

ABERDEEN CITY COUNCIL

COMMITTEE	Full Council
DATE	14 December 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Signing of a Memorandum of Understanding between Aberdeen and Mokpo, South Korea
REPORT NUMBER	CHI/16/316
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To seek approval for the planned visit by the Lord Provost to Japan in early 2017 to be extended to include a visit to Mokpo, South Korea, to enable the signing of the outstanding Memorandum of Understanding with Mokpo to be undertaken.

2. RECOMMENDATION(S)

It is recommended that Council:

1. Approve the inclusion of Mokpo, South Korea to the planned trip by the Lord Provost and one accompanying officer to Japan in February or March 2017.
2. Instruct officers from the Economic and Development Service to report back to Council on this trip as part of the Elected Members Overseas Travel Bulletin submitted to Council.

3. FINANCIAL IMPLICATIONS

The approved 2016/2017 International Trade Plan includes an estimated budget of £6,000 to cover the costs of the Lord Provost and two accompanying officers for the trip to Japan. In order to accommodate the additional Mokpo element it is proposed that one officer accompanies the Lord Provost, therefore releasing up to £2,000 of the allocated budget to cover the additional costs incurred.

There are no State Aid implications.

4. OTHER IMPLICATIONS

Staffing: The Council's Economic Development Service will provide the staffing resource required through the International Trade and Investment team that is comprised of three FTE staff.

The 2016/2017 International Trade and Investment Plan approved at Committee in January 2016 states the international trade priorities by sector (energy); and by market (US, Canada, Norway, Mozambique, Mexico, Japan and the World Energy Cities Partnership) and the capacity of officers to support trade development activities in these areas.

A visit to Japan, to build on relationships with Kobe, Nagasaki and the Mitsubishi Corporation, is already planned to take place in the early part of 2017. Given the relative proximity to Mokpo, this additional leg to the trip to enable the signing of the Memorandum of Understanding is proposed.

5. BACKGROUND/MAIN ISSUES

The Scottish Government Economic Strategy lists internationalisation as one of its 4 key pillars and the 2014 Wilson Review of Support for Scottish Exporting calls for further coordinated support for more Scottish businesses to export more products to more markets.

The Regional Economic Strategy also has internationalisation as one of its 4 key themes, underlining the importance of exporting to the success of the Aberdeen economy.

The Council's International Trade and Investment team helps to create the conditions for sustainable economic growth in the City by providing tailored support to City businesses to enhance their internationalisation (ie increase their export of products and services).

Officers support trade missions, host inward business delegations (over 30 in 2015), facilitate contacts between local and international companies, hold business seminars, attend key industry conferences and exhibitions and provide market intelligence – including leading in the creation of new international cooperation links in specifically identified niche markets in which Aberdeen City Council is particularly well placed as a facilitator compared to other trade support organisations.

Aberdeen City Council approved the signing of a Memorandum of Understanding (MoU) with Mokpo in an Enterprise, Strategic Planning and Infrastructure Committee decision taken in January 2014 [report number EPI/13/260]. The MoU was not subsequently signed, in part due to a ferry disaster in Mokpo that resulted in the deaths of over 300 people in April 2014 and which meant that planned activity with Mokpo was postponed.

In 2014 South Korea was the world's 13th largest economy by Gross Domestic Product (GDP) Purchasing Power Parity (PPP) according to the

[International Monetary Fund](#) (IMF). It has a GDP per capita (PPP) of USD 35,277 – 3 times that of China and almost equal to Japan's.

Benefits for UK companies exporting to South Korea include:

- the European Union (EU)-Korea Free Trade Agreement (FTA), the only EU FTA in east Asia/Pacific, is estimated to be worth over £500 million to UK business each year
- South Korea is a designated high growth market for UK exports, increasing year on year since 2009
- Korean public has a taste for British culture and respect for UK goods
- President Park's 'creative economy' policy is pushing Korean businesses towards sectors and industries of traditional UK strength
- close proximity to the wider Asia-Pacific region and markets

Strengths of the Korean economy include:

- world leader in electronics, shipbuilding, steel and automotive
- ranked first in [Bloomberg's Global Innovation Index 2015](#)
- 74% of South Koreans undertake postgraduate-level education, with 7% of Gross Domestic Product (GDP) spent on education
- highest level of broadband penetration in the world, with speeds of 100 megabytes
- leads the world in 4G mobile usage, with plans to invest USD1.7 billion in 5G by 2020
- 15 Free Trade Agreements (FTA) currently in place and 11 more under negotiation

The particular focus of the Aberdeen-Mokpo MoU will be on renewable energy (especially offshore wind and wave/tidal), marine engineering and higher education links over an initial three-year period, as outlined in the January 2014 report.

