

BRIEFING NOTE FOR FIRST MINISTER

ECONOMIST EVENT - SHANGHAI

WEDNESDAY 11 APRIL 2018

Key Messages	<ul style="list-style-type: none"> • Today's event is intended to help us to understand and respond to the demand in Scotland, China and across the world to deliver inclusive growth and address inequalities. We will have an even more productive and competitive economy, if we have a fairer society. • The approach of Scotland's Economic Strategy is based on two key pillars; increasing competitiveness and tackling inequality. We will ensure that inclusive growth and innovation go hand-in-hand with a commitment towards delivering wider benefit to all of society. The Scottish Government is already making good progress and is proud of our place in the world as a leader in this regard – it is at the heart of everything we do. • Scotland is committed to growing our relationship with China and is keen to continue our long history of collaboration. Scotland's warm welcome extends to the whole world. Students, immigrants and refugees from 180 countries have chosen Scotland as their home. • Scotland is home to 2,350 foreign owned enterprises. I very much hope to be able to convince you to come and meet them and understand why they choose Scotland for yourselves.
What	<ul style="list-style-type: none"> • A thought leadership/knowledge exchange business event and keynote speech. • The Economist is event delivery partners for the Scottish Government and SDI.
Why	<ul style="list-style-type: none"> • Respond to a need in China, and elsewhere, to address inequalities. • Raise awareness in China of Scotland being a leading location for driving inclusive economic growth and raise FM's profile as a woman in leadership. • Introduce key policies and initiatives within Scotland in the areas of inclusive growth for more detailed discussion and follow up.
Who	<ul style="list-style-type: none"> • 100-200 targeted influential Scottish and Chinese business leaders, business students and Scottish alumni in Shanghai. Trade media in attendance. • Approx. 10 targeted VIP company representatives and influencers for pre-meet.
Where	Peace Hotel, 20 Nanjing E Road, WaiTan, Huangpu Qu, Shanghai, China, 200002
When	08.45-10.00 08.45 – Pre-meet with Mary Boyd, Director, Economist Shanghai Corporate Network, The Economist Group and MC for the event. 09.00 – FM arrives main venue, VIP networking 09.05 – FM speech (20mins, English speaking audience) 09.30-09.45 – Guest speakers OR Q&A (TBC) 09.45 – TBC photo opportunity – SG to identify who should be part of that group

	09.50 – TBC closing element – videos/Q&A/media interviews 10.00 – FM departs
Likely themes	Thought leadership on economic policy, Scotland's economic strategy, inclusive growth, inequalities in Scotland, China and across the world, Globalisation.
Media	In attendance. No announcements, SDI will coordinate social media and pictures.
Supporting Officials	[REDACTED]
Attached documents	Annex A – Summary Page Annex B – Key Guests Annex C – Scotland's Economic Strategy and Inclusive Growth Annex D – China's economic performance and context Annex E – SE Investment and work on Inclusive Growth

SUMMARY PAGE

Purpose:

- Respond to a need in Scotland, China, and elsewhere, to address inequalities.
- Raise awareness in China of Scotland being a leading location for driving inclusive economic growth and raise FM's profile as a woman in leadership.
- Introduce key policies and initiatives within Scotland in the areas of inclusive growth for more detailed discussion and follow up.

Key Facts:

- We're leading the way on fair pay. **Scotland is the best performing of all of four UK countries** in terms of paying the real Living Wage at **81.6%**.
- **Scotland outperforms the UK** on female employment and unemployment rates.
- Scotland has one of most progressive equal marriage laws in the world, and has been ranked as one of the top two countries in Europe for LGBTI equality and human rights in the last **3** years.
- Free, high quality childcare is being increased to **600** hours a year for all 3 and 4 year olds, up from 475 hours in 2007, and **extended to eligible 2 year olds** – saving families up to **£2,500** per child per year in total.

Points for discussion:

- Raising **competitiveness and productivity** is vital to Scotland's long term economic growth.
- This means we must get the best out of our greatest asset – **our people** – and we can only do this if we open up employment opportunities to groups and areas that don't currently have the chance to fully contribute to and benefit from growth.
- With businesses, this will **drive productivity and competitiveness**, enabling them to continue to drive more progressive people practices, resulting in a positive and sustainable cycle of inclusive growth benefiting both business and employees.
- One of the things we have sought to do since we decided to prioritise inclusive growth in our Economic Strategy, and many other countries are now doing as well, is increasingly recognise that those two challenges, of competitiveness and equality, are not competing with each other but two sides of the one coin. **We will have an even more productive and competitive economy, if we have a fairer society.**
- We're equipping our young people for the future through the **Scottish Attainment Challenge**; by increasing **Modern Apprenticeship** starts and we're introducing a **Job Grant** supporting young people who have been out of work for six months or more.

- Equality for women is at the heart of the Scottish Government's vision for an equal Scotland.
- It is not acceptable for women to be discriminated against in access to employment or to be under-represented in senior positions.

KEY GUESTS

NB: Additional VIP biographies will be provided in market by SDI as guests are confirmed.

Mary Boyd**Network Director, Economist Shanghai Corporate Network**

Ms. Boyd joined The Economist 2006, is responsible for programme development and client servicing in Shanghai and provides research and conceptual support on China.

Previously served at Canadian Department of Foreign Affairs, on assignment in Hong Kong, Thailand, Taiwan and China.

Since leaving government service she has researched and published on economic development and governance issues

in China, and has undertaken consultancy work for the World Bank and other international institutions, as well as multinational companies.

MA (area studies) and an MSc (public policy and management) from the School of Oriental and African Studies, University of London, has also completed language studies at Nanjing University. Research interests include local governance and decentralisation policies and public-sector reform.

SCOTLAND'S ECONOMIC STRATEGY AND INCLUSIVE GROWTH

1. The approach of Scotland's Economic Strategy is based on two key pillars; increasing competitiveness and tackling inequality.

