **Edinburgh Festivals** signed an MOU with the **Shanghai International Festival** in London.
- The Royal Edinburgh Military Tattoo (**REMT**) is undertaking series of 'off-shore' performances, including Australia (Melbourne) and New Zealand (Wellington) in February 2016. [REDACTED]
- The **Edinburgh International Festival** [REDACTED] will sign an MOU with Shanghai Arts Festival for 'Rites of Spring' during First Minister's visit.
- As part of Year of History, Heritage and Archaeology, two replica terracotta warriors were on display at Stirling Castle in September after being presented to Scotland by Chinese cultural counterparts.
- [REDACTED]

Chinese Government – culture priorities

Opening up its cultural industry for foreign collaboration and increasing international culture exchange from 2016-20. "Going global" is the key word – promoting Chinese culture and messaging around the world. Chinese cultural enterprises are encouraged to invest abroad and set up joint ventures with international media groups. Foreign companies are also encouraged to conduct cultural R&D activities and outsource services in China.

'Going global' is just one dimension of China's ongoing cultural reform. The Party-state is promoting the Chinese Dream discourse – namely, the nation's rejuvenation.

EDUCATION – SCHOOLS

Confucius Institute for Scotland's Schools (CISS) Awards and Classroom Hubs

- In 2013 the Confucius Classroom Hub in East Renfrewshire won Global Confucius Classroom of the Year Award
- 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 2015, Leith Academy in Edinburgh won the Global Confucius Classroom of the Year Award.
- In October 2017 CISS were awarded Model Institute status by Hanban.
- There are currently 47 Confucius Classroom Hubs in Scotland – 22 secondary school, 21 primary school and 4 specialist hubs.

Hanban

- Confucius Institute Headquarters, Hanban, is a public institute affiliated with the Chinese Ministry of Education committed to the worldwide provision of Chinese language and cultural teaching through a network of Confucius Institutes and Confucius Classroom Hubs worldwide.
- Hanban make funding available for schools and institutions to establish Confucius Classrooms.
- The Confucius Classroom Hub network in Scotland is unique in that it is centrally managed and coordinated by CISS.
- FM met former Director General of Hanban Madam Xu Lin during her visit to Beijing in July 2015.

CISS - funding

Scottish Government provides annual grant funding of £754,000 to CISS. This has remained the same for the last four years and will remain at this level for 2018-19.

Each Hub receive \$10,000 US dollars annually from Hanban (£8,200). Hanban solely fund the primary hubs.

In 2017-18, due to the new primary hubs coming on board, all hubs will receive £8,200 per annum for the running costs of the Confucius Classrooms (except for Shetland which will receive a Scottish Government top-up to £12,000 to allow for additional costs due to geographical location). Scottish Government funding contributed more to hub projects in this year.

HIGHER EDUCATION

In line with the higher education objectives of the China Plan, the Scottish Government is committed to:

- developing bilateral university collaboration and developing shared lifelong learning opportunities; and
- increasing research and development projects and programmes.

Top Line

- Scotland welcomes international students and recognises the important and valuable contribution they make to the Scottish economy and to Scottish society.

KEY ISSUES:

- In 2016/17 there were **8475** Chinese students studying at Scottish HEI's
- In 2016/17 there were **940** students from Hong Kong studying at Scottish HEI's (source: HESA January 2018)

There are now **five Confucius Institutes** in Scotland (at Strathclyde, Glasgow, Edinburgh, Aberdeen and Heriot Watt) that promote Chinese language and culture, support local Chinese teaching internationally, and facilitate cultural exchanges.

Generation UK is a British Council campaign that supports and encourages outward mobility of British students. Generation UK China was launched in 2013 and aims to grow the number of UK students who have participated in study or internships to China by 80,000 by 2020. Generation UK China supports the SG in delivering its international framework and engagement strategy between Scotland and China. A total of 30 Scottish students were awarded funding between April 2016-March 2017.

Connected Scotland is a partnership between Universities Scotland, British Council Scotland, Scottish Enterprise, Highlands and Islands Enterprise, the Royal Society of Edinburgh (RSE), Scottish Development International, the Scottish Funding Council, and the Scottish Government to support the development of international opportunities around transnational education, collaborative research and knowledge exchange, and international student recruitment and mobility. **China** is an early priority in the first three year plan.

The **University of Glasgow**-Nankai University Joint Graduate School. Founded in 2014 with the approval of the Chinese Ministry of Education, its mission is to provide

the students with a research-led education of the highest international quality across a range of subjects.

In 2014, the Adam Smith Business School at the University of Glasgow joined with Nankai University to form a Collaborative Innovation Centre for Chinese Economy. The same year the Joint Graduate School was established to provide opportunities for students to study jointly-delivered programmes in China.

Edinburgh University hosts the Scottish Centre for Chinese Studies which serves as a platform to link China-related research at Edinburgh University to other higher education institutions in Scotland. The Centre organises interdisciplinary research seminar series, and hosts the interdisciplinary Master of Chinese studies programme.

University of St Andrews signed a memorandum of agreement with Beijing's largest teaching hospital. The Biomedical Sciences Research Complex and the School of Medicine with a view to offering student exchanges and scientific collaborations. The PLAGH, also known as Beijing 301 Hospital, is the largest teaching hospital in Beijing and was ranked as the best hospital in China in 2016.

The University of Dundee has strong partnerships with leading Chinese institutions to promote international excellence in higher education and provision of cultural and intellectual enrichment opportunities for staff and students of both parties. Partner institutions in China include: University of Science and Technology Beijing; China University of Petroleum Beijing; Beijing Institute of Technology; NEU Qinhuangdao Campus Tianjin University; Hohai University, Hebei University of Technology, Tianjin Medical University; East China University of Science and Technology

Strathclyde University enjoys excellent links with China and works closely with a number of Chinese institutions, engaging in joint research, knowledge partnerships and in running joint courses and articulation programmes. Education links include: China Academy of Launch Vehicle Technology (CALT) – Strathclyde University hosts the joint international space mechatronic systems technology research lab with the China Academy of Launch Vehicle Technology. This is the first time CALT has established a partnership with a university outside of China, Zhejiang University, Nanjing University, Fudan University, Wuhan University, Sichuan University, China Pharmaceutical University.

Glasgow Caledonian University forged a partnership with the **University of Jinan** in 2008 to allow students in Jinan to enrol on jointly designed programmes in engineering and finance to prepare them to complete their third and fourth year of studies in Glasgow. A Co-operation and Exchange Agreement between **East China University of Science and Technology (ECUST)** in Shanghai allows students from the third year of ECUST degrees in engineering and computing programmes to complete the final year of their studies at GCU

GCU's partnership with **Communication University of China** allows students to join Master's programmes in Glasgow School for Business and Society. The agreement also allows the institutions to cooperate in joint research programmes in business. CUC was established in Beijing more than 50 years ago and is one of the 211 Project key universities directly administered by the Ministry of Education.

ENERGY AND CLIMATE CHANGE

Top Lines

- Scotland is a world-leader on climate change, with sustained progress against ambitious targets and a commitment to strengthen these further with a new Bill.
- Scotland's statutory climate targets are already the most ambitious in the UK and our Bill proposals would place us at the forefront of international ambition.
- Our Climate Change Plan, together with our Energy Strategy and Climate Change Bill, will deliver a low-carbon transition for Scotland which promotes social inclusion and sustainable growth.
- Tackling climate change is an economic opportunity, and a moral imperative.

We support the Paris Agreement aspiration for global emissions to reach net-zero levels in the second half of the century.

- We recognise the need for clear signals and leadership and have committed to coming to an early decision on when we will aim to reach net-zero emissions.
- Other countries approach to reaching net-zero allows for substantial use of international credits. Scotland's progress to date has been purely domestic.

Our Bill proposals do not represent any "slowing down" of ambition, they increase the levels of the 2009 Act targets for 2020, 2030 and 2050.

- Very few other countries have put any emission reduction targets in legislation, much less a statutory target for each and every year.
- We will publish our response to the full range of consultation activities shortly, and introduce a Bill to Parliament later this year.

Scotland has met its annual emissions reduction target for the second successive year.

- Scotland is on track to meet its world-leading interim 2020 target of a 42% emissions reduction [from baseline levels].
- Scotland continues to outperform the UK in delivering long-term emissions reductions. In the EU-15, only Sweden and Finland have done better.

Our Climate Change Plan [published 28 Feb] sets out the bold actions needed to continue driving down Scotland's emissions, towards a reduction of 66% by 2032.

- The Plan includes a package of transformative policies and proposals across transport, heat, electricity generation and energy efficiency.
- It incorporates recommendations from four Parliamentary Committees, the Committee on Climate Change and stakeholder feedback.

Climate Change Plan key actions:

- **AGRICULTURE:** We will work with farmers, crofters and land managers to maximise efficiency and lower the emissions intensity of Scottish produce.
- We intend to fully explore the potential for voluntary measures in the agriculture sector before considering any change in approach.
- **SOIL TESTING:** If we are not making progress on soil testing by 2020, we will look into providing incentives.
- **HEAT:** We have set ambitious targets in line with Committee on Climate Change advice on what can credibly be achieved.
- **TRANSPORT:** We are phasing out the need to purchase a new petrol or diesel powered car or van by 2032, a full 8 years ahead of the UK.
- We are doubling the budget for active travel and will soon create low emission zones in Scotland's four largest cities.
- **ENERGY EFFICIENCY:** With Scotland's Energy Efficiency Programme, we're investing half a billion pounds in energy efficiency.
- **ENERGY:** By 2032, renewables will be supplying over 50% of our energy needs in transport, heat and electricity consumption.
- **FORESTRY:** The Plan includes ambitious planting targets for forestry, increasing to 15,000 hectares by 2025.
- **LAND USE:** By 2030, we will have restored 250,000 hectares of degraded peatlands to health.

We are working towards a Just Transition to a low carbon economy.

- We will establish a Just Transition Commission to advise on adjusting to a more resource-efficient and sustainable economic model in a fair way.
- Our approach will be informed by international principles of Just Transition, including actively considering employment issues in climate policies.

We have published Scotland's first ever Energy Strategy which sets Scotland firmly on course for an inclusive, innovative and low carbon energy future.

- Our Strategy sets two new and ambitious targets for 2030:
 - The equivalent of 50% of Scotland's heat, transport and electricity consumption to be met from renewable sources, and
 - An increase of 30% in the productivity of our energy use across the Scottish economy.
- The Strategy takes a "whole system" view – across heat, transport and electricity.
- It also focuses on the need for an inclusive transition to our low carbon future, as well as the increasingly important role and potential of local energy systems.
- We have committed up to £80 million to give dedicated support for renewable and low carbon energy infrastructure and innovation in 2018-19.

Our new 2030 target of 50% of Scotland's energy needs to come from renewables demonstrates our commitment to a clean energy future

- In the first three quarters of 2017, renewable electricity in Scotland is 19% greater than the same period in 2016, and 10% greater than the same period in 2015.
- Scotland is on track for a record year of renewable generation in 2017.
- We currently have 9.7GW of operational projects and 11.5GW in the pipeline.
- Scottish renewable electricity makes up 24% of the UK renewable electricity output – leading the way in the generation of clean green power.
- We continue to move towards our 100% target for gross electricity consumption from renewable sources by 2020.

