



18th January 2017

Agenda Item: 8

REPORT OF THE CHAIR OF THE ECONOMIC DEVELOPMENT COMMITTEE

MIDLANDS ENGINE TRADE MISSION TO CHINA (28 OCT – 4 NOV 2016)

Purpose of the Report

1. To report on the County Council's engagement with the Midlands Engine Trade Mission to Eastern China.
2. To seek the approval of Policy Committee to:
 - a) Authorise the Chief Executive to develop a Memorandum of Understanding (MoU) between Nottinghamshire County Council and the Provincial Government of Zhejiang
 - b) Authorise the Chief Executive to make an application to the Cross-Government Prosperity Fund to help meet further costs and visits
 - c) Agree that associated costs (of no more than £40,000 by the end of 2017/18) should be met from the Economic Development budget
 - d) Authorise Economic Development Committee to agree future milestones and targets, and monitor progress through quarterly reporting up to 31 March 2018.

Background

3. Recently, the UK and China have strengthened bilateral relations, culminating in the 2015 State Visit by President Xi Jinping to the UK. The visit was said to have ushered in a “golden era” in relations and provided a mutual platform for political, economic, financial, trade and investment and people-to-people exchanges in the decade ahead.
4. On 21 September 2016, Policy Committee gave approval for the Chair of the Economic Development Committee and the Chief Executive to take part in the first ever Midlands Engine (ME) trade mission to the People’s Republic of China.

The Trade Mission

5. The Trade Mission sought to capitalise on the high profile presence of Sir John Peace, Chair of Midlands Engine and the Secretary of State for Communities and Local Government, the Rt. Hon Sajid Javid MP. Although the Secretary of State had to withdraw from the Mission, as ministerial champion his initial engagement had secured high level Chinese governmental involvement.

6. The Trade Mission focused on Shanghai and Eastern China. It was the formal launch of the “Midlands Engine for Growth” pitch to Chinese institutional, state owned and private investors, at a strategic and ministerial level. The British Government backed the Mission under the auspices of the “GREAT” brand, used to promote British business and enterprise internationally.
 7. The Mission’s main programme of activity was supported by the Foreign and Commonwealth Office (FCO), the Department for International Trade (DIT – formerly UKTI) and the China-Britain Business Council (CBBC). Nottinghamshire County Council and Nottingham City Council received particular assistance in developing their bespoke programmes from the British Consulate General in Shanghai and the China Council for the Promotion of International Trade (CCPIT).
 8. 60 delegates attended the Mission from various Midlands Councils, universities, businesses and Government agencies. Over 100 business and investment meetings took place during the visit. Nottingham and Nottinghamshire businesses were well represented with 8 businesses attending the Mission (out of 25 in total).
 9. Aside from the main conferences and events in Shanghai, the Mission activities comprised City and Provincial visits in other Eastern China regions. These involved six Midlands Councils, which had previously secured or were seeking a Chinese partner. Each visit involved senior engagement with the direct participation of the respective Mayor or Governor of that City or Province.
10. The two keystones of the wider Mission programme took place in Shanghai. These were the Regional Leaders Summit (RSL) and the China-Britain Business Council (CBBC) 4th Outbound Conference.
11. These events were well-received in China, with the media evaluation for the period of the trade mission evidencing 15 media reports focusing on the Leaders’ Summit and the Trade Mission. Of these, 3 national media interviews were conducted by Sir John Peace. Extensive social media activity was undertaken and the following three key messages were imparted:
- The UK-China relationship is strong, growing and delivering benefits for both countries
 - The Midlands Engine is an ambitious long-term economic plan to achieve economic growth and productivity across the whole of the Midlands
 - The UK remains “Open for Business” (post-Brexit) and the Midlands would like to work with East China to build on existing relationships and develop future economic ties

Effectiveness of the Trade Mission

12. The Trade Mission was a positive first step with significant potential for follow up activity to support growth ambitions.
13. In the context of a coherent strategic approach to China for both Nottinghamshire and the Midlands Engine, work is underway to assess how these foundations can be built upon.

14. An important aspect of this future strategy will be the engagement of local businesses, given businesses from Nottingham and Nottinghamshire made up the highest proportion of those taking part in the trade mission.

15. To move this forward, it is anticipated that the Government will publish its Midlands Engine Strategy in the early part of 2017. A key aspect of this strategy will be the promotion of the Midlands through international trade missions and partner relationships. Specifically, it is planned to pursue a formal "Statement of Intent" between Eastern China and Midlands Engine. This is likely to lead to a tangible commitment to facilitate business to business, government to government and people to people opportunities.

The County Council's Activities

16. In addition to the County Council's participation in the main Trade Mission, the Nottinghamshire delegates undertook a bespoke programme focused around Hangzhou (the capital city of Zhejiang) and Ningbo (the second city). These activities built on the Chief Executive's visit to Ningbo in 2015. Specifically, a relationship with Zhejiang Province was identified as complementary to the work of the City Council and the University of Nottingham in Ningbo and the wider Province.

