Executive Summary
Executive Summary

This market-driven strategy outlines the opportunities that the Midlands Engine (ME) should prioritise and the way it can best secure growth in trade & investment with China.

- As the 2nd largest economy in the world ($11.8 trillion GDP\(^1\)), which has seen sustained rapid growth in recent years, China should be a priority in the ME’s trade and investment strategy. At a time where the future of trade with Europe looks uncertain, ensuring there is a robust plan to generate targeted and sustainable growth from relationships with China will serve the region well.

- The Midlands currently has a trade deficit with China, but its exports (which are heavily dominated by machinery and transport equipment) are steadily increasing. There is also a strong track record of securing inward investment from China – it is the 4th largest global investor in the Midlands, based on number of local jobs created and safeguarded.

When exploring trade & investment opportunities in China, the ME should target 7 priority sectors including energy, transport, healthcare, food processing, advanced manufacturing, high quality consumer goods and UK infrastructure.

- A detailed and robust review of Chinese government policy initiatives and directives, economic plans, consumer market data and infrastructure portfolios, indicates that there is strong demand for international collaboration in these sectors.

- The wealth of innovative companies, academic partnerships and cutting-edge research in the Midlands suggests that it has the potential to meet this demand well. There is a particularly strong correlation between Midlands capabilities and Chinese demand in specific sub-sectors, including clean energy, new energy vehicles and new materials.

The ME’s existing civic relationships with 13 regions in China are well placed, but further work could be done to generate better commercial return from these links. It is recommended that the ME partnership prioritises 8 of these relationships to drive greater focus.

- Existing civic relationships with 13 provinces in the most developed areas of China were identified, which are a strong starting point for growth and should be used as a platform for businesses to establish better trade & investment links. However, each business will, of course, need to conduct its own analysis to determine the most favourable location for growth in China.

- By evaluating the demand in these regions for the priority sectors mentioned above and by ensuring balanced support for relationships forged across the Midlands, 8 priority regions were identified. These include Guandong, Jiangsu, Jiangxi, Zhejiang, Sichuan, Anhui, Chongqing and Liaoning. It is recommended that these prioritized regions become the core focus of ME partnership activity in China, but that local government should continue to support the other relationships on a lower scale.

- In the longer term, Hubei and Fujian have been identified as 2 additional provinces that could be attractive to the ME, on the basis that they demonstrate strong economic performance and a similar sector profile.

Source: (1) ‘International Monetary Fund Report 2017’
Executive Summary

Improving engagement with business, increasing partnership collaboration and clarifying governance structures will be crucial in order to fully capitalise on the scale of the opportunity available in China.

- There is currently a cycle of sub-optimal engagement with regards to trade and investment in China, which has its roots in the organisational challenges facing the ME partnership. A lack of understanding of the roles of various organisations in supporting this agenda results in both gaps and duplication of activities on the ground, which in turn embeds the impression of an untargeted approach to trade and investment.

- Addressing these organisational issues should be a key priority for the partnership going forwards. It should take steps to:
  - Clarify the governance structure and the roles & responsibilities of partners in the execution of this strategy. Given that the ME has limited delivery capabilities, it is essential to secure buy-in from partners such as councils, LEPs and universities. Objectives need to be set, owners appointed and regular progress reviews scheduled.
  - Adopt a more targeted approach to engagement with local businesses – particularly with medium sized companies who are likely to have the scale required to successfully engage with China but may lack the ability to develop international relationships independently. Establishing a dedicated China Office to be a first point of contact for businesses would help – this would be responsible for promoting the scale of the opportunity in China and providing guidance on international expansion.
  - Encourage other Midland organisations to use the ME brand alongside their own, in order to build up more momentum around the partnership. Closer association with universities and regional marketing agencies alike could significantly enhance the profile of the ME, which would be of benefit to the region as a whole.

- Specific execution issues also need to be tackled, in order to enhance business relationships with China and improve sentiment amongst local businesses, who often view China as complex and risky market. The ME partnership should take steps to:
  - Ensure that trade missions are a part of a broader, ongoing engagement plan, which should include follow-up activities with any potential partners identified. Doing fewer but more targeted, sector-focused events and ensuring that there are clear commercial objectives for each is likely to drive better results. These events should only involve those businesses which demonstrate mature business planning and realistic expectations of the resources necessary to secure sustainable trade with China.
  - Tailor promotional investment materials specifically to a Chinese audience, focusing on near term opportunities, their priority sectors and the commercial information required to make a decision. Materials should include clear, comparable data points (e.g. predicted ROI) and take into account the most recent Chinese government directives on outbound investment.

A clear, balanced implementation plan is required which addresses operational challenges and acknowledges the high reliance on ME partners to take responsibility for the delivery of this strategy.

- This document sets out a proposed action plan which will require the ME partners to take ownership of this strategy, set SMART objectives for trade and investment outcomes and review these regularly to assess progress.

- The partnership will need to determine which combination of the recommendations proposed in this document should be adopted, which will depend on the degree and timescale of ambition, the level of additional financial support available and the resources committed to the delivery of this strategy.
Scope & Methodology
The Midlands Engine is tasked with promoting the Midlands and growing international trade & investment

Increasing trade and investment is one of the ME’s five key objectives. These are:

1. Improve connectivity – to raise productivity.
2. Strengthen skills – to make the Midlands more attractive for businesses.
3. Support enterprise and innovation – to foster a more dynamic regional economy.
4. Promote the Midlands – to grow international trade and investment.
5. Enhance quality of life – to attract and retain skilled workers and foster the local tourist industry.

The ME Vision for Growth sets out its ambition to achieve:

- Greater levels of foreign direct investment – by marketing the strengths of the Midlands to make it the best place to invest in the UK and maximise sustainable return on investment.
- Rising levels of exports – by exporting services and knowledge as well as products; and by adopting disruptive, innovative new processes in manufacturing to maintain its global competitiveness.

This strategy aims to provide a road map for the ME to achieve the above objectives in relation to trade and investment with China. Given that China is currently the second largest economy in the world and continues to grow, China is a key market for the ME, if it is to achieve its trade and investment ambitions.
This strategy will outline how the Midlands Engine can boost trade & investment with China

The What:
- What should be ME’s priority sectors for trade and investment with China?
  - What are the existing / emerging sector strengths of the ME region?
  - How do these match with demand from China?
- What should be the priority regions of China for trade and investment?
  - Where are ME’s current links with China?
  - How do these match against the priority sectors and demand from China?

The How:
- How should ME approach the execution of this strategy?
  - How does the ME currently approach development of trade relationships? Is this appropriate?
  - How does the ME currently gain investment from China? Is this appropriate?
  - What are the roles and responsibilities of the Department for International Trade (DIT), Local Authorities (LA), Local Enterprise Partnerships (LEP), Investment Promotion Agencies (IPA), local businesses and universities within the ME partnership?
  - Who should be responsible for delivering the strategy?
This is a market-driven strategy, developed by identifying demand from China and matching capabilities in the Midlands.

The China Strategy has been developed based on analysis of existing strengths in the Midlands region and insight into China’s economic priorities from the latest Five Year Plan (FYP) and other government initiatives. Our work was informed by our on the ground China knowledge and extensive consultation with stakeholders, which provided insight into strengths and weaknesses of the nascent ME partnership.

The strategy identifies priority sectors and regions for increasing trade and investment with China; it also provides recommendations for how the strategy should be executed.

**China:**
- view on “demand”
  - 13th Five Year Plan
  - Provincial FYPs
  - Made in China 2025
  - Belt & Road initiative
  - Capital Controls

**Midlands Engine:**
- view on “supply”
  - Sector strengths
  - Capabilities
  - Existing relationships
  - Baseline statistics on trade and investment with China
  - Anecdotal evidence from stakeholder interviews

**Three Year China Strategy**

**What:**
- Sectors
- Regions

**How:**
- Operating model
- Role of ME partners
- Trade missions best practice
- Inward investment best practice

**Recommendations:**
- Strategic recommendations
- Action plan
Despite the current trade deficit, exports to China are increasing and are strong in comparison to other UK regions. Exports are heavily dominated by machinery & transport equipment.

The ME has a trade deficit with China.

Goods export volumes are increasing, following a dip in 2015 (primarily driven by the opening of a JLR production plant in China in 2014).

82% of export goods are machinery & transport equipment – mainly road vehicles and power generating machinery. ~85% of export goods are from the West Midlands.

Services exports are excluded from this analysis due to their low value (£0.2bn\(^{(2)}\) in 2015).

Imports from China are mainly manufactured goods.

The Midlands Engine is outperforming the Northern PowerHouse with regards to exporting to China.

### Value of Midlands-China trade in goods\(^{(1)}\): 2012-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (£m)</th>
<th>Exports (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4,607</td>
<td>3,391</td>
</tr>
<tr>
<td>2013</td>
<td>4,762</td>
<td>4,108</td>
</tr>
<tr>
<td>2014</td>
<td>5,162</td>
<td>5,220</td>
</tr>
<tr>
<td>2015</td>
<td>5,380</td>
<td>3,760</td>
</tr>
<tr>
<td>2016</td>
<td>5,920</td>
<td>3,953</td>
</tr>
</tbody>
</table>

### Midlands-China trade in goods by sector in 2016\(^{(1)}\)

- Machinery & transport equipment: 82%
- Crude materials, inedible, except fuels: 4%
- Misc manufactured goods: 3%
- Manufactured goods: 8%
- Chemicals & related products: 39%
- Food & live animals: 24%
- Mineral fuels, lubricants: 32%
- Animal & vegetable oils: 3%
- Beverages & tobacco: 8%
- Commodities not class’d: 3%

### Regional exports to China in 2015

<table>
<thead>
<tr>
<th>Region</th>
<th>Value in £m</th>
<th>Exports as % of GVA(^{(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midlands Engine</td>
<td>3,760</td>
<td>1.73%</td>
</tr>
<tr>
<td>Northern PowerHouse(^{(2)})</td>
<td>2,536</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

Source:
1. ‘HMRC Regional Trade Statistics’. Data is based on Standard International Trade Classifications (SITC) for goods for the East Midlands & West Midlands regions. Website accessed on 26/10/2017.
China is one of the top countries for inward investment in the Midlands, but lags behind the USA, India and Germany.

Over the past five years, the ME has attracted capital investment from China for 67 projects – creating / safeguarding more than 6,000 jobs. These projects were spread across a wide range of sectors; although automotive and electronics & hardware have been dominant.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of projects</th>
<th>Number of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>234</td>
<td>30,365</td>
</tr>
<tr>
<td>India</td>
<td>62</td>
<td>12,664</td>
</tr>
<tr>
<td>Germany</td>
<td>99</td>
<td>9,415</td>
</tr>
<tr>
<td>China</td>
<td>67</td>
<td>6,206</td>
</tr>
<tr>
<td>France</td>
<td>60</td>
<td>5,271</td>
</tr>
<tr>
<td>Japan</td>
<td>63</td>
<td>4,924</td>
</tr>
</tbody>
</table>

Source: DIT Inward Investment Team.
Note: Relates to capital investment only; excludes M&A.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Number of projects (2011–2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>25</td>
</tr>
<tr>
<td>Electronics &amp; Hardware</td>
<td>11</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>4</td>
</tr>
<tr>
<td>Rail</td>
<td>4</td>
</tr>
<tr>
<td>Creative &amp; Media</td>
<td>3</td>
</tr>
<tr>
<td>Consumer &amp; Retail</td>
<td>3</td>
</tr>
<tr>
<td>ICT and Software</td>
<td>3</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>3</td>
</tr>
<tr>
<td>Advanced Engineering &amp; Manufacturing</td>
<td>2</td>
</tr>
<tr>
<td>Food &amp; Drink</td>
<td>2</td>
</tr>
<tr>
<td>Financial &amp; Business Services</td>
<td>2</td>
</tr>
<tr>
<td>Aerospace</td>
<td>1</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
</tr>
<tr>
<td>Materials</td>
<td>1</td>
</tr>
<tr>
<td>Mining</td>
<td>1</td>
</tr>
<tr>
<td>Water</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67</strong></td>
</tr>
</tbody>
</table>
The Midlands Engine has civic partnerships with many regions in China, which can be used as a platform for furthering trade & investment

The Midlands has a number of civic relationships with different cities and regions in China, which are often underpinned by strong university links.

Relationships are clustered in the most developed coastal areas, including the Yangtze River Delta and the Pearl River Delta.

These relationships are often formalised through a Memorandum of Understanding (MoU) or ‘sister city’ agreement.

Many stakeholders observed that these relationships tend to focus on formal, ceremonial activities and often do not necessarily correlate with strong commercial relationships.

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### MoUs and ‘sister city’ agreements between the Midlands and China

<table>
<thead>
<tr>
<th>Midlands</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leicester</td>
<td>Suzhou, Chongqing</td>
</tr>
<tr>
<td>Leicestershire</td>
<td>Sichuan</td>
</tr>
<tr>
<td>Lincolnshire</td>
<td>Hunan</td>
</tr>
<tr>
<td>Birmingham</td>
<td>Nanjing, Guangzhou, Changchun</td>
</tr>
<tr>
<td>Nottinghamshire</td>
<td>Zhejiang</td>
</tr>
<tr>
<td>Nottingham</td>
<td>Ningbo</td>
</tr>
<tr>
<td>Derby</td>
<td>Hefei</td>
</tr>
<tr>
<td>Derbyshire</td>
<td>Anhui</td>
</tr>
<tr>
<td>Sandwell</td>
<td>Jinhua</td>
</tr>
<tr>
<td>Solihull</td>
<td>Changzhou</td>
</tr>
<tr>
<td>Stoke</td>
<td>Jingdezhen</td>
</tr>
<tr>
<td>Wolverhampton</td>
<td>Anqing</td>
</tr>
<tr>
<td>Coventry</td>
<td>Jinan, Dalian(2)</td>
</tr>
<tr>
<td>Worcestershire</td>
<td>Hezhou, Huizhou</td>
</tr>
<tr>
<td>Staffordshire(3)</td>
<td>Tianjin, Guangzhou</td>
</tr>
</tbody>
</table>

Note:
(1) Information about existing relationships with China was gathered through a series of stakeholder interviews and engagement. Please see Appendix 8 for further detail.
(2) The emerging MoU with Dalian applies to the advanced manufacturing industry as a whole, which is broader than a specific region in the Midlands. However, given that much of the activity from this relationship is centred around Coventry, it was deemed appropriate to capture it in this table.
(3) Relationships with Tianjin and Guangzhou are held by Staffordshire on behalf of the West Midlands.

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### Benefits and limitations of civic links

- Great way to initiate regional relationships.
- Can be used to initiate dialogue and friendships between individuals through education, sports etc.
- Can legitimise activities and provide a foundation for business to business relationships.
- Civic links often lack the ability to generate commercial follow through.
- Strong government support and focus is needed to translate civic links into trade and investment links.
China’s economic development is centrally planned and coordinated – priority areas for growth and investment are directed by central government

Several central initiatives launched by China’s State Council will shape the trade & investment opportunities available for the ME.

These have consistent overarching themes, including a focus on smart technology, strong infrastructure and increasing sophistication in all sectors.

It highly unlikely that economic activities outside of these initiatives will be prioritised or given approval.