Oil and gas

- The Scottish Government remains committed to maintaining domestic oil and gas production and maximising economic recovery from the oil and gas fields in the North Sea and west of Shetland.
- At this stage in the transition, where all global energy systems continue to require hydrocarbons and cost-effective substitutes for oil and gas are not available, this is an economically prudent and environmentally sound position.
- Oil and Gas production from the North Sea is highly-regulated, with some of the most advanced and least polluting production methods in the world.
- Our commitment to helping maximise economic recovery from the North Sea will maintain Scotland's energy security throughout the energy transition.

Scotland is the home of energy innovation

- Scotland has abundant resources, exceptional experience, unrivalled support and strong ambitions. This makes us the ideal environment for the development and testing of offshore wind, marine energy and smart local energy solutions.
- World first projects such as:
 - MeyGen - the world's first utility scale tidal array;
 - The Shetland Tidal Array - the world's first community tidal array;
 - The ScotRenewables SR2000 turbine - the world's most powerful floating tidal energy device; and
 - Hywind Scotland - the world's first floating offshore wind farm.
- European Marine Energy Centre (EMEC) in Orkney: world's first and only purpose-built, accredited, open-sea testing facilities for marine renewable energy devices.
- Offshore Renewable Energy Catapult - UK's leading technology innovation and research centre. Its Demonstration Turbine is the world's most advanced, open access, offshore wind research turbine.
- **£20m** available 2018/19 for Energy Investment Fund to support renewable & low carbon energy solutions.
- Low Carbon Infrastructure Transition Programme supported over **50** low carbon projects with over **£48m** investment since establishment in 2015.

- Low Carbon Innovation Fund invest further **£60m** in innovative low carbon energy infrastructure solutions.
- Oil and Gas Technology Centre launched with **£180m** of funding
- Oil and Gas Innovation Centre matches companies with university researchers
- R&D grant funding of up to **70%** of total project costs (for inward investors).
- Tax relief for R&D activities & **10%** corporation tax for businesses commercialising a UK or EU patent in Scotland – **56%** below the normal rate (for inward investors).
- **£10m** ring fenced to reduce the risk of investing in innovation.

Chinese Government priorities - Climate change and energy

Significant reductions in the emissions of many pollutants, including a major air pollutant - volatile organic compounds – in its specific reduction goals (or “hard” targets). The total energy consumption by 2020 is required to remain under five billion tonnes equivalent of coal (the figure of 2015 was 4.3bn). Energy consumption and carbon dioxide emissions per unit of GDP will be reduced by 15% and 18% respectively from 2015 levels. China will likely achieve a 50% carbon intensity reduction by 2020 and overachieve with its non-fossil targets.

The period of 2016-20 marks a pivotal period for the state to ‘green’ its energy and economy. The state will step up efforts in transitioning its energy structure from coal to cleaner energy sources, including hydropower, wind and solar, nuclear, biomass, geothermal and tidal wave. But the government is also pushing for the '*Clean and Efficient Use of Coal*', strengthening oil and gas exploration both onshore and offshore, and promoting the development of natural gas, coal bed methane, shale oil and shale gas. (Source: FCO analysis)

FOOD AND DRINK

China - Top Lines

- In 2017, **Food & drink exports to China were worth £118m** (£57m Food, £61m Whisky), an increase of £43m (58%) since 2016 and up £71m (153%) since 2007
- Mainland China & Hong Kong is one of 8 “Top Prospect” markets in the Scotland Food and Drink Export Plan, where SDI have placed in-market specialists on the ground to strengthen existing presence and unlock new opportunities for Scottish businesses.
- The work of our 2 in market-specialists in China and Hong Kong has helped Scottish companies secure deals to sell a range of products in the region over the last few years, including: gin, salmon, seafood, craft beer, soft drinks and bakery products.

Sector Profile/ Performance

- The farming, fishing, food and drink industry directly **employs 115,000**
- There are **900 food and drink manufacturers** (Majority are **SME's**)
- Scottish food and drink **turnover £13.5 billion**, up 35% since 2007

Overseas Exports

- Total Overseas Food and drink **exports worth £6 billion in 2017** –a record year, up 70% since 2007
- Total Overseas **Scotch Whisky** exports worth **£4.4bn**, **food exports worth £1.6bn** up **130%**
- Food and Drink **Exports to EU – £2.5bn** in 2017
- Whisky - Overseas exports to **over 200** countries, Food - Overseas exports to **86 countries**

Scottish Government Support For Sector

- £5m Annual Industry support Programme
- £66 million allocated over 2014-20 through our Food Processing Marketing & Cooperation Grant Scheme to support over 220 projects; 14m: EMFF (seafood processing) – covering 2014-2020
- £8m: Strategic Research Programme
- The £4.5m SDI led Scotland Food & Drink Export Plan runs from 2014-19 and is funded 90% by SG/SDI and 10% by industry – work is aligned to the Ambition 2030 Food and Drink Industry Strategy which aims to grow overall turnover of sector to £30bn by 2030.

SOCIAL ENTERPRISE

Top Lines

- Social enterprises make a valuable economic and social impact to our communities. The model itself illustrates 'inclusive economic growth' by blending social and commercial goals in the pursuit of a fairer, more equal society.
- The SG is fully committed to realising the potential of this innovative way of doing business and recognizes the vital contribution social enterprise makes to helping us achieve our aim of inclusive growth and a Fairer Scotland.
- To achieve this, we have co-produced a 10-year national social enterprise strategy with the sector, and we are looking forward to welcoming the social enterprise community to the Social Enterprise World Forum in Edinburgh in September.

Key messages

- Social enterprises are businesses that trade for the common good. They seek to make profits, but are committed to reinvesting these into a social mission, for example, delivering local community projects or services, creating employment for disadvantaged people or protecting the environment.
- Social enterprise promotes economic growth that is inclusive. They generate prosperity with greater equality, creating opportunities for all and distributing the benefits of increased prosperity fairly.
- Social entrepreneurs are driven by a passion to improve the world in which they live, often with a focus on early intervention. Social enterprise is a sustainable model that communities can use to tackle tough social issues.
- Consumers are increasingly interested in the ethical practices of those they buy from. Social enterprises are well positioned to meet this increasing demand for socially responsible products and services.

Scotland is a world-leading social enterprise nation.

- Following a decade of investment Scotland's 'eco-system of support' for social enterprise is recognised as world-leading, featuring a national incubation programme, free business support and affordable social finance.
- The Scottish Government published a ten-year social enterprise strategy to ensure this movement realises its full potential, co-produced with Scotland's social enterprise sector and launched in December 2016.
- We have already published the first of three delivery plans to realise this vision, setting out 92 actions including expanding our schools programme, doubling seed funding and expanding Community Shares Scotland.
- Scotland will host the Social Enterprise World Forum in 2018, welcoming thousands of delegates and marking ten-years since the inaugural event took place in Edinburgh in 2008.

The social enterprise sector in Scotland is unique and it's growing.

- The Scottish Government is committed to conducting a national census of the social enterprise sector every two years, to help understand the size, shape and needs of this emerging sector.
- The 2017 Census found 5,600 social enterprises operating across Scotland, an increase of 8%. The sector is mostly led by women (64%), contributes £2 billion to the economy and employs over 80,000 people.
- Rural Scotland now accounts for 34% of Scotland's social enterprises, despite being home to only 18% of the nation's population. The highest densities of social enterprises are found in the Highlands and Islands.

Social Enterprise Key Programmes

Entrepreneurship

- Since 2009, we have invested more than £4.6 million into our national incubator, the 'Social Entrepreneurs Fund', delivered by Firstport. Over 480 grants (worth £3.8 million) have been awarded, alongside advice and support.

Social Investment

- Since 2014, we have invested £3.7 million in our 'Social Growth Fund', delivered by Social Investment Scotland, providing affordable social finance to 11 social enterprises. This fund is open to new applications.
- This year, we provided £135,697 to support Community Shares Scotland. This innovative programme has raised more than £8.5 million through 'community share offers', supporting 81 local community-led organisations.

Business Support

- Since 2011, we have invested £7.2 million into the 'Just Enterprise' programme, providing free business support and advice to more than 6,000 social enterprises.
- Since 2016, we have invested more than £200,000 in a new 'Partnership for Procurement' initiative which provides free procurement advice and help to build consortia thereby increasing readiness to bid for public sector contracts.

Education

- Since 2007, we have invested more than £690,000 into the 'Social Enterprise in Schools' programme, delivered by Social Enterprise Academy providing social enterprise learning in 855 schools right across Scotland.

Advocacy and Membership Bodies

- Since 2007, we have invested £1.1 million into Senscot, helping to build and support a membership network of 23 local Social Enterprise Networks (SENs), benefiting 1,300 social enterprises.
- We have invested £1 million into Social Enterprise Scotland, helping to support, advocate and conduct research on behalf of its 200 members.
- Since 2007, we have invested £914,500 into Social Firms Scotland, helping to support 177 'supported members', exploring ways to reduce barriers to employment through social enterprise.

CHILD AND MATERNAL HEALTH**Background**

- The Early Years have a profound impact on an individual's future experience of health and wellbeing. Health professionals, particularly health visitors, have a vital role to play in supporting children and families in the first few years of a child's life and in our communities, and they are at the core of delivering universal services.
- We are developing the Health Visiting Services to introduce a consistent enhanced service to all families and grow the workforce to meet additional demands.

Health Visiting Pathway

- The Universal Health Visitor Pathway, published in October 2015, outlines a core home visiting programme as a minimum standard to be offered to all families with children 5 years of age and under. NHS Boards are being asked to implement the Pathway by 2020.
- The pathway is based on several underlying principles - promoting, supporting and safeguarding the wellbeing of children, Person-centeredness, Building strong relationships from pregnancy, Offering support during the early weeks and planning future contacts with families and focusing on family strengths, while assessing and respectfully responding to their needs.
- The programme consists of a minimum of 11 contacts, ideally in the home, to all families. Eight of which are within the first year of life. There will also be 3 Child Health Review points at 13-15 month, 27-30 month and prior to starting to school to assess development and report formally on any issues or concerns.

Health Visitor Numbers

- The Scottish Government's investment in an additional 500 health visitors will ensure that NHS Scotland has the right levels of staff to provide visits and reviews for children in order that they can get the best possible start in life. The investment in health visitors is the first part of the work to fulfil the Government's vision to revolutionise children's services and make Scotland the best place to grow up.

[REDACTED]

Family Nurse Partnership

- The Family Nurse Partnership Programme (FNP) is an intensive, preventive, one-to-one home visiting programme for young, first time mothers and their children. It was brought to Scotland in 2010. FNP is delivered by highly trained nurses and lasts from early pregnancy until the child reaches two. Its main aims are to:
 - improve pregnancy outcomes,
 - improve child health and development; and
 - improve the economic self-sufficiency of the family.

[REDACTED]

NATIONAL PERFORMANCE FRAMEWORK**Top Lines**

- The Scottish Government has been working to align the entire Scottish public sector behind the NPF. By achieving the National Outcomes together, we will make Scotland a better and fairer place to live and a more prosperous and successful country.
- Scotland is one of the first countries to commit publically to the United Nations Sustainable Development Goals. The NPF will be one of the measures used to monitor Scotland's progress towards the Goals.
- Scottish Ministers are committed to embedding Scotland's National Action Plan for Human Rights in the NPF. The review of the National Outcomes gives us the opportunity to embed both the SDGs and SNAP in the NPF.
- We welcome stakeholder's involvement in supporting the NPF refresh and we committed to working together with local government to drive the new Framework forward when it is published in the summer.
- The Cabinet Secretary for Finance and Constitution chairs the NPF Round Table with members from across the political parties in Scotland and key third sector organisations including Carnegie UK Trust, Oxfam Scotland, STUC, COSLA, Scottish Human Rights Commission, Scottish Environment LINK, the Scottish Local Government Partnership and businesses.

