

## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	15 <sup>th</sup> March 2017
DIRECTOR	Bernadette Marjoram
TITLE OF REPORT	International trade and partnership proposals
REPORT NUMBER	CHI/17/047
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The report proposes priorities for international trade and export and European partnership activities for the Council over the next two years.

### 2. RECOMMENDATIONS

It is recommended that Council:

- i) Agree the international trade and export priorities contained within this report based on the market analysis provided at Appendix 1
- ii) Agree the proposed budget allocation for international trade and export in 2017-18 and note proposals for 2018-19, recognising that the latter will be subject to the Council's 2018-19 budget setting process
- iii) Note the update on European partnership activities
- iv) Agree the proposed budget allocations for European partnership activities in 2017-18 (Appendix 2)
- v) Authorise the Head of Economic Development to approve the necessary arrangements for international travel identified in this report.
- vi) Receive bulletin reports on international trade and European partnership activities as they fall due with Council meetings

### **3. FINANCIAL IMPLICATIONS**

The 2017-18 travel costs for international trade are estimated to be £29,000 and £21,500 for European partnerships. This results in total travel costs for 2017-18 of £50,500, which delivers the savings proposal agreed by Council of £20,000 across all of the Economic Development Service's outbound overseas activity.

On international trade, every effort will be made to reduce these costs where possible, including by sourcing financial support from partner organisations such as Scottish Enterprise / Scottish Development International or the Department for International Trade.

The total grant funding which has been secured for EU projects as a result of the Council's engagement in the partnerships covered by this report is £7,591,658. Attendance at essential EU project meetings where the Council is a lead or partner organisation is not covered by this report. This will have been approved at the time when the Council's commitment to the project was secured. Costs associated with such project meetings are met from lead service budgets and usually attract a minimum of 50% match funding from the grant source.

There are no State Aid implications.

### **4. OTHER IMPLICATIONS**

Both the International Trade and Investment and Funding and Partnerships teams, within the Economic Development Service, have sufficient staff resources in place to deliver the proposals outlined in this report. In addition to dedicated officers in both teams, the Head of Economic Development and the two service managers also play important roles in leading and delivering on the Council's international ambitions and obligations.

### **5. BACKGROUND/MAIN ISSUES**

#### **5.1 CONTEXT**

Aberdeen City Council has a long history of supporting international trade relationships and networks and has built a strong reputation as a broker of these relationships with countries and markets that are key to the growth of the Aberdeen economy.

In addition, the Council has played a significant leadership role in bringing forward and managing European projects through a variety of funding mechanisms, all of which have enhanced the city's reputation as an innovative global hub.

The current volatility of the oil and gas economy has potentially lasting implications for growth and wealth and job creation in Aberdeen. With

this in mind, officers have undertaken a review of international opportunities for trade and investment and bring forward evidence-based proposals in this report that could shape the Council's international work going forward. These priorities are based on evidence from key and emerging markets, national and international studies by companies such as Ernst and Young and KPMG and on feedback from businesses and partnerships such as the North East Scotland Trade Group and World Energy Cities Partnership. They also reflect the anticipated need, within the Service, to refocus some Economic Development resources on to the new inward investment priorities for Aberdeen.

The proposals relating to European partnerships demonstrate the Council's leadership and engagement in pan-European activity and on thematic issues such as hydrogen fuel. Some of these result in specific projects being developed whilst others are more focused on strategic influence. Access to some funding streams may become more restricted following the UK's exit from the European Union. However, for the period covered by the proposals in this report, the funding streams and projects remain accessible and live.

## 5.2 INTERNATIONAL TRADE AND EXPORT PRIORITIES

In terms of international trade and export, the Economic Development Service classes countries and markets as either: top, medium or emerging priorities. This is based on export and 'ease of doing business' data from a variety of sources including the World Bank, Department for International Trade (DIT) and Scottish Development International (SDI), overlaid with sector specific intelligence for Aberdeen. Historically, these have been reflected in formal agreements that the Council has entered in to, either through twinning arrangements (i.e. Stavanger) or through Memoranda of Understanding (MoUs) that focus on economic outcomes (eg Baranquilla, Colombia).

There are 4 active (within the last 5 years) MoUs that provide a framework for the Council's engagement with the following cities:

- Halifax, Canada (top)
- Baranquilla, Colombia (emerging)
- Mokpo, South Korea (medium)
- Villahermosa/Tabasco, Mexico (medium)

A fifth MoU, with Pemba, Mozambique (emerging) was approved in 2016 and is scheduled to be signed during 2017.

The Council is also a founding member of the World Energy Cities Partnership (WECP), a grouping of 19 cities from across the world that have economies that are heavily influenced by oil and gas (and increasingly, renewables). Going forward, it is proposed that the WECP provides a strong foundation for bilateral and multi-lateral

initiatives between member cities and that these WECP relationships should be a key factor when considering new market development. WECP membership should also negate the need for future MoUs with fellow member cities.

Any requests or proposals for new or refreshed MoUs will be subject to an analysis of the business case and cost-benefit considerations before recommendations to enter into them are put to Members.

