

ABERDEEN CITY COUNCIL

COMMITTEE	Communities Housing and Infrastructure
DATE	29 th August 2017
REPORT TITLE	Emerging Markets - International Trade
REPORT NUMBER	CHI/17/181
INTERIM DIRECTOR	Bernadette Marjoram
REPORT AUTHOR	Morag McCorkindale

1. PURPOSE OF REPORT:-

- 1.1 To provide an overview of emerging international markets and to seek approval for development activities.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:

- a) Agree the international trade and export priorities contained within the report;
- b) Note the proposed development activities and that a recommendation for the development of emerging markets will be brought forward in 2018/2019;
- c) Authorise the Head of Economic Development to approve the necessary arrangements for international travel identified in this report;
- d) Receive service updates on international trade activities as they fall due with Council meetings.

3. BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE

- 3.1 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. The current volatility of the oil and gas economy has potentially lasting implications for growth and wealth and job creation in Aberdeen. Therefore assisting city businesses to access new business opportunities in other markets is of particular value at this time.
- 3.2 On 15th March 2017 Council approved budget and travel for four markets: Houston (USA), Norway, Kazakhstan, Halifax (Canada). It was also agreed

that a further report on emerging market visits and costs would be brought to this committee later in the cycle.

Emerging markets

- 3.3 A review of 8 emerging markets was carried out: Chile, China, Colombia, Indonesia, Japan, Myanmar, South Korea and Tanzania.
- 3.4 Aberdeen City Council has four active Memoranda of Understanding (MoUs). Three are with existing market partners Halifax (Canada), Mokpo (South Korea) and Villahermosa/Tabasco (Mexico). In March 2017 an MOU was signed with Barranquilla (Colombia). An MoU with Pemba (Mozambique) was approved in 2016 and is scheduled to be signed in Aberdeen during 2017. It is intended that the MOU with Halifax will be refreshed and resigned at the annual general meeting of the World Energy Cities partnership in Halifax in October 2017.
- 3.5 For the emerging market review, countries have been categorised depending on market readiness status as “watching brief”, “market access through partners” and “development”.
- 3.6 “Watching brief” is defined as a country with interesting potential but no clear market entry as yet. It is proposed that Economic Development officers will monitor market intelligence and company and partner activity until a clear mechanism for the Council to add value can be identified.
- 3.7 “Partner access” is defined as working with partners who are also assessing these markets, such as Scottish Development International (SDI), Department for International Trade (DIT) and Aberdeen and Grampian Chamber of Commerce (AGCoC). Activities for this category will include using partner material to assess these markets, provide briefings, seminars and market links for local companies, building relationships in market and where appropriate encouraging and hosting inward missions. The Council will seek to add value to partner activities.
- 3.8 “Development” is categorised as where there is an existing relationship that should be built on. Activities for this category will include encouraging and hosting inward missions, development of relationships and business-to-business matching. The Council will seek to provide value through its existing relationships.
- 3.9 The emerging markets identified are based on evidence from reliable sources such as the World Bank, DIT, SDI, 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 (NESTG) and World Energy Cities Partnership (WECP). Work is also carried out with partners to ensure that there is no duplication and to maximise partner value through co-ordination of activities.

3.10 Market categorisation

This table relates to the categorisation of the eight emerging and two existing markets. Further information on these markets can be found at Appendix 1.

Market	Category	Activity
Chile	Watching brief	
China	Partner access	Support partnership development between Karamay and OGTC.
Colombia	Development	Inward visit 2017 Support WECP membership application
Indonesia	Partner access	
Japan	Development	Inward visit 2017
Mozambique	Development	MOU signing 2017
Myanmar	Partner access	
South Korea	Development	Inward visit in 2017
Tanzania	Partner access	
Mexico	Development	Build on MOU

4. FINANCIAL IMPLICATIONS

4.1 On 15th March 2017 Council approved an international trade travel programme and budget of £29,000 for 2017/2018 and noted proposals for a budget of £29,000 in 2018/2019. Since then the budget for 2017/18 has been reduced to £15,000. Therefore the approved trade mission to Global Expo 2017 in Kazakhstan will not take place as it was de-prioritised due to budget constraints. It is also proposed there will also be no international trade development visits to other markets in 2017/2018 and that any unallocated budget will be used to support market development activity.

