

Report of visit by UKTI trade mission to Pearl River Delta

Friday 19th – Sunday 28th October 2014

I'm aware that the panel asked for a cost benefit analysis of the China trip, but I don't feel that would be terribly useful at this stage. As always with these programmes of developing economic relationships, the costs are upfront and the benefits are 'predicted'. I trust the report below will be more illuminating.

Aims and objectives of trip

- To visit the Pearl River Delta Special Economic Zone and understand how the Free Trade Zone works
- To meet with key economic and government organisations in the Pearl River Delta
- To explore opportunities for business and education links between Bath and North East Somerset and Zhuhai
- To understand the economic context of China's growth, the opportunities and threats

Costs

- Flights and accommodation
- OMIS report and meetings
- Translator and materials translation

Outline of activities

Shenzhen (Monday 22nd September)

Shenzhen has seen its population rise from 30,000 in 1979 to an estimated 15 million today. In 1980 it was designated as China's first Special Economic Zone, mainly due to its proximity to Hong Kong. It has the fourth densest population in the world and its economy is growing at about 9% per year.

Shenzhen is rapidly becoming a centre for R&D, software design and financial services. It's believed that about 20% of mainland Chinese with PhDs are living in Shenzhen.

A number of dedicated areas have been designated as special zones for key industries. These provide tax breaks for particular businesses locating there.

Meetings

1. University of Shenzhen

- Keen on internationalisation
- Established cooperation agreement with University of Glasgow
- Offers economics, law, engineering, medicine
- 34,000 students
- *Meeting outcomes*
 - o *Keen to cooperate with UoB*
 - o *Would like exchange opportunities. Keen to sign a MoU*
 - o *Looking for 2 years in Bath and 2 years in Shenzhen*
 - o *School of management looking to expand offer*
 - o *Economics, software development, engineering*

2. Shenzhen wisdom city construction investment

- *Meeting outcomes*
 - o *Established 2013. Hi tech business park facility*
 - o *20 or so companies in the facility, but 300 members overall.*
 - o *Mainly medium sized*
 - o *Very interested in Smart City technology and knowledge exchange*
 - o *Invite to attend mid November hi tech fair in Shenzhen*
 - o *Part of international low carbon cities project*
 - o *Academic exchange potential*
 - o *Potential interest in Green capital*
 - o *Keen to keep in touch and collaborate on knowledge exchange*

3. Shenzhen Chamber of Commerce

- *Meeting outcomes*
 - o *Investment company. 200bn yuan. Owned by Shenzhen Municipal Government*
 - o *Mainly investment in Macau, China and HK. Not really interested in investment internationally*

- o *Also business support, venture capital esp hi tech*
- o *Established in 2005. Over 1000 members*
- o *Some interest in local company FDI into UK, but explained a slow burner. Need more information. Focus would be on R&D*
- o *Existing relationship with Lille in France. Company FDI achieved there*
- o *Difficult for local firms to get visa's to UK. Want B2B links with UK business but prefer them to come to China.*
- o *Sought further meetings in future with more detailed proposition*

Zhuhai (Tuesday 23rd and Wednesday 24th September)

Zhuhai has a population of 1.5 million and has also been designated a Special Economic Zone, mainly due to its proximity to Macau and Hong Kong. A new 37 km bridge will open in 2016 linking Zhuhai with Macau and Hong Kong. The area is expected to see very rapid growth over the coming decade. The Government in China is expecting the area to have a particular focus on information communication, hi-tech manufacturing and low carbon technologies. Zhuhai also has a strong reputation across China for its beauty and quality of life.

Meetings

1. Zhuhai Bureau of Commerce

- Chamber equivalent
- Links to UK chamber and representative in London
- Economic development, investment support and foreign trade
- Promotions for the area
- Significant similarities with Bath and Bristol e.g. focus on ecology, sustainable development, tourism, tech, IT
- Number 1 tourism destination in China
- *Meeting outcomes*
 - o *Very welcoming*
 - o *Keen to promote links, possibly formally*
 - o *Met with deputy mayor and head of tourism and education bureau.*
 - o *Exploring links with Portsmouth but nothing agreed yet*

o Opportunities for links in:

- *Composite Centre - very interested in new technologies and material design*
- *Centre for Power and Energy*
- *Education exchange - keen to learn from UK experience*

2. Zhuhai National Hi Tech Industrial Development Zone

- Huge scale new area in one of 4 Special economic Zones in China
- 6 incubator facilities - software, mobile internet, smart city technology, medical devices, high end manufacturing and creativity and culture
- Linked to 10 local universities with c 130k students. High quality
- Inward investment support, tax breaks and rent subsidy for certain businesses
- US masterplanning team
- Major tech companies locating
- *Meeting outcomes*
 - o Potential links to incubation facilities in WoE*
 - o Investment in Bath incubator?*
 - o Knowledge exchange*
 - o Contracts for planning, architecture, construction, sustainability for Bath companies*

3. Hengqin New Area and Zhuhai Aviation Industrial Park

- Separate development zone alongside Zhuhai
- 100 km sq island. Described as an 'open island'. More freedom even than the general Special Economic Zone
- Linked to expansion of Macau and Hong Kong.
- Special incentives
- Aiming for high environmental standards - aiming for live and work space attractive to international companies
- Focus on business services, financial services, tourism and leisure, culture, traditional Chinese medicine, R&D and hi tech

- Aerospace cluster emerging linked to airport

Guangzhou (Thursday 25th and Friday 26th September)

Guangzhou is the third largest City in China. It has a formal twinning link with Bristol City Council. It has a population of approximately 15 million and has seen rapid growth. 4 special industry development zones have been established, including a new Science City and a Technology Development Zone. 170 global fortune 500 companies have set up operations in Guangzhou.

