
MAYORAL DELEGATION TO CHINA 2012 – REPORT BACK

1. Purpose of report

This paper is a report back on the 2012 Wellington business delegation to China led by Mayor Celia Wade-Brown and Councillor Jo Coughlan.

2. Executive summary

As a result of an invitation from Mayor Guo Jinlong, Mayor of Beijing, to attend the inaugural China International Fair for Trade in Services (CIFTIS) the Mayor and Economy Portfolio Leader led a civic and business delegation to attend CIFTIS and renew diplomatic and business contacts in China. The delegation spent a week in China from Sunday 27 May to Sunday 3 June. The key objectives of the delegation were to:

- Further enhance the sister city relationships between Beijing and Wellington and Tianjin and Wellington.
- Build on the economic development opportunities through Wellington's city-to-city connections at a city, sector and individual business level.

There were nine members of the civic delegation (representing the Council, Port Nicholson Block Settlement Trust, Grow Wellington, Positively Wellington Tourism and the Chamber of Commerce and thirty business delegates who joined some or the entire week long trip.

Feedback from participants was very favourable. Many of the businesses reported both improved relationships, greater knowledge of the China context for doing business and some tangible business outcomes. Given that China is now New Zealand's second largest trading partner these key relationships are obviously growing in importance.

There are a number of actions proposed as a result of this delegation. They fall into the following categories:

- Delegation organisation and logistics.
- Sister city relationships and the resource and support required to make these work, including coordination with other cities and the New Zealand Government.
- Follow up on some key economic development opportunities at a sector level.

In addition the individual businesses forged good relationships and developed some individual business opportunities that they will be following up.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*

4. Background

Wellington has enjoyed a sister city relationship with Beijing since 2006 when the official Wellington-Beijing sister city agreement was signed. Since then there have been a number of civic and business delegations, mayoral visits and exchanges.

Nationally the New Zealand relationship with China has also assumed greater prominence in recent times. There is now a NZ Inc China Strategy designed to strengthen our economic, political and security relationship and to encourage people to people links and two way investment. New Zealand is on track to double bilateral trade with China by 2015.

“Opening Doors to China New Zealand’s 2015 vision” notes the estimated growth in the Chinese economy:

- The number of Chinese households with an annual disposable income of over US\$10,000 will quadruple from 57.1 million households to 222 million.
- Two hundred of the world’s top 77 cities will be in China.
- Significant growth in per capita GDP.

New Zealand is well placed to improve its already positive profile with China with the signing of the New Zealand China Free Trade Agreement in 2008.

Mayors in China are very politically influential so the role of city delegations led by New Zealand mayors can enhance the political, business and cultural impact of New Zealand. It is clear that as a capital city in a small country we have to cooperate and work closely with both central government and other cities.

The New Zealand goals and priority areas in the NZ Inc Strategy are to:

- Retain and build a strong and resilient political relationship with China.
- Double two-way goods trade with China to \$20billion by 2015.
- Grow services trade with China (education by 20%, tourism by at least 60% and other services trade) by 2015.
- Increase bilateral investment to levels that reflect the growing commercial relationship with China.
- Grow high quality science and technology collaborations with China to generate commercial opportunities.

5. Key Outcomes

The key objectives of the 2012 delegation were:

- To further enhance the sister city relationships between Beijing and Wellington and Tianjin and Wellington.
- To build on the economic development opportunities through Wellington's city-to-city connections at a city, sector and individual business level.

The delegation spent a week in China from Sunday 27 May to Sunday 3 June. In that time the 30 strong delegation visited four cities:

- Beijing – to attend the first China Beijing International Fair for Trade in services and facilitate a range of business contacts.
- Tianjin – to maintain and enhance the sister city relationship.
- Hangzhou – part of the Zhejiang region and a significant economic development area in agriculture, textiles, light industry, tourism and technology.
- Shanghai – as the departure point but also an opportunity to network with New Zealand expatriates who are successfully operating in China.

A full outline of the business visits made during the trip is attached as Appendix 1.

As a follow up to the delegation all participants were surveyed to:

- establish satisfaction with different aspects of the delegation.
- to understand what delegates were hoping to achieve from the visit and whether they achieved them.
- to gather information on the delegates' intentions post visit.
- to gather information on the nature of ongoing support delegates want from the city and associated agencies.