4.2 The amended outbound programme for 2017/2018 is therefore:

Country/market	Activity	Status	Cost
Houston USA	WECP working group and OTC	Completed	£2,500 (one officer)
Norway	Trade mission	In planning for October 2017	Estimate £4,000 (Lord Provost or representative and one officer)
Kazakhstan	Trade mission to Global Expo 2017	Cancelled due to budget constraints	£0
Halifax, Canada	WECP AGM and trade mission	Committed and in planning	Estimate £6,000 (Lord Provost or representative and one officer)
Market development activity		In planning	£2,500

4.3 The amended indicative outbound programme for 2018/2019 is:

Country/market	Activity	Status	Cost
Houston USA	WECP working group and OTC	May 2018	£5,000 (Lord Provost or representative and one officer)
Stavanger, Norway	Trade mission to ONS	August 2018	£4,000 (Lord Provost or representative and one officer)
Venue TBC	WECP AGM and trade mission	October 2018	£6,000 (Lord Provost or representative and one officer)

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from this report.

6. MANAGEMENT OF RISK

6.1 Financial

Financial risk will be managed by careful visit planning and advance booking.

6.2 Employee

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.

6.3 Customer / Citizen

The international activities outlined in the report will contribute to generating new opportunities for Aberdeen companies and organisations and therefore also contribute to safeguarding existing employment and new opportunities. The Council is not exposed to risk in this area.

6.4 Environmental

Assisting local companies and organisations in winning business in renewables will contribute to Council's environmental objectives. There are no environmental implications arising from this report.

6.4 Technological

There are no technology implications arising from this report.

6.4 Legal

There are no legal implications arising from this report.

6.5 Reputational

Reduction in efforts to assist Aberdeen's industry to diversify into new markets and sectors will fail to stimulate economic activity which in turn will have a negative impact on equality of opportunity and quality of life for those who live in Aberdeen.

7. IMPACT SECTION

7.1 Economy

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. Specifically the activities in this report seek to maintain the status and reputation of Aberdeen on the world stage and to use the skills of its Economic Development officers to increase market access for local companies so that they can win new business which will safeguard and create jobs.

7.2 People

International trade activity opens up new opportunities for local companies and individuals. It also generates new contacts and relationships which are of value to Council officers in their work to assist companies and individuals in the city. This report does not require an Equality and Human Rights Impact Assessment, or a Privacy Impact Assessment.

7.3 Place

The ability of Aberdeen to be a welcoming place to invest, live and visit and operate to the highest environmental standards is to a large extent dependent on economic activity. The city's economy has a reliance on the buoyancy of the oil and gas industry. Therefore it is imperative to offset the recent decline in economic activity in oil and gas with economic activity in new markets and sectors. The Council's longstanding international trade work has also established a global profile and positive reputation for the City and the Council which has a value and a benefit.

7.4 Technology

There are no direct technology implications arising from this report.

8. BACKGROUND PAPERS

- *Scottish Government Economic Strategy*
<http://www.gov.scot/Publications/2015/03/5984>

- *Regional Economic Strategy*
<https://committees.aberdeency.gov.uk/documents/s52770/Regional%20Economic%20Strategy.pdf>
- *International travel proposals to May 2017*; report CHI/16/293; approved by CH&I Committee 24-01-2017
<https://committees.aberdeency.gov.uk/documents/g4319/Public%20reports%20pack%2024th-Jan-2017%2014.00%20Communities%20Housing%20and%20Infrastructure%20Committee.pdf?T=10>
- *Leaving the European Union*; report OCE/16/044; approved by Council 14-12-2016
<https://committees.aberdeency.gov.uk/documents/g3897/Public%20reports%20pack%2014th-Dec-2016%2010.30%20Council.pdf?T=10>
- *International trade and investment plan*; report CHI/15/300; approved by CH&I Committee 20-01-2016
<https://committees.aberdeency.gov.uk/documents/b11981/ADDITIONAL%20CIRCULATION%2020th-Jan-2016%2014.00%20Communities%20Housing%20and%20Infrastructure%20Committee.pdf?T=9>

9. APPENDICES (if applicable)

Appendix 1: Emerging Markets Overview

10. REPORT AUTHOR DETAILS

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