Under these, there are **four priority** areas that we focus on to deliver Scotland's Economic Strategy:

- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion; and,
- **Investing** in our people and our infrastructure in a sustainable way; and,
- **Fostering** a culture of innovation and research and development; and,
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

2. Scotland has already achieved a significant amount in delivering on Inclusive Growth Outcomes:

- Free, high quality childcare is being increased to 600 hours a year for all 3 and 4 year olds, up from 475 hours in 2007, and extended to eligible 2 year olds – saving families up to £2,500 per child per year in total.
- Scotland outperforms the UK on female employment and unemployment rates.
- We're leading the way on fair pay. Scotland is the best performing of all of the four UK countries in terms of paying the real Living Wage at 81.6%.
- Scotland, with one of the most progressive equal marriage laws in the world, has been ranked as one of the top two countries in Europe for LGBTI equality and human rights in the last three years.
- Scotland has met its annual greenhouse gas reduction target for the second successive year. With reductions of 41 per cent to date, Scotland is well on track to meet its world-leading interim 2020 target of a 42 per cent reduction.

3. Despite this progress, there are always opportunities for improvement. The Scottish Government are taking the following actions to deliver on the vision set out in the economic strategy:

Inclusive Growth

We're equipping our young people for the future.

- Through the Scottish Attainment Challenge, we're providing £750 million during the course of this parliament to tackle the poverty related attainment gap.
- We're increasing Modern Apprenticeship starts to 30,000 p.a. by 2020.
- We're introducing a Job Grant: supporting young people aged 16-24 who have been out of work for six months or more (a one-off payment of £100 or £250 for

people with children, plus a bus pass for three months) aiming to help meet the costs of getting into, or back into, employment.

We're expanding funded early learning and childcare to improve young children's outcomes and reduce barriers to parents participating in the economy.

- Delivering 600 hours per year of funded high-quality early learning and childcare for all 3 and 4 year olds and eligible 2 year olds, and working towards 1140 hours by the end of this Parliament.

Other Priorities of the Economic Strategy

Internationalisation

We're boosting Scotland's trade, exports and international connections.

- We've established a Board of Trade to support delivery of our Trade & Investment Strategy; and appointed 4 Trade Envoys to champion Scottish international trade.
- We are establishing new hubs in Paris in addition to our Innovation and Investment Hubs in Berlin, London and Dublin, which are operational, and developing our existing presence in Brussels into a hub, plus upgrading our presence in Canada.

Investment

We'll be providing support to growth businesses: "Investing in ambition".

- We announced a £500 million Scottish Growth Scheme targeting, over 3 years, high growth, innovative and export focused SMEs. Currently two substantive components in place:
- First product, the £200 million Scottish-European Growth Co-investment Programme, provides equity funding above £2 million; and the new, additional funding to the SME Holding Fund to support equity funding up to £2 million.

We're increasing the supply of affordable housing in Scotland.

- We are committed to delivering at least 50,000 affordable homes, backed by more than £3 billion investment by the end of this Parliament.

Innovation

We're building a culture of innovation and entrepreneurship.

- We're investing £48 million in a National Manufacturing Institute for Scotland (NMIS) in Renfrewshire, with Strathclyde as anchor university.
- We're developing a co-ordinated programme of mission orientated challenges including the £9 million CAN DO Innovation Challenge Fund.
- We're doubling the funding for CivTech to £1.2 million to scale up their activity to address public sector needs with business led innovation;
- We're piloting a £500k College Innovation Fund to support Scotland's colleges to work with businesses on innovation activity;

- We're providing an additional £45m to SE for R&D grant support over the next 3 years; total R&D grant spend will exceed £110m leveraging in excess of £500m. We're building on the excellence of our Universities, and supporting commercialisation of world-class research in Scotland.
- We have invested over £6 billion in the higher education sector over the last six years, with a further £1 billion set to be allocated in 2018-19.
- Continuing to support Innovation Centre programme through our commitment via SFC of up to £120 million over 6 years, 2013-19.

CHINA'S ECONOMIC PERFORMANCE AND CONTEXT

Official figures released on 18th Jan showed China's economy expanded by 6.9% in 2017, 1st upturn since 2010, thanks to strong exports and a resilient property market and despite initial progress on reducing leverage. Weaker data for the 4th quarter suggests reduced momentum going into 2018. As the government prioritizes quality of growth over quantity and property market continues to slow, the growth/deleveraging balancing act will not get any easier.

Economic context

- Chinese GDP for Q3 2017 was 6.8% (year-on-year) leaving it well-placed to meet the authorities' 2017 target of "around 6.5% or higher". At the recent Party Congress, President Xi expressed confidence that China will meet its target of being a "moderately prosperous society" by 2020, including doubling real GDP by 2020 relative to 2010. China is the main contributor to global growth (one third of the total in 2016), adding the equivalent of more than a quarter of France's GDP to the world economy each year.
- Xi set out his aspiration that, building on China's economic progress to date, by 2050, China will be a prosperous global power. Xi also emphasised continued commitment to economic reform, transition to a services economy and opening up. There is increasing rhetoric from the authorities about the "quality" of GDP growth mattering, not just the quantity.
- The UK is defining its new place in the world as it leaves the EU. Following the referendum result the Government is seeking a special partnership with the EU, underpinned by ambitious agreements on free trade and customs, covering goods and services. The EFD is an opportunity for the UK to set the outlook for its future relationship with the second largest economy in the world, set the foundations for further collaboration on shared economic interests, and to continue as China's leading economic partner in Europe.
- **Recent Economic Growth was supported by a robust recovery of exports, strong government spending on infrastructure, and resilient property investment.** Investment in infrastructure grew 19%, twice faster than the real GDP growth. Investment in real estate development rose 7.0%, 0.1 percentage points faster than 2016, despite government controls on home purchases. Exports rose 7.9% in dollar terms, reflecting a strong recovery of overseas demand, while imports rose 15.9%.
- **Overall investment slowed and the property market continued to cool gradually in 2017.** Growth of total fixed asset investment slowed to 7.2% in 2017, 0.9 percentage points slower than 2016, mainly dragged by the manufacturing investment which grew 4.8% last year, reflecting efforts to reduce over capacity.

- Growth of property sales in value declined year on year to 13.7% in 2017 from 34.8% in 2016, although property investment held up (growing 7.0% in 2017), despite the government's tightening measures.
- **Credit growth slowed gradually in 2017** as the clampdown on shadow banking sector intensified but lending to the real economy remained strong. China's broad M2 money supply grew 8.2% in 2017 from a year earlier, hitting the lowest since records began in 1996. But new bank loans also hit a record high of RMB13.5 trillion in 2017 as policymakers tried to walk a fine line by reducing the growth of debt without hindering economic growth.