China’s 13th Five-Year Plan (2016-2020)
The 13th Five Year Plan (FYP) for National Economic and Social Development focuses on:
1. Innovation – moving from a manufacturing to a knowledge economy.
2. Coordination – building up bases of modern information-intensive infrastructure.
3. Green development - environmental technology, ecological living and ecological culture.
4. Opening up - more international co-operation.
5. Sharing – distributing the benefits of development.

Made in China 2025
China’s State Council announced ‘Made in China 2025’ in May 2015 as a national initiative to improve the manufacturing industry.

It aims to comprehensively upgrade China’s manufacturing sectors, in particular:
- Focus on quality manufacturing and smart manufacturing technologies.
- Improve efficiency.
- Master advanced technologies in key industries.

One Belt One Road
The One Belt and One Road Initiative (OBOR) was launched in 2013 by President Xi Jinping.

It is a concept combining the Silk Road Economic ‘Belt’ and the 21st-century Maritime Silk ‘Road’.

The initiative is billed as the ‘project of the century’ to facilitate China’s economic growth and boost trade via cross-border infrastructure projects across Asia, Africa and Europe.

It brings opportunities for collaboration between businesses in the UK and China for infrastructure development.

Capital Controls
China’s State Council released a policy statement on the ‘direction and regulation’ of outbound investment in August 2017.

- The Chinese government will facilitate ‘encouraged’ investments that implement the OBOR strategy. Specific examples of ‘encouraged’ investments include those in high-tech, advanced manufacturing, agribusiness, resources and service sectors.
- ‘Restricted’ investments will be more tightly controlled, including investments in real estate, hotels, cineplexes, entertainment industries and sports clubs. However, this does not represent a compete ban and there may be policy changes in future – it would be prudent for the ME to monitor these rules on an ongoing basis.
China’s 13th FYP recognises and supports the role of FDI and ODI as key enablers to achieve growth in key sectors (1 of 2)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Key opportunity drivers</th>
<th>FDI</th>
<th>ODI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and natural resources</td>
<td>▪ Advance mixed-ownership reform and liberalize prices.</td>
<td>▪ Clean energy technologies.</td>
<td>▪ Establish overseas extraction and production bases.</td>
</tr>
<tr>
<td></td>
<td>▪ Reduce excess capacity and environmental impact.</td>
<td>▪ Upstream and downstream activities in oil and gas.</td>
<td>▪ Develop global markets with foreign firms.</td>
</tr>
<tr>
<td></td>
<td>▪ Develop and expand overseas resource supply chains.</td>
<td>▪ Equity investments in SOEs.</td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>▪ Reduce excess capacity.</td>
<td>▪ Technologies and expertise to optimise production increase safety and reduce environmental impact.</td>
<td>▪ Technical cooperation with foreign firms.</td>
</tr>
<tr>
<td></td>
<td>▪ Address decline in efficiency and growth.</td>
<td></td>
<td>▪ Export technology standards, services and equipment.</td>
</tr>
<tr>
<td></td>
<td>▪ Improve safety and environmental standards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Promote industrial upgrading.</td>
<td>▪ R&amp;D services and collaboration – especially in high-end steel products.</td>
<td>▪ Develop global markets with foreign firms.</td>
</tr>
<tr>
<td></td>
<td>▪ Improve environmental, energy consumption, quality, safety and technical standards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>▪ Advance the ‘Belt and Road’ Initiative.</td>
<td>▪ Technology, design and construction.</td>
<td>▪ Cooperate with foreign firms in the areas of financing, equipment supply, design and operational services for the undertaking of projects.</td>
</tr>
<tr>
<td></td>
<td>▪ Expand and improve China’s transportation, pipeline, cable and IT infrastructure networks.</td>
<td>▪ Operation of certain infrastructure assets.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Improve water management and conservation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment manufacturing</td>
<td>▪ Leverage advances in IT, automation and smart technologies to support the upgrading of traditional manufacturing and propel China’s capabilities in high-end equipment manufacturing.</td>
<td>▪ Robotics, numerical controls, modern agriculture and smart manufacturing equipment.</td>
<td>▪ Expand overseas market for developed high-end equipment.</td>
</tr>
<tr>
<td></td>
<td>▪ Further develop the logistics industry to support trade and the provision of commercial services.</td>
<td>▪ Technical cooperation.</td>
<td>▪ Establish R&amp;D centres.</td>
</tr>
<tr>
<td></td>
<td>▪ Promote the integration of offline to online (O2O) services to improve customer’s experience.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Develop urban logistics and transportation systems.</td>
<td></td>
<td>▪ Establish partnerships with foreign logistics firms to facilitate expansion overseas.</td>
</tr>
</tbody>
</table>

Midlands Engine
China’s 13th FYP recognises and supports the role of FDI and ODI as key enablers to achieve growth in key sectors (2 of 2)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Key opportunity drivers</th>
<th>FDI</th>
<th>ODI</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT and technology services</td>
<td>▪ Strengthen regulations and information security, and create a favourable institutional and policy climate. ▪ Promote development of e-commerce and Big Data. ▪ Links with other sectors, e.g. finance, healthcare.</td>
<td>▪ Big Data, data trading, information security. ▪ Develop technology products to improve service delivery in other sectors.</td>
<td>▪ Overseas expansion of e-commerce businesses. ▪ Invest overseas to develop technology products.</td>
</tr>
<tr>
<td>New materials</td>
<td>▪ Foundation to other strategic emerging industries. ▪ Promote development of core competencies. ▪ Improve standards and incentive mechanisms to foster growth.</td>
<td>▪ Collaboration on R&amp;D and standard-setting to help in commercialisation of new materials.</td>
<td>▪ Partner with foreign firms to access technology and expertise.</td>
</tr>
<tr>
<td>Environmental</td>
<td>▪ Unify standards, strengthen oversight and promote healthy competition. ▪ Improve China’s environmental governance and increase the use of green technologies. ▪ Expand ‘green financing’.</td>
<td>▪ Provide air, water and soil clean-up services. ▪ Develop energy efficient technologies and green building materials. ▪ Develop green finance products.</td>
<td>▪ Internationalise China’s green finance industry and raise funds overseas. ▪ Acquire companies with expertise in green technologies.</td>
</tr>
<tr>
<td>Consumer goods and services</td>
<td>▪ Increase quality of consumption and build a better environment for consumers. ▪ Improve provision of public services, such as food safety, education and insurance.</td>
<td>▪ Food traceability services; food safety diagnostic tools. ▪ Commercial health insurance. ▪ Set up training organisations, develop educational products.</td>
<td>▪ Secure supply of high-quality traceable food products. ▪ Establish partnerships with foreign educational firms.</td>
</tr>
<tr>
<td>Biopharma</td>
<td>▪ Double the sector’s scale with a focus on enhancing technological innovation capacity, industrial structure and international cooperation.</td>
<td>▪ Technical, R&amp;D cooperation. ▪ M&amp;A opportunities as market consolidates. ▪ Biopharma development projects.</td>
<td>▪ Acquire new products, core technologies, manufacturing licenses and sales channels.</td>
</tr>
</tbody>
</table>
‘Made in China 2025’ is a national initiative to modernise the manufacturing industry

Its objectives include:

- To establish new innovation centres.
- To establish new research bases.
- To implement smart manufacturing projects.
- To implement green manufacturing projects.
- To prioritise high-end equipment manufacturing.

Its top 10 priority sectors include:

1. Advanced rail and equipment.
2. Agricultural machinery and technology.
3. Aviation and aerospace equipment.
4. Biopharmaceuticals and high-end medical equipment.
5. High-end manufacturing control equipment and robotics.
6. Integrated circuits and new generation information technology.
7. Advanced marine equipment and high-tech vessels.
8. Power equipment and technology.
10. Low and new-energy vehicles.

‘Made in China 2025’ is an ambitious national initiative to comprehensively upgrade the manufacturing industry – moving from mass manufacturing to advanced manufacturing.

It aims to comprehensively upgrade China’s manufacturing sectors, in particular by:

- Focusing on quality manufacturing and smart manufacturing technologies.
- Improving efficiency.
- Mastering advanced technologies in key industries.
One Belt, One Road is an ambitious infrastructure project that will better connect China with Europe, Africa & Asia

- The Chinese government expects its trade with countries involved in OBOR to exceed US$2.5tn pa within the next decade.
- ~900 infrastructure projects are currently planned or underway.
- It is expected that by 2020, investment in infrastructure will be US$750bn pa in Asia alone.
- The UK is now part of this story - the first direct rail freight service from Yiwu, China arrived in Barking, London in January 2017, after travelling 7,500 miles and crossing seven countries in 18 days.

The UK can play a central role in OBOR - key opportunities include:

- Providing public and private sector expertise in planning, structuring, financing and delivering international infrastructure projects.
- Leveraging the UK’s world-leading financial and professional services organisations to facilitate the investment of private capital into OBOR projects and acting as a trusted global partner to governments, institutions and investors in China and other countries across the Belt & Road.
- Direct and indirect involvement in a number of sectors, ranging from construction, civil engineering and heavy machinery, to education, healthcare and tourism.
On 18 August 2017, China’s State Council released a policy statement on the ‘direction and regulation’ of outbound investment.

- The ‘directive’ continues to encourage productive outbound investments in strategically targeted sectors which are aligned to China’s 13th FYP and improves its overall competitiveness.
- Many of the ‘encouraged’ investments categories are high priorities due to their importance in implementing the OBOR initiative.
- ‘Restricted’ investments are much more tightly controlled to minimize outbound investment in sectors that are not aligned to state priorities.
  - Whilst these sectors will be under greater scrutiny, this does not constitute a complete ban.
  - It is possible that certain investment projects may be associated with more than one category - for example, property development at an airport site, could be labelled as both real estate (restricted) and transport services (encouraged). Stressing the association with the encouraged investment sectors in these cases is likely to generate more interest from Chinese investors.
  - The ME should review policies regarding these ‘restricted’ categories regularly for further developments.
Priority Sectors
There is a high degree of correlation between priorities for growth in China and sector capabilities in the Midlands. Analysis of government economic initiatives in China and the science and innovation assets in the Midlands\(^1\), has identified five clear priorities for trade and investment activities in China.

The focus on advanced manufacturing in particular is a strong enabling competency that supports the ME’s offering in the other 4 sectors identified. It is also a priority capability that China wishes to develop by 2025.

**China Growth Priorities**

- **Energy**
  - New energy / low carbon
  - Power equipment and technology
- **Transport**
  - Low and new-energy vehicles
  - Autonomous vehicles
  - Automotive parts
  - Advanced rail & equipment
  - Aviation and aerospace equipment
  - Advanced marine equipment / vessels
- **Healthcare**
  - Biopharmaceuticals
  - High-end medical equipment
  - Advanced medical devices
  - Pharmaceuticals
  - Health & care services
- **Food Production**
  - Agricultural machinery and technology
  - Intensive food processing
- **Advanced manufacturing**
  - High-end manufacturing control equipment and robotics
  - New materials
  - Integrated circuits and new generation information technology

**Midlands Engine Sector Capabilities**

- **Energy & Low Carbon**
  - Geo-energy
  - Thermal energy systems
  - Nuclear
  - Energy storage
  - Smart integrated energy systems
- **Next generation transport**
  - Aerospace
  - Automotive
  - Rail
  - Motorsport
- **Med Tech & Pharmaceuticals**
  - Medical devices
  - Diagnostics
  - Software
  - Pharmaceuticals
- **Future Food Processing**
  - Food processing efficiency
  - Delivering a zero waste food chain
  - Food product innovation
- **Advanced Manufacturing**
  - Advanced manufacturing & engineering
  - Digital technologies & data
  - System integration

**Priority Sectors**

- **New Energy & Energy Saving**
- **Biopharmaceuticals & Medical Technology**
- **Food Processing & Innovation**
- **Advanced Manufacturing & Engineering**

Source: (1) ‘Midlands Engine Science & Innovation Audit’.
Within these five sectors, there are 9 sub-sectors that are most in demand in the provinces where strong links with the Midlands already exist.

A review of the provincial FYPs of regions with existing links to the Midlands highlighted specific sub-sectors that were in high demand.

Level 1 sub-sectors are likely to be of most interest to these provinces in China and should be the central focus going forwards.

Level 2 sub-sectors are also important themes but showed weaker correlation overall with the demands of these provinces.

Please see Appendix 1 and 2 for more detail on the sector focus of each province.

Trade and networking events that are focused on these sectors should take priority above others not featured.
1. New Energy & Energy Saving

The demand for clean energy sources and energy efficiency is a strong and consistent theme across all reviewed provincial FYPs. Inward investment from China intoDynex Semiconductors Ltd is a key success story in the Midlands, but overall, there are few existing relationships with China in this sector.

The ME’s energy R&D assets include the Energy Systems Catapult, the Energy Research Accelerator and the British Geological Survey. The ME should leverage the presence of global energy businesses in the region and work with its innovative SMEs to build stronger links with China in this high priority sector.

**Existing Relationships**
The strongest existing business relationships are in the electricity sector.

- **Dynex Semiconductor Ltd** secured investment from Zhuzhou CSR Times Electric Co. Ltd (“CSR Times Electric”) to conduct R&D activity in Lincolnshire. CSR Times Electric acquired approximately 75% of the share capital of the company in 2008.

**Chinese Demand**
All provinces identified establishing clean and energy efficient processes as a priority, due to a national push for a reduction in excess capacity & adverse environmental impact.

The ambitions of specific provinces include:

- **Jilin** wants to strengthen its energy infrastructure including power generation and water supply facilities.
- **Jiangsu** wants to expand international cooperation in the energy sector and increase the use of new energy.
- **Sichuan** wants to invest in low carbon coal burning power generation & energy saving and is looking to work with Europe on new energy initiatives.
- **Anhui** wants to develop energy saving technology & equipment and accelerate new energy development, with a target of generating ¥100bn in value in the sector.
- **Guangdong** is strengthening cooperation with European countries in new energy vehicle production and energy saving.

Companies which may be interested in investing in the UK include:

- **China Three Gorges Corporation**, **Shanghai Electric Group Co. Ltd.**, **China Resources Power Holdings Co. Ltd.**, **Beijing Energy Investment Holding Co. Ltd.**, **State Development & Investment Corporation**, and **China General Nuclear Europe Energy**.

**ME Core Capabilities**

R&D intensive companies:

- Global energy businesses such as Alstom, Cummins, EON, General Electric, JLR, National Grid, Rolls-Royce and Siemens.
- Innovative SME’s including Bladon Jets, Ekkosense, Lindhurst Engineering and Intelligent Energy.
- Nuclear systems design and construction expertise at Rolls-Royce – designed reactor systems in the UK submarine fleet.

Renewable energy research:

- **British Geological Survey** (Nottinghamshire) – specialises in renewable energies, including geothermal power, carbon capture and storage.
- **Smart Network Storage Project** (Leighton Buzzard) – one of Europe’s largest battery storage projects.
- **Birmingham Thermal Belt** – runs 25 bioprocessing plants, using the combined green power and heat for use in transport, and biochar to be used for fertilisation.

Energy efficiency research:

- **Energy Systems Catapult Centre** in Birmingham – focuses on systems integration, electricity, heat and combustible gases.
- **Energy Research Accelerator** – a £180m university partnership, focusing on tackling some of the biggest energy challenges facing the UK.
- **Energy Technologies Institute** – conducts analysis of whole systems energy performance. Informs innovation priorities for smart systems.
2. Next Generation Transport

The aspects of Next Generation Transport most in demand in China include New Energy Vehicles and Aerospace Equipment.