Overall satisfaction with the visit to China as part of the visit was rated as satisfactory or very satisfactory by 100% of survey respondents:

- 75% of respondents regarded the logistics support as satisfactory or very satisfactory.
- 89% of respondents considered that the number of organised events was "about right".
- A small proportion (11%) thought there were too many organised events.
- The majority of respondents considered that the business meetings (89%) and events (89%) were good or very good.
- A majority (74%) of respondents considered the visit to be long enough to make the business contacts they wanted to.
- A quarter of respondents responded neutrally to this statement indicating that there may be some desire for a lengthened duration for future delegations.
- 54% of respondents would be interested in an industry or sector specific delegation.
- Businesses were mainly focussing on the strengthening of existing contacts (72%) and establishing new contacts (67%).

5.1 Follow up actions

There are a number of individual follow up actions that will be pursued in the next few months but the civic participants have established a few logistical issues that would improve the experience and benefits from these trips. At a high level these are:

- Recognising that the relationships with sister cities need to be “kept warm” by at least annual visits perhaps coinciding with the two significant trade fairs (CIFTIS and CIFIT) which are held at different times of the year. Committing a year ahead of time to a particular programme increases the potential net of businesses that will be able to participate.
- Overall delegations could be better prepared to meet the challenges of doing business in China. A longer notice period will enable easier scheduling, the ability to participate in the New Zealand Trade and Enterprise workshops on “doing business with China” and a longer lead in time for individual research and information gathering and basic protocol and language acquisition.
- The Wellington city resource available to support delegations is small so needs to be supplemented by cooperation with other New Zealand cities and most particularly cooperation with key government agencies, notably Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise.
- Actively pursuing the contacts and opportunities post delegation is critical to long term success.
- Having a greater degree of pre-delegation planning would be beneficial especially having a pre delegation gathering so all delegates can meet one another.
- Recruitment of business delegates should also be rather more formalised to ensure preparedness for the visit and alignment with delegation objectives.
- The presence of Maori on the trip was very helpful. There were four Maori delegates on the trip including representation from Port Nicholson Block Settlement Trust and New Zealand Maori Council. Having a Maori cultural dimension contributed a uniquely New Zealand flavour to the visit.

5.2 Financial considerations

The travel costs for Councillor Coughlan were less than the budget estimate reported to the Council meeting on 3 April 2010 thanks to the generosity of the Beijing Government who subsidised a further three airfares (in addition to the Mayor’s) in recognition of the size and value of the delegation.

5.3 Climate change impacts and considerations

Flights resulted in approximately 7.5 tonnes of CO2 emissions per person, which cost \$83 each to offset.

6. Conclusion

The delegation was extremely worthwhile from both a civic and a business point of view.

Contact: *Mayor Celia Wade Brown and Councillor Jo Coughlan*

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

International visits support Council's overall vision of Wellington Towards 2040: Smart Capital. In particular it supports our aspirations around economic development through the fostering of international relations.

2) LTP/Annual Plan reference and long term financial impact

The project is contained in the Council Plan as Activity 3.1.6 – Regional and External Relations.

3) Treaty of Waitangi considerations

There are no direct Treaty of Waitangi implications. Mana whenua involvement in the trip enhanced the uniqueness of the Wellington offering.

4) Decision-making

There is no decision to be made

5) Consultation

a) General consultation

There is no consultation requirement

b) Consultation with Maori

As above

6) Legal implications

There are no legal implications

7) Consistency with existing policy

Sister city exchanges are consistent with the Council's policy.

Outline of programme and meetings held

Sunday May 27

Meeting with Gaobeidian city

Mayor - Mr Han Xiaoming

Vice Mayor - Mr Zhu

Gaobeidian city is within the Hebei province, approximately 100km from Beijing. The 2009 estimate of the city population is 580,000 within the wider Hebei province of some 70 million. The main industries are solar energy, agriculture and the production of Great Walls vehicles. The 2010 GDP was 2.01 trillion yuan (US\$303 billion). The city is famous for energy saving doors and windows and there is a joint venture with Germany in this industry. As well there are some significant food processing industries. Fonterra has two farms in the region.

Meeting with Jim Gradoville, Chief Executive, World Wildlife Fund, China.