SE INVESTMENT AND PROGRESS ON INCLUSIVE GROWTH

Why SE are focused on Inclusive Growth

- Raising competitiveness and productivity is **vital** to Scotland's long term economic growth.
- This means we must get the best out of our greatest asset – **our people** – and we can only do this if we open up employment opportunities to groups and areas that don't currently have the chance to fully contribute to and benefit from growth.
- With businesses, this will drive productivity and competitiveness, enabling them to continue to drive more progressive people practices, resulting in a **positive and sustainable cycle of inclusive growth** benefiting both business and employees. For example:
 - a survey of Living Wage accredited employers found that **66%** reported a positive impact on staff retention and recruitment and **55%** a positive impact on productivity.
 - A survey by EPOC (European Population and Organisation Change) showed that of those companies implementing progressive people practices, **85%** saw an **increase** in sales, **68% reduced** costs and **98% improved their products or services**.

BUSINESS PLEDGE

- Continue to discuss and raise awareness of Business Pledge – **154 of 431 (36%)** signatories of the Business Pledge are account managed by SE
- Continue to make progress against components of Pledge - approx. **67%** of the portfolio **meet the Pledge requirements** (Living Wage + 2 others).

INWARD INVESTMENT

- Estimations indicate that **80%** of total inward investment jobs attracted **pay at least the living wage**.

RSA/YOUTH

- Continued **100% response rate** committing to developing youth policies by RSA recipients (**201** projects since 2015)

FEMALE LED BUSINESS

- Launch of **Principally Women** and **11** places taken up to support women to grow their business through improved leadership and confidence.
- Establishment of a baseline for AM companies led by women – **8%** of Account Managed companies are female led (for comparison - women lead approx **19%** of Scottish SMEs).

WORKPLACE INNOVATION

- **WPI Deeper Engagement Programme** – 2nd cohort underway - **10** companies engaged and action plans formed. **10** companies completed first programme June 2017.
- **High Performing Participating Teams** – **5** companies completed initial programme; another **4** this year.
- **WPI Masterclasses** – **6** held, **320** delegates in total (mix of AM and non-Am'd).
- **WPI Fund** – **93** enquiries, **16** applications, **11** approved. **16** referrals to BG for relationship management.
- **WPI Workshops** – covering People, Place & Practice delivered in Edinburgh, Glasgow, Aberdeen & Selkirk. **130** individual attendees from **56** companies (**43** non account managed; **13** account managed). New contract under procurement to roll out wider in 2018
- **Leadership support to companies** – on target to **meet/exceed** top end of the 3-year range (2500); to date **2304** companies supported with 2 months still to run. Year to date, **8%** ahead of target.

Support for communities through REIF

- One of the most pleasing aspects of supporting community renewables, via the Renewable Energy Investment Fund (REIF), is the potential to re-invest profits into important local projects.
- For example, REIF support in Berwickshire and in the Isle of Lewis will lead to a variety of community driven initiatives, including housebuilding, insulation and renovation projects, skills programmes, and funding for local organisations. (See case studies for Berwickshire Community Renewables and Beinn Ghrideag/ Point and Sandwick).

Support for Investing Women

- Through SE support for the Scottish Angel Capital Programme (delivered by LINC Scotland) dedicated support had been provided to help establish this new women led business angel investment syndicate.
- SE is now directly supporting Investing Women to run events across Scotland to increase participation by female investors and to support women led early stage businesses to attract equity finance.
- Our team of FR specialists work with these female led companies to develop their investment propositions and to secure the finance they need.

Scottish Angel Capital Programme

- SE is a contributor to the ERDF backed, and LINC Scotland managed, Scottish Angel Capital Programme (SACP) which is designed to: support the creation of professional angel syndicates who are then able to demonstrate the capability of co-investing alongside SE; improve the capacity of these syndicates to

transact and manage investments; attract new investors (High Net Worth Individuals) to this asset class; and, increase SME awareness of equity funding.

- The SACP will increase the number of SMEs, in all ownership categories, achieving investment-ready status, including support for Women into Business, DSL Business Finance, Social Investment Scotland and the Prince's Trust.
- Support for less represented groups reflects an increasing priority. The SACP also identifies investors to support the environmental and renewable energy sectors.

BRIEFING FOR THE FIRST MINISTER

MEETING WITH THE VICE MAYOR OF SHANGHAI

11 APRIL 2018

Key message	<ul style="list-style-type: none">China is a priority country for Scotland's international engagement and developing strong relations with the Chinese Government is important.
What	<p>Agenda</p> <ul style="list-style-type: none">Trade and investment – seek support for ambitions to strengthen trade and investment links with Shanghai and highlight the Shanghai Scotland Business Innovation Forum and other business focused events on April 12th.Culture - Celebrate the upcoming signing of a MOU between Edinburgh International Festival and Shanghai International Arts Festival to tour 'Rites of Spring' dance performance in Scotland in 2019 – <u>The signing ceremony will now take place on Thursday morning and be witnessed by SG officials.</u>Highlight Muriel Spark 100/women in literature event at Fudan University on Thursday 12 April.MoU between Shanghai International Festival (Shanghai Municipal Administration) and Festivals Edinburgh (signed during P2P, Dec 2017) <p>[REDACTED]</p> <p>NB – The First Minister briefly met the Vice Mayor during the Regional Leaders session of the P2P in Edinburgh on 4 December</p>
Why	<ul style="list-style-type: none">Shanghai is a priority area, identified in the Scottish Government's China Strategy and we are committed to strengthening the existing relationship between Shanghai and Scotland.
Who	<p>Weng Tiehui (first name Tiehui) [MS WUNG], Vice Mayor of Shanghai</p> <p>Formal address: Vice Mayor Weng</p>
Where	Office of the Mayor (Pudong)

When	Wednesday 11 April 2018 – 10:30 – 11:00
Likely themes	Trade and Investment, Culture
Media	N/A
Supporting official	[REDACTED]
Attached documents	Annex A – Background Annex B – Agenda Annex C – Biography Annex D – Shanghai Brief Annex E - Shanghai – Recent Issues Annex F - Edinburgh International Festival Annex G – Royal Edinburgh Military Tattoo 2020 [REDACTED]

BACKGROUND

SHANGHAI

Shanghai is one of the four direct-controlled municipalities of China and the **most populous city in the world**, with a **population of more than 24 million as of 2017**. A **direct-controlled municipality**, is the highest level of classification for cities used by the People's Republic of China. These cities have the same rank as provinces, and form part of the first tier of administrative divisions of China.

