

**Open Report on behalf of Richard Wills, Executive Director for Environment and Economy**

Report to:	<b>Economic Scrutiny Committee</b>
Date:	<b>21 February 2017</b>
Subject:	<b>Progress on international trade relationship with Hunan, China</b>

**Summary:**

This report provides an update on progress in relation to the international trade relationship with Hunan, China.

**Actions Required:**

It is recommended that members of the Economic Scrutiny Committee:

1. Note that the friendship agreement signed with Hunan province, China, has already led to opportunities for Lincolnshire businesses and institutions;
2. Support the continued work on a trade relationship with Hunan province, China, as a way of increasing levels of exporting in Lincolnshire.

## **1. Background**

In September 2015 Lincolnshire County Council (LCC) signed a Memorandum of Understanding with Hunan Province, China which formalised an intention to work towards a friendship agreement. The reasons for furthering links included:

- To assist in work to tackle unusually low levels of international trade amongst Lincolnshire firms
- In recognition of the wider trends regarding Chinese Investment and International trade
- Building on existing links (Dynex is majority owned by Zhuzhou CSR Times Electric Co. Ltd, which is based in Hunan)

On 24 March 2016, a further delegation, including the Vice Governor of Hunan, Vice Governor Cai, along with a number of other senior Hunan government officials and business representatives, visited Lincoln and signed a friendship agreement which confirmed that the two sides will:

- Research specific opportunities to promote economic links between businesses and operations, using a study commissioned by the China Britain Business Council (CBBC) to inform the work – see Appendix A.

- Identify project ideas which promote economic and cultural relationships. These ideas may lead to seeking funding from government and other bodies for joint activity.
- Continue to have productive contact between the leaders and relevant departments of the two sides in order to facilitate joint work on matters of common concerns.

Hunan Province is about the size of the UK by geographic area and population, but GDP is about one fifth and the economic growth is close to double figures. Economic growth is expected to continue.

Like Lincolnshire, Hunan Province is, by tradition, a centre of Chinese agriculture and also industrial manufacturing – in their case heavy duty trucks and vehicles.

The CBBC research considered the opportunities that a relationship with Hunan could bring. It identifies a number of priority areas for consideration which are of mutual significance:

**Agri Tech** - products and services which not only offer greater yields but also show a reduced impact on water resources. This includes new crop varieties, pesticides, fertilisers, feeds, machinery, methods for husbandry and harvesting and also products and services which improve efficiency in harvesting, storage, processing, packaging and distribution. A specific area of opportunity is in 'aviation' technology for agriculture which combines drone and digital technology to inspect and monitor crop development and servicing requirements.

**Elderly Care** – new design and construction solutions for low-cost, sustainably built, and low-energy housing, be it for care homes, care communities or private residential property for the elderly. 'Smart' technologies are required for both monitoring the elderly and giving them access to social services such as transport, healthcare, or cultural activities. There is an over-arching need for better healthcare services and medical equipment specifically for the elderly.

**Education** – supporting Agri Tech and Elderly Care development but also in other areas such as engineering there are possibilities to extend the links between Lincolnshire and Hunan via greater education collaboration, such as through China-UK bilateral joint research or through the development of study programmes.

Officials in Hunan Province are very keen to develop international relationships and work together for mutual benefit. Our links with Hunan Province offer opportunities to businesses wishing to export to China, for example by facilitating customs clearance for new products to enter Hunan Province, and wider locations in China from there, or by providing easier access to local representatives.

Hunan has recently been named one of the six provinces that form central China<sup>1</sup>, expected to catch up with the developed neighbouring regions through supportive measures to attract investment and boost development of traditional industries –

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<sup>1</sup> [http://www.chinadaily.com.cn/business/2016-12/10/content\\_27629834.htm](http://www.chinadaily.com.cn/business/2016-12/10/content_27629834.htm)

which means that the Chinese Government will be pushing money into the area to bring forward economic development activity.

The plans aim to turn the area into the nation's major manufacturing base, a model for modern agriculture and urbanisation with support to enable industrial upgrading and generally fast-track growth in the central region.

The Chinese Government will be looking to Hunan to show that they are delivering towards these goals, and the relationship with Lincolnshire offers opportunities for collaborative projects to support the Hunan Government in this.

Accessibility to Hunan Province from the UK is set to improve later this year, with a direct flight expected to be launched between Changsha and Heathrow.

At the March 2016 visit, the delegation also invited representatives from Lincolnshire to join a 'Week for Educational Exchange with International Friendship Partners' in Hunan in October 2016.