[REDACTED]

NPF Performance Indicators as at 21 March 2018**Top Statistics**

- 56 (80%) of the 66 National Performance Framework indicators are showing improving or maintaining performance
- 10 (20%) of the 66 indicators are showing worsening performance:

GENDER EQUALITY

Top lines

- Equality for women is at the heart of the SG's vision for an equal Scotland.
- It is not acceptable for women to be discriminated against in access to employment or under-represented in senior positions.
- It is not acceptable for women to be subject to violence or abuse in any form.

Tackling the gender pay gap is a priority

- The gender pay gap is lower in Scotland than in the UK as a whole.
- The full-time gender pay gap in Scotland (median full-time hourly earnings (excluding overtime) was 6.6% last year, compared to a UK-wide gap of 9.1%.
- We are not complacent, and are taking decisive action to tackle the drivers of the pay gap where we have the power to do so.
- We currently do not have the power to regulate in the private sector.
- However in the public sector we have taken action, including:
 - Requiring listed public authorities in Scotland with more than 20 employees to publish their gender pay gap every 2 years;
 - Requiring listed public authorities in Scotland to publish an equal pay statement every 4 years (under the Equality Act 2010 Scottish Specific Duties).
 - Providing £205,000 to Close the Gap 2017/18 to challenge and change employment practices and workplace cultures to support gender equality and close the pay gap.
- The UK Government's private sector gender pay gap regulations are a welcome step in addressing the systemic pay inequality that women experience.
- However, 250 employee threshold excludes SMEs, which account for the majority of private sector companies, and most third sector bodies in Scotland.
- They also don't go far enough, as there is no obligation for employers to take further action on the findings of their pay analysis.

We are taking action to ensure women's equality in the workplace

- We are working with the Equality and Human Rights Commission to tackle pregnancy and maternity discrimination.
- We are creating guidelines for employers to ensure best practice, as well as improving access to guidance for pregnant women and new mothers.
- We have delivered a Returner's programme to assist women to re-enter the workforce following a career break.
- We have approved seven projects with a total value of more than £235,000 to address the under-representation of women in the STEM, finance, security and manufacturing sectors.

- The programme also aims to increase the number of women in senior positions in companies and other organisations.
- We are also funding a project to support black and minority ethnic women back into the workplace.
- Our £500,000 Workplace Equality Fund will deliver employer-led innovative solutions to overcome workforce inequality.

Scotland performs better than the UK on women's employment and unemployment Rates

- Compared to the UK, Scotland has a higher female employment rate (71.3% vs. 70.8%) and a lower female unemployment rate (3.6% vs. 4.4%).
- Modern Apprenticeship participation has improved.
- In 2016/17 40% (10,440 of 26,262 total) of MA starts were women compared to 27% (2,857 of 10,579 total) in 2008/9.

We are taking decisive action to ensure women are represented in senior and decision making roles, including in the boardroom

- In 2016 59% of those appointed to public boards were women.
- The Scottish Government's Partnership for Change (PfC) was launched in June 2015.
- This encourages public bodies, third sector organisations and companies from to commit to work towards 50/50 gender balance by 2020.
- The Partnership currently has 217 signatories.
- The the Gender Representation on Public Boards (Scotland) Bill will help us improve this situation further.
- At 1 February 2018, 34 (44.16%) of regulated public boards are balanced, or as balanced as is possible. [NB these figures can change rapidly and so should be treated with some caution].

Centenary of Women's Suffrage

- 2018 marks 100 years since some women were given the right to vote and stand for parliament.
- We have given £500,000 to support projects aimed at celebrating and commemorating the centenary and improving women's representation in politics.
- This funding includes support for Glasgow Women's Library's programme of activity to mark the suffrage centenary.

The National Advisory Council on Women and Girls

- The Advisory Council on Women and Girls, with Louise Macdonald CEO of Young Scot as chair, will play a key leadership role in:
 - raising awareness as a nation of gender inequality and the wide range of related issues experienced by women and girls in Scotland today; acting as a champion for positive progress and policies, and to provide effective challenge; being a catalyst for change where progress simply isn't good enough.

2018 YEAR OF YOUNG PEOPLE

Top line

- The 2018 Year of Young People will celebrate the very best of Scotland and its young people. A programme of cultural and educational events and activities, co-designed with young people themselves, will be held across the country that will celebrate Scotland as a great place for young people to grow up in and mark their important contribution to Scottish society.

There will be a particular focus on activity which addresses the **6 key themes** of:

- **Participation** – young people should significantly influence public services and decisions which affect their lives
- **Education** – young people have a stronger role in shaping their learning
- **Health & Wellbeing** – young people supported to lead healthier, active lives and have opportunities to learn about/improve their mental health and resilience
- **Equality and Discrimination** – broadcasting the value of young Scots, challenging negative perceptions of young people, and supporting young people to take leading roles in challenging discrimination in all its forms
- **Enterprise and Regeneration** – celebrating young people's role in innovation, entrepreneurship and the Scottish economy as well as making Scotland a greener and more pleasant place to live
- **Culture** – celebrating young people's talent and contribution to Scottish culture and arts

Key Messages

- 2018 is the Year of Young People and will include an exciting programme of events and activities for the people of Scotland and our visitors to enjoy. Young people will have a key role in the development and delivery of these activities ensuring an inclusive approach is taken throughout 2018 and beyond, creating a lasting legacy of YoYP.
- The Scottish Government is working in partnership with YoungScot, Children in Scotland, the Scottish Youth Parliament, VisitScotland, and other key stakeholders to engage in planning the Year including; Creative Scotland, the Children and Young People's Commissioner for Scotland and Sportscotland
- The journey to 2018 and beyond will be crucial in achieving Ministers' wider ambition to allow all children and young people to enjoy their rights and be fully involved in matters that affect them at personal, local and national level.
- YoYP 2018 is unique in two ways:
 1. Scotland is the first country in the world (that we know of) to dedicate a year to young people
 2. This is the first themed year where people are recognised as one of Scotland's greatest assets

- YoYP 2018 is underpinned by six key themes of Participation, Education, Health and Wellbeing, Equality and Discrimination, Enterprise and Regeneration, Culture.
- The YoYP will not be exclusive and will embrace a wide range of activity and content aligned to the six key themes. Partners have worked with SG officials to develop the programme of events for the Year as well as the wider activities and initiatives which will form part of the Year, including bespoke events and also enhancing existing events and activities.
- YoYP participation is primarily aimed at young people aged 8-26 but will also include those young at heart to create better intergenerational relationships.
- Young People designed the logo and took part in key elements of the planning process including development of the branding, and development of the guiding criteria for ensuring co-production is an integral part of the ethos of the Year.
- The 2018 European championships is an excellent opportunity to shine a light on the difference young people make to their communities.
- SG has allocated its Glasgow2018 volunteering places to Year of Young People 2018 Ambassadors who are based in communities across Scotland. They will work to inspire their peers and the wider community on the benefits of volunteering.

Year of Young People 2018 Ambassador Programme

- The YoYP 2018 Ambassador Programme was launched on the 7 March 2017, along with the unveiling of the logo and brand for the Year. The recruitment process centred on ensuring it was as accessible as possible for all young people living, working or studying in Scotland. A suite of British Sign Language resources was developed to ensure those with BSL as their first language were able to apply. We also worked with a range of partners to ensure young people from all areas of Scotland and from protected groups or vulnerable or excluded young people were able to apply.
- 548 young people from all areas of Scotland have been selected to become YoYP 2018 Ambassadors. Since September 2017 the Ambassadors have been taking part in regional and national induction and training events.

Communic18

- A key mechanism to ensuring young people are at the heart of decision-making around the Year of Young People is Communic18 – a group of young people from across Scotland who are the co-design champions for the Year of Young People. Young Scot, CiS and SYP recruited the Communic18 group in Feb 2017.
- Communic18 members are involved in making decisions about the Year, taking part in funding panels, taking ownership for each of the six themes for the Year, and supporting YoYP Ambassadors in local authority areas to promote and raise awareness of the Year of Young People 2018 in local communities. There are 35 diverse Communic18 members from across Scotland (18 Local Authorities), aged 8-23.

TOURISM

- Chinese visitor numbers to the UK are expected to rise by almost half, from 260,000 to 384,000, over the next five years, VisitBritain predicts. Scotland currently accounts for almost a fifth (17%) of all Chinese visitors to the UK.
- The rise in visitors from China to Scotland and the UK is expected to be driven by the young adult traveller. Research shows that the average age of Chinese visitors to the UK is younger than the average age of all inbound travellers. In 2016, half of Chinese visitors to the UK were aged between 25 and 44.
- Global market researchers, Phocuswright, estimate that 60% of international Chinese travellers are aged 18-34.

Key facts

- Chinese visitors spent £36 million in 2016 – the 12th largest international market in terms of expenditure.
- Over 177,000 visitors from China visited Edinburgh Castle in 2017.
- The Edinburgh Chinese Social Media Campaign, launched in November 2016 by the Edinburgh Tourism Action Group, has almost 60,000 followers and 66 million impressions across its channels. It was ranked among the Top 10 WeChat city accounts worldwide. The activity was funded by VisitScotland's Growth Fund.
- Outlander won Best Foreign TV Series/Serial award at the Shanghai TV Festival last year and VisitScotland's Outlander map has been translated into Mandarin
- VisitScotland Expo (11/12 April) has activity planned with 40 Chinese buyers – two FAM trips taking delegates to Edinburgh, Glasgow, Fife, Ayrshire, Borders.
- Chinese visitors to Diageo-owned distilleries in Scotland rose by 154% in 2016, with spend per customer "significantly higher" than in its top tourist markets.
- This links with the growing demand for Scotch amongst Chinese consumers, Scotch whisky exports to China grew by 45% to £27m in the first half of 2017 according to the Scotch Whisky Association.

VisitScotland Expo 2018 (11 to 12 April, SEC)

- VisitScotland will be hosting 40 buyers from China at VisitScotland Expo - Scotland's premier business to business travel trade event, meeting Scotland's tourism businesses and visiting some of Scotland's best locations and attractions.

VisitScotland and Ctrip

- VS has worked with Ctrip on product and package development since 2007 and is continues to collaborate on new product development.

China Ready Workshops 2017

- Working with Scottish Enterprise, VS engaged with over 400 businesses getting them ready to welcome Chinese visitors.

VisitScotland's Business Development Mission to China 2018

- VisitScotland will be undertaking a Business Development Mission in early summer this year, building on last year's successful activity.

New Air Route

- The first ever direct flight route from Scotland to China was announced in March. Hainan Airlines flights to Beijing will begin on 12 June, flying 4 weekly on an Airbus A330-300.
- It's part of an innovative flight model which links in three capital cities – Beijing, Edinburgh and Dublin. The route will fly from Beijing to Dublin and then onto Edinburgh and then back to Beijing on Thursdays and Sundays, flying to Edinburgh and then Dublin and then back to Beijing on Tuesdays and Saturdays.
- It marks the successful culmination of Edinburgh Airport's partnership working with colleagues in China to attract these routes to Scotland in a move which will benefit the country's economy, culture and tourism.
- The direct route adds to existing flight options for Chinese visitors, which include Middle Eastern carriers Etihad and Emirates and European hubs (Amsterdam, France and Germany) all enabling Chinese visitors to enter Scotland without stopping in London.