Shanghai is a **global financial centre** and transport hub, with the **world's busiest container port**. Located in the Yangtze River Delta, the municipality borders the provinces of Jiangsu and Zhejiang to the north, south and west, and is bounded to the east by the East China Sea.

The Pudong district, directly east across the Huangpu from the central business district of Puxi, was founded in 1870 as one of the earliest industrial areas; it was once notorious as the city's most extensive and appalling slum. The Lujiazui finance and trade zone as well as modern business complexes—including the 88-story Jin Mao Tower (completed 1999), the 101-story Shanghai World Financial Center (completed 2008), and the 128-story Shanghai Tower (completed 2015)—are now located there, and the Pudong New District was established in the area in 1993. A large site along the Huangpu in Pudong housed the major portion of the Expo Shanghai 2010 world exposition in 2010, with a smaller site across the river in Puxi.

Shanghai is renowned as the birthplace of the Communist Party in China, with the first Party Congress taking place there in 1921.

MAYOR'S OFFICE

The **Mayor of the Shanghai Municipal People's Government (Mayor Ying Yong)** is the highest ranking executive official in Shanghai. Since Shanghai is a direct-controlled municipality of China, the mayor occupies the same level in the order of precedence as a provincial governor. However, in the city's dual party-government governing system, the mayor has less power than the **Communist Party of China Shanghai Municipal Committee Secretary**, colloquially termed the "Shanghai CPC Party Chief in English.

The Mayor has 7 Vice Mayors, including **Vice Mayor Weng**, each with a different portfolio.

AGENDA ITEMS

Trade and investment – seek support for Scotland’s ambitions to develop even stronger trade and investment links with Shanghai.

- Scotland enjoys a longstanding trading relationship with Shanghai in many areas, including shipping and banking.
- We were delighted to welcome **significant investment from Shanghai headquartered Ctrip** to Scotland recently.
- Some of Scotland’s largest financial asset management firms such as **Aberdeen Standard Investments and Baillie Gifford are setting up operations in Shanghai.**
- We also pleased to be able to attract increasing numbers of tourists from Shanghai and are very keen to secure a direct air connection.
- Scotland is particularly keen to partner with Shanghai more strongly on **business innovation**, for example the University of Edinburgh is working closely with COMAC on aviation and Jiaotong University on low carbon.
- We are hosting events in Shanghai tomorrow designed to increase the number of **academic and industrial research and development collaborations** between Shanghai and Scotland.

Culture - Welcome the growing co-operation between Edinburgh and Shanghai, particularly between our Festivals

- Delighted that **Edinburgh International Festival and Shanghai Festival are signing a MoU tomorrow**, to bring China’s critically acclaimed ‘Rite of Spring’ dance piece to the Edinburgh International Festival in August 2019.

[REDACTED]

- During the UK/China P2P in December 2017, **Festivals Edinburgh signed a MOU with the Shanghai International Festival.**
- In 2017, the Centre for Shanghai International Film Festival organised “**China Focus**”, a group of seven Chinese acts who performed in Edinburgh’s Festivals. This was well received. **(This was supported by SDI and the Chinese Ministry of Culture)**
- Tomorrow, I will host an event at Fudan University to promote Scottish Literature and the 100th Anniversary of Muriel Spark.

- Of course, all of our cultural collaboration is underpinned by the **Cultural MoU between Scotland and China** (renewed during FM's 2015 visit to China).

[REDACTED]

BIOGRAPHY

**Weng Tiehui 翁铁慧**

Portfolio: Education, cultural affairs, broadcast, TV and film, press and publication, Taiwan affairs, ethnic and religious affairs, overseas Chinese affairs, file management, and coordination with the Publicity Department and the United Front Work Department of the CPC Shanghai Committee.

Bio: Weng, female, Han Chinese, born in April 1964 in Ningbo, Zhejiang Province, holds a Master's degree in economics and is a research fellow.

Weng started working in July 1988 and has served as Deputy Director and Director of the Student Affairs Department of Fudan University, Deputy Party Secretary and Vice President of Fudan University, Deputy Party Secretary of the Education Department of the CPC Shanghai Committee, Deputy Party Secretary of the Science and Education Department of the CPC Shanghai Committee, and Deputy Secretary General of the Shanghai Municipal Government. She was elected Vice Mayor of Shanghai in February 2013.

SHANGHAI BRIEF

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
- 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
- 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 centre for economy, finance, trade, shipping, as well as scientific and technological innovation."

RECENT ISSUES**Population cap**

The Laoximen district, regarded as the historic heart of the city is being slowly demolished as part of a neighbourhood “upgrade” programme, which is directed at solving the “big city disease”, characterised by state media as an overcrowded, polluted city with too many people living in it.

Shanghai and Beijing implemented population caps last year, leaving little room for additional growth – Shanghai plans to limit the population to 25 million, Beijing to 23 million. As a result, the population of Shanghai experienced its first fall in recent history in 2017. Critics of the initiative have accused the government of marginalising low-paid workers and forcing them out of the city.

[REDACTED]

MUTUAL INTERESTS

Scotland’s position as a global leader on Climate Change and waste and recycling could offer potential for collaboration with Shanghai. As China’s main industrial centre, Shanghai has serious air, water, and noise pollution. The Suzhou River and the Huangpu River, which flow through the city, are severely polluted from industrial discharges, domestic sewage, and ships’ wastes; nonetheless, the Huangpu is Shanghai’s main water source.

EDINBURGH INTERNATIONAL FESTIVAL (EIF)

- During the FM's 2018 China visit, Edinburgh International Festival and Shanghai Festival will sign a MoU to bring China's critically acclaimed 'Rite of Spring' dance piece to the Edinburgh International Festival in August 2019.
- **A three minute film of the dance will be screened at the *Scotland is Now* reception in Shanghai.**

About the EIF

- The Edinburgh International Festival is one of the world's foremost festivals of performing arts, showcasing work of the highest standards from around the world to a global audience in Edinburgh every August.
- The programming of the Rite of Spring is a mark of the commitment to showing contemporary Chinese work to our global audience in Edinburgh in August 2019.
- This has been facilitated by the International Festival's MOU with the China International Cultural Organisation, signed in the presence of the FM in 2015
- It has also been helped by the MoU signed by Festivals Edinburgh, a body representing 11 of Edinburgh's major festivals, and the Shanghai International Festival in late 2017
- Scotland is proud of the role that the International Festival plays in showing Scotland's welcome to the world's cultures, and its commitment to collaborate globally.

