ITEM 9

SURREY COUNTY COUNCIL
CABINET
DATE: 29 MARCH 2011
REPORT OF: CLLR IAN LAKE, CABINET MEMBER FOR TRANSPORT
CLLR DENISE SALIAGOPOULOS, CABINET MEMBER FOR COMMUNITY SERVICES AND THE 2012 GAMES
LEAD OFFICER: YVONNE REES – STRATEGIC DIRECTOR FOR CUSTOMERS AND COMMUNITIES
SUBJECT: ZIBO CITY

KEY ISSUE/DECISION:
1. To encourage a special relationship between Surrey County Council and Zibo City, China.

DETAILS:
2. Surrey’s vision is to be a world-class economy, and as such we should look at opportunities globally. The world economy is set to double in the next 20 years, with the growth driven by emerging markets, principally Brazil, Russia, India and China (the BRICs). Building a special relationship with Zibo City is entirely consistent with our aspirations.

3. It is right that we consider how the Surrey economy compares with a major city in one of the world’s fastest growing and most dynamic economies. Zibo City is one of the top 50 economic regions in China. In 2008, its economy was worth approximately £21 billion (Surrey’s was worth £26.5 billion).

   Annex 1 shows a full comparison.

4. In April 2010, Surrey County Council signed a Memorandum of Understanding with Zibo City, under the terms of which the two areas have pledged to support and encourage mutually beneficial cooperation in the field of Government, Economy, Education, Sport, Culture and Environmental Protection.

5. Councillor David Hodge, Deputy Leader of Council, noted on the signing of the Memorandum:

   “The signing of this document is the start of what I hope will be a fruitful relationship between us. Zibo City is recognised as one of the fastest growing cities in the world and Surrey is a powerhouse of the British economy. We look
forward to working with our Chinese friends to develop successful business opportunities to increase the prosperity of both Surrey and Zibo City” (SCC Press Release, 06 May 2010).

6. Following the ‘amber’ light given by ministers, last October, to our Surrey Connects Local Enterprise Partnership (LEP), we have engaged in further discussion with partners and government and will be submitting an updated proposal. Surrey Connects can meet the government’s key ambitions around added value and ambition by building up strong relationships with areas we have not worked with in the past. Building a relationship between Zibo City and Surrey Connects will support the aims of our LEP.

7. Zibo City’s economy is primarily industrial, 64.8% of its economy is represented by this sector, with services constituting 31.7% of the Zibo City economy and agriculture 3.5%. The Shandong province (which Zibo City is in the centre of) is rich in natural resources, including coal, petroleum and natural gas. In comparison, Surrey has a largely knowledge-based economy. It is dominated by large numbers of small and micro-businesses. Through the proposed special relationship there are opportunities to:

   a. share knowledge and experience, in particular, good environmental practice on work such as restoration of mineral extraction sites and building construction.
   b. find ways to link Surrey’s small to medium size businesses into global supply chains.
   c. Increase Surrey County Council’s engagement with UK based Chinese students studying in Surrey.

8. Visits to Surrey have been carried out by delegations from Zibo City in April 2010, November 2010 and January 2011.

9. The visits have resulted in further Memoranda of Understanding, setting out an agreement between the Foreign Affairs Office of Zibo Municipal Foreign Affairs, Zibo Ceramics Industry Association, Zibo China Ceramics museum and Surrey County Council to jointly host the “Zibo China Ceramics Exhibition” in Surrey in Autumn 2011. This will take place at The Lightbox in Woking.

10. A sum of £100,000 will be set aside in line with the Economic Development Fund (EDF). The EDF will support the work with Zibo City over the next few months.

11. Zibo City is an important ceramics production area of China and is referred to as “the ceramics capital of north China.” There are nearly 300 ceramics companies and more than 100,000 workers. Surrey too has a history of ceramics and pottery. This exhibition looks to provide an opportunity to energise Surrey’s Ceramics industry and open up opportunities for students to study ceramics.