VISA ISSUES**Top Lines**

- Although migration policy is reserved to Westminster, and despite a disappointing lack of engagement thus far from the UK Government, SG will continue to press the UKG to introduce a post study work route in Scotland.
- The route would be an important lever for attracting the best international student talent, securing essential income streams, and allowing talented graduates to continue contributing to Scotland after their studies end.
- There is consensus in Scotland, amongst business, education and every political party represented in Holyrood that we need a return of the post study route to allow talented students to remain and contribute to the Scottish economy.
- The outcome of the EU referendum makes it even more important that the UK Government honours the recommendation in the Smith report to explore a potential post-study work route to ensure Scotland continues to attract and retain talent from around the world.
- The longer we wait for the UK Government to act on the cross party and cross sector support for Post Study Work in Scotland, the greater the social, cultural and economic impact will be.
- This is another example of the UK Government failing to live up to the spirit of the Smith Commission.

The reinstatement of a post study work route has strong cross sectoral and cross-party support

- Our calls for its reintroduction have been backed by colleges and higher education institutions across Scotland, sector bodies and more than 60 businesses.

UK Immigration policy poses a significant risk to Scottish universities

- Higher Education Statistics Agency (HESA) data published on 14 January 2018 show that Scotland has seen a 4% increase in (non-EU) international entrants in academic year 2016-17 compared to 2015-16, and an increase in EU students of 1%.
- While we welcome these year-on-year increases they remain small, and are overshadowed by a medium-term fall in the number of new entrants from key markets in the last six years.
- Scotland is losing out to its key competitor countries in attracting international students. During the period 2013-14 to 2014-15, the number of international students in higher education in Canada increased by 8% and in Australia by 9%. During the period 2014-15 to 2015-16, the number of international students in higher education in the United States increased by 7%.

The Tier 4 Student Pilot falls far short of our calls for a post study work visa

- The Home Office released details of a “**Low risk Tier 4 pilot**” on 25 July 2016. This pilot scheme simplifies the visa application process for international students studying on a Masters’ course of 13 months or less at 4 UK universities (Oxford, Cambridge, Imperial and Bath).
- The main features of the pilot include reducing the financial and academic documentary requirements for students, and granting students six months leave after their course has ended in order to seek work. **This is only two months more** than the current rules which allow Tier 4 students four months to seek work.
- In December 2017 the UK Government announced an expansion of the pilot to include an additional 23 universities from across the UK, including University of Edinburgh and University of Glasgow.

Lines to take

- We are deeply troubled that the Tier 4 pilot was introduced without any consultation with the Scottish Government or Scottish institutions. Scotland’s institutions share SG concern about the precedent this sets for future changes.
- While we welcome the changes introduced in the pilot, they fall far short of a meaningful post-study work route of the kind Scotland’s economy and society need.
- Universities Scotland said that *“we’re disappointed that the opportunity of the pilot has been framed so narrowly to only four universities none of which are in Scotland. We’d argue that a broader pilot, involving a wider group of institutions, would have provided more meaningful lessons from which to build.”* (2 August 2016).
- We are pleased that the UK Government has recognised the need to broaden the Tier 4 pilot scheme and has included the University of Glasgow and University of Edinburgh, although it is disappointing that it has taken over a year for the pilot to be extended, and to such a limited extent. .
- We urge the UK Government to roll out these modest changes to the Tier 4 route to all universities as soon as possible.
- We remain concerned at the UK Government’s emphasis on visa refusal rates as the basis for including institutions in the pilot, as this can unfairly discriminate against smaller or more specialist institutions.

AIR ROUTES - Hainan Airlines' New Beijing-Edinburgh Air Service

- Hainan Airlines is headquartered in Haikou, Hainan, People's Republic of China. It is the largest civilian-run air transport company, the fourth-largest airline in terms of fleet size in the People's Republic of China, and fourth-largest airline in Asia in terms of passengers carried. It operates scheduled domestic and international services across Asia, Europe and North America on 500 routes from Hainan and nine locations on the mainland, as well as charter services.
- The new service will begin 12 June. It will be a triangular type service with a schedule of Beijing-Dublin-Edinburgh-Beijing 2 days a week and Beijing-Edinburgh-Dublin-Beijing for another 2 days a week. Edinburgh therefore will have a direct inbound service for 2 days a week and a direct outbound service for the other 2 days. [REDACTED]

Route Development

1. The Scottish Government promotes Scotland as a destination which can sustain more direct international air services and better global hub connectivity and will continue to work with Scotland's airports to achieve these objectives. Our existing support mechanisms will help encourage airlines to develop new routes as well as help sustain existing ones.
2. The Scottish Government seeks to complement the efforts of the Scottish Airports, and we will continue to support all airports to grow the number of routes to and from them. Through Team Scotland, we have had a successful partnership with Scotland's airports in the last few years covering many new routes and demonstrating that our support is having a big impact.
3. The Scottish Government provides support to airlines in the form of attractive cooperative marketing packages, and also provides market intelligence and data to airlines on the potential of the Scottish market. Additional support can be considered for airlines who wish to base aircraft in Scotland considering the economic benefits, including job creation, that comes with such a development.
4. In 2017, Team Scotland helped secure a range of routes including Norwegian's three routes to the US, although one has subsequently been withdrawn, and Flybe's Heathrow flights from both Aberdeen and Edinburgh. Although there were varying levels as to how much support was offered and subsequently taken up, our support can often prove pivotal in helping secure a new route.

[REDACTED]

CORPORATION TAX**Key messages**

[REDACTED]

- We believe in fair taxation that supports economic growth and protects Scotland's position as an attractive proposition for overseas investors.
- Legislative control over corporate tax in the UK is currently reserved to the UK Government but the Scottish Government continues to seek greater responsibility for it and other business taxes. This would give us the fiscal levers necessary to support the rebalancing and reindustrialisation of the Scottish economy.
- In terms of headline corporate tax rates, we would not support or engage in a race to the bottom. The UK statutory corporate tax rate is already among the lowest in the G20.
- [REDACTED]
- High tech employers are particularly valued by the Scottish Government. We are committed to understanding their business activities to ensure that any tax decisions we make are reasonable and reflective of the modern, technology-rich business environment.

Background**CTrip and Skyscanner**

- CTrip acquired Skyscanner (a Scottish-based tech company) for £1.4 billion in December 2016.
- Skyscanner had turnover of £158 million in 2016. Its pre-tax profit figure was £7 million and it also received a tax credit (relating to employee share options that were vested when the takeover took place) of £18 million.
- Company accounts indicate that Skyscanner benefits significantly from research & development incentives and capital allowances under the current UK corporation tax regime.

UK corporation tax

- Corporation tax applies to a company's taxable profits (income after deduction of allowable expenditure and allowances) and may be further reduced by tax credits.
- The UK's corporation tax rate (19%) is the lowest in the G7 and among the lowest in the G20.
- The UK Government plans to reduce the statutory rate (i.e. the rate set out in legislation before any reliefs or allowances are claimed) to 17% by 2020.
- A number of reliefs and allowances exist that enable companies in particular sectors and circumstances to pay tax at a lower effective rate. These include R&D credits, a special scheme for income arising from patents (the patent box) and capital allowances.
- Research and development expenditure credits support large companies that carry out work on innovative projects in science and technology. This allows them to deduct a credit equal to 11% of their R&D expenditure (including staff costs) from their tax liability.
- The UK government has published a position paper ("Corporate Tax and the Digital Economy") in which it has announced an intention to look at revenue-based taxes for digital businesses. **This is likely to be of interest to CTrip as the parent company of Skyscanner.**
- The position paper argues that revenue-based taxes will be a better way to capture, and fairly tax, the value in digital businesses. Digital businesses often have very high revenues but, because of the limitations of the corporation tax rules when faced with non-traditional business models and activities, pay little or no corporation tax.
- This measure is consistent with international developments. The European Commission has announced a proposal to apply a 3% tax to the turnover of digital businesses within the EU and the OECD has committed to developing similar ideas by 2020. Digital firms pay an average tax rate of 9.5% in the EU (compared to 23.3% paid by "traditional" companies).

Corporate tax in China

- The headline statutory rate of corporation tax in China is 25% but companies in the highly favoured technology sector pay a reduced rate of 15% and may receive a 2 year "tax holiday" in which they pay no corporate tax.
- China has publicly expressed support for international measures to tackle tax avoidance (particularly the G20/OECD Base Erosion and Profit Shifting project). China's development strategy includes a focus on protecting and growing its tax base.

BREXIT

Top Lines

- If we did nothing, laws about matters such as agricultural support or food standards would fall away entirely.
- Many others would stop working the way they were intended.
- However, the EU Withdrawal Bill allows Westminster to take control of devolved policy areas.
- The Scottish and Welsh Governments have been clear since September 2017 what amendments need to be made to the Bill.
- UKG has recognised the Withdrawal Bill must change.
- However, it has published amended clause 11 which allows UK Ministers to change unilaterally devolved powers.
- This amended clause has not been agreed with Scottish and Welsh Governments.
- Cabinet Office Minister David Lidington wrote to MPs advising of UKG's 'substantial amendment' to clause 11.
- However, these amendments would still impose temporary constraint on devolved powers related to some UK Frameworks.
- The UK Government would still only be obligated to 'consult' with Devolved Administrations.
- Michael Russell has written to all MSPs outlining that clause 11 remains unsatisfactory.

We accept the need for there to be UK-wide frameworks on some matters

- We have been working constructively with the UK and Wales to investigate those issues and explore how such frameworks would work.
- What is covered by any UK frameworks and how they are governed must only be made with the agreement of the Scottish Parliament.
- It is not acceptable for Westminster to re-write the devolution settlement and impose UK-wide frameworks in devolved areas without consent.
- UKG has now published a revised analysis of areas where UK Frameworks may be required.
- This analysis was compiled without consulting the Scottish and Welsh Governments and does not reflect an agreed position; it has for example identified some areas previously agreed as devolved as reserved.

The Continuity Bill is contingency planning - it provides a sensible scheme for preparing devolved law for EU withdrawal.

- It is incumbent on the Scottish Government to provide an alternative means of ensuring legal certainty and continuity in the event of Brexit.
- That is the purpose of the Continuity Bill introduced on Tuesday 27 February.

- Similar steps are being taken by the Welsh Government, which has introduced its own similar Continuity Bill.
- The Continuity Bill will retain our EU-derived law and give the Government and Parliament the powers they need to keep these laws operating.
- All parties except the Scottish Conservatives have voted in support of the general principles of the Bill at Stage 1.
- Over the past two weeks, the Bill has been extensively scrutinised by Parliament at Stages 2 and 3 where over 200 amendments were considered.
- The Bill has now been passed with cross-party support.
- Under the Scotland Act 1998, we cannot introduce a Bill unless we are satisfied it is within competence.
- We are advised on that question by the law officers and the Lord Advocate made a statement to the Scottish Parliament to explain his view.
- The Welsh Presiding Officer has given her view that the (Welsh) Bill is within competence of the Welsh Assembly.
- However, if the EU Withdrawal Bill can be agreed, and if this Parliament consents to it, the Continuity Bill will be withdrawn.