Alongside the City Council's existing relationships, the North East of Scotland Trade Group (NESTG) is a forum that enables public and private sector partners to share information about the markets that they are engaged with or are intending to target in the short-medium term. The purpose of this is to actively avoid duplication and maximise partners' investment in international activity for the region. Whilst some markets (principally Norway, USA and Canada) are priorities for all partners, others are not and NESTG works hard to ensure that intelligence and information sharing reduces duplication of effort. For example, the Aberdeen and Grampian Chamber of Commerce (AGCC) is interested in the Arctic Norway market but acknowledges Aberdeen City Council's lead role in developing further activity on the back of the Council's existing relationships in the region.

At its most recent meeting in February 2017, NESTG partners agreed to reposition the forum to ensure that it continues to deliver on the objectives outlined above and that a regional 'Team North East' approach to international trade activity is adopted. AGCC is also in the advanced stages of applying for pilot funding from the Scottish Government to establish a 'Local Export Partnership'. If successful, NESTG would be the vehicle for this pilot activity. The Council will be actively contributing to this work.

In general, it is proposed that a principle is established that would see a maximum of one outbound mission each to a top, medium and emerging priority market per year in addition to the Council's obligations as a World Energy Cities Partnership member (i.e. attendance at Working Group meeting each May in Houston and AGM each autumn, rotating venue). These proposals should not constrain the Council's ability to engage with opportunities that might arise within year, although a separate case would need to be made for these and costs would need to be managed within approved budgets.

Based on discussions with NESTG partners, intelligence from the WECP, Scottish Development International, the Department for International Trade and market reports from Ernst and Young and KPMG, it is suggested that the City Council should focus its outbound international trade efforts in 2017-18 and 2018-19 on the markets outlined in the table below. These are supported by market profiles appended to this report (appendix 1).

Country/market	Rationale	Activity	Timing	Estimated cost
<b>2017-18</b>				
Houston, USA (top) <b>APPROVED BY CH&amp;I, 24<sup>th</sup> Jan 2017, CHI/16/293</b>	WECP partner; WECP working group meeting; OTC	WECP working group; support OTC trade mission	May 2017	£3,000 [one officer]
Norway (top)	Significant growth market, strong fit with Aberdeen businesses	Trade mission	Summer 2017	£4,000 [Lord Provost or nominated representative, one officer]
Kazakhstan (medium)	WECP partner (Atyrau); Global Expo 2017	Trade mission	Summer 2017	£7,000 [Lord Provost or nominated representative, one officer]
Halifax, Canada (top)	WECP partner; WECP AGM host; MoU refresh	WECP AGM Trade mission	October 2017	£7,000 [Lord Provost or nominated representative, one officer]
Emerging markets*	Funds to enable emerging market development, if applicable. <i>*separate Committee approval for emerging market activity will be sought as appropriate.</i>			£8,000
<b>Total</b>				<b>£29,000</b>
<b>2018-19</b>				
Houston, USA (top)	WECP partner; WECP working group meeting; OTC	WECP working group; support OTC trade mission	May 2018	£7,000 [Lord Provost or nominated representative, one officer]
Stavanger, Norway (top)	WECP partner; Offshore Northern Seas	Trade mission to ONS	August 2018	£4,000 [Lord Provost or nominated representative, one officer]
Venue TBC	WECP partner, WECP AGM host	WECP AGM Trade mission	October 2018	£7,000 [Lord Provost or nominated representative, one officer]
Pemba, Mozambique (emerging)	MoU in place; significant growth market	Trade mission	Winter 2018-19	£4,000 [Lord Provost or nominated representative, one officer]
Emerging markets*	Funds to enable emerging market development, if applicable. <i>*separate Committee approval for emerging market activity will be sought as appropriate.</i>			£7,000
<b>Total</b>				<b>£29,000</b>

In terms of inbound trade delegations, the Economic Development Service supports approximately 30 of these each year. 2017 has already seen delegations from Mozambique, Mexico, Japan and China. Further delegations from Iraq, Brazil, the United Arab Emirates, USA and Norway are already scheduled, several of which will be timed to coincide with Offshore Europe in September.

Alongside these trade delegations the Council, with NESTG partners, supports local seminars and information events for companies wishing to enter new export markets. A budget allocation for this, and for the Council's membership contribution to the World Energy Cities Partnership, is included in the 'other costs' table below. These costs will be met from the Economic Development Service budget.

<b>Activity</b>	<b>Rationale</b>	<b>Budget 2017-18</b>
Inward Visits 2017-18	Number of requests for assistance with visits likely to be high (30+ in 2016)	£6,000
Local seminars and workshops on international trade opportunities, in conjunction with North East of Scotland Trade Group	Programme of local seminars and workshops to focus on key target markets	£2,000
World Energy Cities Partnership membership fee	To maintain Aberdeen's position as a founding WECP partner	£6,500 [exchange rate dependent, fee is \$8,000]
		<b>£14,500</b>

These proposals result in forecast expenditure on international trade activity (inbound and outbound) of £43,500 in 2017-18. This compares with a 2016-17 budget of £60,720.