12. As is the custom in Chinese business culture, as the relationship with Zibo City develops, there will be more opportunities to discuss commercial links. There will also be strong opportunities for synergies with the 2012 Olympic agenda. Given the size of the Zibo City / Chinese market, the impact of a successful ceramics exhibition, further strengthening our special relationship, would be significant. The next stage in the relationship would be achieving “Sister City” status.
Future Opportunities

13. It is important that Surrey takes every opportunity to shine and show off its considerable attractions. The special relationship with Zibo City represents a target market that will be of benefit to the visitor attraction and tourism sector economy that Visit Surrey will be working to promote and develop in the future.

14. The developing relationship will create opportunities for both sporting and cultural exchanges. In sport, The Surrey 2012 team is developing P&G Surrey Schools in 2012 to include "Surrey Global", where school children in Surrey will compete virtually with children from around the world. Through Surrey Global, there is scope for developing coaching methods between Surrey and Zibo and to develop disability sports and arts.

15. Surrey already has a very successful International Flag Exchange project, where schools produce and exchange flags that represent their communities. Regional Olympic projects exist that enable virtual tie-ups between schools, so that Surrey schools can have joint lessons online with schools in Zibo. This would be invaluable for improving cultural understanding and to improve language skills.

16. Across our Universities there are over 1,000 students from mainland China. On top of this, The University of Surrey and the University of Creative Arts have been involved in the research and development of industrial ceramics. The special relationship will generate further opportunities of linking up our educational institutions for mutual benefits.

17. Surrey’s apprenticeship scheme is growing. Surrey County Council alone is on course to have 42 apprenticeships in place. Our relationship with Zibo City could open up group study exchange opportunities for our apprentices and other talented individuals within Surrey.

Risk Management Implications

18. Certain financial risks have been considered and mitigated against. We have the budget in place to support the costs associated with the Ceramics exhibition and ongoing relationship.

19. The Customers and Communities Directorate has taken on lead responsibility for building the special relationship between Zibo City and Surrey County Council and will resource accordingly.

Consultation

20. The Zibo City Report has been produced in consultation with the Members and officers listed below.

Equalities Implications

21. By building a special relationship with an area with significant cultural differences, we could open up a far wider employee, supplier, and customer contact base.

Climate change/carbon emissions implications

22. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate
change. Like Surrey, Zibo City has the challenge of protecting and enhancing its environment while sustaining economic growth and development. As the relationship develops, there is the potential to share best practice around mitigating and adapting to climate change and reducing carbon emissions.

23. Both Surrey and Zibo see the transition to a low carbon economy as a priority. China’s new five-year plan has also sought to achieve a more balanced approach to growth and development. Surrey has expertise in alternative fuels and building technologies that may create commercial opportunities in Zibo. There are also shared interests around the use of electric cars and developing associated infrastructure.

Legal implications/legislative requirements

24. All legal implications with regards to hosting the Ceramics exhibition have been considered by our legal team and we are in the process of putting the relevant contracts in place.

Section 151 Officer commentary

25. The Section 151 Officer confirms that all material, financial and business issues and risks have been considered in this report.

RECOMMENDATIONS:

Cabinet is recommended to:

1. Endorse the special relationship between Surrey County Council and Zibo City, China.

2. Endorse the exhibition which will be held at the Lightbox in October.

REASONS FOR RECOMMENDATIONS:

26. The Local Economic Assessment found that comparator economies are catching and overtaking Surrey’s economic performance. To continue to be a powerhouse economy we must remain globally competitive and support activities that stimulate economic growth. Therefore it is critical that we identify new and innovative ways of building our economy. The special relationship with Zibo City will support us in this aim.

WHAT HAPPENS NEXT:

- Surrey County Council work with Woking Borough Council and colleagues at The Lightbox in Woking to ensure the Zibo China Ceramics exhibition is a success.
- We will continue to identify areas of mutual benefit to develop successful business opportunities to increase the prosperity of both Surrey and Zibo City.
- The Cabinet will receive an update in 12 months time.