6. IMPACT

Corporate - The contents of the report relate to supporting the Regional Economic Strategy for the North East of Scotland and in particular, the internationalisation priorities and anchoring the oil and gas sector and diversifying the economy – within the energy sector itself; and into other key sectors. The contents of the report also relate to delivering some economic development aspects of the Administration's Smarter Aberdeen vision.

Public – Neither an Equality and Human Rights Impact Assessment nor a Privacy Impact Assessment is required for this report. There may be some public/media interest in overseas travel by Elected Members and Officers.

Improving Customer Experience – The Depute Provost's trade ambassadorial role supports the customer (the Aberdeen business community) experience by:

- Paving the way for Aberdeen companies to win new export business by facilitating direct business to business links

- Maintaining and building on the profile of Aberdeen as a global energy capital and world centre of excellence for subsea technology

Improving Staff Experience – Supporting the Lord Provost’s civic and ambassadorial role provides the staff involved with valuable experience of dealing with a wide range of internal (Elected Members, senior officers) and external (businesses, Government personnel, diplomats etc) customers from a range of countries, cultures and backgrounds.

Improving our use of Resources – By working in partnership with North East Scotland Trade Group partners on the delivery of coordinated trade development activities, the Council is able in some cases to share the workload and take lead or supporting roles where appropriate, without compromising the level of service delivered to the customer – the Aberdeen business community.

7. MANAGEMENT OF RISK

Health and Safety: The health and safety implications of all overseas journeys are taken into account during planning, with any exceptional implications to be addressed at the time. Officers regularly review the travel advice provided by the Foreign and Commonwealth Office and are in contact with counterparts in-country to ensure information is accurate and up-to-date. When participating in overseas journeys, Council officers and Elected Members are covered by the Council’s insurance policy. A risk assessment is carried out for each overseas journey.

Risk Management: The risks associated with **not** undertaking international trade development work in general are:

- City companies would have significantly reduced opportunities to enter new export markets and exploit export opportunities;
- Aberdeen’s position as a global energy capital would be compromised if there was no local support, for example, to host high-level visiting business delegations; likewise, there would be a serious risk of loss of visibility on the world energy industry stage if profile was not maintained and enhanced at key overseas trade events;
- The Council would not be fulfilling its obligations in the Single Outcome Agreement, the vision for Smarter Aberdeen, or the Scottish Government Economic Strategy, which has internationalisation as one of its four pillars, as does the Regional Economic Strategy.
- Aberdeen-based companies are increasingly exposed to competition from international suppliers all looking to service the global oil and gas supply chain from locations around the world, some of which have a lower cost base than the North Sea. Targeted export market entry support makes a key contribution to sustaining the competitive edge of Aberdeen companies.
- Loss of targeted local support to local businesses could contribute to their failure, or their decision to relocate from Aberdeen.
- With the current low oil price and general downturn in the global oil and gas sector, the greatest opportunities for growth are to be found in

established and emerging export markets, so support to enable businesses to exploit these opportunities is much needed.

8. BACKGROUND PAPERS

- Scottish Government Economic Strategy
- 2014 Wilson Review of Support for Scottish Exporting
- Proposal for the signing of a Memorandum of Understanding between Aberdeen and Mokpo, South Korea (EPI/13/260)
- 2016/2017 International Trade and Investment Plan CHI/15/300 approved at Communities Housing and Infrastructure Committee on 20/1/16
- Bulletin reports on the outcomes of each overseas visit undertaken by Elected Members submitted to Council 16/12/15, 29/06/16

9. REPORT AUTHOR DETAILS

Matt Lockley, Business and Skills Manager
01224 522940 mlockley@aberdeencity.gov.uk