

Open Report on behalf of the Executive Director for Environment & Economy

Report to:	Economic Scrutiny Committee
Date:	23 February 2016
Subject:	International Trade Prospects for Lincolnshire Businesses

Summary:

This report explores the importance of international trade to growing the county's economy.

It shows that the number of businesses that currently trade internationally is lower than in recent years. However, it also shows that businesses who trade internationally tend to be more successful.

The report identifies that direct advice for exporters is provided by the government and the Chamber of Commerce. However, there are two major roles that Lincolnshire County Council (LCC) should play in international trade: establishment of connections with international partner areas, and signposting of potential exporters to sources of advice.

Actions Required:

It is recommended that members:

1. Support the way in which LCC is promoting Chinese international trade opportunities to local business.
2. Endorse the Executive Councillor for Economic Development, Environment, Planning and Tourism's initiative to establish an economic partnership agreement with Pinellos County, Florida.
3. Task officers with promoting international trade further on the www.businesslincolnshire.com website.

1. Background

International trade is an important part of growing a strong economy.

Lincolnshire County Council and the Greater Lincolnshire Local Enterprise Partnership (GLLEP) have recently published a study of current international trade (attached as Appendix A). The study showed that:

- **Currently only 13 per cent of Greater Lincolnshire businesses export, with a further 3 per cent planning on doing so in the future.** (Previous countywide survey results show averages of around 20 per cent of businesses were involved in international trade in the decade prior to the 2008 global economic downturn.)
- **Businesses that export are generally larger (in employee terms), more well established, more active in the labour market, and more innovative.**
- **The Euro Zone is the top export market for Greater Lincolnshire businesses.**

Whilst these are the headline figures in the report, further analysis of the report shows that manufacturing is the sector which has the most international trade. Manufacturing is one of the priority sectors in the Strategic Economic Plan, and manufacturing businesses tend to be larger employers.

The report also shows that there have been substantial shifts in the nature of international trade. There have been large reductions in the numbers of businesses exporting to many markets, but a slight increase in exports to the Eurozone.

Analysis of the report poses two primary challenges:

- How to increase the number of Lincolnshire businesses who trade internationally
- How to support diversification away from the Eurozone

In terms of increasing the number of businesses who trade internationally, LCC must choose to target any resources in a way which adds value to, rather than duplicates, provision.

International trade services: commissioned by government

Government's international trade services are delivered by UK Trade and Industry who in turn subcontract the delivery to East Midlands Business Ltd.

UK Trade and Investment (UKTI) provides expert international trade advice and practical support to UK-based companies who want to grow their business overseas, providing tailored support packages for companies who are:

- first time exporters (FTEs)
- small and medium-sized enterprises (SMEs)
- medium-sized businesses (MSBs)

This is augmented with local events and seminars that highlight particular markets, sectors and the skills and knowledge required for successful international trade.

The core contract funds 2 sector specialists in Healthcare and Transport Equipment Manufacturing and a China Market Specialist which is also part funded by the China Britain Business Council (CBBC). UKTI also offer language and culture support, advice on digital trading and can connect businesses with credit requirements with UK Export Finance.

The work that UKTI have commissioned from East Midlands Business will be augmented using European funding.

The GLLEP and LCC have had the opportunity to influence this augmented activity, which will now include additional marketing activity and export taster sessions that will target businesses that could export but don't, encouraging them to explore their export potential and evaluate bottom line benefits that international trade could deliver which include increased innovation and new product development, increased resilience, increased staff retention and increased profitability.

The project will also fund specialist trade advisers and support in Food & Drink, Advanced Manufacturing and Environmental Technologies which match GLLEP's priorities. SMEs in the Agri Food Sector will be supported by the Food & Drink Specialist, who will ensure appropriate links to UKTI's national Agri Food initiatives.

In addition, the project offers up to £250,000 of co-investment funding for internationalisation activity ring-fenced for businesses based in the Greater Lincolnshire LEP area. A research role will also be included as part of the project delivery team and will use a specialist tool like xsortal to work with beneficiary companies on market selection and identification of opportunities.

Furthermore, working with a variety of partner organisations in the GLLEP area such as banks, the university, local authorities, the East Midlands International Trade Association and business representative bodies such as the Chamber of Commerce, Institute of Directors (IoD), Confederation of British Industry (CBI) and Federation of Small Businesses (FSB), EMB will deliver a range of additional event activity that increases international trade knowledge and expertise and unlocks export barriers.

