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| <b>Coast to Capital Board Meeting No. 30<br/>14 July 2016</b> | <b>Ref No.<br/>30.18</b> |
| Report Title: <b>International Advisory Committee</b>         |                          |
| Report by: <b>Malcolm Brabon</b>                              |                          |
| Presented by: <b>Mike La Rooy</b>                             |                          |

### **Recommendation**

The Board is asked to review and discuss potential opportunities and actions related to EU referendum result and provide direction on the future focus of activity.

The Board is asked to **note** this update

## **1. Introduction**

- 1.1 This paper identifies some key opportunities and potential areas for focus following the EU referendum result.
- 1.2 This paper also captures the main areas of progress made on international activity since the last Board meeting. The International Advisory Committee is chaired by Mike La Rooy.
- 1.3 The last meeting of the International Advisory Committee took place on 6 June 2016. The next meeting is on 26 September 2016.

## **2 EU referendum and Coast to Capital Response**

- 2.1 The EU referendum was held after the last International Advisory Committee met, but obviously has a significant impact on international trade and how Coast to Capital support businesses to respond to the challenges. This paper addresses some of the international trade risks and opportunities and should be read in conjunction with the CE's report.
- 2.2 Key themes have emerged directly from businesses and from business membership and representative organisations in relation to international trade. The following is a summary of the issues and potential options for Coast to Capital activity to respond. We would welcome input, guidance and support from the Board in relation to these options.

## **1. Uncertainty and Lack of Clarity**

Coast to Capital exporters and stakeholders have reported that the uncertainty and the lack of clarity is making businesses decisions extremely difficult at the present time. There is a resultant reduction of business confidence which is likely to have a negative impact on investment and international trade decisions both of UK and overseas owned companies.

### Proposed Action

Work with stakeholders, international trade forum and partners to develop an information source specifically related to Brexit with the latest information to help businesses manage both internal and external expectations and develop action plans.

One of the information source's aim will be to address the lack of business confidence and promote opportunities that become available to businesses.

The Coast to Capital Growth Hub Business Navigators to work proactively with businesses to raise awareness of the information source and related support that is available.

## **2. Foreign Direct Investment**

Following the EU referendum there has been a significant decline in the number of investment enquiries to the Coast to Capital area.

UKTI Invest are actively engaging with foreign investors to help calm the market and communicate a message that it is "business as usual" and that the UK still offers great investment opportunities.

The recent LSE / Centre for Economic Performance report forecasts a decline in FDI of 22% over the next 10 years<sup>1</sup> with foreign owned businesses and other organisations potentially looking to relocate part of their operations to Europe.

However the potential reduction in commercial property values and the weakness of the pound means that it is potentially a good time for overseas investors to consider investments in the Coast to Capital area.

### Proposed Action

Work with overseas posts, especially those where we have been matched through the UKTI Invest matchmaker project, to inform them that it is "business as usual" in the short term and raise awareness of the investment opportunities available to foreign direct investors in the short, medium and long term.

Work with FDI partners to develop sub sector specific inward investment propositions that are less dependent on EU membership.

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<sup>1</sup> The London School of Economic and Political Science / Centre for Economic Performance "The impact of Brexit on foreign investment in the UK" [h <http://cep.lse.ac.uk/pubs/download/brexit03.pdf>](http://cep.lse.ac.uk/pubs/download/brexit03.pdf) April 2016

Develop an inward investment section in the new Coast to Capital website that addresses the post-referendum climate.

### **Global Trade (Exports)**

Despite the challenges of establishing trade agreements with the EU , there are good opportunities for developing export trade. With the current weakness of the pound UK businesses have an opportunity to develop their international trade. This of course needs to be tempered with the rising cost of imports of materials.

Coast to Capital in its Strategic Economic Plan has always recognised that there is a great untapped opportunity to develop exports. It is estimated that only 20% of businesses currently export. Coast to Capital's strategic aim is to increase the percentage of exporting companies by 1% per annum. This led to Coast to Capital allocating £600,000 of ERDF funding to the UKTI national call to support international trade and allocating a further £1.3m of ERDF funding to ASEAN Business Support. This will help ring fence UKTI activity and funding in the Coast to Capital area against a backdrop of reduced funding for UKTI nationally. It is imperative that DCLG progress the contracting with UKTI quickly to get this essential support operational as soon as possible.

As part of the ERDF business competitiveness calls, Coast to Capital is consulting with 50 stakeholders to discuss business support needs, including internationalisation, in the light of the Brexit decision.