Draft Text of MOU

1. This agreement is made between the Edinburgh International Festival Society (EIF) and the Shanghai China International Arts Festival (SCIAF)
2. EIF agree in principal to programme Yang Liping's Rite of Spring as part of the Edinburgh International Festival in August 2019 in Edinburgh
3. This follows the visit by the Edinburgh International Festival programming team representatives to the Shanghai Performing Arts Fair at the 2017 Shanghai China International Arts Festival, to see the work in progress, to meet Yang Liping and Peacock Contemporary Dance Company, and to discuss potential collaboration to co-produce the work for initial premiere at the 2018 Shanghai China International Arts Festival and subsequent presentation in the UK in 2019
4. The programming of the work is subject to the successful negotiation to the satisfaction of all sides of full contractual details between EIF, SCIAF, Peacock Contemporary Dance Company and Sadlers Wells as the final co-producers of the work, and this intention to programme agreement does not constitute a legally binding obligation on either SCIAF or EIF
5. EIF and SCIAF commit to working in a spirit of mutuality and solidarity to deliver the objectives outlined above and to further strengthen the connections between EIF and SCIAF.
6. The programming of this work is associated with the implementation of the following three Memoranda of Understanding :
 - a. Memorandum of Understanding for the Development of Cultural Cooperation between China International Culture Association and Edinburgh International Festival signed on 15 April 2015 in Beijing
 - b. Memorandum of Understanding between The Scottish Government and The Ministry of Culture of the People's Republic of China on the Promotion of Cultural Collaboration and Exchange signed on 28 July 2015 in Beijing
 - c. Memorandum of Understanding between Festivals Edinburgh and Shanghai China International Arts Festival.
7. This agreement will be valid until superseded by a detailed contract between the co-producing parties as outlined in clause 4 above, or 31 December 2018, whichever is sooner.
8. Signed in Shanghai on 11 April 2018

Joanna Baker
Managing Director
Edinburgh International Festival

Catherine Wang
President
Center for China Shanghai International Arts
Festival

[REDACTED]

BRIEFING FOR THE FIRST MINISTER

CTRIIP, SHANGHAI

WEDNESDAY 11TH APRIL 2017

Key messages	<ul style="list-style-type: none">• Welcome Ctrip's investment in Scotland: delighted they have recognised our global excellence in both tourism and data.• We see many future opportunities and will be a trusted partner for further collaboration. We are keen to understand Ctrip's need for new technology and innovation and are delighted that the Ctrip Chief Technology Officer is able to meet with the University of Edinburgh today.• Scotland has more world class Universities than any other country by head of population and attracts more R&D projects than any other part of the UK, including London.• Scotland's growing cluster of data companies, and ongoing R&D expertise within analytics and Artificial Intelligence (AI), present a strong case for Ctrip to consider Edinburgh as a strategic R&D/technology centre within Europe.• Scotland is delighted to be welcoming increasing numbers of Chinese visitors to Scotland and we are keen to work with Ctrip to unlock more interest in Scotland and beyond.
What	<ul style="list-style-type: none">• Meeting with HQ leadership of an existing investor in Scotland with potential for expansion.• A discussion with leading Professors from the University of Edinburgh and Ctrip's technology heads on 'data driven innovation', will take place independently of FM's meeting.• Joint media Q&A and pre-record broadcast media interview.
Why	<ul style="list-style-type: none">• Promote Scotland as a tourism destination.• Understand and offer support for Skyscanner's future focus and expansion.• Understand and offer support for Ctrip's future focus and international expansion from an Edinburgh base.• Encourage further investment into Scotland by demonstrating how Scotland's University and R&D capability in for example data analytics and AI can support Ctrip's growth.• Gain insights into the developing needs of Chinese tourists, in order

	<p>to increase visitor numbers and spend in Scotland.</p> <ul style="list-style-type: none"> • Capitalise upon Jane Sun's 'business celebrity' status in China to raise awareness of Scotland as a place to visit, work and study through joint media activity.
Who	<p>Ms Jane SUN, CEO, Ctrip (Jane Gee-eh Sun) Victor Tseng, VP of Ctrip corporate affairs Jenna QIAN, CEO of Ctrip Destination Marketing Roger QIU, Regional General Manager of Destination Marketing Coley Dale</p>
Where	<p>Ctrip head office, 99 Fu Quan Road, Shanghai, PRC, 200335 Hawaii Room Sofa room (closed door) for 1:1 meeting Boardroom area for media activity</p>
When	<p>13.30 – 15.30, Wednesday 11th April 2018</p> <p>13.30 – 13.35: Arrival and welcome in Ctrip Campus 13.35 – 13.45 Tour of Network Operations Centre 13.45 – 13.50 Transfer to meeting room 13.50 – 14.30 Meeting with Jane Sun (including gift exchange) 14.30 – 15.00 Joint media Q&A with FM and Jane Sun (approx 10 media) 15.00 – 15.30 'In conversation' joint media interview with FM and Jane Sun and a Chinese broadcaster (pre-record).</p>
Likely themes	<p><i>Sino-Scottish tourism promotion; Scotland's strengths in data analytics, informatics and artificial intelligence; Female leadership and the importance of women in technology.</i></p> <p><i>Ctrip has indicated that Jane is likely to ask about cultural exchange programmes; flight routes, visas and corporation tax/tax credits.</i></p>
Media	<p>Please refer to media handling note.</p>
Supporting officials	<p>[REDACTED]</p> <p>On site but not in attendance: Prof Charlie Jeffery, Senior VP, University of Edinburgh & Prof Dave Robertson, Head of College of Science and Engineering, University of Edinburgh</p>
Attached documents	<p>Annex A: Summary Page Annex B: Biography Annex C: Company Background Annex D: Edinburgh International Festival</p>

	<p>[REDACTED] Annex F: New Air Route Annex G: Visa Issues Annex H: Corporation Tax Annex I: Media Handling Note</p>
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ANNEX A