The event was hosted by the Foreign and Overseas Chinese Affairs Office of the Hunan Provincial People's Government of China, Education Department.

Representing Lincolnshire at this exchange visit were Professor Jayne Mitchell, Bishop Grosseteste University's Deputy Vice Chancellor and Paul Parkinson, an independent businessman who, through his previous experience of working and living in China, has assisted a number of businesses to develop commercial relationships with Asia and helped UK education institutions develop and roll-out joint/dual degree programmes and similar initiatives with Asian education institutions, in addition to exporting accredited UK academic, professional and vocational training to Asia.

The educational exchange visit brought together representatives from twelve countries, with which Hunan Province has friendship agreements. Lincolnshire's friendship agreement is the most recent, with other countries from across Europe, North America, Russia, Africa and Asia having already established productive and sustained relationships, in some cases over several years. Lincolnshire is the only county in the UK with which Hunan Province has signed a friendship agreement. The visit provided an opportunity to discuss, with delegates from other countries and officials from Hunan Province, factors that contribute to an effective, productive and sustainable partnership.

Exchange visits are arranged annually for 'friendship partners', focusing on a different topic or business and industry sector each year. This presents an opportunity for Lincolnshire County Council (LCC) and local businesses to participate in similar events in future years.

The week-long 'educational exchange' visit involved time spent in three cities in the province; Changsha; Changde and Zhangjiajie and included introductions to senior officials in the Foreign and Overseas Chinese Affairs Office, Hunan Provincial Department for Education, senior Government officials of the People's Government of Zhanjiajie, pre-arranged individual meetings between Professor Mitchell and

senior staff of two university's as well as facilitated introductions with 12 of the regions other universities to discuss collaboration and partnership working. The visit received wide coverage on regional TV and in social and printed media.

The educational exchange programme focused on developing relationships between universities and between strategic bodies such as the education and economic development departments in provincial and county governments. The contribution of universities to the socio-economic prosperity of a region was recognised and formed a strong theme throughout the visit.

During the visit Professor Mitchell signed a Memorandum of Understanding with Hunan First Normal University. The two universities are now planning staff and student exchanges, joint academic programmes, collaborative research projects and cultural exchanges in teacher education. Discussions with several more Hunan universities to develop similar arrangements are ongoing.

Bishop Grosseteste University is also in bi-lateral discussion with representatives from universities and departments of education and economic development in countries in Europe, Russia and North America who also attended the event, about bi-lateral collaboration on a range of initiatives. Similarly, through the contacts made with Hunan Provincial Government officials, Bishop Grosseteste University has been invited to participate in further UK-China events being planned by the Department for International Trade on behalf of the British Consulate-General Guangzhou, and due to take place later in 2017.

Professor Mitchell will provide a further update at the Committee meeting about the visit, lessons learned, what has been achieved as a result and future opportunities for Lincolnshire.

Further invitations to Hunan and delegations to Lincolnshire are expected. We have recently been advised of a UK week in Hunan in 2017 which is being developed by DIT officers in China. The week is expected to be in either June or October 2017 and will bring together various activities to promote the Hunan: UK links such as political events to engage with provincial government, Trade Promotion activities and seminars.

## **2. Conclusion**

Traditionally, Lincolnshire has low levels of export, but the current economic climate brings opportunities for increased international trade and we want to help Lincolnshire businesses to take advantage of these by supporting all sectors to access the worldwide marketplace.

At the same time, Hunan is tasked with expediting economic development activity and increasing internationalisation which therefore offers an opportunity to Lincolnshire's businesses.

The CBBC report highlights clear areas where collaboration could achieve mutual benefit, particularly around Agri Tech, Elderly Care and Education.

We are developing a Year of the Rooster plan which will identify key activity over the next 12 months, including working with colleagues in the Department for International Trade to ensure Lincolnshire's existing exporters and those with exporting ambitions are able to develop their plans, whether this is with China or other countries.

The Hunan Government are committed to the relationship with Lincolnshire, as demonstrated through the visit of high ranking Hunan government officials in March 2016.

Hunan will expect to see Lincolnshire County Council officials of an equal seniority to pay a return visit in the not too distant future to reciprocate commitment to the relationship. The UK week in Hunan 2017 may offer an opportunity for this.

**3. Consultation**

**a) Have Risks and Impact Analysis been carried out?**

No

**b) Risks and Impact Analysis**

Not Applicable

**4. Appendices**

These are listed below and attached at the back of the report	
Appendix A	China Britain Business Council (CBBC) study report

**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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