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020-8541-7583

**Consulted:**  
Dr Andrew Povey, Leader of the Council  
Councillor David Hodge, Deputy Leader of the Council  
Susie Kemp, Assistant Chief Executive  
David Kelly, Contracts, Property and Environment Group Services Manager, Legal Services  
Peter Milton, Head of Cultural Services  
Rhian Boast, Directorate Business and Administration Manager, Customers and Communities  
Damian Testa, Strategy and Economy Team Manager, Environment and Infrastructure  
Mark Pearson, Chief Executive, Surrey Economic Partnership  
Surriya Subramaniam, Cultural Development Officer, Customers and Communities

**Informed:**  
As above
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<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
<th>Challenges</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td><strong>Geography</strong></td>
<td>The population density in Zibo City is 704.15 people per square km, in Surrey it is roughly similar - 661 people per square km.</td>
<td>Size: Zibo City covers 2,292 square miles and includes three counties; Huantai, Gaqiong and Yiyuan. Surrey is relatively small in comparison at 645 square miles.</td>
<td>Zibo City represents a target market that will be of benefit to the visitor attraction and tourism sector economy that Visit Surrey will be working to promote and develop in the future.</td>
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<td><strong>Geography</strong></td>
<td>The highest point in Zibo City is 1,108 metres; in Surrey the highest point is 294 metres (Leith Hill).</td>
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<td><strong>Geography</strong></td>
<td>Population: Zibo City 4.1 million, Surrey 1.1 million.</td>
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<td><strong>Economy</strong></td>
<td>According to the BBC website, Zibo City has the title ‘Capital of the Ceramics Production Base’, and Surrey too has a history of ceramics and pottery e.g. Borderware and Farnham Greenware.</td>
<td>Economic size - Zibo City: GDP £21 billion, Surrey: GVA £26.5 billion.</td>
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<td><strong>Economy</strong></td>
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<td><strong>Economy</strong></td>
<td>GDP per capita - Zibo City £4,856, Surrey (GVA per head) £24,103.</td>
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<td><strong>Economy</strong></td>
<td>Structure - Zibo City: Industry 64.8%, services 31.7%, agriculture 3.5%.</td>
<td>The transition from an industrial structure based on heavy manufacturing, to ‘high-end/high technology manufacturing’ and services.</td>
<td>Zibo City’s economic and industrial structure is likely to become more like that of Surrey.</td>
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<td>The dominant industries in Zibo City are the petrochemical industries, pharmaceuticals,</td>
<td>Heavy industry and mining has</td>
<td>Surrey and Zibo City share businesses in key sectors.</td>
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1 Note: these are different measures and only roughly comparable.
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| **Economy**                                                                  | metallurgy, building materials, machinery and textiles. High technology sectors are developing rapidly including fine chemicals, electronics and biological medicine. It remains a producer of silk and light textile products.  
Zibo City abounds in natural resources including coal, iron and bauxite. The city also includes deposits of petroleum and natural gas. | caused pollution, the city is now focusing on protecting its environment. | These sectors are crucial to future economic growth in the UK and correspond to some of those developing sectors in Zibo City, for example pharmaceuticals, life sciences and healthcare and environment and energy. Linkages might be made between businesses in the respective countries.  
There might be scope to develop linkages between businesses in the energy and environment sector in Surrey and energy businesses in Zibo City. |
| **Economy**                                                                  | Structure – Surrey: Surrey has a ‘knowledge based’ economy – dominated by services, the business and financial services sector is the largest contributor to the Surrey economy, representing 45% of Surrey’s GVA (Gross Value Added).  
In terms of business stock, approximately 14% of Surrey businesses are involved in manufacturing and construction relative to 44% in banking, | Surrey might not be able to compete on an international business stage. This may reduce levels of international investment.  
Supporting smaller, innovative businesses that have the potential to generate future growth and trade internationally. Surrey’s business profile is dominated by micro and small businesses.  
The Local Economic |
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<th>Surrey and Zibo City – A Comparison</th>
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<td><strong>Economy</strong></td>
<td><strong>Similarities</strong></td>
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<td>Surrey is home to notable clusters of businesses in financial and professional services and digital, software and digital media.</td>
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<td><strong>Challenges</strong></td>
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<td>Comparator economies are catching and overtaking Surrey’s economic performance.</td>
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<td>Increasing pressure on economic infrastructure.</td>
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<td>Rising unemployment from a low base, especially young people.</td>
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<td>Large reliance on employment in the public and financial services sectors.</td>
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<td>Increasing environmental pressures.</td>
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<td>The need for an appropriately skilled workforce.</td>
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<td>Contraction of the working age population.</td>
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<td>Similarities</td>
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<td><strong>Environmental Protection</strong></td>
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