SUMMARY PAGE

Purpose of the meeting 1: inward investment

- Skyscanner was acquired by Ctrip in December 2016 and operates as a distinct and complementary business with its own brand. The meeting is intended to help us understand Skyscanner’s future focus and where Scotland can support continued success and growth of its Scottish offices.
- Ctrip’s Edinburgh customer services centre is its first outside of China, representing a significant move for the company. Edinburgh was chosen for its access to multi-lingual skills which are critical to its need to grow the customer base in Europe and elsewhere.
- As Ctrip adopts a more global outlook, there may be a demand for the development of products outside of China. [REDACTED]
- Scotland’s growing technology cluster and R&D expertise within analytics and AI presents for a strong rationale for Ctrip to consider Edinburgh as a strategic R&D/technology centre within Europe. This meeting therefore provides an opportunity to enthuse Ctrip’s CEO about the prospect of Scotland supporting Ctrip’s need to access technology and skills to support future growth – both in Europe and globally.
- The FM/CEO meeting will happen in parallel with a focused roundtable on data-driven innovation between the University of Edinburgh and the Ctrip CTO and colleagues. The objective of the round table will be to establish some form of collaboration between Ctrip and the University sector in Scotland.

Key facts:

- **Edinburgh has the most active tech innovation community outside of London**, closely followed by Glasgow in 4th place (out of 36 countries).
- Every year Scotland’s 19 universities work with over **19,000** different organisations, (10,000 in Scotland), to develop new products and processes.
- **Edinburgh School of Informatics** largest European centre of its kind with **95 academics, 150 research staff and 1,400 students** from 75 countries. Very strong on data analytics, machine learning and AI.
- **The Edinburgh Centre for Robotics** harnesses the potential of **30 world leading** investigators from **12 cross disciplinary research groups** and institutes.

- **The Artificial Intelligence Research Group** at the University of St Andrews has developed a unique technology to tackle decision-making and optimisation problems.
- **Heriot Watt** students developed, Alana, a socialbot which was chosen as one of three finalists in Amazon's inaugural **\$1.5m (CNY9.5m)** Alexa Prize, which saw 100 teams from 22 countries compete for grants.

Points for discussion:

- Can you tell us about the future strategy for Skyscanner?
- How do you plan to take forward Ctrip's international expansion and what role will the Edinburgh base play in this?
- What are Ctrip's main technology and innovation challenges and needs?
- How important is your offering in robotics, automation and AI and how do you plan to develop that?
- How does Ctrip work with Universities or otherwise enable R&D?

Purpose of the meeting 2: Tourism

- [REDACTED]
- VS has worked with Ctrip on product and package development since 2007 and is keen to explore opportunities for specific seasonal product or initiatives and High Net Worth product development.
- Ctrip has a major investment in China Eastern Airlines, but through its development and sales of packaged product will have direct experience of working with numerous carriers.

Key facts

- **120 million** Chinese tourists went abroad in 2016 (doubled in five years), but with only c10% currently holding passports, considerable potential growth in this market.
- Chinese visitors spent **CNY320 million (£36 million)** in 2016.
- Key businesses reported **20 – 25 %** growth on Chinese visitor numbers to Scotland last year, and they forecast the same number for 2018.
- Edinburgh Castle figures reveal that over **177,000** people from China visited the world-famous attraction in 2017.
- Edinburgh Tourism Action Group Chinese Social Media Campaign, has acquired almost **60,000** followers and received **66 million** impressions across its channels. It was ranked among the Top 10 WeChat city accounts worldwide. (Launched in 2016).
- **Outlander** won Best Foreign TV Series/Serial award at the Shanghai TV Festival last year and VS's Outlander map has been translated into Mandarin on scotland.cn
- VS Expo (11/12 April) has activity planned with **35** Chinese buyers – two FAM trips taking delegates to Edinburgh, Glasgow, Fife, Ayrshire, Scottish Borders.

- 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.
- Scotch whisky exports to China grew by **45% to CNY240 million (£27million)** in the first half of 2017 according to the Scotch Whisky Association.

Points for discussion:

- What do you see as the biggest opportunities for us to work together to bring Chinese tourists to Scotland?
- Can you tell us what other destinations are under consideration by those also considering Scotland?
- What consumer trends are influencing your strategy which we should be aware of in Scotland?
- What are the barriers to improving seasonal and geographic spread of Chinese travellers to Scotland – how does Ctrip think this can be addressed?
- How can Scotland and Ctrip work together to develop MICE opportunities?

Cultural Exchange *(see Annexes D and E)*

- The Edinburgh International Festival are planning to secure two performances from China, for their festival in 2019 and earlier in the day the First Minister witnessed the signing of an MOU with Shanghai Arts Festival.
- This MOU will reinforce the commitment to bring the critically acclaimed ‘Rite of Spring’ dance piece to the Edinburgh International Festival in August 2019.
- 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) undertook a series of performances in Australia (Melbourne) and New Zealand (Wellington) in February 2016. These events were judged to be very successful and were attended by around quarter of a million ticket holders. The Royal Edinburgh Military Tattoo wish to emulate the success of its performances in Australia and New Zealand in 2016 by taking the Tattoo to China in 2020. They are currently working on a project to deliver a series of feeder events, beginning in 2018, which will run up to the launch of the tour.

Air Routes *(see Annex F)*

- Delighted at the announcement of a new direct air route between Scotland and China, which will begin in June.

[REDACTED]

Visas *(see Annex D)*

- 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.

Corporation Tax *(see Annex H)*

- the Scottish Government supports the development of international, multilateral measures to combat aggressive tax avoidance and protect national tax bases.
- 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.

BIOGRAPHY**Jane Jie Sun, Chief Executive Officer, Ctrip**

Jane Sun has served as CEO and on the Board of Directors since November 2016. She joined Ctrip as Chief Financial Officer in 2005 moving to Chief Operating Officer in 2012 and Co-President in 2015.

Ms. Sun is well respected for her extensive experiences in operating and managing online travel businesses, mergers and acquisitions, and financial reporting and operations. During her tenure as Chief Financial Officer, she won the Best CFO Award by Institutional Investor and Best CFO Award by CFO World.

Prior to joining Ctrip, Ms. Sun worked as the head of the SEC and External Reporting Division of Applied Materials, Inc. since 1997. Prior to that, she worked with KPMG LLP as an audit manager in Silicon Valley, California for five years.

She is a member of American Institute of Certified Public Accountants and State of California Certified Public Accountant.

