

Agenda Item No. 6(g)

DERBYSHIRE COUNTY COUNCIL

CABINET

5 October 2017

Report of the Strategic Director – Economy, Transport and Communities

**INWARD INVESTMENT: DEVELOPING INTERNATIONAL TRADE AND
WORKING RELATIONSHIPS WITH CHINA (ECONOMIC DEVELOPMENT AND
REGENERATION)**

(1) **Purpose of Report** To inform Cabinet of the continued development of China:UK relationships as part of the Council's active strategy to safeguard and grow the local economy, including an overview of the recent visit to Derbyshire by a high level delegation of colleagues from the Yellow Mountain area of Anhui Province.

To seek agreement from Cabinet to participate in the proposed Midlands Engine trade delegation to Shanghai and Anhui Province in early November 2017 (2017-18 financial year).

To report on the continued development of links between Anhui Province/ Hefei City and Derbyshire County Council/Derby City, and further opportunities for partnership working to support international trade, including the creation of additional, shared capacity to facilitate business liaison and new investment.

(2) **Information and Analysis**

Background Information

Over the past 18 months there has been a developing relationship between Anhui Province and Derbyshire County Council culminating in key activities which include the signing of an initial friendship agreement during an early visit from the Anhui Director General in June 2016 and a reciprocal visit by Derbyshire County Council with the Midlands Engine Trade Mission last November.

The growth in the volume of trade, investment and tourism between the UK and China is impressive. For this year to July, UK exports to China exceeded £10bn, a 33% increase on the same period in 2016. As a result, China is now the UK's 7th biggest export market equating to 5% of all UK exports and is growing rapidly (in 2015, China accounted for only 1.2% of exports). Chinese

investment in the UK is also increasing exponentially with £13bn invested this year to date, an increase of 58% on the previous year.

At regional level, firms in the Midlands exported over £3bn of good and services to China, over 20% of the total UK-China exports. Healthcare, low carbon, advanced manufacturing and educational services are the most valued sectors.

Tourism statistics and the potential for growth is also significant, especially since visa restrictions for Chinese visitors were eased. The quality and diversity of the tourism product in Derbyshire yields a competitive advantage and operational links are already being forged with key tourism operators. Visit Britain figures for inbound tourism from China identify over 260,000 visits per year spending £513m and 5.17m overnight stays. Information suggests that Chinese visitors stay longer and spend more, with an average length of stay of over 19 days and an average spend of £1,972. Indeed, the UK is now ranked as the number 1 destination for Chinese tourists, rating 'history and heritage' most highly and 'active holidays' as a growing trend, placing Derbyshire in an enviable position for growth. To build upon this opportunity, Visit Britain has an ambition to double the spend by Chinese visitors to £1bn by 2020; an exponential rise.

International relations between the UK and China continue to mature and the remainder of this report sets out a range of on-going and proposed activity focused on supporting strategic economic development for key sectors (particularly visitor economy and transport equipment manufacturing) and in securing increased inward investment in the County.

a) Recent Delegation from the Yellow Mountains

As a result of Derbyshire's increased profile and continued focus on developing international relations, the British Consul in Shanghai asked Derbyshire County Council to welcome a high level delegation from Huangshan (Yellow Mountain) City on 8 September 2017.

Huangshan (Yellow Mountain) National Park is within Anhui Province and is both an area of protected outstanding natural beauty and a major visitor destination. The purpose of the visit by the five delegates was to meet key contacts from the Peak District National Park and relevant local authorities, Marketing Peak District and Derbyshire and representatives of community organisations such as Buxton Trust to commence discussion of mutual interest around Park management, tourism and economic development. As a result of the visit, an initial agreement has been proposed between Huangshan City and Buxton (via High Peak Borough Council) and the Peak District National Park and Huangshan National Park to help formalise and progress the development of relationships and the promotion of sustainable tourism.