Existing relationships with China are very strong in the automotive sector – ensuring these remain strong during a disruptive time in the market should be a high priority.

The ME should use its world-renowned automotive, rail and aerospace brands such as Jaguar Land Rover (JLR) and Rolls-Royce to promote the region and provide a platform for SMEs to grow their business.

<table>
<thead>
<tr>
<th>Existing Relationships</th>
<th>Chinese Demand</th>
<th>ME Core Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing partnerships re New Energy Vehicles:</strong></td>
<td>China wants to work with international companies on new energy vehicles (particularly lightweight &amp; high performance materials):</td>
<td>R&amp;D intensive companies:</td>
</tr>
<tr>
<td>• CAD CAM Automotive (CCA) – the Chinese Red Sun Group has invested £50m in a new energy vehicle R&amp;D centre in Coventry. It plans to spend a further £250m over &lt;5 years.</td>
<td>• Guandong province wants to work with European countries in advanced manufacturing &amp; new energy vehicles.</td>
<td>• A hub of automotive companies including JLR, Toyota, Aston Martin, JCB, Morgan, ZF TRW, Geely, Lear, Changan, Magna, Johnson Controls, Caterpillar and BMW, with a growing specialism in electric and driverless vehicles.</td>
</tr>
<tr>
<td>• Shen Zhen Nowforever Technology – collaborating with the University of Nottingham to develop the next generation of industrial motor drive systems.</td>
<td>• Anhui province plans to produce 300,000 electric and hybrid vehicles by 2020 and form a new energy vehicle industrial base.</td>
<td>• Globally renowned aerospace companies include GKN, QinetiQ, Rolls-Royce, Midlands Aerospace Alliance and SNC-Lavalin.</td>
</tr>
<tr>
<td>Other automotive collaborations:</td>
<td>• Sichuan, Jilin and Hunan are planning to focus on electric vehicle manufacturing.</td>
<td>• The 2nd largest aircraft engine manufacturer in the world, Rolls-Royce, is based in Derby, recently opened a £70m engine control system facility in Solihull and has invested in an R&amp;D technology project with Loughborough University to reduce aerospace engine emissions.</td>
</tr>
<tr>
<td>• Nanjing Automobile Group – invested £10m in Longbridge, Birmingham to produce the MGF sports car in 2007. The MG brand is now owned by the Shanghai Auto Corp Ltd.</td>
<td>China is focused on developing smart cities that establish the right environment for the future mobility concepts, alongside improving the existing road &amp; rail infrastructure. Chinese automotive companies who may be interested in building partnerships include:</td>
<td>• There are &gt;70 aerospace companies contributing to the Airbus A380.</td>
</tr>
<tr>
<td>• Changan Automotive – Established a £20m R&amp;D centre in Birmingham.</td>
<td>• BYD Auto Co. Ltd., Beijing Automotive Industry Holding Co. Ltd., Geely Automobile Holdings Ltd. China wants to invest in aerospace technology:</td>
<td>Key R&amp;D centres include:</td>
</tr>
<tr>
<td>• Geely – purchased the Coventry-based London Taxi Company for £11.4m; it also agreed a £2 million deal to develop a new range of cars at the LLEP’s Enterprise Zone at MIRA Technology Park, Leicestershire.</td>
<td>• Guangdong is planning to strengthen its capability in aerospace equipment &amp; satellites manufacturing.</td>
<td>• Advanced Propulsion Centre, University of Warwick – global leader, bringing new ideas on low carbon propulsion to market.</td>
</tr>
<tr>
<td>• Norton – 20 year ‘design and licence’ agreement with Zongshen to make engines designed by Norton in Leicestershire.</td>
<td>• Hubei is wants to improve its advanced manufacturing and materials capabilities, including aerospace equipment.</td>
<td>• National Automotive Innovation Campus in Coventry – a joint JLR, Tata Motors, European Technical Centre &amp; Warwick Manufacturing Group venture.</td>
</tr>
<tr>
<td>Aerospace research collaborations:</td>
<td>• Jiangsu, Sichuan and Hunan want to build new airports and new air routes. China’s OBOR initiative also offers substantial opportunity from the development of other transport infrastructure, including roads, bridges, ports and railways.</td>
<td>• National Transport Design Centre in Coventry</td>
</tr>
<tr>
<td>• AVIC invested bringing together aerospace engine research at the University of Nottingham and industry players in the Midlands.</td>
<td></td>
<td>• Aerospace Integration Research Centre</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Aerospace Technology Institute.</td>
</tr>
</tbody>
</table>

Source: ‘KPMG Global Automotive Executive Research 2017’.

Midlands Engine
There is strong opportunity for international companies to secure Chinese investment in the development of biopharmaceuticals and medical devices. The ME should focus on connecting its R&D focused companies such as 3M, Smiths Medical Group and Walgreens Boots Alliance, with potential investors in China.

Existing relationships with China are focused on academic research in biomedicine. Broadening this type of relationship and the subject matter will be crucial to the ME’s action plan.

The ME has a wealth of R&D assets in this field, especially in Translational Medicine.

### Existing Relationships

Existing relationships with China in this sector is focused around university research:
- The Dean of Medicine at the University of Leicester has led projects with Chongqing Medical University with funding of ¥6 million (approx. £600,000) over 5 years.
- University of Birmingham signed a new ¥20m agreement with Jiangsu Industry Technology Research Institute to develop innovative research in areas such as nanoparticle technology and biomedicine.

### Chinese Demand

Biopharmaceuticals is the most important sub-sector to Chinese provinces:
- Anhui province wants to develop new drugs for tumors, cardiovascular disease, diabetes, psychosis, autoimmune & communicable diseases – and wants to invest in R&D intensive companies.
- Guangdong and Zhejiang have expressed a desire to strengthen cooperation with European countries in biopharmaceuticals.
- Hubei is looking to develop its bio-tech industry and wants to generate ¥800bn in value from bio-related industries.

Demand is also strong for medical devices:
- Sichuan wants to strengthen international cooperation re. medical equipment manufacturing and ICT.
- Hunan highlighted advanced medical devices as a development priority.
- Anhui wants to generate ¥30bn through modernising to advanced medical devices. It also wants to enhance its mobile and remote healthcare offerings.
- Shandong is looking for collaborations to generate technical breakthroughs in advanced medical devices.

### ME Core Capabilities

Research into new treatments, diagnostics and medical devices is a key strength:
- The Birmingham Institute of Translational Medicine brings together clinical and academic expertise to discover new diagnostic tools and treatments.
- Strengths in medical devices and instruments (e.g. Infusion systems, Vascular access), supplied by companies such as Smiths Medical Group (SMG).
- RAPID project at Birmingham Children’s hospital using real-time diagnostic information inspired by F1 technology to measure vital signs in children.

R&D focused companies include:
- For pharmaceutical research: Walgreens Boots Alliance, 3M and Novartis.
- For medical technologies: 3M, Fisher Scientific, Binding Site (immunodiagnostic instrumentation), Pennine Healthcare (sterile medical devices), NRS Healthcare and SMG.

Clinical research centres of excellence include:
- UK’s largest Wellcome Research facility
- Cancer Research UK Centres
- National Centre for Trauma Research
- Specialist incubators such as BioCity (Nottingham) and Birmingham BioHub – focusing on pharma research
- Coventry’s Centre for Technology Enabled Health Research.
There is demand for innovation in food processing in approximately half of the provincial FYPs reviewed. Chinese provinces are particularly keen to improve efficiency in their own food production, through the use of high-tech agriculture equipment.

There is a wealth of R&D hubs in this field in the ME – both academically and at innovative businesses such as Cherry Valley Farms.

A key question that this strategy must consider is whether it is supportive of Inward Investment that involves the transfer of IP to China through M&A.

### Existing Relationships

Chinese demand for British food & drink has been increasing over recent years. Most inward investment from China into food groups in the Midlands have been driven by the desire to secure advanced technology and IP:

- Acquisition of leading duck firm Cherry Valley Farms for $183m by Beijing Capital Agribusiness Group and CITIC Modern Agriculture Investment Company in September 2017. The company supplies 80% of the total global duck industry and has genetically improved its breed of duck over 50 years.
- Bright Food Group acquired a 60% stake in Weetabix in 2012 with the aim of transforming Chinese breakfast habits.

### Chinese Demand

Increasing efficiency in food production:

- **Jilin** is modernising food processing by using trial zones, standardised production processes and improving staff training.
- **Jiangsu** province is looking to boost its capability in food production line end-to-end automation.

Advanced agricultural technology:

- **Hunan** is supporting imports of high-performing agriculture equipment. It plans to set up 2,000 high performance agriculture equipment maintenance points across the province.
- **Jiangsu** province is looking to upgrade its agriculture technology & equipment so that agriculture mechanisation accounts for 85% of production.
- **Shandong** strongly promotes high-performing agriculture equipment at its High Efficiency Agriculture Demonstration Zones, where land and resource utilisation best practice is shared.

Chinese companies with interest in international partnerships include:

- **China National Cereals, Oils and Foodstuffs Corporation**, **Bright Food (Group) Co. Ltd.**, **Dakang International Food and Agriculture Co. Ltd.**, and **New Hope Group**.

### ME Core Capabilities

Food processing companies include:

- Major food & drink manufacturers including Muller, Mondelez, Pepsico, Arla and Weetabix.
- SME sector/fast growing companies – JDM Foods, Belvoir Fruit Farms, Food Fresh Technologies.

Food processing R&D Hubs include:

- **National Centre for Food Manufacturing in Holbeach** – focuses on agri-tech and food manufacturing automation;
- **EPSRC Centre for Innovative Manufacturing in Food** – looks at new food manufacturing techniques.
- **Food Innovation Centre @ University College Birmingham**.
- **National Centre for Food Manufacturing at Lincoln University**.

Agricultural technology R&D Hubs include:

- **Lincolnshire Institute for Agri-Food Technology**.
- **Agricultural Engineering Innovation Centre at Harper Adams University**, includes the **National Centre for Precision Farming**.
- **Warwick Crop Centre** – internationally recognised centre for research in sustainable agriculture, horticulture and food security; and
- **Centre for Agroecology, Water & Resilience at Coventry University**.
Demand for new materials and advanced manufacturing was the 2nd most popular theme in the provincial FYPs reviewed. This is driven in part by the ‘Made in China 2025’ initiative which outlines China’s ambition to move from mass manufacture to advanced manufacturing by 2025.

The ME has a strong history and a wealth of capabilities in advanced manufacturing. Its existing relations with China are focused on academic partnerships researching new high performance materials.

## Existing Relationships

ME’s existing relationships in the advanced manufacturing space are focused on academic partnerships and research, including:

- **UoN** and the Ningbo Gov’t established the Nottingham-Ningbo **New Materials Research Institute** and the deal is valued at £6m over 5 years.
- **UNNC, UoN, Ningbo Education Bureau** and Ningbo Science and Technology Bureau jointly established a new **“International Doctoral Innovation Centre”** with a total investment of ¥1.7m.
- **University of Nottingham’s Engineering School** is advising on high performance materials that can mitigate the threat of geo-hazards along the BRI route.

There have also been recent takeovers of Midlands advanced manufacturing companies by Chinese groups, such as:

- **Precision Technologies Group** - acquired by Chongqing Machinery and Electric Co (CQME) for £20m.

## Chinese Demand

The strongest demand was for New Materials:

- **Anhui** is wants to develop new materials for equipment and key industries following the broad trend for using high-performing, multifunctional, greener materials.

A second sub-sector highlighted in the FYP was for advanced technology to improve Computer Numerical Control (CNC) Equipment.

- This is demand is supported by the ‘Made in China 2025’ policy document which emphasises China’s desire to move from mass manufacture to advanced manufacturing by 2025.

- Two key provinces looking to strengthen their international cooperation in this regard are **Sichuan and Jiangsu**. This would cover equipment manufacturing and increasing used of upgraded ICT in their manufacturing processes.

## ME Core Capabilities

- **R&D assets:**
  - 5 of the Engineering & Physical Sciences Research Council (EPSRC) flagship **Centres in Innovative Manufacturing**, including:
    - Intelligent Automation
    - Through-Life Engineering Services
    - Ultra Precision
    - Additive Manufacturing
    - Composites.
  - **Manufacturing Technology Centre**
  - **Centre for Supply Chain Innovation in Transport Engineering**

- **R&D intensive companies:**
  - Other strengths include manufacturing systems integration and smart, digital design for advanced manufacturing. Global leaders in this sector include **Arup, AVL, HORIBA, MIRA, Millbrook, Prodrive and Ricardo**.
  - **Rolls-Royce** have backed several University Technology Centres in the region, including:
    - Materials (Birmingham), and
    - Manufacturing Technology (Nottingham).
High Quality Consumer Goods have been identified as another priority sector for exports, due to the growing demand for luxury goods in China.

A review of trade data and Chinese purchasing trends has identified high quality consumer goods as being in high demand in China.

Midland-made products have many of the attributes desired by Chinese consumers.

See Appendix 4 for a case study that outlines how Royal Crown Derby have successfully exported to China in recent years.

**High Quality Consumer Goods (for exports)**

- In line with China’s economic growth, disposable income is on the rise which is fuelling demand for high quality consumer goods.
- China’s share of the global luxury goods market increased from 12%\(^1\) in 2008 to 33% in 2016. This trend is forecast to continue, with China expected to account for 44% of the global luxury goods market by 2025.
- Consumers with stronger purchasing power are looking for a more luxurious lifestyle. The top three luxury goods purchased are: handbags; clothing; and shoes & watches.
- There are many examples of exporters in the Midlands who have leveraged their strong heritage and ‘Made in Britain’ brand to successfully appeal to Chinese consumers. (Please see Appendix 4 for a case study on Royal Crown Derby’s experience of this market.)

**China’s share of global luxury goods expenditure\(^1\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2016</th>
<th>Forecast 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>12%</td>
<td>33%</td>
<td>44%</td>
</tr>
</tbody>
</table>

**Desired attributes**

- In order to appeal to Chinese consumers, it is advantageous to associate brands with the following desirable attributes:
  - The ‘Made in Britain’ brand
  - Products of high safety standards – e.g. baby products, Cherry Valley Farms Peking ducks
  - Iconic food brands which symbolise Western tastes – e.g. Starbucks, Costa, Pizza Express
  - Products that are tailored to the needs of each locality – e.g. consumers in Beijing and Nanjing might have different needs for products
- There are ample market opportunities to pursue in the Chinese consumer goods market given the strong demand. However, businesses will need to have a clear plan regarding their route to market if they are to capitalise on this demand.

UK Infrastructure has been identified as a priority sector for inward investment, due to its favourability in recent Chinese ODI directives.

China's State Council are supportive of investments made by Chinese citizens into transport and energy services overseas (see page 19 for further details). Chinese investors could provide some of the £16.7bn required for Midlands infrastructure projects over the next 5 years, if the commercial case is sound and well communicated.

**UK Infrastructure (for inward investment)**
- The China State Council considers infrastructure an ‘encouraged’ investment category and provincial level FYPs also stress this as an area they are actively supporting. The One Belt One Road initiative provides directive guidance at the state-level that the Chinese government is supportive of construction outsourcing and overseas investment in infrastructure.
- There is strong support in the UK for inbound greenfield investment (rather than takeovers of existing businesses which can be politically sensitive). UK investment hubs should ensure they provide Chinese investors with the commercial information they require in order to secure investment.