17. In terms of the County's business offer, the following four sectors were identified as "key strengths" and showcased in a "Nottinghamshire Pitch Book" produced in English and Mandarin:

- Pharmaceutical and Medical Innovation;
- Advanced Manufacturing;
- Agricultural Innovation, and;
- Food and Drink Manufacturing.

18. To view the Nottinghamshire Pitch Book please click the following link
<http://www.nottinghamshire.gov.uk/media/116068/welcome-to-nottinghamshire-brochure.pdf>

19. A full programme of activity is a background paper to this report.

Key Outcomes and Opportunities

20. Discussions with officials of the Zhejiang Province (including the Provincial Governor and the Vice Director General for Foreign Affairs) led to a mutual commitment to develop formal relationships between the County and the Province aimed at facilitating the following three strands:

- Increased trading and investment opportunities;
- Business to business trading, and;
- Opportunities for knowledge, people and policy exchanges.

21. Since returning from China, the Chief Executive has been in dialogue with the Zhejiang Provincial People's Government to agree the basic terms of a Memorandum of Understanding. This work is being supported by the British

Consulate General and will include the identification of inward investment opportunities (sites and premises, skills and sectors). Although at an early stage, the Provincial Government remains keen to explore all opportunities.

Other Options Considered

22. The Council could decide not to pursue this opportunity, given that there are no guarantees of success. That said, the signs are positive and the Midlands Engine provides a helpful context within which to develop relations and opportunities with the Zhejiang Province. This could make a positive impact on future growth and trading opportunities for Nottinghamshire.

Reason(s) for Recommendations

23. The Midlands Engine will be a key geographic driver of Government economic policy. Nottinghamshire needs to be actively involved in influencing and engaging with this. Opportunities to facilitate economic growth and investment through collaboration in China needs further exploration. Based on the engagements made during the recent Trade Mission, it appears to offer an opportunity, although tangible outcomes will take time and commitment on both sides.

Statutory and Policy Implications

24. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described within the body of the report.

Finance implications

25. The September Policy Report set out the Financial Implications, estimating the cost of accommodation and travel for the two-person delegation being £7,100.

26. Actual costs are reflected in the table below:

| Expenditure items | Actual Cost £ |
|---|---------------|
| Accommodation and Internal transfers | 1,249 |
| Flights | 2,103 |
| Mileage/Parking | 216 |
| Incidentals (meals, Visas, Commitment Fees etc.) | 841 |
| Other Costs (marketing materials, translation services, civic gifts) | 2,940 |
| Less D2N2 LEP Contribution | -2,150 |

| | |
|-----------------------------------|---------------|
| FINAL COSTS TO THE COUNCIL | £5,199 |
|-----------------------------------|---------------|

27. The costs came in at over a quarter less than expected for four reasons:
- a financial contribution to the marketing materials was received from the D2N2 Local Enterprise Partnership (D2N2 LEP);
 - generous accommodation discounts were negotiated for the Midlands Engine delegation;
 - in Shanghai, the Chinese Government met the Council's accommodation costs in full and helped arrange reduced charges for internal travel, and;
 - the Chinese hosts in Ningbo and Hangzhou met the majority of the Council's hospitality costs.
28. Going forward, if the Council is to realise its ambitions to participate in Midlands Engine-led activities and pursue an MoU with Zhejiang, additional resourcing and expertise will be required. Specifically this would cover the costs associated with the following three items:
- further visits to Hangzhou to finalise the MoU and to facilitate local business delegations
 - hosting a visit from the Provincial Government
 - coordinating activity related to the Memorandum of Understanding to ensure effective progress.
29. Given that this project is at an early stage, it is proposed to set aside funds on a temporary basis. Up until the end of the 2017/18 financial year, it is estimated that between £25,000 and £40,000 would be required (with more work needed to arrive at a fixed figure). These costs can be met from the Economic Development budget.
30. There may be an opportunity to make an application to further offset these costs via the Cross-Government Prosperity Fund. Aimed at promoting the economic reform and development needed for growth in partner countries, competitive bidding Rounds commence in January 2017.

RECOMMENDATION

31. It is recommended that Policy Committee:
- a) Authorise the Chief Executive to develop a Memorandum of Understanding (MoU) between Nottinghamshire County Council and the Provincial Government of Zhejiang
 - b) Authorise the Chief Executive to make an application to the Cross-Government Prosperity Fund to help meet further costs and visits
 - c) Agree that associated costs (of no more than £40,000 by the end of 2017/18) should be met from the Economic Development budget
 - d) Authorise Economic Development Committee to agree future milestones and targets, and monitor progress through quarterly reporting up to 31 March 2018.

Councillor Diana Meale
Chair of the Economic Development Committee

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Constitutional Comments [LM 06/01/17]

The recommendations in the report fall within the Terms of Reference of the Policy Committee.

Financial Comments [SES 06/01/17]

The financial implications are set out in the report.

Background Papers

Midlands Engine for Growth - Prospectus

Policy Committee Reports(17th June 2015 and 21st September 16)

Economic Development Committee Report (23rd February 2016)

Economic Prosperity Committee Report (25th November 2016)

Nottinghamshire Pitch Book.

Nottinghamshire Programme of Activity in China (28th October-4th November 2016)

Electoral Division(s) and Member(s) Affected

All