The World Wildlife Fund has been operating in China since 1980. Jim Gradoville talked about the current China Five Year Plan – which shows the Government intention to shift from maximising growth to balancing growth with social harmony and environmental sustainability. The World Wildlife Fund operates at a policy level, submitting to key government agencies, undertakes research work and has conservation activities in priority locations that contribute to nature and species conservation e.g. central and upper Yangtze.

Opening of China International Fair for Trade in Services (CIFTIS)

The opening dinner was held at the Great Hall of the People in Beijing. CIFTIS is a domestic and international trade fair. Its theme for this inaugural event was “Trade in Services: New Vision New Opportunity and New Development”. The intended outcomes of CIFTIS included:

- Exchange and cooperation between Chinese and foreign enterprises
- The development of the service industry.
- An increase in economic development on a domestic and international scale.

CIFTIS was held with the support of the State Council, China’s Ministry of Commerce and the People’s Government of Beijing Municipality.

Monday May 28th

China International Fair for Trade in Services (CIFTIS)

Delegates attended the Opening Ceremony and Summit Forum along with many foreign political leaders, heads of international organisations and multinationals as well as political representatives from across China. CIFTIS was opened by Premier Wen Jiabao. Addresses included those made by Mr Pascal Lamy, the Director General of the World Trade Organisation (WTO), Mr Supachai Panitchpakdi, Secretary General of the United Nations Conference on Trade and Development (UNCTAD), Mr Luis Amalgro, Minister of Foreign Affairs of the Oriental Republic of Uruguay and Lord Green, UK Minister of State for Trade and Investment.

Themes from these speeches included:

- The global economy is being transformed at an unprecedented speed thanks to changes in information and communications technology, cost effective and reliable transport and logistics services. Services underpin every part of the production process (Lamy).
- For many developed countries, services account for more than 70% of GDP (Lamy).
- The services sector accounts for two thirds of global GDP (Panitchpakdi)
- In the European Union, services account for about three-quarters of GDP and they are responsible for more job creation and growth than any other sector (Green).
- Services can play a crucial role in achieving poverty reduction and other social goals (Panitchpakdi).
- China has achieved expansion in its services trade by an annual rate of 19.3% in the past decade amounting to \$419.1 billion in 2011 (Panitchpakdi).

Lunch with Shougang Corporation Board

Chairman Mr Zhu Jimin

Shougang is one of Beijing's largest steel companies. Some of the delegates requested a meeting with Shougang to further their existing business relationship. The General Manager of Shougang, Mr Wang Qin Hai, visited Wellington in 2010 when he signed a memorandum of understanding with Solid Energy and met with Mayor Kerry Prendergast. Discussion centred on collaborative opportunities between New Zealand businesses.

Meeting with Hiersun.

Chairman - William Li

Managing Director - Welsan Li

Product Development Centre Director - Clara Zhu

Hiersun is a high-end jewellery chain store. Ian and Christine Douglas from Inspired Jewellery Limited, The Village Goldsmith are doing work with Hiersun. This visit was an opportunity to further cement the business relationship.

Airways Corporation MoU Signing Ceremony

Ed Sims, Chief Executive of Airways Corporation signed a Memorandum of Understanding with the Civil Aviation Management Institute of China that paves the way for training Chinese air traffic controllers in New Zealand.

Formal Meeting and Banquet with the Mayor of Beijing Mayor Guo Jinlong and senior officials

New Zealand's Ambassador to China, Carl Worker attended this meeting along with the Wellington delegation. Mayor Guo Jinlong invited the Mayor of Wellington to CIFTIS as part of the sister city relationship. Discussion centred on the recent history of the New Zealand/China relationship. 2012 marks the 40th anniversary of diplomatic relations between New Zealand and China. The Free Trade Agreement signed between New Zealand and China was also a significant and positive sign of a productive and meaningful relationship between the countries. Mayor Wade Brown was able to update Mayor Guo Jinlong about the 100 bikes that were gifted to Wellington in 2011.

Tuesday 29 May 2012

Chinese Ministry of Commerce Counsellor and Deputy Director General – Mr Fang Wei First Secretary, Dept of Outward Investment and Economic Cooperation – Mr Li Jian

Ivan Kinsella, Investment Director for Greater China, New Zealand Trade and Enterprise, joined the civic delegation for this meeting. Discussion was held on key sectors of interest for Chinese investment.