**Midlands Infrastructure Pipeline**
- The Midlands is planning projects in the energy, utilities and transport sectors with capex of £16.7 billion between 2016 and 2022\(^{(1)}\). Key projects include:
  - Development of an offshore wind farm in the East Midlands, costing £2.8 billion, to be in service by 2020/21.
  - Electricity distribution network improvements across the East and West Midlands, costing £3.4 billion. This is due to be completed in partnership with EON by 2023.
  - Significant maintenance and improvements to water and sewerage infrastructure in the West Midlands. This £3.0 billion project is already underway and will be completed by Severn Trent Water in 2020.

**Total capex funding required between 2016-2022\(^{(1)}\)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Capex Required</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>£3,654m</td>
<td>22%</td>
</tr>
<tr>
<td>Transport</td>
<td>£4,975m</td>
<td>30%</td>
</tr>
<tr>
<td>Utilities</td>
<td>£8,071m</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: (1) 'National Infrastructure and Construction Pipeline - Autumn 2016'.
Higher Education and Tourism are considered key enablers to increasing trade and investment with China

Higher Education and Tourism are important drivers of GVA in their own right, but are also critical enablers for increasing trade & investment in the 7 priority sectors identified. They improve mutual understanding through encouraging cultural exchange between the two countries. This in turn provides a foundation for relationship development and commercial follow through.

<table>
<thead>
<tr>
<th>Higher Education</th>
<th>Tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>University links to China are strong and in several cases have endured over many years. They include:</td>
<td>Tourism was mentioned by several stakeholders as an important enabler of trade and investment with China through:</td>
</tr>
<tr>
<td>▪ Chinese students studying in the Midlands.</td>
<td>▪ Promoting cross-cultural understanding.</td>
</tr>
<tr>
<td>▪ Joint research activity.</td>
<td>▪ Raising awareness and understanding of the Midlands region.</td>
</tr>
<tr>
<td>▪ Delivery of education/CPD in China.</td>
<td>‒ In general through B2C tourism.</td>
</tr>
<tr>
<td>▪ Nottingham University campus in Ningbo.</td>
<td>‒ Among potential investors through B2B tourism – e.g. hosting conferences.</td>
</tr>
<tr>
<td>Many of the stakeholders consulted proposed that the region is not exploiting these relationships as well as it could. Some of the opportunities afforded by university links to China include:</td>
<td>▪ As a source of inward investment in its own right.</td>
</tr>
<tr>
<td>▪ Leveraging Chinese students as alumni.</td>
<td>Stakeholders from all IPAs agreed that more could be done to package the offerings across the region, which would be more likely to attract attention from tour groups - who currently tend to focus on London. One suggestion was that this could be focused around famous film destinations e.g. Chatsworth House.</td>
</tr>
<tr>
<td>‒ Many Chinese alumni become business leaders in China. They have an understanding of the Midlands, UK culture and offer valuable links back into the China market, which could be used to broker trade and investment relationships.</td>
<td>There is strong consensus that pan-regional collaboration would strengthen the proposition and result in benefits for the Midlands economy.</td>
</tr>
<tr>
<td>▪ Attracting inward investment.</td>
<td></td>
</tr>
<tr>
<td>‒ Universities are a source of talent and innovation and we should do more to highlight centres of excellence.</td>
<td></td>
</tr>
<tr>
<td>▪ Exchanges and secondments for academic staff.</td>
<td></td>
</tr>
<tr>
<td>‒ Chinese universities are looking to attract highly skilled staff – e.g. Jiangsu province wants to attract senior management and academics to enable growth through its universities. There is a mutually beneficial opportunity to learn and share best practice here.</td>
<td></td>
</tr>
</tbody>
</table>
Priority Regions
Strong existing regional relationships provide a good foundation for developing trade & investment opportunities

13 existing regional relationships
- Existing Midlands-China relationships cover 13 provinces and are concentrated in the most developed areas of China (e.g. Yangtze & Pearl River Delta)
- Taken together, the 13 provinces with existing relationships accounted for 53.6% of China’s GDP in 2015
- 8 out of 13 provinces ranked within top 15 (out of 34 administrative units) by GDP contribution
- All 13 provinces achieved strong GDP growth of 29%-57% between 2011 and 2015
- There is strong demand in these provinces for the energy, transport, medical, food processing and advanced manufacturing industries – see Appendix 1 for further detail

8 priority regional relationships
- It is proposed that the ME partnership should focus its attention on 8 priority regions, including: Jiangsu; Jiangxi; Liaoning; Guangzhou; Zhejiang; Chongqing; Sichuan and Anhui.

Note:
(1) For the purposes of this analysis, any directly-controlled municipalities (Tianjin and Chongqing) are considered as provinces due to their strategic importance.
(2) The Level 1 regions are either city-level or provincial-level links between: Birmingham-Jiangsu; Coventry-Liaoning; Staffordshire-Guangzhou; Stoke-Jiangsi; Nottingham-Zhejiang; Leicester-Chongqing; Leicestershire-Sichuan; and Derbyshire-Anhui.
Forging relationships in new areas such as Hubei and Fujian may also be of interest in the longer term

Whilst strengthening existing links should be the focus of this strategy, in the longer term, the ME may wish to pursue opportunities in other regions.

A review of the FYP of the next top provinces by GDP share, revealed that Hubei and Fujian have the strongest demand for Midlands capabilities.

These 2 regions could be a good starting point for exploring further opportunities in the long term.

<table>
<thead>
<tr>
<th>Administrative units</th>
<th>GDP share in 2015</th>
<th>No. of priority sub-sectors in demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henan</td>
<td>5.1%</td>
<td>5</td>
</tr>
<tr>
<td>Hubei</td>
<td>4.1%</td>
<td>6</td>
</tr>
<tr>
<td>Hebei</td>
<td>4.1%</td>
<td>4</td>
</tr>
<tr>
<td>Fujian</td>
<td>3.6%</td>
<td>6</td>
</tr>
</tbody>
</table>

Key:
- Level 1 - Prioritised regions with existing relationships
- Level 2 – Deprioritised regions with existing relationships
- Level 3 - Potential new relationships to explore in the longer term
Priority regions provide a geographical starting point for the ME partnership, but individual stakeholders will need to determine their own preferred target location.

Each business will need to conduct its own assessment of the best province in China for growth, which is likely to vary based on sector focus, business size, product quality and price point – amongst other factors.

The ME partnership should focus on building commercial relationships in Level 1 priority regions, using its strong civic agreements and academic links as a platform for growth.

Trade delegations to areas outside of these regions should not be proactively pursued in the short to medium term.

In the longer term, there is scope to expand into new provinces.

<table>
<thead>
<tr>
<th>Short Term</th>
<th>Longer Term</th>
</tr>
</thead>
</table>

**Leverage Existing Relationships**

Existing civic MoUs and ‘Sister-City’ agreements are a valuable introductory platform but are often not fully commercially leveraged to drive growth in trade & investment.

An action plan should be agreed for developing these relationships further. Each ME partner holding such a relationship should consider:

- Identifying specific inward investment opportunities through market research;
- Investigating the willingness of provincial government to assist local businesses in forging international relationships; and
- Leveraging other relationships including business, university, and the network of existing Chinese investors in the Midlands.

The ME should prioritise trade missions in the 7 priority provinces and ensure that the right senior level public sector and business representatives are visible at these events.

It is recommended that trade delegations outside of these areas should not be encouraged as it may spread the resources too thin.

**Explore New Relationships**

Given the time it takes to establish new relationships, it is suggested that this becomes a longer term focus for the ME, as there is plenty of scope to sweat the existing relationships ME have with China further.

When working to establish a foothold in new provinces, the ME should consider:

- Leveraging existing business and university relationships between the UK and the provincial governments;
- Being targeted in approaching contacts;
- Leveraging the network of Chinese businesspeople who have previously invested in the Midlands to make connections; and
- Providing guidance to businesses about the merits of trading in different locations in China (although this should be of a general nature and should not constitute bespoke advice).
Delivering the Strategy: Midlands Engine Operating Model
Stakeholders believe there is an important role for the Midlands Engine in trade and investment

In relation to trade and investment with China, stakeholders can see clear benefits of operating under the auspices of the ME and operating on a pan-regional basis.

There is a real opportunity for the ME to take a proactive role in driving interest in doing business with China.

Many stakeholders said they felt a more coordinated effort would enhance the effectiveness of visits to China. A collaborative approach to developing relationships and preparing for trade visits should also drive efficiencies.

It is apparent that there are currently frequent visits to China organised by different organisations in the region, involving representatives from national/local government, educational institutions and businesses. A more coordinated approach would be more powerful.

- “We need to stop random visits from happening and start acting in sync and synergy” (Stakeholder).
- “Successful trade and investment efforts need to see a better coordinated effort in terms of civic, educational, national government and business involvement. It’s a bit hit and miss at present” (Stakeholder).

Delegations to China do so under a variety of patronages. It was felt that consistent use of the ME brand would be useful to reinforce messaging around the strengths of the region. (Currently the understanding is that ME branding may only be used where DIT is directly involved, and this is felt to be overly restrictive.)

Stakeholders felt there is a need for greater development and promotion of the ME brand. Using ‘ME’ as a ‘banner’ to be used in conjunction with other brands may be an effective way of playing on the strengths of the region.

- “What’s the incentive for a university that has invested millions of pounds in its own brand? ‘Warwick University’ would have far more traction than ‘Midlands Engine’ – why would you dilute that?” (Stakeholder).

The ME region is seen as more comparable to a province in China in terms of population, size of economy, etc. and therefore more likely to attract the attention of the Chinese.

- “Branding a regional scale offering just makes sense” (Stakeholder).
- “Midlands as a region is a small region compared to China, let alone Birmingham on its own – collaboration in the region is important and necessary” (Stakeholder).
Promoting trade & investment is currently the responsibility of a number of organisations, but respective roles are not always clear.

There are several organisations which are committed to working together under the ME banner. However, at this early stage in the development of the partnership, there is sometimes a lack of clarity over roles and responsibilities. This means that activities may overlap or not be carried out in a coordinated way.

Please see Appendix 6 for further information on the roles and responsibility of each organisation.

Note: (1) Investment Promotion Agencies include Marketing Derby and West Midlands Growth Company.
A number of challenges will need to be overcome to ensure effective trade & investment engagement going forwards

Organisational challenges within the ME partnership are creating a number of execution challenges around the promotion of trade and investment activities.

Many of these impact trade missions, where the absence of critical success factors (e.g. gaining visible political support and arranging sufficient follow-on activity), is resulting in sub-optimal outcomes.

These challenges are further explored on the following pages and the key steps to take to mitigate them are identified in the action plan section of this report.

### Organisational challenges (within the ME partnership)

1. **Roles & responsibilities**: There is a lack of clarity over the governance of the ME partnership in terms of T&I. Roles and responsibilities are duplicated in some areas and other roles not undertaken.

2. **Brand identity**: Different stakeholders have unaligned priorities and are unsure of what they would gain from association with the ME. Some find it difficult to identify with the relatively new concept of the ME over longer-standing sub-regional identities and are unsure how the brand should be used.

3. **Business engagement**: There has been an ineffective engagement with businesses to date – the approach has been unstructured and policies are agreed without sufficient input from business representatives. Local businesses find it difficult to identify with the ME brand.

### Execution challenges (for the China Strategy)

1. **Approach to trade**: Trade missions lack clear objectives and focus, resulting in inconsistent messaging to trading partners.

2. **Meeting investor expectations**: The approach to inward investment may not match what Chinese investors need. The commercial data points they require to make decisions are not provided to them.

3. **Business enthusiasm**: SMEs have low enthusiasm to do business with China, driven by a number of perceived challenges. There are particular concerns over the loss of intellectual property.
Organisational and execution challenges are combining to create a negative spiral in the approach to trade with China.

A number of factors are feeding off each other to create a negative spiral in how trade with China is approached in the Midlands. While the strategy should always be business-led, the ME (including DIT) could take a number of actions to drive positive growth.

The ME could proactively turn the negative spiral into a virtuous circle through the following interventions:

- Educate businesses on the opportunity.
- Dispel myths about trading with China.
- Publicise success stories.
- Greater vetting of businesses to ensure serious intent to trade with China.
- Work with a smaller but more committed group of businesses who are committed to making a success of their relationships with China.
- Approach trade missions as the culmination rather than the start of a process.
- Fewer, more focused trade missions.
The Midlands Engine should focus on critical success factors for trade missions in order to improve the approach to trade

<table>
<thead>
<tr>
<th>Planning and preparation</th>
<th>Support to businesses</th>
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</thead>
<tbody>
<tr>
<td>• Allow a minimum of three months’ lead time to prepare for trade missions.</td>
<td>• Screen businesses to ensure they have a genuine and realistic prospect of exporting to China.</td>
</tr>
<tr>
<td>• Undertake market research to scope opportunities and enable a targeting plan.</td>
<td>• Ask companies to draw up a ‘wish list’ of companies/investors they would most like to meet with.</td>
</tr>
<tr>
<td>• Use research to identify target investors / stakeholders / companies.</td>
<td>• Understand desired outcomes from the mission.</td>
</tr>
<tr>
<td>• Leverage contacts in China to connect with targets.</td>
<td>• Offer a pre-mission briefing on etiquette, culture and how to do business in China.</td>
</tr>
<tr>
<td>• Be clear on desired outcomes from the mission.</td>
<td>• Offer training to companies on how to pitch to investors.</td>
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<thead>
<tr>
<th>Visible political support</th>
<th>Specific promotional material</th>
</tr>
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<tbody>
<tr>
<td>• Bilateral government activities attract attention and validate initiatives; this is particularly important in China where the state is more involved in business activities.</td>
<td>• Promotional videos should be tailored for a Chinese audience.</td>
</tr>
<tr>
<td>• “It’s easier to get approval for an investment if a politician is on stage talking about it” (Stakeholder).</td>
<td>• ME should use its own translators rather than relying on those of the host country. This will help to ensure that messages are conveyed in a way that takes account of culture as well as language.</td>
</tr>
<tr>
<td>• Think about announcements and use of press releases to attract media attention and raise the profile of visits.</td>
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<table>
<thead>
<tr>
<th>Focus</th>
<th>Follow-on activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trade missions are more successful when they are sector focused.</td>
<td>• Reciprocal visits build trust and strengthen relationships.</td>
</tr>
<tr>
<td>• Agreeing objectives and desired outcomes in advance would enable evaluation of success and drive a results-driven approach to activities.</td>
<td>• Trade missions should be evaluated against objectives three to six months after the event.</td>
</tr>
<tr>
<td></td>
<td>• Lessons learnt should be fed into future missions, so that steps can be taken to avoid past pitfalls.</td>
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</table>
Midlands based SMEs have low enthusiasm to do business with China. Addressing perceived challenges could improve sentiment.

Some of the barriers to exporting to China were identified as follows:

1. The scale of the country is overwhelming.
2. Cultural and language barriers.
3. Targeting, relationship building and negotiation is time consuming and expensive.
4. British media tends to take a negative tone in China related issues; e.g. decision on Hinkley Point does not build confidence.
5. Belief that businesses need access to 'insiders' to get things done in China; not knowing who to trust.
7. Worries over loss of intellectual property (IP).
8. Uncertainties over payment structures and the legal system.
9. Low awareness of e-commerce as a channel to market for exports to China.
10. No single point of contact for advice.