Coast to Capital undertook a low cost reconnaissance visit to Vietnam and as a direct result identified opportunities for Coast to Capital businesses and organisations. It was evident that there is a much greater insight into the trade opportunities by undertaking such visits. They also provide the opportunity to develop strategic and political links.

Gatwick airport have secured new long haul flights to a number of key destinations including Canada, Peru, China and Hong Kong. These offer new , more accessible markets for Coast to Capital area businesses.

#### Proposed Actions

Work with UKTI to promote the opportunities of international trade for Coast to Capital SMEs with a focus on ASEAN but also including e-commerce and new Gatwick flight locations. This support to include advice regarding foreign exchange strategies and funding international trade including the use of international cashflow funding and the government backed UK Export Finance initiative.

Undertake in-depth research into matching Coast to Capital sub sector strengths with the import demands of global markets being served by Gatwick

Undertake a series of international reconnaissance visits to ASEAN and

appropriate Gatwick long haul flight destinations. A business case would be produced for each proposed visit taking into account resource implications, risks and benefits.

Work with UKTI, EEN, international trade forums and Chambers to ensure ongoing opportunities with Europe are maximized in the short, medium and long term.

Promote international collaboration, partnership and outsourcing in the build up to Brexit to help minimise the impact of the potential limitation on the movement of skills in the medium term. This could be especially important in the CDIT sector.

Actively promote Coast to Capital Growth Grants in supporting investment required to exploit global markets as well as increasing productivity and efficiency.

### **Tourism**

With the recent exchange rate changes, there is a likely to be an increase in the tourism and hospitality sector and it is important that Coast to Capital support this sector.

#### Proposed Action

Work with stakeholders to support this sector's growth and explore the opportunities provided by the Coast to Capital Regional Growth Grants.

## **3 Foreign Direct Investment**

- 3.1 Last year was a very successful year for FDI into the Coast to Capital Region with a good mix of quality projects across the LEP's priority sectors and attracting investment from all regions of the world. This reflects what is understood to be a good year across the UK. It is believed that there will be the usual Government announcement regarding FDI in July 2016.

The following table details some of the key investment data:

|                               |                     |                   |
|-------------------------------|---------------------|-------------------|
| Total number projects 2015-16 |                     | 52                |
| Total value of projects       |                     | £2,401,456,016    |
| Value of projects             | High                | 19                |
|                               | Good                | 10                |
|                               | Standard            | 23                |
| Project type                  | New Investment      | 19                |
|                               | Expansion           | 16                |
|                               | Acquisition         | 17                |
| Jobs                          | Number of New Job   | 783               |
|                               | Number of Safe Jobs | 18                |
| Market                        |                     | Americas (15)     |
|                               |                     | Asia Pacific (17) |
|                               |                     | EMEA (20)         |

- 3.2 During the build up to, and following the EU referendum, FDI enquiries have dropped significantly. UKTI is in the process of contacting existing key overseas investors in an attempt to provide reassurance.
- 3.3 Coast to Capital has recently met with, or spoken to, more of the overseas posts Coast to Capital has been matched with - Singapore, Osaka and Toronto.

#### 4 Trade Visit to Vietnam

- 4.1 Coast to Capital participated in a very successful trade visit to Vietnam. A number of very useful meetings were held with:
- a company considering an investment in the UK
  - networking organisations including BBGV and the Vietnam Chamber
  - providers of advice and research in Vietnam
  - Ho Chi Minh's Export Processing and Industrial Zones Authority
  - SATRO - an important trading group
  - Dreamplex - a CDIT enterprise centre
  - the British Consulate and Embassy.
- 4.2 The team are following up with the contacts made to ensure that the momentum of engagement with Vietnam is maintained and the opportunities identified are proactively promoted to Coast to Capital businesses.
- 4.3 Lord Puttnam, the Prime Minister's Trade Envoy to Vietnam, Laos and Cambodia reiterated the importance of developing trade links with Vietnam, following the EU referendum result, at the Vietnam UK Business Network AGM.

#### 5 Gatwick Flights

- 5.1 The International Advisory Committee heard from Gatwick Airport on the latest flight routes including China, Hong Kong and Peru.

- 5.2 The committee recommended that Coast to Capital raise awareness of the new routes with the business community and work with partners to support trade initiatives that take advantage of the new flight paths.
- 5.3 There has been a 5% increase in passenger traffic compared with the previous year with over 40m passenger flights per annum.

Malcolm Brabon – Business Support Manager, Coast to Capital  
Presented by Mike La Rooy – Chairman, International Advisory Committee