Ms. Sun received her bachelor's degree from the business school of the University of Florida with high honours. She also attended Beijing University Law School and obtained her LLM degree.

[REDACTED]

COMPANY PROFILE

Ctrip

Ctrip is China's largest, and one of the world's largest, online travel agents providing accommodation reservation, transportation ticketing, package tour and corporate travel management and other travel-related services in China. It operates a centralised reservation system and highly efficient fulfilment service through mobile apps, internet websites and 24-hour customer service centre. Transactions through mobile platforms account for approximately **70%** of transactions. It has gone through rapid growth since its inception in 1999 and is listed on the NASDAQ with a market cap of roughly **CNY127 billion (£14 billion)**.

Ctrip is incorporated in the Cayman Islands and currently employs over **30,000** people at branches located in major cities in mainland China, Hong Kong, Taiwan, Singapore, Korea, Japan, United States of America, United Kingdom and Australia.

Global strategy

Organic growth of existing operations and acquisitions have resulted in Ctrip's growth. This is expected to continue with a further expansion of operations and workforce resulting from continued growth of service offerings, customer base and geographic coverage. [REDACTED]

Skyscanner

Edinburgh headquartered Skyscanner is a leading global travel search site, used by **50 million** people every month to search for best deals on flights, hotels and car hire. The company also provides power travel search for over 1,000 partners through "Skyscanner for Business" products. Skyscanner is one of Scotland's two unicorn businesses.

The company was founded in 2003 and developed through two funding rounds, each in excess of **\$100 million** with investors including SEP, Sequoia, Artemis, Baillie Gifford, Khazanah, Vitruvian Partners and Yahoo! JAPAN. The company [REDACTED] has offices in Barcelona, Beijing, Budapest, Edinburgh, Glasgow, London, Miami, Shenzhen, Singapore and Sofia.

Total turnover in 2015 was **CNY 978 million (£110 million)** of which £79 million was generated from international sales.

Ctrip in Scotland

- Ctrip acquired Skyscanner for **CNY 12.4 billion (£1.4 billion)** in November 2016, a move that will help the Chinese online travel group better target the country's outbound tourism industry.

- [REDACTED]
- Ctrip's Edinburgh customer services centre is its first outside of China, representing a significant move for the company. [REDACTED]

Recent engagement

- The relationship with Ctrip is strong and developing.
- [REDACTED]
- FM met Carolyn Jameson, Chief Legal Officer in March 2018. Carolyn was a central figure in the acquisition of Skyscanner.

VisitScotland & Ctrip Tourism Partnership

- VisitScotland has been working with Ctrip since 2007 and has developed strong relationships with key product development specialists in their Group, FIT, Luxury and Themed Tour divisions.
- Representatives from Ctrip have become regular participants at VisitScotland Expo and China Business Development Missions (BDM) over the past decade, and we have collaborated on a number of development wins that align with our geographic and seasonal spread KPIs. Based on specific Ctrip criteria, we have also recently provided their Accommodation Business Unit with a complete list of Scottish Hotels interested in contracting with them.
- [REDACTED]
- VisitScotland discussions with Ctrip have latterly turned to focus also upon content marketing, which aims to increase awareness and advocacy of Scotland in China.
- [REDACTED]

EDINBURGH INTERNATIONAL FESTIVAL (EIF)

- An MoU between Edinburgh International Festival and the China International Cultural Organisation was signed during First Minister's visit in 2015.
- Festivals Edinburgh (Julia Amour) signed an MOU with the Shanghai International Festival as part of the People to People dialogue visit in December 2017
- Following a visit by Roy Luxford to the Shanghai International Festival's Performing Arts Fair in 2017, the EIF we were able to see work in progress excerpts of Yang Liping's interpretation and extension of Stravinsky's Rite of Spring and entered into conversations with Sadlers Wells to sign on as co-producers giving them the rights to premier the work in England and Scotland.
- This has now been agreed, and the work will feature at the 2019 Edinburgh International Festival (as well as at Sadlers Wells).
- This will be announced in Shanghai as proof of the EIFs commitment to delivering on the MoU that were signed in 2015 and to support partners at the Shanghai International Festival and the Peacock Contemporary Dance Company (Yang Liping's company), raising their profile with Shanghai Mayor and senior officials
- The MOU will be signed by Joanna Baker, MD of the EIF and, either the Director of the Shanghai International Festival, or the Director of the Peacock Contemporary Dance Company witnessed by the Mayor of Shanghai and the First Minister.
- They will show a three minute film of the piece at the Scotland is Now reception

About the EIF

- The Edinburgh International Festival is one of the world's foremost festivals of performing arts, showcasing work of the highest standards from around the world to a global audience in Edinburgh every August.
- The programming of the Rite of Spring is a mark of the commitment to showing contemporary Chinese work to our global audience in Edinburgh in August 2019.
- This has been facilitated by the International Festival's MOU with the China International Cultural Organisation, signed in the presence of the FM in 2015
- It has also been helped by the MoU signed by Festivals Edinburgh, a body representing 11 of Edinburgh's major festivals, and the Shanghai International Festival in late 2017

Scotland is proud of the role that the International Festival plays in showing Scotland's welcome to the world's cultures, and it's commitment to collaborate globally.

[REDACTED]

NEW AIR ROUTE - 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.

5. A China route has been a long standing priority for the Scottish Government. We have been pursuing Chinese carriers for 10 years but more recently, Edinburgh and Glasgow Airports have stepped-up their own efforts to secure a new direct service. Chinese airlines are starting to move into “secondary” airports in Europe given the capacity constraints at Heathrow and other hubs. Whilst the Hainan service is not the cherished direct daily service, if it shows early potential it could lead to a daily service from Hainan or another carrier within the next couple of years. Air China, China Eastern and Cathay Pacific are all showing interest in Scotland

ANNEX G

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.

ANNEX H

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.

MEDIA HANDLING NOTE

The meeting will be followed by joint media activity which will leverage Chinese interest in Ctrip and Jane Sun, providing a platform to raise awareness of Scotland's strengths and leadership in a number of areas and generate interest in Scotland as a location for business and tourism.