With some exceptions, even SMEs that were enjoying some success in China remained cautious and were not going ‘all out’ to exploit the opportunities.

Stakeholders generally rated the enthusiasm of local businesses to trade with China as modest (between 2 and 4 out of 10).

Mirroring the sentiment among businesses, there was some evidence of fatigue among stakeholders, one commented that whilst China is the market that takes most of the effort from the local Chamber, “it is probably not worth it”.

One stakeholder observed that “None of the big corporates wants to take the lead ... it is very difficult to get industry to participate”.

“The biggest barrier is probably just knowing where to start when thinking about the size of the opportunity and the country, who can support, how to narrow down the opportunities” - Exporter

“The time it takes for businesses to feel they’re getting ‘pay back’ – whether that’s in dividends, margin or widening capability is a big challenge” - Stakeholder

“In the longer term China may become more important, but in the short term we will keep doing what we are doing as there is significant growth potential in Europe and the US and these markets are closer and probably easier” - Exporter

“We are very optimistic about the growth potential in China via the distributors into the retail outlets and online via our e-commerce partner” - Exporter
There are particular concerns over the potential loss of IP, but there are constructive views on how this risk can be mitigated.

Whilst there are genuine concerns around intellectual property rights, some stakeholders felt that China is taking steps to improve IP protection. There are also examples of how IP issues have been successfully overcome.

### Concerns over IP

**From an export perspective:**
- China is perceived as a risky market due to the prevalence of infringement and counterfeiting in the Chinese market.
- Contracts and legal protection for IP are seen as weak.
- SMEs may be hesitant because they lack the scale and capability to go into a legal dispute in the case of IP-related issues.

**From an inward investment perspective:**
- There is a perception that Chinese businesses favour M&A as a means to access IP to take back to China.
- There is a feeling that IP is ‘stripped’ and Chinese investors may not be motivated to strengthen business in the Midlands.

### Potential resolutions

- One successful exporter had suggestions for ways to get around IP issues in China: “Build in obsolescence one year in; get a foothold in China and then diversify” (successful exporter).
- IP protection is being strengthened in China, as there is a recognition that improving IP protection will encourage foreign investment.
- Regulation and legislation around IP protection is being tightened.
- CBBC is working with Alibaba to improve IP protection for British companies. They signed an agreement in 2014 to promote IP protection in Chinese e-commerce and have assisted UK companies in addressing infringing products listed on Alibaba’s various platforms.
- Establish a clear understanding of what IP the Chinese investors are looking for and how the UK company can benefit from the deal.
- Draft an R&D agreement and agree ownership of IP upfront, prior to the deal being finalised. Aim to create a ‘win-win’ situation for both sides.
- Nurture strong relationships and a mutual personal understanding that trust would be broken if IP rights were violated.
- A preference for M&A among Chinese companies may come from a lack of maturity rather than a desire to strip IP:
  - “A JV is a more measured risk approach to the market – naivety among Chinese businesses leads to M&A … but this will change” (Stakeholder).

### Success Stories

In August 2017, a New Balance infringement case became the largest trademark infringement award ever granted to a foreign business in China. Three shoemakers in China were fined $1.5 million for trademark infringement.

Dynex Semiconductor Ltd is an excellent case study for how IP concerns may be addressed successfully to create a ‘win-win’ situation. See Appendix 5 for further information.
The types of inward investment opportunities proposed may only be partially addressing what Chinese investors need

Whilst the ME Investment Portfolio is a step in the right direction in terms of how to attract inward investment, many recognise the opportunities as too generic, not investible in the near term, and not presented in a commercial way.

The focus on capital investment for greenfield developments and the limited visibility of B2B opportunities (due to commercial sensitivity), may result in an approach that doesn’t fully address the interests of Chinese investors.

There is also a need to be aware of the latest capital controls and to frame investment opportunities so that they avoid the ‘restricted’ classes of investment.

- Investments must be approved by three ministries in China.
- Chinese capital controls set out three classes of investment: encouraged, restricted and prohibited.
  - property and hotels are currently ‘restricted’ investment types.
- Chinese investors look for near term, investible opportunities with sufficient scale to make them commercially attractive.
- Investors don’t know who to speak to – UK structures are unclear.
- Language/cultural barriers may lead to a preference for M&A over capital investment.

- DIT is focused on capital investment for greenfield developments.
- B2B opportunities tend to be commercially sensitive, and therefore confidential, which means it is difficult to openly publicise them.
- The ME Investment Portfolio is recognised by many as too generic, with a lack of investible opportunities.
- Investment opportunities may be:
  - sub-scale
  - not presented in a commercial way
  - not investible in the near term.
- Authorities may change their mind about the level of appetite for Chinese investment in strategic infrastructure projects.
Taking active steps to improve the offering to investors should be focused on the a number of critical success factors

Investment opportunities should be presented in a commercial way and include key data points necessary for commercial decision making.

The opportunities should be framed appropriately to appeal to Chinese investors.

Key attributes to highlight could include:

- ‘Ready to invest’ opportunities, available in the short-medium term.
- Potential to build scale where possible – present opportunities in context.
- Avoidance of ‘restricted’ investment classes.

**Near term investment horizon**

- Prioritise short-term opportunities over longer-term ones.
- Chinese investors are generally looking for opportunities to invest in the near term – even two to five years’ lead time is too far out.
- Therefore presenting ‘ready to invest’ opportunities is more likely to get the attention of Chinese investors.

**Commercial presentation**

- Chinese investors make investments based on commercial considerations.
- Hard financial data (e.g., return on investment metrics) needs to be presented. Tours of facilities are of secondary importance.

**Avoid capital controls**

- Understanding the latest capital controls will help ME to frame investment opportunities appropriately.
- For instance a HS2 station development should be promoted as an infrastructure investment rather than a property investment, to avoid issues with approval from Chinese State Ministries.

**Sufficient scale**

- The scale of investment opportunities in the Midlands may seem small compared with say China or the US.
- Identifying cross-regional opportunities for investment may help to drive scale.
- Use of percentages to frame investment opportunities may help to put them in context – whilst absolute numbers may appear small, in the context of the UK as a whole they may appear more attractive.
Recommendations & Action Plan
This report makes recommendations that are based on several overarching principles and which are prioritised based on urgency and ease of implementation.

Implementation of the ME China Strategy should be guided by a set of objectives that drive activities and enable progress to be monitored over time. Identifying a delivery mechanism and appropriate resourcing is critical to the achievement of desired outcomes. It is recommended that a Steering Committee be set up to oversee and coordinate roll out of the China strategy.

Specific recommendations fall into eight areas; actions have grouped into 3 prioritisation categories and are detailed on the following pages.

### Overarching principles for the China Strategy

- Inject greater focus in trade and investment activities through setting strategic objectives and monitoring progress; drive a results-driven approach to activities
- Put businesses at the centre of the strategy – prioritise engagement with businesses and identification of tangible opportunities for trade and investment with China
- Focus on the priority sectors & regions identified but retain a pragmatic approach where opportunities arise
- Ensure that trade missions form part of a broader long term engagement plan, with follow-up activities

### Recommendations

1. Set SMART objectives and track progress
2. Set up a delivery mechanism for the China strategy
3. Strengthen and promote the ME brand
4. Make greater use of enablers to trade and investment with China: Higher Education and Tourism
5. Strengthen practical support to businesses: in the Midlands and China
6. Improve the effectiveness of trade missions
7. Present inward investment opportunities to align with Chinese priorities
8. Take actions around priority sectors and regions

### Prioritisation Categories

1. **Immediate**: Steps to be taken immediately and that can be delivered within existing resources and budget
2. **Priority**: The top 3 high priority next steps that will require additional funding
3. **Further**: Additional recommendations that would require incremental funding
## Midlands Engine China Strategy: Action plan (1 of 5)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Priority</th>
<th>Suggested actions</th>
<th>Suggested lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Set SMART(^{(a)}) objectives and track progress</td>
<td>Immediate</td>
<td>▪ Set SMART objectives for trade &amp; investment with China over the short (6 months), medium (18 months) and long-term (3 years), with a clear focus on prioritised sectors and regions. For the longer term objectives, interim targets should also be set to drive the right behaviours and build the profile in a sustainable way.</td>
<td>• DIT Midlands Trade &amp; Investment Team</td>
</tr>
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<td></td>
<td>Priority</td>
<td>▪ Agree key activities and investments (time and money) to be made by the various actors in the ME ecosystem to deliver the China T&amp;I Strategy. Consider specific investment cases for budget-heavy initiatives (e.g. China Office). Identify, quantify and gain all parties’ agreement to the benefits expected and how these will be measured and tracked</td>
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</table>
|               | Further  | ▪ Track progress against objectives through central collection of trade and investment data and case studies:  
- Agree data requirements for analysis and reporting against objectives  
- Allocate resource for data collection and analysis with clear responsibilities  
- Agree reporting cycle and mechanism | |
| 2. Set up a delivery mechanism for the China strategy | Immediate | ▪ Set up a Steering Committee to oversee and coordinate roll out of the China Strategy.  
▪ Clarify who has responsibility for the delivery of Trade & Investment objectives within the broader organisational landscape. This exercise should address questions such as:  
1. Who keeps a register of investment opportunities and develops these into investable opportunities for China?  
2. Who should be responsible for organising trade visits / developing best practice on these?  
3. What is the role of flagship local businesses in supporting further growth in the region?  
4. What support is required to help local associations run better trade missions?  
▪ Clarify the ME governance and reporting structure for trade and investment  
▪ Clarify roles and responsibilities of all ME partners in relation to roll out of the strategy, including DIT, FCO, CBBC and Chambers of Commerce, LEP and Local Authorities.  
▪ Agree an implementation plan with clearly defined roles and responsibilities, desired outcomes and time frames.  
▪ Devise a stakeholder map that includes partners and broader stakeholders. Consider which relationships are most important to ME and devise an engagement strategy for how to build these over time.  
▪ Agree a communications plan to ensure efficient and coherent communication across stakeholders. | • China Strategy Steering Committee (to be established) |

\(^{(a)}\) Specific, Measurable, Achievable, Realistic, Time bound
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<thead>
<tr>
<th>Recommendation</th>
<th>Delivery</th>
<th>Suggested actions</th>
<th>Suggested lead</th>
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</table>
| 3. Strengthen and promote the Midlands Engine brand | Immediate | ▪ Devise a marketing and communications strategy to promote the ME and strengthen the brand.  
▪ Identify clear messaging on identity and USPs for the ME brand and ensure stakeholder buy-in.  
▪ Promote the ME brand as an umbrella brand that may be used in conjunction with other brands.  
▪ Clarify rules around the use of the ME brand – consider a less restrictive approach to encourage different organisations to use it alongside their own branding. This will build awareness and strengthen the region’s identity.  
▪ Create relevant materials for ME partners to promote the region in China.  
▪ Proactively identify opportunities to use press releases and official announcements to attract media attention and raise the profile of the ME. | • DIT Midlands Trade & Investment Team  
• Investment Promotion Agencies |
|               | Further   | ▪ Create a ME promotional film that is tailored to Chinese investors. Think about including the following:  
  – What is the ME?  
  – What are the sector strengths and capabilities?  
  – What are the existing relationships with China and successful case studies?  
  – Could testimonials from Chinese investors who have invested in the Midlands be featured?  
▪ Identify and promote successful export and inward investment case studies that can be used in public.  
▪ Consider using Chinese investors who have previously invested in the ME to act as advocates and ambassadors for the region. | |
| 4. Make greater use of enablers to trade and investment with China | Immediate | ▪ Encourage universities to use the ME brand alongside their own, in promotional activities with China.  
▪ Leverage the successes of universities in communications around the ME. | • DIT  
• Investment Promotion Agencies |
|               | Further   | ▪ Set up a work stream to explore how the ME could leverage Chinese alumni from Midlands universities, to further the aims of this China Strategy  
▪ Consider developing a regional tourism proposition tailored to the Chinese market; to cover both B2C and B2B. | • Universities |
## Midlands Engine China Strategy: Action plan (3 of 5)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Delivery</th>
<th>Suggested actions</th>
<th>Suggested lead</th>
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<tbody>
<tr>
<td>5. Strength...</td>
<td>In the Midlands</td>
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</table>
|               | Immediate | • Devise an implementation plan for engaging with local businesses to understand their opportunities for trade and investment with China, their needs and challenges. The ME needs to secure much greater involvement from business, particularly from both large and medium sized businesses, who are likely to have the scale required to trade successfully with China.  
• Draft a ‘fact sheet’ on IP considerations for trade and investment with China. This should cover IP concerns and proposed mitigations, as well explaining that regulation and legislation around IP protection in China is tightening. | • DIT  
• CBBC  
• ECBF  
• Chambers of Commerce |
|               | Priority | • Set up a ‘China Office’ in the Midlands with a single point of contact to act as a gateway for all China-related support for Midlands businesses. This could be a physical environment and an online space that would proactively engage medium sized businesses to drive interest in exporting. Activities may include:  
  − Providing information on how to ‘do business’ with China through training courses, conference and events. Suggested topics include: briefing on China State initiatives; Chinese investment appetite; compliance/legislation; etiquette and culture, use of e-commerce platforms (e.g. Alibaba) as a route to market  
  − Building a community to encourage collaboration among local businesses to share their experiences of dealing with China, lessons learned and best practice. Supporting local businesses in recruiting Chinese nationals living and working in the UK, e.g. visa advice.  
  − Publicising successful export and inward investment case studies which focus on how challenges were overcome and what the business outcomes have been.  
Rotating the location of the physical office periodically or conducting roadshow events would improve the chances of gaining traction with businesses across the Midlands. |  |
|               | In China |  |  |
|               | Priority | • Set up a ‘soft landing centre’ in China with staff on the ground to strengthen relationships and identify potential inward investment and export opportunities. This might involve:  
  − Appointing a ME representative to sit in the British Embassy in China as a single point of contact to support business development.  
  − Recruiting one or two Chinese nationals whose role is to identify potential inward investment opportunities and potential distributors in China. | DIT  
CBBC |
### 6. Improve the effectiveness of trade missions

**Recommendation:**
- Improve the effectiveness of trade missions

**Delivery:**
- Immediate

**Suggested actions:**
- Agree a schedule of trade missions, which considers:
  - A coordinated approach across ME partners.
  - Roles and responsibilities for collaborative delivery.
  - Starting small and building out – commit to a limited number of missions to drive quality.
  - Sector focus.
  - Clear objectives and desired outcomes from each trade mission.
- Increase the focus on and lead time for planning and pre-work, to include:
  - Identify local businesses with genuine interest in exporting.
  - Screen businesses which express interest in attending trade missions to ensure genuine intent to set up trade relations.
  - Support those businesses to undertake research and due diligence in advance of attending the trade mission.
  - Ask businesses to submit their ‘wish list’ of companies/investors they would most like to meet with in China.
  - Leverage relationships to set up meetings with target companies/investors in China.
- Prioritise inbound trade visits to enable adequate attention to the more important ones.

**Suggested lead:**
- DIT
- CBBC

**Further:**
- Ensure that the UK delegation always has its own translators / interpreters rather than relying on those provided by the Chinese.
- Evaluate trade mission outcomes against objectives three to six months after the event and draw up lessons learned to be fed into future missions.