Beijing Urban Construction Group (BUCG)

BUCG is a state owned urban construction enterprise specialising in general construction, real estate development and design and consultation. They are one of China's Top 500 companies with total assets of US\$7billion, 26,000 employees and annual turnover of US\$6billion. BUCG completed 41 Olympic projects for the 2008 Beijing Olympic Games including the National Stadium, the National Indoor Stadium, the Olympic Village and Terminal 3 of the Beijing Capital International Airport. Discussion centred on mutual opportunities for cooperation.

Wellington/China Business Networking Event

This event was co-hosted by Wellington City Council and the Beijing Municipal Government. It provided opportunities for Beijing government officials and business people as well as New Zealand expatriates to meet with the Wellington civic and business delegation. There was excellent attendance from a wide range of business people.

Wednesday 30 May

Tianjin City

Mayor of Tianjin – Mr Huang Xingguo

Delegates were given a tour of the new civic buildings in Tianjin including a convention centre, library and museum. Tianjin has two centres with its main urban area located along the Hai River. Binhai New Area is a new growth node and is a base for innovation. The Tianjin municipality population is 12.28 million (2009).

The delegation visited the Binhai Eco city, a new city based on green principles and founded on a previous toxic wetland. When completed the Eco city will accommodate 350,000 people. It is scheduled to be complete in 2020 and will have taken 12 years in total to construct. It includes a technology incubator which has the biggest animation studio and rendering capability in Asia.

Thursday 31 May

Tianjin University

President Mr Li

Professor Kong (Architecture)

Tianjin University is the first modern higher education institution in China. It was established in 1895. It has a strong focus on engineering and a prestigious architecture school. Discussion centred on possible areas for cooperation including international exchange programmes.

Media Interview -Tianjin Television

Mayor Wade Brown was interviewed by Tianjin Television on the purpose of the delegation and the value of sister city relationships.

Hangzhou, Zhejiang Province

Governor of Zhejiang – Mr Xia Baolong

Hangzhou is the capital of the Zhejiang Province and has a population of 8.7 million. Zhejiang has a population of 54.5million. Hangzhou's main economic development areas are agriculture, textiles and light industry, tourism (the West Lake in Hangzhou is a UNESCO World Heritage Site). Amongst the wide ranging discussion on different opportunities for partnership and cooperation came an offer to film a tourist documentary in Wellington for showing in China. Follow up work on this has occurred and will be progressed during a reciprocal visit from Zhejiang to Wellington in September 2012.

Media Interview -Zhejiang Television

Mayor Wade Brown was interviewed by Zhejiang Television on the purpose of the delegation and the interests of the Wellington civic and business delegation in its visit to Zhejiang.

Friday 1 June

Zhejiang University, Hangzhou Director International Relations -Professor Fan Dean, College of Education - Mr Xu

The Zhejiang University has 5 campuses. The Hangzhou campus accommodates 20,000 students. The University is 3rd in rank amongst Chinese top universities. Discussion focussed on opportunities to collaborate with New Zealand Universities. Their focus is on ocean studies, agriculture, primary education and sport. They currently partner with 127 universities worldwide including Auckland and Lincoln.

Shanghai Business Networking Event Co-hosted by Wellington City Council and the New Zealand Consul General in Shanghai – Matthew Dalzell

This event was an opportunity for the delegation members to meet Shanghai business people and New Zealand expatriates operating in China. There was a lively exchange of information as people shared their business experiences.

Saturday 2 June

Presentation and tour at Alcatel Lucent

Alcatel Lucent is a global communications solution provider. It has a New Zealand presence and has been a collaborative partner in Wellington city's Digital Strategy. A presentation was done to highlight the business objectives of the company and its potential as a partner. Alcatel Lucent has annual revenue in excess of €15.3 billion and a research and development budget of €2.4billion. It has won 7 Nobel prizes and sees itself as "Realising the potential of a connected world". They are a values led organisation and see eco-sustainability and digital inclusion as part of their corporate responsibility. They have a worldwide presence in more than 130 countries. Their presence in China (Alcatel-Lucent Shanghai Bell) is a flagship unit of Alcatel Lucent. UFB and RBI will bring high speed broadband to 98% of the population in New Zealand but we need to establish what the likely positive social and economic impacts are and to amplify them by smart use of smart technology.

The delegation also was shown around the demonstration lab which is a test bed for New Zealand application innovation.