A further delegation of Government officials from Anhui Province was expected to join the Yellow Mountain delegation in September but was postponed. It will now take place at some convenient time between November 2017 and Spring 2018 and the delegation likely will be made up of directors of tourism, tourism businesses and a representative of the British Consulate in Shanghai. The visit will be focused on identifying opportunities for increasing inbound and outbound tourism between Derbyshire and Anhui, as well as discussing stronger cultural and economic links, including inward investment. Specifically it will seek to:

- share information about the development of the Derbyshire and Derby visitor economy in terms of policy making, infrastructure, service management and marketing;
- learn more about the tourism offer across the whole of Derbyshire and opportunities for specialist visitor economy services to be offered to Chinese inbound tourists; and
- discover the unique and special character of Derbyshire, in particular the scenery, landscape and great houses/ estates.

b) Midlands Engine Trade Delegation

In early November 2017, the Midlands Engine is planning a return Trade Mission to China to coincide with the China International Industry Fair (IIF) in Shanghai (6th-8th November). This is being organised through the Government's Department of Industry and Trade (DiT) and the Midlands Engine, supported by Sir John Peace. An invitation has also been extended to the Prime Minister, Theresa May, to accompany the visit as the UK is the 'guest of honour' at the IIF. As part of the visit, the Anhui Tourism Bureau has offered to support a substantial D2 (Derby and Derbyshire) conference area (free venue and assistance with invitations to attendees) to promote UK:China tourism; cultural and educational exchange; and development of improved trade links with creative industries and advanced engineering.

Businesses from Derbyshire are being encouraged to attend the International Industry Fair and will be part of the wider D2 delegation in Hefei (which will potentially include other local authorities from the County areas of Nottinghamshire and Derbyshire) that is due to take place between 9 and 10 November 2017. The proposed D2 visit to Anhui will now also include a tourism focused visit to the Yellow Mountains (Huangshan) to build upon the links made with the Huangshan delegation to Derbyshire in September and follows a direct invite from the Governor of Anhui in November 2016.

Alongside civic representation, the visit will include a number of local Derbyshire businesses from key sectors who are looking to commence and expand current activity in China. The purpose of this trade delegation will be to:

- cement existing economic partnership arrangements;
- identify potential inward investment opportunities as part of the D2 'pitchbook';
- further identify opportunities to grow the visitor economy, including securing operational arrangements with leading tour operators to support inbound and outbound tourism;
- showcase Derbyshire's key sectors, most notably creative industries, food and drink, the visitor economy and advanced engineering; and
- promote cultural and educational exchange.

These proposals align with the national 'Britain is GREAT' campaign designed to expand foreign markets and the Midlands Engine China Strategy which is in preparation.

c) Strengthening Representation in China

A vital aspect to our developing links is securing representation within China that can effectively promote further economic activity, investment and trade on behalf of Derbyshire and our D2 partners, primarily other local authorities. The political nature of the Peoples' Republic of China presents considerable challenges for councils and businesses wishing to commence or develop trade relations.

The County Council recently joined the China Britain Business Council (CBBC), the leading organisation for developing business links with China to help facilitate and broker some of the initial, Government to Government discussions that are necessary. CBBC works alongside the Department of International Trade (DIT) and the British Chamber of Commerce in China, acting as broker for businesses with both the UK and Chinese governments and providing a range of services to promote trade and investment.

Discussions have been held between the Council, Derby City Council, University of Derby and CBBC to secure dedicated D2 partner representation through the "Launchpad" service operated by CBBC. "Launchpad" provides a cost-effective, low-risk and legally compliant means of having a presence in China by employing a dedicated project manager who will be employed by CBBC but would be accountable to the commissioning organisations (the consortium of local authorities and the university).

Derby City Council has agreed to lead on procuring the arrangements with the CBBC "Launchpad" service. Although currently based in Nanjing, bespoke arrangements have been negotiated with the University of Derby to provide a local office for the project manager in Hefei University, located in the administrative heart of Anhui Province. A fixed annual cost is being finalised with CBBC for employment of the project manager and the services to be provided. The indicative cost is £52,000 per year and it is proposed the County Council and Derby City Council share the cost equally (i.e. £26,000

per annum) with Derbyshire County Council's contribution being funded from the newly re-profiled inward investment budget in the Economy and Regeneration Service.