### 7. Present inward investment opportunities to align with Chinese priorities

**Recommendation:**
- Present inward investment opportunities to align with Chinese priorities

**Delivery:**
- Immediate

**Suggested actions:**
- Identify a portfolio of investment opportunities that are tailored to the priorities of Chinese investors:
  - Identify pan-regional opportunities where possible to drive scale.
  - Use percentages to present opportunities in the context of the UK.
  - Ensure opportunities are ‘ready to invest’ in the short term (i.e. not pending planning permission etc.)
  - Present hard commercial data (e.g. return on investment metrics).
  - Frame opportunities in a way that avoids any restricted investment types.

**Suggested lead:**
- Midlands Engine Investment Hub
### Midlands Engine China Strategy: Action plan (5 of 5)

<table>
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<tr>
<th>Recommendation</th>
<th>Delivery</th>
<th>Suggested actions</th>
<th>Suggested lead</th>
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</thead>
</table>
| 8. Take actions around priority sectors and regions | Immediate | - Review and focus existing civic relationships (MoU and Sister City agreements) to align with commercial opportunities in priority sectors.  
- Identify/stimulate interest in China among Midlands companies in priority sectors.  
  - Scope tangible opportunities for trade and investment with China.  
  - Identify small cadre of businesses with real intention to do business with China to work closely with.  
- Explore appetite for inward investment from Chinese companies in priority sectors (refer to Appendix 3 for potential leads)  
  - Leverage civic relationships to identify opportunities and set up meetings with target companies/investors. | • DIT  
• CBBC |
|                | Further   | - Scope opportunities to establish relationships in Hubei and Fujian.  
- Conduct a detailed review of the correlation between consumer market demand in China and available products from the Midlands, to provide guidance to businesses on key locations and demographics to target. |               |
# Midlands Engine China Strategy: Milestone Timeline (1 of 5)

## 1. Set SMART objectives and track progress
- **Short term**
  - SMART China Strategy objectives set
- **Mid-to-long term**
  - Progress update

## 2. Set up a delivery mechanism for the China Strategy
- **Short term**
  - Governance and reporting structure identified
  - Steering Committee for China strategy set
  - Roles and responsibilities identified
  - Implementation plan agreed
  - A stakeholder map completed
  - Communication plan agreed
- **Mid-to-long term**
  - Progress update
  - Performance review
  - Performance review
  - Performance review
  - Performance review

### Key:
- Key milestones with deliverables
- Review performance against plan
Midlands Engine China Strategy: Milestone Timeline (2 of 5)

3. Strengthen and promote the Midlands Engine brand

**Short term**
- Marketing and communication strategy devised
- Brand identity identified
- Rules for the use of ME brand clarified
- ME brand promoted as an umbrella brand
- Promotional material for ME partners created
- ME promotion film created
- Identify successful case studies
- Raise ME profile through press releases and official announcements

**Mid-to-long term**
- Promote successful case studies
- Promote successful case studies
- Promote successful case studies
- Promote successful case studies
- Raise ME profile through press releases and official announcements

Key:
- Key milestones with deliverables
- Review performance against plan
## Midlands Engine China Strategy: Milestone Timeline (3 of 5)

### Short term
- Regional tourism proposition work stream set up
- University alumni work stream set up
- A plan for engagement with local business devised
- China office set up in the Midlands
- 1 pager ‘fact sheet’ on IP consideration drafted
- Soft landing centre set up in China
- Share T&I successful experience

### Mid-to-long term
- Regional tourism proposition created
- University alumni proposition created
- Universities agree to use ME brand
- Universities successfully promote ME brand
- Support package around e-commerce drafted
- Share T&I successful experience
- Performance review
- Performance review
- Performance review
- Performance review
- Performance review

### Key:
- Key milestones with deliverables
- Review performance against plan

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Midlands Engine
<table>
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<th>Midland Engine China Strategy: Milestone Timeline (4 of 5)</th>
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</table>

### Short term

- Trade schedule agreed
- Sufficient lead time to do trade planning and pre-work agreed
- Inbound trade visits are prioritised

#### Mid-to-long term

- Trade schedule agreed
- Sufficient lead time to do trade planning and pre-work agreed
- Inbound trade visits are prioritised

#### Key milestones with deliverables

- Identify a portfolio of investment opportunities tailored to Chinese investors in the short to medium term
- Tailor promotional material to Chinese investor needs, including key commercial data points
- Review portfolio and amend where necessary
- Review portfolio and amend where necessary
- Review performance against plan

#### Notes

- 6 months
- 36 months
Midlands Engine China Strategy: Milestone Timeline (5 of 5)

8. Take actions around priority sectors and regions

- Existing relationships aligned with commercial opportunities
- Interests in China identified
- Chinese appetite for inward investment explored
- Follow up potential opportunities
- Conduct a review of consumer market demand in China
- Provide support for appropriate B2C businesses
- Evaluate and assess opportunities against objectives
- Relationships in Hubei and Fujian provinces explored

Key:
- Key milestones with deliverables
- Review performance against plan
Midlands Engine China Strategy: First 6 months (1 of 2)

### Indicative timeline

<table>
<thead>
<tr>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agree governance and action plan in relation to China Strategy</strong></td>
<td><strong>1. Steering Committee to set objectives</strong></td>
<td><strong>2. Governance &amp; communications work stream</strong></td>
<td><strong>3. Brand &amp; marketing work stream</strong></td>
<td><strong>4. Enablers work stream</strong></td>
<td><strong>Set up China Strategy Steering Committee. Agree:</strong></td>
</tr>
<tr>
<td>- Agree governance and action plan in relation to China Strategy</td>
<td>- Membership (include business and Higher Education reps)</td>
<td>- Assign resources to deliver work stream and draw up detailed action plan</td>
<td>- Market research to test messaging around ME</td>
<td>- Identify whether there are existing pan-regional initiatives to develop a Midlands tourism / university offer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Terms of Reference</td>
<td>- Identify all relevant stakeholders: ME partners, key enablers and wider stakeholders</td>
<td>- Clarify brand ‘strategy’ (including rules on use vis-a-vis other brands)</td>
<td></td>
<td>- Decide whether this work stream should sit under the remit of the China Strategy Steering Committee or elsewhere</td>
</tr>
<tr>
<td></td>
<td>- Meeting frequency</td>
<td>- Map respective interest and influence of stakeholders in relation to T&amp;I with China</td>
<td>- Audit existing promotional materials and identify gaps for the China market</td>
<td></td>
<td>- Seek to feed in a China perspective</td>
</tr>
<tr>
<td></td>
<td>- Agree work streams and work stream leads for delivery of the China Strategy</td>
<td>- Develop engagement plans for each group of stakeholders (including university alumni and Chinese who have invested in the Midlands)</td>
<td>- Develop a suite of materials tailored to a Chinese audience (suggestions included in recommendations)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Identify resources to deliver each work stream</td>
<td>- Prioritise engagement with businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Review and focus existing civic relationships to align with commercial opportunities in priority sectors within available resources</td>
<td>- Devise communications strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Within the Governance & communications work stream, stakeholder mapping will be crucial to ensure:
- that the correct resources are assigned to deliver each work stream; and
- that roles and responsibilities of all parties are clarified through delivery of those work streams.

**Note:** In reality, most work streams will continue beyond the first 6 months. Timeline depicts approximate start dates only.
Midlands Engine China Strategy: First 6 months (2 of 2)

### Indicative timeline

<table>
<thead>
<tr>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
</tr>
</thead>
</table>

**5. Support for business work stream**
- Gather baseline understanding of what support is currently available to businesses from all sources
- Understand signposting to sources of support
- Identify/stimulate interest in China among Midlands companies in priority sectors
- Consider developing tools and templates to support adequate planning and preparation for trade missions
- To be informed by consultation with businesses

**6. Trade missions work stream**
- Draw up schedule of trade missions (in bound and out bound) for next 12 months
- Consider whether there are adequate resources to deliver – scale back if necessary
- Identify organisational lead for each visit
- Agree roles and responsibilities for trade mission preparation
- Draw up and agree ‘best practice’ in how ME approaches trade missions
- Test new approach on one trade mission and undertake full evaluation and lessons learned
- To be informed by consultation with businesses

**7. Inward investment work stream**
- Identify all stakeholders involved in attracting inward investment (public sector and private sector opportunities) and prioritise the opportunities if they sit within the priority sectors
- Consider developing tools and templates for presenting investment opportunities to China
- To be informed by consultation with businesses

Note: The activities relating to Action Plan Item 8 (to take action around priority sectors and regions) have been incorporated into the 7 other work streams during the first 6 months. Whilst suitable for the immediate term, in the longer term, the ME partnership may wish to set up a separate work stream to review the approach to sectors and regions periodically.

Note: In reality, most work streams will continue beyond the first 6 months. Timeline depicts approximate start dates only.
Appendices
Appendix 1: Priority regions by demand for Midlands capabilities

The FYPs of 17 provinces were reviewed, to understand where there is greatest demand for Midlands’ capabilities.

These 17 regions were selected due to their existing relationships with the Midlands or their high GDP contribution and projected growth.

Level 1 priority regions were identified by using 2 filters:

i) A score of 6 or higher in the demand for Midlands capabilities (see table);

ii) A review of whether balanced priority was given to existing relationships with both East and West Midlands.

The second filter resulted in the deselection of Shandong and Jilin from Level 1.

Identified prioritised sub-sectors by province

<table>
<thead>
<tr>
<th>China province</th>
<th>New energy &amp; energy saving</th>
<th>Advanced manufacturing &amp; engineering</th>
<th>Next generation transport</th>
<th>Med Tech &amp; Pharmaceuticals</th>
<th>Future food processing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Liaoning</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>9</td>
</tr>
<tr>
<td>2 Anhui</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>3 Jiangsu</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>4 Shandong</td>
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<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>5 Jilin</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>6 Jiangxi</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>7 Sichuan</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
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<td>8 Zhejiang</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>9 Guangdong</td>
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<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>10 Chongqing</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>11 Hunan</td>
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<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>12 Tianjin</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>13 Guangxi</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>14 Hubei</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>15 Fujian</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>16 Henan</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
</tr>
<tr>
<td>17 Hebei</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>v</td>
<td>7</td>
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</table>

<table>
<thead>
<tr>
<th>Existing relationships</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potential new relationships</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 Hubei</td>
<td></td>
</tr>
<tr>
<td>15 Fujian</td>
<td></td>
</tr>
<tr>
<td>16 Henan</td>
<td></td>
</tr>
<tr>
<td>17 Hebei</td>
<td></td>
</tr>
</tbody>
</table>

Key:

- Level 1 - Prioritised regions with existing relationships
- Level 2 - Deproritised regions with existing relationships
- Level 3 - Potential new provinces to explore in the longer term

Note: 10 regions had a score of 6 or higher in the table above. In order to reduce this number to a more manageable list of relationships for the ME partnership to take forward, these 10 were reviewed to see if they gave balanced support to both the East & West Midlands. It was noted that Coventry & Birmingham had multiple relationships in this list, and therefore some of these provinces were deprioritized. Priority was given to the Coventry-Jinan (in Shandong) and Birmingham-Changchun (in Jilin) relationships were deprioritized.
Appendix 2: Selected province profiles - Anhui

**Anhui province**

<table>
<thead>
<tr>
<th>Key economic indicator (2015)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>67,667</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>2,201</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>35,997</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>32,270</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>15,574</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>5,416</td>
</tr>
</tbody>
</table>

**Key cities**
- Hefei (capital city of Anhui province), Wuhu and Anqing are the top 3 cities by GDP

**Key sectors**
- ICT, biopharmaceutical, new materials, automotive

**Key focus outlined in the 13th 5YP (2015-2020)**
- Strengthen scale and capabilities in integrated circuit production, build industrial base for intelligent voice, and enhance R&D capability in smart products including smart phones and smart TVs
- Plan to produce 300,000 electric and hybrid vehicles per year by 2020 and form a new energy vehicle industrial base
- Develop new drugs for tumours, cardiovascular disease, diabetes, psychosis, autoimmune and communicable disease

Source: 'China Statistical Yearbook 2016', 'Anhui’s 13th FYP'
Appendix 2: Selected province profiles – Chongqing

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>30,230</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>1,572</td>
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<tr>
<td>GDP per capita (RMB)</td>
<td>52,321</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>55,187</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>19,280</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>2,431</td>
</tr>
</tbody>
</table>

Chongqing is one of the four direct-controlled municipalities in China

Key cities

Chongqing

Key sectors

Automotive, ICT, iron, steel, biochemical

Key focus outlined in the 13th 5YP (2015-2020)

- The ‘National enterprise R&D centre cultivation plan’ – establish 10+ national level enterprise technology R&D centres in areas including new material and China-branded automotive vehicles
- Enhance international cooperation in automotive, clean energy and equipment manufacturing
- Explore export opportunities with Latin America and Africa

Source: ‘China Statistical Yearbook 2016’, ‘Chongqing’s 13th FYP’
Appendix 2: Selected province profiles - Fujian

Fujian province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>38,466</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>2,598</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>67,966</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>112,680</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>56,166</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>6,238</td>
</tr>
</tbody>
</table>

Key cities

Fuzhou (capital city of Fujian province), Quanzhou and Xiamen are the top 3 cities by GDP

Key sectors

ICT, food and drink, textile, clothing

Key focus outlined in the 13th FYP (2015-2020)

- Target to build as a leading province in advanced manufacturing and increase core competitiveness in this area
- Accelerate the development of internet – establish a ‘digital Fujian’
- Set up a free trade test zone and strengthen international cooperation especially via route of Hong Kong and Macau

Source: 'China Statistical Yearbook 2016', 'Fujian’s 13th FYP'
Appendix 2: Selected province profiles – Guangdong

Guangdong province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>108,495</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>7,281</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>67,503</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>643,172</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>379,324</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>10,244</td>
</tr>
</tbody>
</table>

Key cities
Guangzhou (capital city of Guangdong province), Shenzhen and Foshan are the top 3 cities by GDP

Key sectors
Machinery, iron and steel, ICT, chemicals, automotive

Key focus outlined in the 13th 5YP (2015-2020)

- Support local companies to expand distribution network, and set up production base and regional headquarters in countries under the OBOR Initiative
- Strengthen cooperation with European countries in advanced manufacturing, new energy vehicles, biopharmaceuticals, industrial design and energy saving sectors
- Look for trade and economic cooperation opportunities in energy, agriculture, tourism and infrastructure sectors in East Europe, Africa and South America

Source: 'China Statistical Yearbook 2016', 'Guangdong’s 13th FYP'
Appendix 2: Selected province profiles – Guangxi

Guangxi province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>48,200</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>1,680</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>35,190</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>27,934</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>23,157</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>3,744</td>
</tr>
</tbody>
</table>

Key cities

Nanning (capital city of Guangxi province), Liuzhou and Guilin are the top 3 cities by GDP

Key sectors

Metallurgy, automotive, food, drink, ICT

Key focus outlined in the 13th 5YP (2015-2020)

- Strengthen international technology cooperation, set up international intellectual property communication and cooperation centre
- Improve and encourage agriculture technology and equipment innovation
- Achieve technology breakthroughs in areas including new energy automotive vehicles and new materials

Source: ‘China Statistical Yearbook 2016’, ‘Guangxi’s 13th FYP’
Appendix 2: Selected province profiles - Hubei

Hubei province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>58,663</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>2,955</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>50,654</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>29,212</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>16,341</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>6,351</td>
</tr>
</tbody>
</table>

Key cities
Wuhan (capital city of Hubei province), Yichang and Xiangyang are the top 3 cities by GDP

Key sectors
Automotive, food, drink, textiles, ICT

Key focus outlined in the 13th FYP (2015-2020)

- Advance the development of technology innovation, accelerate the founding of national and provincial key engineering laboratories and technology research centres
- Increase competitiveness in manufacturing in line with ‘Made in China 2025 Hunan Action Plan’
- Explore trade opportunities in the global market through deepening cooperation with countries and regions along the ‘Belt and Road’.