### 5.3 EUROPEAN PARTNERSHIP ACTIVITY

The Funding and Partnerships team work across the council to help identify and apply for external funding and support to priority projects of the Council.

In order to maximise funding and policy knowledge, the Council is a member of a number of European networks which are listed below. This also contributes to the promotion of Aberdeen and the Council in European and international membership associations. It is particularly important during Brexit so Officers can be fully informed of any funding implications to the Council and meet with EU representatives and politicians to continue to ensure our visibility on an EU and international platform.

<b>Partnership</b>	<b>Purpose of Council engagement</b>	<b>Nature of role</b>	<b>Category</b>
Hydrogen & Electro-Mobility in European Regions (HyER)	Representative body to relevant stakeholders and decision-makers It also allows members to play a key role in the implementation of strategies that aim for the uptake of hydrogen, fuel cells and electric mobility.	Elected Member Chairs, Member	High
Conference of Peripheral Maritime Regions (CPMR)	Brings together some 160 Regions from 25 States from the European Union and beyond.	Member	Medium
North Sea Commission (NSC)	International organisation to facilitate partnerships between regions connected with the North Sea.	Elected Member Chairs Thematic Group 'Sustainable Communities'	High
Energy Cities	European Association of local authorities in energy transition.	Elected Member Chairs, Member	High

The costs associated with meeting the Council's commitments to these partnerships is estimated to be £21,500 in 2017-18 (see appendix 2), compared to £25,500 in 2016-17.

## 6. BREXIT

At its meeting in December 2016, Council noted that officers were reviewing the approach to overseas trade development in light of the potential change to our trade relations and the approach to external funding in light of changes to EU funding.

At this early stage and given the limited progress towards initiating the Brexit negotiations there is little to report in terms of the implications of Brexit for either international trade or external funding. However, Council will note that international trade activity rarely focuses on EU member states given that the strengths of the Aberdeen economy and global opportunities are focused on sectors that are not predominant in the wider EU economy. Norway's position as a top international trade market will need to be kept under review as Brexit progresses. Norway's membership of the European Economic Area will mean that it cannot negotiate a separate trade agreement with the UK once it has exited the European Union.

Trade relationships are being actively fostered with countries outwith the European Union and Aberdeen City Council has a strong track record in this regard, as is shown in this report and in the Council's existing twinning and economic relationships and proactive engagement with the World Energy Cities Partnership. Clearly as the Scottish and UK Governments' post-Brexit trade priorities become clearer they will be an important factor in the Council's future consideration of trade activity.

In terms of EU funded activity, again there is little to update on since the report to Council in December. The UK and Scottish Governments have committed to underwriting projects that were approved ahead of the UK Chancellor's Autumn Statement in November 2016. Funds will be made available for these projects even if they continue beyond the date that the UK exits the EU. Funding for trans-national projects is covered by such an underwriting commitment.

Officers will continue to monitor and review developments as the process of Brexit progresses and will bring updates to Council and relevant Committees when further clarity about the implications of Brexit for trade and funding priorities becomes available.

## 7. IMPACT

**Corporate** - The contents of the report demonstrate the Council's support for the Regional Economic Strategy for the North East of Scotland and in particular, the priorities for internationalisation, 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 Council's Smarter Aberdeen vision.

**Public** - This report does not require an Equality and Human Rights Impact Assessment, or a Privacy Impact Assessment.

### **Improving Customer Experience**

The Council's international trade and partnership activity 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 oil and gas, marine, subsea and renewable technologies

### **Improving Staff Experience**

Experiencing international trade missions, developing networks and supporting international delegations in Aberdeen are significant learning and development opportunities for staff within the Economic Development Service. Much of the Council's international trade and

partnerships activity also has a civic element and is therefore helpful in terms of providing working opportunities for staff to engage with Elected Members.

### **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 Aberdeen businesses.

Externally funded projects, and European projects in particular, are centred on new innovative ideas and technologies. It is essential that the Council keeps up to date with current strategies, locally, nationally and transnationally and also looks forward to ensure that Aberdeen is at the forefront on delivering within the strategies. Officers within the Economic Development Service ensure that projects are focused around the current priorities within the Council so that public funding can be maximised to provide the best service possible.

## **8. MANAGEMENT OF RISK**

**Health and Safety:** The health and safety implications of all overseas journeys are taken into account during planning. 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. This informs personalised risk assessments which are carried out for each overseas journey. When participating in overseas journeys, Council officers and Elected Members are covered by the Council's insurance policy.

## **9. BACKGROUND PAPERS**

- Scottish Government Economic Strategy
- Regional Economic Strategy
- *International travel proposals to May 2017*; report CHI/16/293; approved by CH&I Committee 24-01-2017
- *Leaving the European Union*; report OCE/16/044; approved by Council 14-12-2016
- *International trade and investment plan*; report CHI/15/300; approved by CH&I Committee 20-01-2016

## **10. REPORT AUTHOR DETAILS**

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