It is time for the UK Government to take seriously the proposals we have made to keep the UK in the Single Market and Customs Union

- The Prime Minister [in her speech of 2 March] accepted that access to the Single Market would be reduced.
- This makes her determination to pursue a hard Brexit all the more bizarre.
- It is regrettable that the UK Government has consistently failed to engage properly with the Scottish and other devolved governments.
- Scotland voted overwhelmingly to remain in the EU – it is essential we now have a meaningful role in the forthcoming negotiations.

We remain absolutely committed to upholding the Good Friday Agreement in all its parts and deplore any attempt to undermine this process, or to change the current free and open border on the island of Ireland.

- The Scottish Government continues to believe that short of remaining a full member of the EU, remaining in the Single Market and the Customs Union is the least worst option for Scotland and the rest of the UK.
- If it is possible for Northern Ireland to effectively remain in the single market or customs union under a future Brexit deal, the case for Scotland doing so becomes a practical necessity.
- Anything else would put Scotland at a huge competitive disadvantage when it comes to attracting jobs and investment.

To provide certainty for businesses and citizens, a transitional agreement should remain as close to full EU membership as possible

- We welcome the progress made earlier this week on the Withdrawal Agreement but there are areas of disagreement and divergence that remain.
- The Scottish Government recognises that the UK will not be a member of the EU during this transition.
- Whilst we welcome being in the Single Market and Customs Union during the transition period, the UK Government continues to put the future of Scotland's interests, such as our fishing communities, at risk.

Scotland's Place in Europe: People, Jobs and Investment presents the latest analysis by the Scottish Government of the implications of Brexit

- The paper confirms that leaving the single market and customs union will significantly weaken our economy compared to continuing EU membership
- A hard Brexit could lead to a loss of 8.5% of GDP in Scotland by 2030 – equivalent to £2,300 per individual.
- Outside the single market we would miss out on the huge benefits of new measures in services and digital, for example, estimated to be worth an additional 2.4% of EU GDP.
- The equivalent for Scottish GDP would be £3.6 billion, or £668 per person.
- The paper highlights the vital importance to Scotland of EU migration. Each additional EU citizen working in Scotland contributes £10,400 in government revenue.

CHINA – CORE T&I BRIEF

	Key Fact	Supporting Information
Population	<ul style="list-style-type: none"> • 1,413,493,198 (March 2018) • Growth rate 0.43% 	<ul style="list-style-type: none"> • 65.6% population aged 16-59 years (working age). One of world's most rapidly ageing countries. • World's largest populated country.
Governance & geography	<ul style="list-style-type: none"> • President: Xi Jinping • Vice President: Wang Qishan • Premier: Li Keqiang 	<ul style="list-style-type: none"> • Communist state (Chinese Communist Party). • 23 provinces, 5 minority nationality autonomous regions; 4 municipalities under central government control (Beijing, Shanghai, Tianjin and Chongqing) and 2 Special Administrative Regions (Hong Kong and Macau)².
Economy	<ul style="list-style-type: none"> • GDP(PPP) estimates \$23.12tn/£16.45tn (2017) \$21.66tn/£15.41tn (2016) \$20.3tn/£14.44tn (2015) • Growth rate estimates: 6.8% (2017) 6.7% (2016) 6.9% (2015) • Currency £1 = 8.86CNY (April 2018) 	<ul style="list-style-type: none"> • One Belt, One Road – strategic mechanism to promote T&I, a key driver of foreign policy. Based on historical Silk Road, seeks to intensify trade corridors between all of China, Asia, Middle East and Europe. • UK PM May first official China visit February '18 seeking to build UK-Chinese 'Golden Era'. • Cyclical 5-year plan launched 2016 – 90% economy directed by State, major focus for businesses to invest internationally. • The government's 13th Five-Year Plan, unveiled March 2016, emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy.
Scottish links	<ul style="list-style-type: none"> • 5 SDI offices (Beijing, Shanghai, Shenzhen, Hong Kong, Taipei (Taiwan), 13 staff) • 8 GlobalScots 	<ul style="list-style-type: none"> • The Confucius Institute for Scotland in the University of Edinburgh is a national centre to promote educational, economic, and cultural ties between Scotland and China. • The Young Chinese Professionals

	<ul style="list-style-type: none"> • 15,000 Chinese people in Scotland (at 2011 Census). 	<p>Scotland (YCP) aims to unite and promote young Chinese professionals in Scotland.</p> <ul style="list-style-type: none"> • Scotland-China Association (SCA) founded in 1966, non-profit for people who have an interest in all aspects of Chinese life and civilisation. • 40,522 (-16% decrease) Chinese tourists visited Scotland in 2016 spending £36.33m (8.43% increase).
<p>Scottish (direct) exports to China⁴</p>	<ul style="list-style-type: none"> • \$776m/£555m in 2016 • \$860m/£615m in 2015 • \$958m/£685m in 2014 	<ul style="list-style-type: none"> • Scotland's 17th largest export market – 1.9% of total. • Key exports are engineering, pharmaceuticals and financial services. Large companies such as Aggreko and Weir Group play a key role. • Scottish food & drink exports to China valued at £117.9m (2017) compared to £46.5 million (2007), increase 153% - 2% total combined F&D exports. • Scottish food exports to China were £56.8m (2017), compared to £4.4 million (2007), making China the 9th largest importer of Scottish food products in 2017. • Scotch whisky exports to China valued at £61 million in 2017, +47% on 2016(HMRC) • Exports of Scottish salmon to China were worth £68.7m in 2017, +30% on 2016(HMRC)
<p>Most significant Scottish companies present in China</p>	<ul style="list-style-type: none"> • IndigoVision – CCTV and optical solutions – offices in Shanghai and Shenzhen- successful in bidding for significant airport contracts. • Skyscanner – Asia HQ in Singapore, expanding in Beijing, Shenzhen and across China. Recently acquired by Chinese company, Ctrip. • Standard Life Aberdeen – providing asset management. • Sgurr Energy - renewable energy consultancy solutions with office in Beijing and due to open in HK soon. Part of Wood. • Wood – global leader in delivery of project, engineering and technical services to energy/industry markets. Office in Shanghai. • Weir Group – equipment manufacturer covering 	

	<p>minerals/power/oil & gas sectors. 800 staff employed in China, HQ at Shanghai with 3 manufacturing sites in Suzhou, Wuxi and Jiading.</p> <ul style="list-style-type: none"> • SPX Flow – equipment manufacturer (mainly pumps and spare parts) used in nuclear and oil & gas sectors. Offices in Shanghai and Beijing. • Aggreko – in Jan 2018 Aggreko announced JV with Shanghai Yude (power rental company) Aggreko takes 21.5% equity in the new company. • Mackie’s - sells more crisps in China than in any other market. Successful as have adapted product for market with new packaging and flavorings. • Peak Scientific - grown steadily over last decade owing to an effective internationalisation programme. (<i>from 40 – 380 employees globally and turnover growth from £5m-£40m</i>). Office in Shanghai with 40 staff in China. • JD Wilkie - Scottish technical textiles company has a manufacturing plant in Jiaxing, China. They moved to a bigger manufacturing plant in 2016. • Bridge of Weir – Leather Group Company set up a JV in Zibo Shandong. • Loch Fyne - successfully entered the Chinese market Dec 2016. • Innis & Gunn - signed a deal to distribute its beer to bars and retailers across mainland China.
<p>Scottish Universities active in China</p>	<ul style="list-style-type: none"> • 18 Scottish HE institutions have academic and research links with Chinese counterparts. University of Glasgow School of Engineering was one of the first to establish a Chinese Ministry of Education approved Joint Education Partnership (JEP) with the University of Electronic Science & Technology (UESTC), Chengdu, Sichuan Province. • The University of Edinburgh working closely with partners in Shenzhen on healthcare projects. The UoE also established partnerships in biomedical sciences with Zhejiang University and low carbon with Shanghai Jiao Tong University.
<p>Recent trade activity from Scotland to China.</p>	<p>250 companies were directly or indirectly assisted by SDI in mainland China in 2015/16.</p> <ul style="list-style-type: none"> • Merchiston Castle & Erskine Stewart Melville Schools recently signed MoU’s with partners to establish new international Schools in Shenzhen. • 13 Oil & Gas companies visited China on a trade mission Mar 2018. • Scottish Chambers of Commerce opened a trade office in Shandong.

	<ul style="list-style-type: none"> • Scotland piloted the first technology investor showcase in China (Engage Invest Exploit) October 2016 – 11 new or growing Scottish technology companies travelling to Shenzhen and Hong Kong. • Premium Scotland Shanghai Showcase event was held October 2016. • Peak Scientific and Sensewhere recently recognised with awards at prestigious 2016 British Business Awards. • During FM visit July 2015, 10 companies secured partnerships worth £55m including opening of a new factory in Jiaxing for J&D Wilkie and a 3D animation training partnership for Glasgow-based Digimania.
FDI from China to Scotland	<ul style="list-style-type: none"> • 10 Chinese owned enterprises operating at 25 local sites, employing 2,630 (+800 on 2016) with Scottish turnover at £1.068bn (2017).
Chinese Investment in Scotland	<ul style="list-style-type: none"> • Ctrip bought Edinburgh-based Skyscanner for £1.4bn in Nov 16. Ctrip’s size, insights and technology will help to grow the company on a global scale. • Major Chinese State-Owned Enterprise’s State Development Investment Corporation Power Holdings (SDIC) and China Three Gorges (CTG) have made significant investment in Scottish offshore wind projects. SDIC opened subsidiary – Red Rock Power Ltd – in Edinburgh from which they will seek further investment opportunities in Scotland. • Chinese NOCs CNOOC and Sinopec subsidiaries own approx. 23% of UK O&G infrastructure. • Petrochina JV with INEOS owns and operates Grangemouth refinery. • Chinese company Jereh Oilfield Services Group has 5% stake in Aberdeen-based wellhead equipment manufacturers Plexus. • Chinese telecoms giant Huawei signed 2 R&D collaborations with University of Edinburgh in 2017, setting up a joint lab in Edinburgh on Data Management, and research to investigate AI robotics systems.
Recent Investment activity	<p>3 projects in 2016/17 by SDI, 30 new jobs</p> <ul style="list-style-type: none"> • Profundo Technologies –Aberdeen, acts as agent for Chinese National Oil companies to secure decommissioning contracts (6 jobs). • Skymoos - Chinese game company set up first Chinese game studio in Scotland (Edinburgh) (21 jobs). • Single Malt Club China – trading entity in Glasgow to increase Single Malt Whisky import to China market (3 jobs)

HONG KONG – CORE T&I BRIEF

	Key Fact	Supporting Information
Population	<ul style="list-style-type: none"> • 7,410,802 (March 2018 est.) • Growth rate 0.85% (2016) 	<ul style="list-style-type: none"> • 45% population are aged 25-54, growing elderly population with 16% 65+. (2016 est.) • 7th highest life expectancy in world at 82.86 years. • Unemployment low at 3.2% (at April 2017).
Governance & Geography	<ul style="list-style-type: none"> • Head of Government: Chief Executive Chun-Ying Leung (since July 2012). • Chief of State: President of China Xi Jinping (Since March 2013). 	<ul style="list-style-type: none"> • Presidential limited democracy, a Special Administrative Region (SAR) of China. • Assumed sovereignty under 'one country, two systems' principle. • Constitutional document, '<i>the Basic Law</i>', ensures current political systems will remain in effect for 50 years after the handover in 1997. • Area: 1,104 sq. km.
Economy	<ul style="list-style-type: none"> • GDP purchasing power parity: US\$453bn/£322bn/CNY 2,863bn (2017 est.) US\$437.5bn/£311bn, CNY2,766bn (2016 est.) US\$428.8bn/£305bn/CNY 2,712bn (2015 est.) • GDP growth rate: 3.5% (2017 est.) 2% (2016 est.) 2.4% (2015 est.) 	<ul style="list-style-type: none"> • 93% of GDP from rapid expansion in services sector: financial services, tourism, trading & logistics, professional services. • HK and mainland China economies inextricably linked but many businesses, legal and political systems established under Colonial rule still remain and perceived as less risky place to do business. • Open economy leaves HK exposed to market volatility or slowdowns in global economy. • Increasing desire to diversify economic base and move towards knowledge-based economy. • Developing into leading offshore RMB centre.