Appendix 2: Selected province profiles – Hunan

Hunan province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>68,138</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>2,890</td>
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<tr>
<td>GDP per capita (RMB)</td>
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<tr>
<td>Export (USD million)</td>
<td>19,137</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>10,165</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>3,823</td>
</tr>
</tbody>
</table>

Key cities

Changsha (capital city of Hunan province), Yueyang and Changde are the top 3 cities by GDP

Key sectors

New materials, new energy, biopharmaceuticals, ICT, advanced machinery

Key focus outlined in the 13th 5YP (2015-2020)

- Support local companies’ outbound investment in R&D and production, particularly international merges and acquisition in Europe, Africa and South America
- Accelerate service trade in traditional Chinese medicine, tourism, outsourcing, technology, logistic and software industries
- Strengthen transport network by building new railways and river channels, and renovating highways and airports

Source: ‘China Statistical Yearbook 2016’, ‘Hunan’s 13th FYP’
Appendix 2: Selected province profiles – Jiangsu

Jiangsu province

<table>
<thead>
<tr>
<th>Key cities</th>
<th>Nanjing (capital city of Jiangsu province), Suzhou and Wuxi are the top 3 cities by GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key sectors</td>
<td>Automotive, ICT, iron, steel, new materials, petrochemicals</td>
</tr>
</tbody>
</table>
| Key focus outlined in the 13th 5YP (2015-2020) | • Strengthen technology cooperation with the UK, USA, Finland, Germany and Israel  
• Attract international human resources including PhD, senior management and highly skilled talents to enable growth  
• Improve transport network by building highways and high speed railways, and adding new air routes and flight service |

<table>
<thead>
<tr>
<th>Key economic indicator (2015)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>79,883</td>
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<tr>
<td>Total GDP (RMB billion)</td>
<td>7,012</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>87,995</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>338,645</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>206,916</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>6,965</td>
</tr>
</tbody>
</table>

Source: 'China Statistical Yearbook 2016', 'Jiangsu’s 13th FYP'
Appendix 2: Selected province profiles – Jiangxi

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>45,842</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>1,672</td>
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<td>GDP per capita (RMB)</td>
<td>36,724</td>
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<td>Export (USD million)</td>
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<tr>
<td>Import (USD million)</td>
<td>9,282</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>5,296</td>
</tr>
</tbody>
</table>

Jiangxi province

Key cities
Nanchang (capital city of Jiangxi province), Ganzhou and Jiujiang are the top 3 cities by GDP

Key sectors
ICT, automotive, petrochemicals, steel and iron

Key focus outlined in the 13th 5YP (2015-2020)

- The provincial biopharmaceutical industry is forecast to reach RMB200 billion by 2020. Within this industry, it is expected that Jiangxi will have four leading companies/groups with a total revenue over RMB10 billion by 2020.
- It is expected that the region will produce 500,000 new energy vehicles per annum by 2020. As an industry, lithium power battery and storage is forecast to reach 2 billion AH production capacity by 2020.
- Its aerospace industry plans to reach an annual production of 600 helicopters, 100 pilotless aeroplanes and 100 aeroplanes by 2020.

Source: ‘China Statistical Yearbook 2016’, ‘Jiangxi’s 13th FYP’
Appendix 2: Selected province profiles - Jilin

Jilin province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>27,646</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>1,406</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>51,086</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>4,614</td>
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<tr>
<td>Import (USD million)</td>
<td>14,264</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>3,045</td>
</tr>
</tbody>
</table>

Jilin province

Key cities

Changchun (capital city of Jilin province), Jilin and Songyuan are the top 3 cities by GDP

Key sectors

Automotive, petrochemicals, food, drink, ICT, healthcare

Key focus outlined in the 13th FYP (2015-2020)

• Accelerate development of the modern agriculture sector through setting up industrial system and trial zone, launching standardised production processes and providing relevant training courses and services
• Continue to attract foreign direct investments and companies, advanced technologies and talent in order to strengthen core competencies and drive growth
• Strengthen infrastructure including renovating airports, power generation and water supply facilities

Source: ‘China Statistical Yearbook 2016’, ‘Jilin’s 13th FYP’
Appendix 2: Selected province profiles – Liaoning

### Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
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</tr>
<tr>
<td>Total GDP (RMB billion)</td>
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</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>65,354</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>50,711</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>70,811</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>7,285</td>
</tr>
</tbody>
</table>

### Key cities
Shenyang (capital city of Liaoning province), Dalian and Anshan are the top 3 cities by GDP

### Key sectors
Equipment manufacturing, metallurgy, agriculture, petrochemicals

### Key focus outlined in the 13th 5YP (2015-2020)
- Support development of the OBOR initiatives and strengthen cooperation in equipment manufacturing with countries along the ‘Belt and Road’
- Increase the global competitiveness of the agriculture sector
- Encourage imports of advanced technology, key machinery parts and scarce resources

Source: ‘China Statistical Yearbook 2016’, ‘Liaoning’s 13th FYP’
Appendix 2: Selected province profiles – Shandong

Shandong province

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>98,759</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>6,300</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>64,168</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>143,926</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>96,682</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>7,011</td>
</tr>
</tbody>
</table>

Key cities

Jinan (capital city of Shandong province), Qingdao and Yantai are the top 3 cities by GDP

Key sectors

Agriculture, machinery, equipment manufacturing, petrochemicals

Key focus outlined in the 13th 5YP (2015-2020)

- Strengthen international cooperation in advanced manufacturing, service industry and contemporary agriculture
- Develop construction outsourcing and strengthen cooperation in infrastructure overseas
- Establish a base for clusters of industries, including advanced equipment industry and automotive industry

Source: 'China Statistical Yearbook 2016', 'Shandong’s 13th FYP'
Appendix 2: Selected province profiles – Sichuan

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>82,406</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>3,005</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>36,775</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>33,093</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>18,096</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>4,350</td>
</tr>
</tbody>
</table>

Source: ‘China Statistical Yearbook 2016’, ‘Sichuan’s 13th FYP’

Key cities
- Chengdu (capital city of Sichuan province), Mianyang and Deyang are the top 3 cities by GDP

Key sectors
- ICT, automotive, food, drink, equipment manufacturing, petrochemicals

Key focus outlined in the 13th FYP (2015-2020)
- The ‘215 Plan’ – to strengthen international cooperation with 20 countries to initiate 50 projects in equipment manufacturing and ICT sectors and to support international development/expansion of 100 selected local companies
- The ‘111 Project’ – to initiate 100 international production capacity cooperation projects in key sectors, and set up 10 international production capacity cooperation bases to drive RMB10 billion export
- Strengthen transport network by building new railways, highways, airports and tubes

Midlands Engine
Appendix 2: Selected province profiles – Tianjin

Key economic indicator (2015)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>15,443</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>1,654</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>107,960</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>51,163</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>63,120</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>3,504</td>
</tr>
</tbody>
</table>

Tianjin province

Key cities

Tianjin is one of the four direct-controlled municipalities in China

Key sectors

Aerospace, petrochemicals, equipment manufacturing, ICT

Key focus outlined in the 13th 5YP (2015-2020)

- Strongly supportive of foreign direct investment – encourage worldwide top 500 enterprises to set up regional office, R&D centre, sales centre and logistics centre
- Set up low-carbon pilot city and the development and application of relevant technologies
- Aim to become a national new material industry hub and a new energy automotive vehicle manufacturing hub

Source: ‘China Statistical Yearbook 2016’, ‘Tianjin’s 13th FYP’
Appendix 2: Selected province profiles – Zhejiang

<table>
<thead>
<tr>
<th>Key economic indicator (2015)</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (thousands)</td>
<td>55,469</td>
</tr>
<tr>
<td>Total GDP (RMB billion)</td>
<td>4,289</td>
</tr>
<tr>
<td>GDP per capita (RMB)</td>
<td>77,644</td>
</tr>
<tr>
<td>Export (USD million)</td>
<td>276,332</td>
</tr>
<tr>
<td>Import (USD million)</td>
<td>70,452</td>
</tr>
<tr>
<td>Number of SOEs</td>
<td>3,434</td>
</tr>
</tbody>
</table>

### Key cities
Hangzhou (capital city of Zhejiang province), Ningbo and Wenzhou are the top 3 cities by GDP

### Key sectors
Light machinery, ICT, food processing, electronics

### Key focus outlined in the 13th 5YP (2015-2020)
- Build 2 trade platforms, Zhejinag Zhoushan Import Base and Yi Wu Import Trade Zone to incase international trade
- Invest in potential opportunities under the OBOR initiative including cement production projects in Nepal and Myanmar, rice planting project in Cambodia and industrial zone projects in Vietnam
- Improve transport network by building new railways and integrating rail and freight capabilities

Source: ‘China Statistical Yearbook 2016’, ‘Zhejiang’s 13th FYP’
Potential inward investment interest may come from the following Chinese companies.

<table>
<thead>
<tr>
<th>Priority sector</th>
<th>Company name</th>
<th>Company description</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Energy &amp; Energy Saving</td>
<td>China Three Gorges Corporation</td>
<td>China Three Gorges Corporation is a Chinese state-owned power company which focuses on large-scale hydropower development and operation, with an installed capacity of about 100GW, both under operation and construction.</td>
</tr>
<tr>
<td></td>
<td>Shanghai Electric Group Co. Ltd.</td>
<td>Shanghai Electric Group Co. Ltd. is one of the largest mechanical and electrical equipment manufacturing enterprises in China.</td>
</tr>
<tr>
<td></td>
<td>China Resources Power Holdings Co., Ltd.</td>
<td>China Resources Power Holdings Co., Ltd. invests in, develops, operates and manages thermal, wind, hydro and coal power. It also runs distribution-type energy projects in China.</td>
</tr>
<tr>
<td></td>
<td>Beijing Energy Investment Holding Co. Ltd.</td>
<td>Beijing Energy Investment Holding Co. Ltd. together with its subsidiaries, produces and supplies thermal power and heating in Beijing.</td>
</tr>
<tr>
<td></td>
<td>State Development &amp; Investment Corporation</td>
<td>State Development &amp; Investment Corporation is a state-owned investment holding company approved by the China State Council, with a registered capital of 19.47 billion RMB yuan and 467.1 billion RMB yuan in total assets.</td>
</tr>
<tr>
<td></td>
<td>China General Nuclear Europe Energy</td>
<td>China General Nuclear Europe Energy is a state-owned enterprise which focuses on the development of clean energies such as nuclear power, nuclear fuel, wind power, and solar power. It is the largest nuclear power operator in China and the largest nuclear power constructor worldwide.</td>
</tr>
<tr>
<td>Next Generation Transport</td>
<td>BYD Auto Co. Ltd.</td>
<td>BYD Auto Co. Ltd. is the second leading independent car manufacturer in China, and has a leading position of the ‘green’ initiative in the automotive industry.</td>
</tr>
<tr>
<td></td>
<td>Beijing Automotive Industry Holding Co. Ltd.</td>
<td>Beijing Automotive Industry Holding Co. Ltd. is a Chinese state-owned enterprise and is one of the 8 largest automobile groups in China.</td>
</tr>
<tr>
<td></td>
<td>Geely Automobile Holdings Ltd.</td>
<td>Geely Automobile Holdings Ltd. plans to roll out a new generation of zero-emission cabs onto the streets of London by 2018, manufactured in the £250m automotive plant in Coventry.</td>
</tr>
</tbody>
</table>
Potential inward investment interest may come from the following Chinese companies.

<table>
<thead>
<tr>
<th>Priority sector</th>
<th>Company name</th>
<th>Company description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biopharmaceuticals &amp; Medical Technology</td>
<td>China Meheco Group Co., Ltd.</td>
<td>China Meheco Group Co., Ltd. is a state-holding company dedicated to the promotion of human health and the development of pharmaceutical industry, endeavouring to become a flagship pharmaceutical enterprise in China.</td>
</tr>
<tr>
<td></td>
<td>CSPC Pharmaceutical Group</td>
<td>CSPC Pharmaceutical Group is recognized as one of China’s “500 Most Valuable Chinese Brands” and “Top 500 Chinese Enterprises”.</td>
</tr>
<tr>
<td></td>
<td>Mindray Medical International Limited</td>
<td>Mindray Medical International Limited is China's largest medical equipment manufacturer, developing, manufacturing, and marketing a variety of medical devices, equipment and accessories for both human and veterinary use</td>
</tr>
<tr>
<td></td>
<td>Shandong Lukang Pharmaceutical Co Ltd (LKPC)</td>
<td>Shandong Lukang Pharmaceutical Co Ltd (LKPC) is a leading manufacturer of antibiotic products in China and a publicly listed company in Shanghai Stock Exchange.</td>
</tr>
<tr>
<td>Future food processing</td>
<td>China National Cereals, Oils and Foodstuffs Corporation</td>
<td>China National Cereals, Oils and Foodstuffs Corporation (COFCO Group) is one of China's state-owned food processing holding companies and the largest food processor, manufacturer and trader in China.</td>
</tr>
<tr>
<td></td>
<td>Bright Food (Group) Co. Ltd.</td>
<td>Bright Food (Group) Co. Ltd. is a state-owned multinational food and beverages manufacturing company headquartered in Shanghai. It is the second-largest China-based food manufacturing company measured by 2011 revenues.</td>
</tr>
<tr>
<td></td>
<td>Dakang International Food and Agriculture Co. Ltd.</td>
<td>Dakang International Food and Agriculture Co. Ltd. engages in breeding, farming production, slaughter, and distribution of pigs, primarily in China. It is a subsidiary of Shanghai Pengxin Group Co., Ltd.</td>
</tr>
</tbody>
</table>
Royal Crown Derby (RCD) is a ceramic business which specialises in luxury, functional and decorative tableware and giftware. It started exploring the Chinese market a year ago and China has become its second largest export market during the last 6 months.

**Why China?**

**Market opportunities**
Due to the increase in percentage of Chinese middle class, demand in China has grown sharply for high quality products with authentic heritage among affluent Chinese consumers.

**Royal Crown Derby's USP**
The company has rich British heritage and produce high quality range of ceramic Tableware and gifts which are attractive to both consumers and the hospitality industry. Their USP matches well with the demand in China, making it an ideal destination for exports.

**Challenges**

- **Cultural difference**
  There is a language barrier and a difference in approach to business.
- **Lack of local contacts**
  It is difficult to build relationships on the ground from scratch, without a network to leverage in China.
- **Lack of local knowledge**
  It was difficult to decide which Chinese regions to target first and through which channel.
- **Competitive market**
  Differentiation is challenging, given the intense competition and ready supply of cheaper alternatives.
- **Lack of support**
  Understanding tax issues and industry regulations requires guidance from the local government and China-related bodies.