Press Q&A

- Ctrip's investments in Scotland will provide credibility to our positioning of Scotland as a location for business investment – particularly within the technology/R&D space.
- Promote VisitScotland's ongoing work with Ctrip and use this as a platform to raise awareness of Scotland's proven appeal to Chinese tourists.
-

Joint broadcast media interview

- Jane Sun's status as a trailblazer in female leadership will provide a strong platform for FM to demonstrate Scotland's own pioneering work in this area.
- A discussion on the importance of women in technology roles will provide a further opportunity to showcase Scotland's strengths and expertise in big data and its associated applications.

Media attendees:

- 澎湃新闻 The Paper.cn
- 界面新闻 Jieman
- 21世纪经济报道 21st Century Business Herald
- 第一财经 China Business Networ
- 新华社 Xinhua
- 中国日报 Chinadaily
- 上海日报 Shanghai Daily
- 新闻晨报 Shanghai Morning Post
- 经济网 China Economy.cn
- 人民网 People.cn
- 东方网 Eastday.cn
- FT
- ICS TV International Channel Shanghai (Shanghai Network)

Anticipated themes and key messages

China-UK/Scotland relationship

- *Partnership with innovative Scotland will help Chinese businesses harness the power of science, technology and creativity to build a bright and prosperous future for all.*
- *SG is actively promoting a business environment which encourages growth through partnership and co-investment with other countries.*
- *We are strongly connected across government, public agencies, academia and the private sector, making it easy for Chinese companies to access our experts, our talent and our support.*
 - Exports to China have grown at an annual average rate of **38%** between 2013 and 2017 and China is now Scotland's **4th largest export market**.
 - Growing demand for premium Scottish brands: **Scotch whisky exports to China grew by 45% to £27m (CNY240m) in the first half of 2017**
 - Thriving entrepreneurial ecosystem
 - Blending old and new (textiles = cashmere & lifesaving artificial valves and pollution devices.
 - Engineering excellence continuing to shape modern world (renewables, precision medicine, AI)
 - China became a top 5 source of inward investment to Scotland in 2017, according to EY.
 - After London, Scotland attracts most UK inward investment.
 - **10 Chinese owned** enterprises operating across 25 sites in Scotland, employing over **2,500 people**

Importance of China/Scotland tourism

- *China is an important and growing market for the Scottish tourism sector with Edinburgh being the most popular UK destination after London.*
 - **41,000 Chinese visitors** to Scotland in 2016
 - Ctrip Scotland Travel Report: Chinese visitors increased with a year-on-year **growth of 120%** (2016-2017) and an average increase spending per person of 50%
 - Edinburgh remains the top favourite destination followed by the Scottish Highlands and Loch Ness.
 - **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.
 - VS has worked with Ctrip on product and package development since 2007 and is keen to explore opportunities for specific seasonal product or initiatives and High Net Worth product development.

- VS Expo (11/12 April) has activity planned with **35** Chinese buyers – two FAM trips taking delegates to Edinburgh, Glasgow, Fife, Ayrshire, Scottish Borders.

Ctrip in Scotland

- *Welcome Ctrip's investment in Scotland and see many future opportunities to be a trusted partner for further collaboration.*
- *Delighted that our data analytics experts from University of Edinburgh are discussing technology and innovation opportunities for Scotland and China today.*
- *Skyscanner was born global from Scotland and we look forward to working with Ctrip to support continued success and global growth.*
- *Scotland is delighted to be welcoming increasing numbers of Chinese visitors to Scotland and we are keen to work with Ctrip to unlock more interest in Scotland and beyond.*
 - Ctrip invested in Skyscanner in Nov 2016.
 - Skyscanner [REDACTED] and has offices in Barcelona, Beijing, Budapest, Edinburgh, Glasgow, London, Miami, Shenzhen, Singapore and Sofia.
 - Ctrip's Edinburgh customer services centre is its first outside of China.

Technology & Innovation

- *We recognise China's ambition to transform its economy to build a bright and prosperous future for its people and we believe innovation is the key to that.*
- *Like China, we are harnessing the power of data to ensure our businesses and our people can enjoy prosperous and healthy lives.*
- *As China continues on its path of transformation, Scotland is ready and able to support your ambitions to harness the power of science, technology and creativity to build a brighter future for everyone.*
 - **More world-class universities than any other country by head of population**
 - Attract more R&D projects than any other UK region, including London.
 - Significant advances in areas such as fintech, digital health and precision medicine coming out of our universities and innovation centres.
 - **18 HE Institutions now have academic and research links with Chinese** HE Institutions: E.g. **Huawei signed two R&D collaborations with University of Edinburgh in 2017** to set up a joint lab in Edinburgh on Distributed Data Management and Processing, along with a research cooperation to investigate the potential for AI robotics systems to operate over next generation 5G wireless networks.
 - Edinburgh has one of the UK's biggest tech innovation communities, second only to London, and named **best location in Europe for tech startups** (European Business Magazine)
 - **Largest cluster of data analytics researchers in Europe.**
 - **Edinburgh School of Informatics is the largest of its kind in Europe** and ranks 12th in the world and 1st in UK for its research.

- Edinburgh Centre for Robotics has 30 world leading investigators from 12 cross disciplinary research groups and institutes.

Female leadership and women in technology (for broadcast interview)

- *We promote gender equality in politics, in wider society and the workplace. This is something I spoke about on my previous visit to China, in 2015. I pointed out that for virtually all nations, fully empowering women is probably the single simplest way, in which they can sustainably increase their economy's productive potential.*
- *In Scotland, we are encouraging more women to become entrepreneurs and business leaders and I value the opportunity to share experiences with one of China's most dynamic female leaders today.*
 - If as many women as men in Scotland ran their own businesses, it would **add over £7.6bn (CNY67bn) a year to our economy**. (5% in Scotland's GDP).
 - SG commitment to have 50/50 gender representation on the boards of public, private and voluntary sector boards by 2020.
 - A gender balanced Scottish Cabinet.
 - **FM mentoring scheme** and its extension to other female leaders, announced on International Women's Day.
 - Scotland outperforms the UK on female employment and unemployment rates.
 - Work the SG is taking forward to support schemes to promote flexible working for women coming back to work after maternity leave.
 - Expansion of early years childcare to allow women -and men - to more easily combine work and family life.
 - Investing in Women- women led business angel investment syndicate.
 - Compared with 2007, in 2016 there were 27% more female science and maths students in college.
 - **55% more female engineering students.**
 - **36% more women studying postgraduate STEM courses.**