<p>Scottish Links</p>	<ul style="list-style-type: none"> • 23 GlobalScots. • 885 students from Hong Kong studied in Scotland 15/16. • Hong Kong St Andrew's Society dates back to 1881. 	<ul style="list-style-type: none"> • HSBC founded by Scot Thomas Sutherland, 1865. • Hong Kong Scottish Rugby Club launched 2011 - made up predominantly of ex-Scottish A grade internationals and local Chinese players. • International conglomerate Jardine Matheson founded by Scots William Jardine and James Matheson, bought first plots of land in HK in 1841. • May 2017 Edinburgh Napier received single biggest philanthropic donation from Dr Ian Tomlin, £750k, to continue exchange programmes for students in HK & support classical music teaching. • 15,464 Hong Kong visitors visited Scotland in 2016, spending £6.67m (31% decrease on 2015).
<p>Scottish (direct) exports to Hong Kong</p>	<ul style="list-style-type: none"> • £220m / \$306m / CNY1,956m in 2016 • £270m / US\$375m / CNY 2,401m in 2015 • £230m / US\$320m / CNY 2,045m in 2014 	<ul style="list-style-type: none"> • Significant opportunities for Scottish companies in food & drink, education, life sciences, renewables and financial services.
<p>Examples of Scottish companies based/doing business in Hong Kong</p>	<ul style="list-style-type: none"> • The Craft Beer Clan and Innis & Gunn successfully export craft beers. • Alexander Denis Ltd (ADL) supplies hybrid electric buses. • Strong links in education – most established is Edinburgh Napier's 20-year presence, now includes a JV Bio-fuels Research Centre with City University. • Loch Duart Salmon and Highland Meats started exporting to Hong Kong in 2016 with support from Seafood Scotland, Quality Meat Scotland and SDI. • ECCI and SDI signed an MoU with Hong Kong Science and Technology Parks to promote low carbon technologies and sustainable development. 	
<p>Recent trade activity from Scotland to</p>	<ul style="list-style-type: none"> • 2017/18: 22 companies assisted to market by SDI • 2016/17: 37 companies assisted to market by SDI • 2015/16: 84 companies assisted to market by SDI • March 2018: SDI assisted Quail Research and Design Limited to 	

<p>Hong Kong</p>	<p>set up a Research and Development Centre in Hong Kong and explore manufacturing locations in China.</p> <ul style="list-style-type: none"> • May 2017: SDI assisted XELECT Ltd, a spin-out from University of St Andrew's to enter the Chinese aquaculture market. • April 2017: SDI continues to assist Edinburgh Napier University to expand their commercial operations in Hong Kong and Macau. • April 2017: SDI assisted Cashmaster to expand their business in Hong Kong. January 2016 the company chose HK to service the APAC region with its count-by-weight devices used by the likes of Starbucks, AT&T and Tesco. • May 2017: SDI, Quality Meat Scotland and Seafood Scotland supported 7 companies covering 16 brands to exhibit a regional F&D trade fair, HOFEX.
<p>FDI from Hong Kong to Scotland</p>	<ul style="list-style-type: none"> • 15 enterprises operating at 50 local business sites, employing 930 Scottish staff with Total Scottish turnover of £571m/CNY5,078m to the Scottish economy (2017).
<p>Hong Kong companies based/doing business in Scotland</p>	<ul style="list-style-type: none"> • Three (owned by Hutchison 3G, subsidiary of Cheung Kong Group) approx. 600 staff (1000+ in 2016), 30+ retail stores and operates back-office function in Glasgow employing 320 (850+ in 2016). Feb 2017 outsourced 400+ jobs to Capita, recognising high attrition rates. • Topsearch International Holdings Ltd is engaged in printed circuit board manufacturing and has EU marketing office in Ayrshire Innovation Centre. • HK clothing manufacturer Fang Brothers own Pringle of Scotland (12 employees in Hawick, £4m turnover). • Aberdeen subsidiary of HK based Swire Group, Swire Oilfield Services Limited, provides transportation equipment and services to O&G industry.
<p>Recent investment activity</p>	<ul style="list-style-type: none"> • 2017/18 <ul style="list-style-type: none"> • Hong Kong FinTech company Transwap has set up a subsidiary in Edinburgh. • Hong Kong-based crypto-currency R&D specialist IOHK is investing in a research laboratory at University of Edinburgh's School of Informatics. • 2016/17: no projects • 2015/16 - 1 project with 32 new jobs, 1 HVA. <ul style="list-style-type: none"> • Lyber 2016 Ltd bought Hawick Knitwear safeguarding 32 jobs and 1 HVA, administrators initially made 123 of the 179 workers redundant.

SCOTLAND-CHINA – EXPORTS AND IMPORTS

Scottish Exports to China

- The latest Export Statistics Scotland (ESS) figures (2016) show exports of goods and services (excl. O&G) to China were worth **£555m / CNY4.5bn**, ranking China **17th** out of all export destinations. Top export sectors in 2016 include education (£125m / CNY1.1bn), food and drink (£80m / CNY706m) and professional and technical services (£70m / CNY618m).
- The more recent HMRC Regional Trade Statistics show that goods exports were up **41%** in 2017, from £1.6bn / CNY14.1bn in 2016 to **£2.2bn / CNY19.4bn** in 2017. These figures include exports of oil and gas, which is why they are much higher than the ESS figures (which also exclude services).
- HMRC stats show total goods exports to China increased at annual average rate of **37.8%** (2013 - 2017).
- **77%** of Scottish goods exports to China were Mineral fuels, lubricants & related materials. This sector made the single biggest contribution to export growth to China, increasing **44.5%** in 2017.
- Seafood exports to China worth **£50m / CNY443.3m** in 2017 with annual average sales growth of **21.2%** between 2013 and 2017. Drink exports to China worth **£54m / CNY478.76m** in 2017 with annual average sales growth **3.6%** between 2013 and 2017.

UK Exports to China

- Chinese imports of salmon are growing but whisky imports are flatlining. Scotland plays a big part in UK's success - **40%** of UK's drink exports were from Scotland and **57%** of UK's fuel exports from Scotland.
- Salmon worth **£74m / CNY656m** 2017, annual average sales growth **10.3%** 2013-2017. UK was 5th largest salmon importer for China 2016, however Denmark and Ireland showed better performance than UK.
- Whisky worth **£62m / CNY549.69m** 2017, annual average sales growth **4.9%**. UK was largest whisky importer country in 2016, however Ireland had better sales growth.
- UK's **6th** largest export market, almost ½ exports are Machinery & transport equipment.
- UK exports to China increased **28.9%** in 2017 (annual average rate **9%** 2013-2017).

Competitor countries: New Zealand, Norway and Switzerland's goods exports to China

- While Scotland's biggest export successes broadly perform far better than rUK and competitor locations; different countries have different specialisms. It is

Scotland's distinct capabilities and Chinese consumers desire for our specialised products (Salmon & Whisky for e.g.) that continue to drive growth.

- Denmark and Ireland both command a similar % of salmon imports for China (around 6%) – and put in much stronger average sales growth at almost 70-over 100% respectively compared to UK's 7% in 2016. Important to note however, that Ireland for e.g. has **very small exports** (approx. £28k) and that **absolute levels are still relatively low** compared to the UK.
- No other market commands anywhere near the % of whisky imports that the UK does (**87%**, nearest competitor is US at 7%) with Scotland playing a significant part in that success. However other Asian countries, Ireland and Japan all showed impressive average sales growth ranging from 12-44% vs UK's decline of -0.6% in 2016.
- New Zealand exports mainly Crude materials, inedible, except fuels and food and live animals. Dairy sales declined **6%** annually.
- Norway's exports to China are Chemicals & related products, Food and Machinery & transport equipment. Machinery declined **15%** annually.
- Switzerland exports Chemicals & related products, Machinery & transport equipment, but Commodities and transactions (mainly gold) accounts for majority at **64%**. Chemicals growing **19%** annually and commodities **+14%**.

Tourism

- **120 million** Chinese tourists went abroad in 2016 (doubled in 5 years), with only **c10%** currently holding passports, there is considerable potential growth in this market.
- China's growing wealth, large population as well as the popularity of tourism products like Harry Potter has seen tourism from China to Scotland **grow steadily over the past decade**.
- Scotland is welcoming an overall increasing number of Chinese visitors (**40,500**), who spent **CNY320m (£36m)** in 2016 – our 12th largest international market by spend. On last year's performance, Scotland is enjoying an impressive **increase in the length of stay** by Chinese tourists (**+259k nights**) and spend (**+£2m**), 2016 was however the first year visitor numbers declined (-16%) since 2010.
- Key businesses report **20-25%** growth on Chinese visitor numbers to Scotland last year, and they forecast the same number for 2018. Note venues report visitor numbers earlier than nation-wide stats.
- The "**Outlander**" effect continued to benefit many sites featuring in the cult TV series, as well as others with Jacobite connections. Edinburgh Castle - over **177,000** people from China visited in 2017.
- Edinburgh Tourism Action Group Chinese Social Media Campaign (launched 16'), has approx. **60,000** followers and **66 million** impressions across its channels. A **Top 10** WeChat city account worldwide.

- Chinese visitor numbers to **Diageo**-owned distilleries in Scotland rose by **154%** in 2016, with total spend per customer “significantly higher” than in its top three tourism markets.

CHINA – DATA

- Scottish digital tech sector has over **1,500** companies from home-grown companies like **Skyscanner**, and **Fan Duel** to large multinationals like **Oracle**.
- Scotland's Big Data opportunity est. at **£20bn (178bn CNY)** between 2015-20.
- Over **1,000** software and digital tech companies. **97k** graduates p/a. **5k** software focussed.
- **170** data sciences companies with combined turnover of **£1.2bn (10.7bn CNY)**.

