

**Open Report on behalf of Andy Gutherson,  
Interim Executive Director of Place**

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>21 May 2019</b>
Subject:	<b>Lincolnshire's Relationship with Hunan, China – Emerging Priorities</b>

**Recommendations:**

This paper provides an update on progress in relation to the developing civic and strategic relationship with Hunan Province, China, and identifies and discusses the current priorities.

**Actions Required:**

Members of the Environment and Economy Scrutiny Committee are invited to consider the current progress and strategic priorities and recommend further ways in which the relationship between Lincolnshire and Hunan could be focused and developed.

## **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. This has formed the basis of the relationship with Hunan as it exists today.

**Factfile:** 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.

**Timeline:**

**2008**, Zhuzhou CSR Times Electric Co., Ltd (now called “Zhuzhou CRRC Times Electric Co., Ltd”), a Hunan based company, acquired approximately 75% of the share capital of Dynex, one of Lincolnshire’s largest Advanced Manufacturing businesses.

**2015**, an MOU was signed between Cllr Colin Davie and Mr Shi Shaolong, Deputy Director General – Grain Administration of Hunan Province.

**2016**, The University of Lincoln and Bishop Grosseteste University visited Hunan and took part in Hunan's annual education summit in October. On 24<sup>th</sup> 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 the relationship and identified ideas, priorities and put in place productive communication links between the two regions.

**2017**, Cllr Colin Davie led a strategic delegation of sector leads from **Agri-Tech, Advanced Manufacturing, and Education** to Hunan. As a result, the Lincolnshire-Hunan Steering Group was created from partners in the three sectors, to guide Lincolnshire's part in the relationship.

**2018**, Hunan paid two high-level visits to the County, firstly the Commission of Commerce led a delegation of 50 Hunan businesses to hold B2B meetings in the County and secondly Mr Wang, Deputy Director of the Standing Committee of Hunan Provincial People's Congress, visited to formalise the relationship, and subsequently signed a formal Sister Region Agreement, ratified by the Beijing Government.

## **2. Current Activity**

- In early March 2019, LCC's Economic Growth team led a delegation of Lincolnshire food businesses to the International Food Expo at the ExCel centre, London, where they were able to connect with similar Hunan businesses for pre-arranged business to business meetings.
- In late March 2019, a high level delegation led by the Governor of Hunan, Xu Dazhe, visited Lincolnshire alongside 35 members of the Hunan Provincial Government. He brought with him 51 representatives from the Hunan business world, and in partnership with DIT and FCO, a full day of business-to-business meetings was arranged with Lincolnshire and East Midlands companies. As a result, many promising commercial links have been created between prominent Chinese and Lincolnshire businesses, and on the day, an exclusive distribution agreement was signed between Lincolnshire company Hortifeeds to supply their fertiliser products to the Hunan company, ISKY.
- Governor's Xu's delegation enjoyed a full day of civic meetings to identify future joint strategic priorities, culminating in a visit to RAF Scampton for a private display by the Red Arrows. The visit included the signing of a formal Memorandum of Understanding with Hunan's Department of Commerce (DOFCOM), formalising the joint aim to collaborate on identified projects in the agreed areas of Agri-tech, Education and Advanced Manufacturing. Discussions are on-going with DOFCOM's UK representative, Wilson Liu, in order to move this forwards.

- Following on from the achievements during Governor Xu's visit, the Hunan Committee of the People's Political Consultative Conference plan to visit Lincolnshire this May for more detailed discussions on joint strategic direction. This visit will encompass a tour of the National Food Manufacturing Centre and Food Enterprise Zone in Holbeach, Lincolnshire.
- Significant efforts have been made during 2018 and 2019 to develop stronger and better links between LCC and our colleagues at the Department of International Trade (DIT), the Foreign Commonwealth Office (FCO) and Midlands Engine. The aim has been, and continues to be, to improve communication and joint working on the regional and national agendas around developing civic and commercial links with China in general, and Hunan in particular. Particular focus is on Lincolnshire's role as the gateway to the whole Midlands Engine region, adding strength to Lincolnshire's position in the Midlands.
- LCC continue to be active members of the China-Britain Business Council (CBBC), and work closely with them to study and understand current and future Chinese economic trends, to enable the most appropriate opportunities to be exploited. CBBC colleagues provide invaluable expertise to ensure businesses who want to trade with China have the right systems and safeguards in place.
- An expression of interest has been submitted to FCO's Global Britain Fund, looking to attract funding to assist Lincolnshire businesses, specifically in the agri-food and manufacturing sectors, to travel to Hunan in November 2019 to connect further with Chinese companies who they could potentially work/trade with. The proposed trip would be led by Cllr Colin Davie, and is intended to coincide with China's premier trade show – the China Inward Investment Expo (CIIE), in Shanghai in November. This is a significant arena for Chinese buyers to agree contracts with international suppliers of goods and services and we would like to work with DIT host a business matching event as part of the Expo, similar to an event run at the 2018 Expo.