**Mitigations**

- **Cultural difference**
  Having a Chinese national on board helped the company understand ways of doing business in China, and also facilitated communication between the company and the market.
- **Lack of local contacts**
  With the Chinese national’s knowledge of the Chinese market, the company was able to leverage the contact’s network to fast-track relationship building in China. Face to face communication is key to building trust, so having a local contact is crucial.
- **Lack of local knowledge**
  Based on market leads and in-depth market research on the potential segments of Chinese consumers, the company decided the most effective way to enter the market was to:
  - Focusing on Tier 1 & top 20 Tier 2 cities.
  - Bringing in distributors in these locations.
  - Utilising the e-commerce offering.
- **Competitive market**
  RCD was able to leverage its USP as being a historic brand of high quality and used the ‘Made in Britain’ label which is considered desirable in China. This allowed RCD to differentiate itself from its competitors.
- **Lack of support**
  The company has reached out to multiple parties to seek support in trading with China, this includes:
  - **DIT** – supported the business on Trade Shows through China specialist.
  - **CBBC** – benefited from opportunities introduced by CBBC.

Royal Crown Derby acknowledged that it is essential to have people in the business who understand the business culture and the target market. They invested time and effort to research the China market and hired a Chinese national to help them break into the Chinese market.
## Appendix 5: Inward Investment Case Study: Dynex Semiconductor Ltd

Dynex Semiconductor Ltd., a high power semiconductor manufacturer based in Lincoln, was acquired by Chinese manufacturer Zhuzhou CRRC Times Electric Co. Ltd in 2008. Through 10 years of cooperation, Dynex has significantly expanded its R&D capabilities and strengthened its product competence. This successful business case demonstrates how UK and Chinese businesses can achieve win-win outcomes.

### Background in 2008
- A growing UK SME with less than 250 staff employed
- Core product was IGBT high power transistor switches and thyristors used in transportation and energy applications
- Zhuzhou CRRC Times Electric (TEC) was a leading on-board electric railway system provider in China, and a subsidiary of CRRC Ltd.
- TEC planned to acquire IGBT technology to become independent from imported high-technology products

### Deal rationale
- The management was keen to find an investment partner to finance on-going R&D activities and improvements to manufacturing facility to increase sales
- Dynex was identified as a suitable knowledge transfer partner with its IGBT technology being the main attraction

### Achievements/benefits
- A newly set up R&D centre
- An increase in investments in R&D activities
- An increase in capital investments in manufacturing facilities
- Diversified relationships with CRRC including investor, research partner, customer and supplier
- Integrated supply chain through IGBT technology acquisition
- Access to UK academic research activity
- Enhanced R&D capabilities through joint development of new technology
- A platform to train Chinese engineers and management staff

### Cooperation Challenges
- Concerns over IP:
  - There were two sets of IP agreements to satisfy different needs
    1. Exclusive technology agreement for IGBT technology acquisition: 100% ownership by CRRC with a fee paid to Dynex
    2. Shared ownership of IP: Dynex and CRRC share R&D costs for newly developed technology
- Difficulty in sourcing and retaining R&D talents:
  - There is a significant shortage of electronic engineers in the Midlands and the UK. Dynex has to recruit talents from overseas
  - High barriers to sponsorship and short validity of work permits (ranging from a few weeks to a few years) make it more difficult for Dynex to retain its R&D talents

### Lessons learnt
- The perceived barrier of cultural difference can be narrowed through closer communication and learning from each other
- Effective communication is best achieved through face-to-face conversations. When working with China, the two parties need to invest in interaction offline to build common ground and achieve better understanding of each other in terms of ways of doing business

Source: Dynex stakeholder interview
### Appendix 6: Roles of key stakeholders in trade and investment

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Organisation description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department for International Trade (DIT)</strong></td>
<td>- Helps businesses export and grow into global markets. Helps overseas companies locate and grow in the UK. DIT predominately focuses on higher value projects and is organised by industry sector. DIT also has regional offices which deliver DIT services to business within a certain region.</td>
</tr>
<tr>
<td><strong>UK Export Finance</strong></td>
<td>- The UK’s export credit agency and a government department. It aims to ensure that no viable UK export fails for want of finance or insurance, while operating at no net cost to the taxpayer. Works with 70 private credit insurers and lenders to help UK companies access export finance (the particular class of loans, insurance policies or bank guarantees that enable international trade to take place as easily and securely as possible).</td>
</tr>
<tr>
<td><strong>Export Finance Managers</strong></td>
<td>- Advise businesses on relevant UK Export Finance products and services and assist and facilitate applications. Based in every region across the UK.</td>
</tr>
<tr>
<td><strong>China-Britain Business Council (CBBC)</strong></td>
<td>- CBBC helps companies work together in China, the UK and third markets around the world. With China market specialists based across the UK, including the Midlands as well as China, and a diverse membership base, CBBC supports companies of all sizes and sectors from multinationals to SMEs. CBBC cooperates closely with DIT to highlight export opportunities for UK companies and investment opportunities for Chinese organisations as well as working with a range of other national and regional government partners.</td>
</tr>
<tr>
<td><strong>International Trade Advisers (ITAs)</strong></td>
<td>- Help businesses with everything they need for export success. They are employed by 8 delivery partners which are a mix of Chambers, Enterprise Units (SPVs of Chambers), Enterprise Organisations and not for profit operators. These bodies invoice DIT for the costs of the ITAs they have.</td>
</tr>
<tr>
<td><strong>Chambers of Commerce</strong></td>
<td>- In the UK, there are 52 accredited Chambers of Commerce, representing thousands of businesses of all sizes and sectors. They are trusted champions of businesses, places, and global trade. They are funded by their members contributions. Chambers provide a voice to the business communities they represent, amplifying their priorities and concerns.</td>
</tr>
<tr>
<td><strong>Midlands Engine Investment Hub</strong></td>
<td>- Brings together Midlands LEPs and staff from DIT to promote the region’s foreign investment offer overseas. It received £5m of funding from the government and aims to create 1,400 jobs and attract £15m in foreign investment over the next three years. It is co-located with West Midlands Growth Company and opened in March 2017.</td>
</tr>
<tr>
<td><strong>West Midlands Growth Company (WMGC)</strong></td>
<td>- Helps to create new jobs, expand existing businesses and attract new businesses and investment to the West Midlands region, aligned to the ambitions set out in the West Midlands Combined Authority (WMCA) Strategic Economic Plan. It is an example of an Investment Promotion Agency (see below).</td>
</tr>
<tr>
<td><strong>Investment Promotion Agencies</strong></td>
<td>- Promotes the local area in order to attract and support investment. Offer a confidential, independent and free-of-charge service to businesses looking to locate or invest in the local area. Their remit also covers tourism. Example bodies include Marketing Derby and the West Midlands Growth Company.</td>
</tr>
<tr>
<td><strong>Local Enterprise Partnerships (LEPs)</strong></td>
<td>- Are voluntary partnerships between local authorities and businesses set up in 2011 by the Department for Business Energy &amp; Industrial Strategy to help determine local economic priorities and lead economic growth and job creation within the local area.</td>
</tr>
<tr>
<td><strong>West Midlands Combined Authority (WMCA)</strong></td>
<td>- Includes 18 local authorities and four Local Enterprise Partnerships (LEPs) working together to move powers from Whitehall to the West Midlands and its locally elected politicians. (Combined Authorities are created voluntarily and allow a group of local authorities to pool appropriate responsibility and receive certain delegated functions from central government in order to deliver transport and economic policy more effectively over a wider area.)</td>
</tr>
<tr>
<td><strong>Local Authorities</strong></td>
<td>- Local authorities provide services to the local region and have influence with many organisations who could lend their support to this strategy.</td>
</tr>
<tr>
<td><strong>England-China Business Forum (ECBF)</strong></td>
<td>- A group of people who passionately believe in collaborating and sharing experiences to stimulate business opportunities, both large and small, between England and China. ECBF was launched in Birmingham in 2013.</td>
</tr>
</tbody>
</table>
### Appendix 7: Bibliography (1 of 3)

<table>
<thead>
<tr>
<th>Short form source title</th>
<th>Source</th>
<th>Description</th>
<th>URL</th>
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<tr>
<td>Guangdong’s 13th FYP</td>
<td>360doc website</td>
<td>Guangdong’s 13th Five-Year Plan (2016-2020) on National Economic and Social Development</td>
<td><a href="http://www.360doc.com/content/16/0318/08/16954316_543238885.shtml">http://www.360doc.com/content/16/0318/08/16954316_543238885.shtml</a></td>
</tr>
<tr>
<td>Hubei’s 13th FYP</td>
<td>Hubei provincial people’s government</td>
<td>Hubei’s 13th Five-Year Plan (2016-2020) on National Economic and Social Development</td>
<td>dtfz.ccchina.gov.cn/ashx/ReadFile.ashx?Id=11084</td>
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### Appendix 7: Bibliography (2 of 3)

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</thead>
<tbody>
<tr>
<td>Hebei’s 13th FYP</td>
<td>360doc.com</td>
<td>Hebei’s 13th Five-Year Plan (2016-2020) on National Economic and Social Development</td>
<td><a href="http://www.360doc.com/content/17/0421/16/872217_647417246.shtml">http://www.360doc.com/content/17/0421/16/872217_647417246.shtml</a></td>
</tr>
</tbody>
</table>
# Appendix 7: Bibliography (3 of 3)

<table>
<thead>
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<th>Source</th>
<th>Description</th>
<th>URL</th>
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<tbody>
<tr>
<td>HMRC Regional Trade Statistics</td>
<td>HMRC</td>
<td>HMRC Regional Trade Statistics</td>
<td><a href="https://www.uktradeinfo.com/Statistics/BuildYourOwnTables/Pages/Table.aspx">https://www.uktradeinfo.com/Statistics/BuildYourOwnTables/Pages/Table.aspx</a></td>
</tr>
<tr>
<td>Düsseldorf China Centre</td>
<td>Düsseldorf China Centre</td>
<td>Düsseldorf China Centre Website</td>
<td><a href="http://www.dcc-china.org/about.asp?newsid=324">http://www.dcc-china.org/about.asp?newsid=324</a></td>
</tr>
</tbody>
</table>
Appendix 8: Stakeholders consulted in this strategic review

The ME partnership appointed external consultants to conduct this review and develop a China Strategy. During their work, they consulted a large variety of stakeholders through one-to-one interviews and attended industry events in the Midlands. A survey was also circulated to a wide range of stakeholders to collate additional views.

**Stakeholders interviewed**

1. Andrew Dunbar, Marketing Birmingham
2. Andy Street, WM Mayor
3. Anthony McCourt, Court Collaboration
4. Claire Urry, CBBC
5. Corin Crane, WM Chambers
6. Chris Allen, Red Stone Marketing
7. David Houghton, Santander
8. David Pearson, EM Chambers
9. David Priestley, Consultant
10. Dr Mark Wareing, FCO Beijing
11. Dr Nick Miles, University of Nottingham
12. Emma Zhou, Royal Crown Derby
13. Helen Donnellan, Leicester City Council
14. Ian Harrison, DIT Midlands Exports
15. John Forkin – Marketing Derby
16. Judith Lamie, University of Derby
17. Justin Brown, Lincolnshire County Council
18. Kate Lee, ZhongZe UK Investment Fund
19. Karen Ball, DIT Midlands Inward Investment
20. Mike Carr, Nottingham Trent University
21. Min Rose, University of Nottingham
24. Patrick McCarron, DIT
25. Paul Faulkener, Greater Birmingham Chamber of Commerce
26. Paul Kehoe, Birmingham Chambers
27. Paul Taylor, Dynex Semiconductor Ltd
28. Phillip Duggan, Boss Design
29. Rob Avery-Phipps, Midlands-China consultant
30. Robert Dixon, Nottingham City Council
31. Sir John Peace, ME Chairman
32. Simon Collinson, University of Birmingham
33. Simon Hall, DIT
34. Simon Richards, Birmingham Airport
35. Stephen Williams, Nottingham Trent University
36. Stewart Ferguson, CBBC
37. Stuart Garner, Norton Motorcycle
38. Yeow Poon, England China Business Forum
39. Yuen Wai Leung, WM Growth Co

**Survey responses received**

2. Chris Kirkland, Staffordshire County Council
3. Justin Brown, Lincolnshire County Council
4. Robert Dixon, Nottingham City Council
5. Malcolm Hall – Hall Fasteners
6. Gary Headland – Lincoln College Group
7. James Blakemore – JMB Partnership
8. Karen Prior – Anpario plc
9. Matt Gilmartin, Concept Smoke Screen
10. Nik Kotecha, Morningside Pharmaceutical
11. Patrick McCarron – DIT
12. Shahid Sheikh – Clifton Packaging

**Stakeholders consulted at industry events**

1. Andrew Dunbar, Marketing Birmingham
2. Andy Street, WM Mayor
3. Anthony McCourt, Court Collaboration
4. Claire Urry, CBBC
5. Corin Crane, WM Chambers
6. Chris Allen, Red Stone Marketing
7. David Houghton, Santander
8. David Pearson, EM Chambers
9. David Priestley, Consultant
10. Dr Mark Wareing, FCO Beijing
11. Dr Nick Miles, University of Nottingham
12. Emma Zhou, Royal Crown Derby
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35. Stephen Williams, Nottingham Trent University
36. Stewart Ferguson, CBBC
37. Stuart Garner, Norton Motorcycle
38. Yeow Poon, England China Business Forum
39. Yuen Wai Leung, WM Growth Co
Appendix 9: Glossary

B2B / B2C  Business to Business / Business to Consumer  LLEP  Leicester and Leicestershire Enterprise Partnership
BRI  Belt and Road Initiative  M&A  Merger & Acquisition
CAGR  Compound Annual Growth Rate  ME  Midlands Engine
CBBC  China-Britain Business Council  MoU  Memorandum of Understanding
CPD  Continuing Professional Development  OBOR  One Belt and One Road Initiative
DIT  Department for International Trade  ODI  Overseas Direct Investment (Outbound)
ECBF  England China Business Forum  O2O  Online to Offline
EFM  Export Finance Managers  R&D  Research and Development
EU  European Union  RMB  Renminbi (Chinese currency)
FCO  Foreign & Commonwealth Office  ROI  Return on Investment
FDI  Foreign Direct Investment (Inward)  SIA  Science and Innovation
FYP  China's 13th Five-Year Plan (2016-2020) on National Economic and Social Development  SMART  Specific, Measurable, Achievable, Realistic, Time bound
GDP  Gross Domestic Product  SME  Small and Medium sized enterprises
GVA  Gross Value Added  SOE  State-owned Enterprise
HS2  High Speed 2  SPV  Special Purpose Vehicle
ICT  Information and Communications Technology  T&I  Trade and Investment
IP  Intellectual Property  UK  United Kingdom
IT  Information Technology  UNNC  University of Nottingham Ningbo China
ITAs  International Trade Advisors  UoN  University of Nottingham
IPAs  Investment Promotion Agencies  USA  United States of America
JLR  Jaguar Land Rover  USD  U.S. Dollar
JV  Joint Venture  USP  Unique Selling Point
LA  Local Authorities  WMCA  West Midlands Combined Authority
LEP  Local Enterprise Partnerships  WMGC  West Midlands Growth Company