TALENT

- **25** of the UK's 112 data science related Masters programmes are in Scotland
- **5** Scottish Universities run dedicated cyber security under & post-grad courses.
- Home to **11** of the UK's **24** postgrad data science courses.
- **80** academics with specific interest in AI and who have formed collaborations.
- **6** AI specific undergrad courses in Edinburgh & Heriot-Watt Universities
- **14** Post-grad AI courses in Edinburgh, Heriot-Watt, St Andrews & Aberdeen

COLLABORATION

- **Edinburgh School of Informatics:**
 - **12th** of 800 **in the world** and **1st** in **UK based** on 3* and 4* research.
- **The Edinburgh Centre for Robotics:**
 - **30 world leading** investigators from **12** cross disciplinary research groups and institutes.
- **The Artificial Intelligence Research Group** (St Andrews):
 - Developed unique technology to tackle decision-making and optimisation problems.
- **The Systems Research Group (SRG)** (University of St Andrews):
 - At forefront of cloud computing research.
- **The Scottish Informatics and Computer Science Alliance** (SICSA):
 - Research pool of **14** Scottish universities.
- **Cyber-Physical Systems:**
 - Investigation of physically embedded systems, human-robot interaction
- **Data Science:**
 - SICSA's Data Science activities helping to establish a leading portfolio of data science research, enterprise & innovation to support scientists&industry in Scotland and beyond
- **Human-Computer Interaction**
 - considers new modalities of interacting and accessing information,
- **Networking and Systems; Scotland's universities**
 - Wealth of combined expertise in experimental networked and parallel systems research.

- **Theory, Modeling and Computation; integrates previous SICSA Research Themes in Complex Systems Engineering and Modeling and Abstraction. Scotland is internationally prominent in the areas centered around Theoretical Computer Science, Programming Languages, AI, Logic and Mathematics.**
- **The Data Lab:**
 - Industry-led collaboration, partnership with SICSA. Hubs Aberdeen, Edinburgh & Glasgow.
 - Works with FS companies inc. **Standard Life, AAM, Clydesdale Bank, Avaloq and HSBC.**
- **Edinburgh City Deal:**
 - Data science, robotics, financial services, fintech and digital sectors
 - Aims to make Edinburgh Europe's 'data capital', through Data Driven Innovation.
 - Over 10 years, the University and partners will train **100k** people in application of data.
- **Bayes Centre for Data Science & Technology:**
 - Opening summer 2018 will be a co-creation hub housing both University of Edinburgh data teams and industry partners.
- **Cyber security:**
 - **6** Security Operations Centres operate in Scotland supported by global companies inc. **Dell Secureworks, ATOS, RBS and Tesco Bank.**
- **Blockchain & Universities**
 - Edinburgh and Stirling University (Dr Andrea Bracciali) have active Blockchain research projects.
 - University of Edinburgh School of Informatics hired Chair in Cyber Security and Privacy, blockchain specialist Aggelos Kiayias.
 - Blockchain Technology Lab launching within the UoE School of Informatics.

SCOTTISH DATA CASE STUDIES

- Edinburgh HQ'd **Sainsbury's Bank** initiated data science project to better understand customer loyalty and spending motivations.
- 2017 **Merkle**, acquired **Aquila Insight**, one of the largest independent data analytics organisations in the UK (HQ'd in Edinburgh and London).
- **Huawei** launched data management lab with **University of Edinburgh**
- **Intel** sees data centre/cloud servers as a **prime market** for its chip. Recently established a **chip architecture team in Edinburgh** (within **Edinburgh Uni**).
- **Heriot Watt** students developed, Alana, a socialbot.
- **Amazon's Edinburgh team** harness latest technology and computer science to build features that help customers discover the products they want.
- **CGI's** Open Digital Services Centre is a centre of excellence for open technologies across the UK, Blockchain orgs in Scotland include Wallet Services, Maidsafe, Flockchain, Scotcoin, Cloudsoft.

- Wallet Services, a Blockchain SME is leading the way in terms of Blockchain development. RBS looking at Blockchain (confidentially hired **35** blockchain specialists **2** years ago).
- **435** members of Scottish Blockchain meetup - around **80** attending at last event.

CHINA MARKET OVERVIEW

- One of the world's biggest data producers, over **700m internet users** and **1.3bn mobile phone users** - more than any other country on both measures.
- China's three internet giants, **Alibaba, Baidu, Tencent** are building their business models, operations and cultures around big data and AI.
- Alibaba's cloud division is focussed on using AI in areas such as shopping and healthcare.
- Baidu has an AI research lab in Silicon Valley and is exploring areas like driverless cars.
- The government focus on big data has led to companies investing in big data capabilities. Plan encourages universities and institutions to offer big data courses and internships.
- **Chinese President** visited the **Data Science Institute, Imperial College London** October 2015.

AI

- 2017 - China's State Council released a development plan for its AI industry.
- Plan ambition for total market size of AI in China to exceed RMB 1tn (US\$150bn) by 2020. By 2030 10 times this figure.
- 592 AI companies in China, 23.3% of global market, US has 1078 AI companies.
- Vast population and diverse industry mix make China one of the leading global hubs of AI development but it lags behind the US and UK in terms of fundamental research that advances the field of AI.
- Focus is on need to build innovation capacity. US and UK currently producing more influential AI research, US produces more competitive AI startups.
- 50% of US data scientists more than 10 years experience, while 40% in China have less than 5.
- China has less than 30 university research labs focused on AI.

New Cybersecurity and Privacy Law in China

- 2017 Chinese Government passed the Cybersecurity and Privacy Law highlighting importance of building trust in the security and use of sensitive personal data. Companies are required to store all data in China and pass security reviews.
- States will be permitted to govern and monitor their own cyberspace, controlling incoming and outgoing data flows.

Companies located outside of China supplying services on a cross-border basis will be severely affected, as they must depend on access to data from their customers in China

CHINA – HEALTHCARE

Market overview

- Employs over **37,000** people across some 700 organisations. Company turnover is in excess of **£4.2bn** and gross value added (GVA) around **£2bn**.
- Approximately **£300m** has been invested in the sector over the past three years, by companies including Capsugel, GSK, Johnson Matthey, Piramal Healthcare and ThermoFisher Scientific.
- Public, academic and private sectors support and facilitate development and deployment of commercialisation strategies for key centres for innovation and research excellence.
- SG's commitment to precision medicine is explicit in the Programme For Government: "The development of the precision medicine sector is vitally important to Scotland's future health [...] allowing specific treatments to be tailored to the individual characteristics of each patient".

China Market Insights

- China aims to be a leader in Precision Medicine, with it identified in the Chinese Government's five-year plan as a key element in moving towards tech-driven development.
- **Investment in the sector is significant:** in March 2016, the Chinese Academy of Sciences announced a \$9.2 billion Precision Medicine Initiative funded for 15 years. The project brings private and government resources together. To put this in perspective, for every \$1 the USA has earmarked for R&D into precision medicine (as of 2017), China will invest more than \$40.
- China is a **leading nation in data collection and analysis tools to understand human genetics and biology**. This includes: **Fosun Pharmaceutical** which maintains a nationally recognised technology R&D centre that focuses on areas including cardiovascular, nervous system, blood and metabolism. **WuXi AppTec** provides services across life science industries.
- **WuXi NextCODE** is a **genomic information company applying sequence data to deliver better health and precision medicine. The company claims that it owns the world's leading genome interpretation and discovery system, a "pioneering internet of DNA"**.
- **Huawei:** Together with WuXi Apptec & WuXi NextCode, Huawei launched China's first national scale cloud infrastructure platform designed solely to serve the Precision Medicine Initiative. The platform will enable the organisation, mining and sharing of genomics big data.
- **Beijing Genomics Institute (BGI)** claims to be the world's largest genome centre, offering commercial science, health, agricultural, and informatics services to pharmaceutical companies.

- **iCarbonX** was founded in 2016 and is described as China's first biotech unicorn. The company has built a platform, capable of processing a wide variety of health-related data, including genetic data and from smart hardware devices. Using AI, iCarbonX will recommend personalised health services and products, as well as forecast and predict health conditions.

Digital health and care

- Scotland has a strong focus on **digital health and care technology** including data analytics to support tailored services and to manage out-of-hospital care. These services encompass nine areas: home health monitoring; home care monitoring; in hospital products and services; personal health and care monitoring; diagnostic equipment; installation, maintenance and logistics; field worker information; connected communities and records management.
- Around **44,000** people (including over 4,000 with dementia) received a telecare service between 2006-2011 as a result of the Telecare Development Programme. Access to 24/7 stroke thrombolysis treatment through Telestroke networks (providing access to immediate stroke specialists) is also available.
- 35% of in-hospital cardiac arrests happen due to stretched healthcare staff missing the early warning signs. **The Snap40** device is worn by the patients and can continuously monitor a vast number of health indicators and then analyse the data in real-time allowing for early detection.
- **Care Monitoring 2000 (CM2000)** is a mobile platform which monitors the impact of healthcare interventions and provides feedback to the Care Provider on the standard of care.
- **Canon Medical's** European R&D Centre in Edinburgh stems from a pioneering Medical Imaging start-up, Voxar. The team of over 120 delivers world leading software and technology.

Precision medicine

- Scotland's world-leading expertise in healthcare and data informatics is the backbone of our emerging expertise in precision medicine. The Scottish Precision Medicine Ecosystem (PME), is an initiative funded by SG (£4m) to co-ordinate precision medicine resources and opportunities. It is hosted by the Stratified Medicine Scotland Innovation Centre and brings together individual research projects to improve information-sharing.
- PME projects are ongoing in oncology, IBS, rheumatoid arthritis and COPD, with two flagships:
 - Precision Pancreatic Cancer will better characterise pancreatic cancer, allowing patients to be recruited to clinical trials efficiently and quickly. **In March 2017, Cancer Research UK announced it would increase its investment into the trials by £8m (50.6m CNY) (with total investment now standing at £10m/63m CNY).** This is led by Professor Andrew Biankin, the first researcher to identify four discrete sub-types of pancreatic cancer.

- 'Future MS' will study multiple sclerosis at the genetic level to help answer why the condition progresses differently in individual patients.
- The **£15m (95m CNY) Scottish Genomes Partnership**, a collaboration between Glasgow and Edinburgh Universities and the US company Illumina was launched with SG backing in 2015.

Stratified Medicine Scotland Innovation Centre (SMS-IC)

- The SMS-IC was formally established as a consortium in 2013, in response to a call for proposals by the Scottish Funding Council for innovation centres to support SG's economic strategy. Its remit is to prove the principle of stratified clinical trials and to establish Scotland as the go-to venue to conduct them, and developing Scottish healthcare technology companies.

Glasgow University

- Glasgow University leads the largest of the 6 UK Medical Research Council/Engineering & Physical Sciences Research Council Molecular Pathology Nodes, a collaboration between the University, NHS and industry partners, aimed at increasing the capacity and capability of the UK to drive novel diagnostics through provision of integrated support and training.
- The Imaging Centre of Excellence incorporates a 7 Tesla (ultra high-resolution) MRI scanner which is the first of its kind fully integrated within the UK. It also provides a 'Clinical Innovation Zone', to complement academic research and Clinical Research Facilities for precision medicine trials.
- **Aridhia** provides world-leading biomedical informatics and analytic solutions to support stratified medicine and translational research, which will enhance understanding, diagnosis, prevention and treatment of chronic diseases. Strategic partner of SMS-IC and also co-located.
- **Fios Genomics** provides an extensive range of bioinformatics data analysis to pharmaceutical companies, contract research organisations and academia for drug discovery & development, including analysis and interpretation of genomic, transcriptomic and proteomic data.
- **Biopta** is a leading Contract Research Organisation based in Glasgow. Biopta provide contract research services to the industry and is a world-leader in the use of fresh functional human tissues to predict drug efficacy prior to starting clinical trials.