### 3. Future Strategic Focus

The intention is for LCC to build on the civic goodwill established between the two regions, and focus attention on three significant areas where economic benefit can be achieved - Agri-Tech, Advanced Manufacturing, and Education. Lincolnshire has produced a plan for 2019 that outlines practical projects the two regions can work together on.

**Priority Activity:** In 2019, Lincolnshire intends to develop a Five-Year Plan with Hunan in order to provide long term vision for the relationship.

Broad areas to focus on include:

### **Wider regional collaboration through Midlands Engine**

As connectivity between Hunan and Lincolnshire increases, it is anticipated that the activity led by Lincolnshire can be supported by the Midlands Engine (the UK's second largest economic region and home to 11 million people). Lincolnshire has identified three sectors where they have a world class offer and hope to develop globally significant partnerships. The Midlands Engine can assist by providing links into additional sectors which compliment Lincolnshire's offer.

### **The opportunity to build on the three strategic sectors:**

**Agri-tech:** The focus for this aspect of the relationship will be on Advanced Agricultural Technology, an area where Lincolnshire and Hunan have significant strengths. It is hoped that by developing better communication channels between the regions, new collaborations will lead to the development of world class agri-tech products. We are currently working with CBBC and DIT colleagues to develop a list of 'China ready' businesses. We also have close links to a UK based undergraduate (George Collison), who has a wide knowledge of the Agri-food sector locally and as part of his final degree work, will spend 10 weeks in Hunan identifying Chinese side businesses wanting to develop commercial links with Lincolnshire:

He will produce a report which will provide strategic recommendations for the future of Chinese and Lincolnshire Knowledge links, Business strategy and Trade Relations, with particular focus on the Agri-food sectors of Hunan province and Lincolnshire.

Other notable projects and priorities include:

- UOL is keen to develop new programs with Hunan to take links further, specifically the use of robotics – it is understood that both sides have strengths in this area. There are great opportunities for collaboration to transform the food chain.
- New funding has been sourced for 50 PhDs in robotics for farming at UOL – joint investment between business and Government
- UOL has accessed a new agri-tech investment fund for smaller enterprises in the agri-tech sector. The intention is for the National Food Manufacturing Centre at Holbeach will act as a cluster for these businesses.
- Working hard with key stakeholders to improve collaboration with Hunan in the agri tech and agri food arenas.

**Advanced Manufacturing:** The establishment of the Dynex-CRRC relationship was the catalyst which brought Hunan and Lincolnshire together. Furthering the two regions cooperation in the area of advanced manufacturing will be a significant aspect of future relations.

**Priority Activity:** Lincolnshire is identifying companies that are 'China ready' and will work with the Department for International Trade and Hunan Department of Commerce to support with future business matching and to provide direct support to ensure Lincolnshire businesses have the correct systems and controls in place to protect their businesses.

**Education:** It is hoped that new collaborations between Lincolnshire and Hunan based universities can be established. There are opportunities to develop internationally significant research and development collaborations in the fields of Advanced Manufacturing, Agri-Tech and Teacher Training. In addition, there are significant opportunities to increase exchanges between students in Hunan and Lincolnshire universities and develop new programs such as joint degree courses.

A leading academic from the University of Hunan, Professor Li, has recently arrived in Lincolnshire to take up a six month placement at University of Lincoln, and will take part in collaborative projects between the two higher education institutions.

Bishop Grosseteste University have been involved in conversations with Hunan educational establishments for three years. Their focus is as follows:

- To make Internationalisation an important priority and Hunan a main focus.
- Areas of specialism in education and teacher education, and the teaching of English to speakers of other languages. Opportunities to link with Hunan to source students. Currently in positive conversations with universities in Hunan
- BGU have been successful in attracting a 'Generation UK' grant – allowing staff and students to work/exchange with Hunan

Additionally, Lincoln College who already have links with other parts of China have also recently made links with a college in Hunan, through introductions made during a recent delegation. They hope to see this relationship develop and will also look at how they can work with other Hunan FE colleges.

#### **4. Conclusion**

The leader of the Council, Cllr Martin Hill, is aware of the work of Economic Growth to develop the Lincolnshire-Hunan relationship. Internal stakeholders continue to work hard with external partners to deliver achievable and measurable activity.

Cllr Colin Davie plans to lead a delegation to Hunan at end of year, and along with the Economic Growth team, is working with the Hunan Government to make this as practical as possible, ensuring at all times that it accords with the strategic priorities identified earlier in this report.

It is clear that the relationship between the two regions has moved from a mainly symbolic, civic relationship at its inception in 2015, to one today which is focused on clear commercial and strategic goals. This is underpinned by the Lincolnshire-Hunan 1 year Plan 2019-20 (attached), which will be expanded to form a full five year plan later in the year.

LCC continue to work with China trade experts to ensure Lincolnshire businesses have the right protection and advice in place, and we routinely track activity with DIT to determine future success stories and promising leads.

**5. Consultation**

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

No

**b) Risks and Impact Analysis**

N/A

**4. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire-Hunan 1 Year Plan 2018-19

**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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