Derby City Council has entered a pre-contract agreement with CBBC to deliver recruitment of the project manager. Once appointed, a partnership contract will be signed between the two councils and CBBC for delivery of the services. The contract will be on a 12 month rolling basis and it is proposed that an initial two year budget be approved, subject to annual review. The draft contract is currently being reviewed by the Council's Legal Services Department.

(3) Financial Considerations Further development of the Council's China links will require revenue support in order to maximise the economic, trade and cultural opportunities available to Derbyshire businesses and communities.

To this end, a budget is required to meet the costs of planned and future delegations to and from China. Two inbound delegations are scheduled for this financial year as detailed in the report; one of which has already taken place and a further one planned for Autumn 2017/Spring 2018. Costs to be covered include translation and interpretation services, production of collateral (documents and presentations) as well as travel and some hospitality arrangements whilst in Derbyshire (*NB foreign delegates usually pay for their own accommodation*).

A budget is also required to cover the costs of participation in the Midlands Engine China Mission to Shanghai and Anhui in November 2017. This is being organised through the Government's Department of Industry and Trade (DiT) and the Midlands Engine with Derby City Council as lead partner. Given the itinerary has not yet been finalised, it is not possible to confirm the total cost of the proposed delegation at this stage, although based on experience last year, a budget of £15,000 is proposed to cover the costs of: relevant attendance by Derbyshire County Council members and officers at the Trade Mission in China; production of appropriate collateral; and hosting of Anhui/ Hefei delegations in the County during 2017-18.

With regard to the commissioning and appointment of a project manager through the CBBC's "Launchpad", it is proposed that a total budget be set for £52,000 for a two year period covering the financial years 2017-18, 2018-19 and 2019-20. All costs will be met from the re-profiled Inward Investment budget with the Economy and Regeneration Service 2017-18 to 2019-20.

Any further activity in relation to developing international trade relations with China will be the subject of a future Cabinet report and will be proposed within the context of a continuing focus on increasing inward investment.

(4) **Legal Considerations** Although Derby City Council will act as lead in commissioning the proposed CBBC “Launchpad” services, a request has been made for the Council to be included as a signatory to any contractual agreement. A draft contract has been received and is being reviewed by the Council’s Legal Services Department.

(5) **Social Value Considerations** A key goal the Council’s developing links with China and Anhui Province in particular is to maximise economic activity and open up trade opportunities for Derbyshire business as well as attract potential inward investment from China to develop the Derbyshire economy. The link will also help to promote cultural and educational links that will prove beneficial to Derbyshire residents especially young people.

Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

(6) **Key Decision** No.

(7) **Call-in** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(8) **Background Papers** Held by the Economy and Regeneration Service within the Economy, Transport and Communities Department. Officer contact details – Frank Horsley, extension 38348.

(9) **OFFICER’S RECOMMENDATIONS** That Cabinet:

- 9.1 Notes the success of the recent delegation from Huangshan and agrees to host delegations from Anhui Province during 2017-18 to support further development of international relations and inward investment.
- 9.2 Approves the Council’s participation in the Midlands Engine Trade Mission to Shanghai and Anhui in November 2017 and support to organising inbound delegations from China.
- 9.3 Approves a budget of up to £15,000 to support the Trade Mission and inbound trade delegations from the Economy and Regeneration Service core budget.
- 9.4 Notes and approves the proposal to commission the China Britain Business Council (CBBC) “Launchpad” service, in partnership with Derby City Council, for an initial period of two years and delegates responsibility for finalising contractual arrangements for the appointment

of a China-based project manager to the Strategic Director – Economy, Transport and Communities following consultation with the Cabinet Member for Economic Development and Regeneration.

- 9.5 Approves a budget of £26,000 per annum for the next two years to fund the project manager through Launchpad from the Economy and Regeneration core budget.
- 9.6 Notes and endorses the preparation of a further Cabinet report setting out proposals for developing the Council's strategic approach to promoting international trade and investment with China and other potential global partners as required.

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