CHINA – ENERGY

Market Overview

- Scotland **maximises oil & gas recovery** in world's most inhospitable regions.
- Scotland has considerable renewable potential, incl **25%** of the entire European offshore wind resource.
- Europe's oil capital - **vast and collaborative supply chain** of home grown and international companies.
- Aberdeen iglobal hub for industry; trading with Scotland can also give access to new markets.
- Global leader in development and deployment of marine renewable energy.
- Energy Technology Partnership - made up of **600** researchers from **13** Scottish universities.
- World expertise in Reservoirs; Drilling & Wells; Platforms & Topsides; Marine, Subsea and Pipelines.
- **20bn boe** still to be recovered from the North Sea making innovation crucial to success.

Innovation

- European Marine Energy Centre (EMEC) in Orkney: world's first and only purpose-built, accredited, open-sea testing facilities for marine renewable energy devices.
- Offshore Renewable Energy Catapult - UK's leading technology innovation and research centre for offshore renewable energy technologies.
- REIF (the Scottish Government's Renewable Energy Investment Fund) invested **£60m(CNY536m)** and supported over **20** projects since launch in 2012.
- **£20m(CNY178m)** available 2018/19 for Energy Investment Fund to support renewable & low carbon energy solutions.
- Low Carbon Infrastructure Transition Programme supported over **50** low carbon projects with over **£48m (CNY429m)** investment since being established in 2015.
- Low Carbon Innovation Fund invest further **£60m (CNY536m)** in innovative low carbon energy infrastructure solutions.
- Oil and Gas Technology Centre launched 2017 with **£180m (CNY1,607m)** funding, further **£90m (CNY804m)** committed part of Aberdeen City Region Deal over the next decade
- R&D grant funding of up to **70%** of total project costs (for inward investors).
- Tax relief for R&D activities and **10%** corporation tax for businesses commercialising a UK or EU patent in Scotland – **56%** below the normal rate (for inward investors).
- **£10m (CNY89m)** ring fenced to reduce the risk of investing in innovation.

Our Support:

- **£15.9m (CNY142m)** awarded to **111** innovation projects in 2016

- ION, NOV Rig Systems, Howden Group and CRC Evans Offshore expand their presence in Scotland
- Raptor Oil to improve data communications in the industry with a **£400k** investment
- One Subsea's **£1.8m** investment to expand their business with over **£400k** R&D support towards developing their Standard Modular Injection System
- **£1.5m** grant to Glasgow-based Sciencesoft Ltd for their reservoir modelling software
- **£1.2m** to EC-OG to help develop their innovative Subsea Power Hub (SPH)
- The University of Strathclyde's Power Network Demonstration Centre (PNDC) **£12.5m** one of a kind facility was built with the help of a **£7.2m** investment from **Scottish Enterprise**.

China Market Insights

- The Chinese Government's policies for energy are centred around:
 - Reducing the dependency on Coal – it currently meets **70%** of energy usage.
 - Improving the environment, reducing air pollution and protecting the food source.
- World's largest investor renewable & low carbon energy, investing **£95bn** in domestic projects in 2017.
- China investing **£32bn (CNY285bn)** non-domestic renewable and low carbon projects.
- Chinese Government's **5 Year Plan (2017) - £280bn (CNY2,499bn)** renewable investment to 2020.
- The Plan includes nationwide charging-station network for **5 million** electric vehicles by 2020.
- China to meet **15%** of its total energy demand from renewables sources in 2020, rising to **30%** by 2030.
- **2.7GW** offshore wind at end 2017, China is 3rd largest offshore market globally after UK and Germany.
- **70%** of China O&G is onshore and **30%** is offshore shallow water.
 - China now has a stake in **20%** of all global assets.
 - Scottish company (Exceed) helped CNOOC drill first **16** deep-water wells in the **Liwan Project**.
 - The key areas where Scotland can support Chinese Oil & Gas are:
 - Asset Integrity – PDMS and Global Energy Group.
 - Deepwater drilling – Exceed.
 - Subsea System design – Subsea Cluster in Westhill Aberdeen.
 - Enhanced Oil Recovery – Weir and SPX Flow Pumps.
 - Scotland has O&G Engineering support services with a global reach – Wood Group.
 - Innovative new technologies to reduce the cost of recovery – i.e. unmanned production systems - Seacaptaur, OPB, OGIC and OGTC.
 - Training in HSE, Project Management etc – RGU and University of Aberdeen.

- Scottish companies active in China market include: [Agrekko](#), [Weir Pumps](#) and [Clyde Blowers Capital](#)
- COOEC and COES trade agreements to service decommissioning market heavy lift ships (in 2018).
- The main renewable energy expertise that Scottish companies can bring to China are:
 - Yield assessment and wind speed measurement – [Wood Group](#).
 - Environmental & technical surveys – [Aquatera](#).
 - Project development and design – [RES](#), [Natural Power](#), [Xodus](#).
 - Engineering support – [Sparrows](#), [James Fisher](#).
 - Subsea cable installation – [Ecosse Subsea / Oceaneering](#), [Flowline Specialists](#).
 - ROV provision and services – [ROVOP](#), [Subsea7](#).
 - Active network management services – [Smarter Grid Solutions](#).

Scottish Renewable Energy Facts & Figures

- To meet the equivalent of **100%** of Scotland's own electricity demand from renewables by 2020.
- Deliver equivalent of **50%** of Scotland's total energy consumption from renewable sources by 2030.
- Reduce our greenhouse gas emissions by **80%** below 1990 levels by 2050.
- **54%** electricity demand from renewables in 2016 and continues to deploy new capacity in pursuit of **100%** target. We currently have **9.7GW** of operational projects, **1.9GW** under construction, **6.7GW** with consent and **2.9GW** in the planning system (i.e. **11.5GW** projects in the pipeline).
- Recognised as a renewable energy pioneer with world first projects such as:
 - **MeyGen** - the world's first utility scale tidal array; **The Shetland Tidal Array** - the world's first community tidal array; **The ScotRenewables SR2000 turbine** - the world's most powerful floating tidal energy device; and **Hywind Scotland** - the world's first floating offshore wind farm.
- Renewables & low carbon sector supported **49,000** jobs in 2016, generating **£11bn (CNY98bn)**

China's Involvement in Scottish Offshore Wind

- [Red Rock Power](#) wholly owned by Chinese state investment company State Development and Investment Corporation founded in 2016 after acquisition of [Repsol's UK](#). [Red Rock](#) own **25%** stake in **588MW**, **£2.6bn** [Beatrice Offshore Wind Farm](#), with [SSE](#) (**40%**) and [Copenhagen Infrastructure Partners](#) (**35%**), currently under construction off coast of Caithness. [Red Rock](#) is sole owner of [Inch Cape Offshore Wind Farm](#).
- [China Three Gorges](#) is a Chinese state-owned power company that develops and operates renewable energy projects around the world, most notably the Three Gorges Dam, the world's largest hydro plant.

China's Oil & Gas Industry is monopolised by three national companies:

- China National Petroleum Corporation (CNPC, often referred to as PetroChina)
- China Petrochemical Corporation (Sinopec) - Sinopec
- China National Offshore Oil Corporation (CNOOC)

China's market reforms and a greater focus on the private sector, new players are emerging. Examples:

- Fosun International, Geo-Jade Petroleum and Landbridge Group.

Opportunities

- China's companies to invest in techniques to sustain oil flows at the mature fields.
- Chinese NOCs have worked with foreign oil companies to develop offshore oil fields. Opportunities for Scottish companies with expertise to enter the market by forming partnerships with Chinese companies.
- Chinese companies working with foreign supply chain. Cooperation in 3rd markets..
- Upstream assets and the decommissioning market in the North Sea.

CHINA – EDUCATION

KEY FACTS

- **60% of inward investors** cite Scotland's academic base as a factor in their investment decision
- 19 universities and 26 colleges.
- **Overseas trade** of Scottish education rose from **£685m** (2014) to **£780m** (2015).
- **230,000** undergraduate and postgrad students.
- **40,000 international students** from 180 countries study in Scotland each year.
- Employs 38,000 people directly and supports 140,000 jobs in the Scottish economy indirectly
- **91% of graduates move into employment** or further study in 6 months. UK average is 88%.
- Scotland's universities work with **26,000** companies each year.
- Its universities account for **28% of all UK spin-out companies** in last 3 years.
- All of Scotland's HEIs undertake research judged to be of "world-leading" quality.
- 5 of the world's top 200 universities are in Scotland.

SUPPORTING TRADE AND INVESTMENT

The education sector has an important role to play in Scotland's ambition to internationalise:

- Scotland's education assets and capabilities directly support growth in sector of high economic potential including data, fintech, life sciences and sub-sea.
- It enhances our global outlook and attracts talent.
- It strengthens our external relationships and networks.
- It delivers international intelligence.
- It builds our reputation and international attractiveness.
- Innovation activity strongly correlates with internationalisation.
- International R&D activity builds supply chain opportunities.

The Education Sector comprises:

- **Universities:** strategy informed by the university sector international strategy '**Connected Scotland**'. SDI is a partner in this initiative in association with Universities Scotland, the SFC, SG, British Council Scotland and the RSE.
- **Colleges:** Scotland has 26 colleges and SDI will continue to work with individual colleges on their international ambitions and continue to work with Colleges Scotland and the Colleges Development Network to develop sector-wide opportunities.
- **Private sector providers:** Scotland also has a thriving private education sector which employs 10,000 individuals and contributes £455m GVA per annum. Additionally many niche providers of bespoke training and education supply

chain businesses have international ambitions and we will support them accordingly.

- **Innovation Centres and Research Pools:** collectively develop university opportunities and we will continue to work with them to build on and develop international connections

GLOBAL OVERVIEW

- The UK is the 2nd most popular destination for international students.
- International student mobility growing by 10% p/a. Estimated to reach 8m overseas students by 2025.
- India, China, US and Indonesia will account for half the world's 18-22 population by 2020.

CHINA MARKET OVERVIEW

- **8,475** Chinese students studying in Scotland 2016/17, **9%** increase from 2015/16
- Over **200** active education agreements/projects in China
- China 5 Year Plan to boost workforce development and grow modern apprenticeships
- **9** Scottish universities have offices or universities in China, **7** in Beijing, **1** Shanghai, **1** Shenzhen
- **18** Scottish HEI's have a link with China, including staff and student exchange, research collaborations, and presence in country. These include;
 - University of Edinburgh, partnership with Zhejiang University and international campus development is the first of its type for the University and for China.
 - University of Glasgow has several active collaborations with Sun-Yat-Sen University in Guangzhou. These include bilateral exchanges of University of Glasgow medical and dental students and research links.
 - Aberdeen University MOU with Shanxi Universities includes linkages with Shanxi Medical School and the School of Traditional Chinese Medicine. The collaboration involves staff exchange programmes for Aberdeen and Chinese students.
- The Confucius Institute for Scotland's Schools (CISS) established in partnership with Tianjin Education Commission in 2012. Aim of strengthening educational cooperation between China and Scotland; supporting and promoting the development of Chinese language education in schools; and increase mutual understanding among people in China and in Scotland. It is one of Scotland's **5** Confucius Institutes.

Priority markets

- Tier 1: China (Pearl River Delta region), Malaysia
- Tier 2: Middle East, Central America. South East Asia
- Developing: India Brazil