Meetings

1. Guangdong Chamber of Commerce of Imports and Exports

Sun Yat Sen University

- Business school within University. Separate governance. Linked school in Hong Kong.
- Well funded by Alumni
- MBA endorsed by MIT University
- MBA, Masters and undergraduate courses. Focus on economics courses
- 1000 students a year
- Existing relationship with Aston university, Lancaster university and Warwick university
- Keen on student exchange
- Proposal for new MBA course. 1 year in UK learning Chinese, 2 years in Lingnan and 1 year back in UK. Focus on working in business in China

2. UKTI Guangzhou

- Keep Jiangxi on the back burner. It will develop in due course
- Good time to focus on Zhuhai
- Speak to firms who are already located in the Bristol and Bath area e.g. Huawei
- There are lots of IP cases but the legal framework is strong. Essential to register trademarks and have a strategy for dealing with this. CBBC among others can provide advice.
- Start small and realistic. Keep momentum

- Big drive currently on low carbon and green energy in China
- Make strong case about why Bath and what it has to offer
- Big opportunities in education. Use alumni to provide openings into China
- Make sure we offer direct invitations to people we want to come over to visit. This is essential

3. Guangzhou Sino Singapore Knowledge City

- 123km sq of development in partnership with Singapore Government “Creating a city not just a site”
- Specialising in modern non-pollutant industry
- To get it going they offered huge tax incentives – 2 years tax free followed by 3 years at 50%
- Now Central Government has given Local Authority extra money, with the expectation that they offer it as a ‘rebate’ to the Companies based here
- China offers tax incentives to the companies it wants to settle here. Tech companies who contribute 5m RMB get refunded about 17%
- Smart City technology a target for them
- UKTI are setting up BRIITHUB, wants to be the entry point for International Business setting up in the Chinese markets

4. Association of promotion for Guangdong Economy and Investment

- APGEI Formed in 1994
- Particularly keen on Smart City and Waste processing
- Highlighted a need for us to work out what we want from them. They are willing to help us achieve it.
- Environmental arm (GDEC) formed in 2009
- Association formed of many different types of company including providers of energy saving technology
- Keen to discuss their Energy Saving companies and our Tech companies combining - energy saving apps.
- Need specific propositions.

Conclusions

1. There is a real potential for links to Zhuhai. It is an area that is likely to see significant growth over the next 10 years. Now is a good time to engage and make the most of the opportunities. There are

broad similarities in terms of its environment, focus on hi-tech, tourism potential and culture. They have a link with Portsmouth, but indications are that a link with B&NES as well would not be a problem. This should take the form of a trade and education relationship, rather than a cultural/twinning link.

2. Shenzhen and Guangzhou are too large to realistically have relationship with B&NES although there is still the potential for informal arrangements as they come up. The scale of growth Zhuhai is expecting has already taken place in these two cities, though they continue to develop specialisms in some areas.
3. Start small and realistic and grow the relationship from there.
4. Provide small number of realistic propositions. Key opportunities are:
 - a. **Setsquared to take small space in Zhuhai incubator:** This would build on the Briit Hub model which UKTI have agreed to develop and fund – essentially a showcase for UK talent in a Chinese incubator. The UK Government is proposing to establish a hub in Guangzhou to showcase talent from UK incubators and provide opportunities to enter the Chinese market. This is about to start and there may be a chance to get in at the start of this initiative. CBBC may take the initiative on and we have made an offer to be part of this at the start
 - b. **Trade missions:** Sheppey's Cider were on the mission alongside a range of other Somerset companies (e.g. Thatcher's Cider and Yeo Valley) and from one visit have signed one of their largest contracts to export cider. There are many opportunities for Bath and North East Somerset based food and drink companies as well as other products to export into the area.
 - c. **Link private schools in Bath to Hengqin new area:** There was a particular desire expressed to see UK based private schools open Chinese arms of their schools.
 - d. **Develop detailed market offer for hi tech Zhuhai companies to open UK offices in the Bath City Riverside Enterprise Area:** Chinese companies have started to locate into European cities (e.g. Huawei in Bristol). We need to make the Enterprise Area an attractive proposition for companies seeking to locate here.
 - e. **Provide links for Bath companies to advise on the development of the new areas, especially:**
 - i. Smart City technology
 - ii. Low carbon design and construction
 - iii. Energy
 - iv. Architecture

f. **Link to 2015 Green Capital proposals:** At many of the meetings local companies were very keen to share knowledge and expertise. There will be opportunities to invite organisations from China to take part in events linked to the Green Capital year.

5. Prepare proposal for Zhuhai trip to Bath and send a formal invite for a delegation to visit.

Next steps

A meeting has been arranged in November to bring together key people from B&NES who are already working in China to explore what further opportunities there may be. This includes organisations such as:

- City of Bath College: linking engineering students with Rotork's engineering factory in Shanghai
- Buro Happold: Delivering contracts across China
- University of Bath and Bath Spa: attracting 100's of Chinese students to courses locally
- Bath Tourism Plus: Seeking to make Bath the most China friendly City and working with local hotels and guesthouses to develop China friendly products
- Grant Associates: working in East Asia to deliver contracts
- Clarke Wilmott who have a China office