It is clear, therefore, that the government is providing a substantial amount of support to promote international trade, and is committed to do so because of David Cameron's stated aim to double the value of exporting during this parliament.

International trade services: Lincolnshire Chamber of Commerce

In addition to the government's international trade activity, Lincolnshire Chamber has a strong emphasis on international trade. The attached magazine article (Appendix B) describes the exporting services provided by Lincolnshire Chamber of Commerce and their members.

Some councillors will remember that Simon Beardsley, Chief Executive of Lincolnshire Chamber of Commerce, attended a meeting of Economic Scrutiny Committee in 2012 to explain the Chamber's role.

Lincolnshire County Council's role: economic partnerships

Although advice and support to businesses wishing to trade internationally is widely available, there are two roles that LCC could undertake. These are:

1. to establish and promote connections with partner areas
2. to provide advice about the international trade services that are available

Because of their civic role and reputation, councils are able to establish strong links with partner areas. This has been the case with twinning links and friendship agreements for some years.

As has already been identified, a significant percentage of Lincolnshire's international trade is with Eurozone countries. This is understandable due to the proximity of Eurozone markets and the similar cultures, but there are risks associated with the economic situation of the Eurozone countries and of the anticipated British referendum on membership of the EU. Therefore the Council should not seek to duplicate business opportunities that already exist (ie Eurozone) but instead should seek to diversify international trade opportunities.

Members will be aware that Lincolnshire County Council has signed a friendship agreement with Hunan province in China. Initial contact between Hunan and Lincolnshire was made as a result of the investments of Hunan's CSR Times Electric in Dynex Semiconductors. It is hoped that the friendship agreement will demonstrate the Council's commitment to supporting the local growth of Dynex whilst also providing international trade opportunities to partners.

The friendship agreement was signed in autumn 2015, and the Council is now working to actively promote opportunities in Hunan to the business community. In light of the range of international trade services that are already in place, the Council has chosen to align with other services rather than create our own. These include:

- Working with Streets and Co to support a Chinese business opportunities event (8th February)
- Becoming a member of the China Britain Trade Council in order to provide Lincolnshire businesses with access to CBBC's representative facilities in Hunan
- Commissioning a focused report from the China Britain Business Council (CBBC) which sets out specific business opportunities between the two areas
- Proactively promoting the UKTI export vouchers as a way of assisting Lincolnshire businesses to make visits to the Chinese, and Hunan in particular, market.

A group of representatives from Hunan will be visiting Lincolnshire businesses in March 2016.

The export report also demonstrates a substantial reduction in the area's international trade with North America. As North America is one of the world's largest economies, and as it is relatively accessible due to a lack of language barriers, it will be beneficial for LCC to follow a similar approach to the one it has done with Hunan.

The Florida economy has strong tourism and agri-food sectors, and it is also undertaking significant modelling on flood resilience. It is therefore recommended that a relationship is developed with an area in Florida; initial contact has been made with Pinellos County who have expressed an interest in signing an economic partnership agreement.

In the same way as there are likely to be changes in the Eurozone, the Trans-Atlantic Trade and Investment Partnership (between the EU and USA) may affect trade with North America. The partnership has been created in order to facilitate trade and investment; the EU, European member states, and the US government are working together to agree some common principles.

Tactically, the creation of an economic partnership with a North American region will enable Lincolnshire businesses to benefit from international trade opportunities.

Lincolnshire County Council's role: providing information

LCC runs the www.businesslincolnshire.com website. This website, which was instigated by a Task and Finish Group of the Economic Scrutiny Committee, provides information to businesses.

The website had had 49,608 unique visitors by the end of January 2016, and its content about business planning, marketing, and financial management for example is very strong.

It is fair to say that the exporting section has general information about exporting, and some emphasis on Chinese trade, but further information about sources of advice for exporting and about North American links should be made available.

2. Conclusion

International trade will clearly help the county's economy to grow. This report has outlined ways in which LCC can provide support to the efforts of UKTI and Lincolnshire Chamber of Commerce to support international trade growth.

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Exporting Research Report – Exporting 2015
Appendix B	China Investment for ES
Appendix C	China Map
Appendix D	Chamber Business Matters article 2015

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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