

COMMITTEE OF THE WHOLE – MAY 11, 2010

CHINA TRADE MISSION 2010 – LETTER OF INTENT, CHANGNING DISTRICT, SHANGHAI

Recommendation

The Director of Economic Development in consultation with the City Manager, recommends that:

That the City explore the development of a Business Partnership with Changning District, Shanghai, People's Republic of China through the signing of the attached Letter of Intent.

Contribution to Sustainability

Green Directions Vaughan embraces a *Sustainability First* principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations. Under this definition, activities related to attracting and retaining business investments contributes to the economic vitality of the City. Global competition in the form of trade and business investment, forces even the smallest of enterprises to operate on the world stage. With the assistance of the City, access to government officials and business contacts can be made more readily available.

Economic Impact

The recommendation above will not have any impact on the 2010 operating budget. However, any future activity associated with the signing of a Letter of Intent, such as; any future business mission to Changning District, Shanghai that involves the City would be established through a future report that identifies objectives and costs for Council approval.

Communications Plan

Should Council approve the signing of a Letter of Intent with Changning District, Shanghai, the partnership will be highlighted in the post-mission report to the Economic Development Committee and in communications to the business community through the Economic Development Department's newsletter Business Link. In addition, staff of the Economic Development Department will work with Corporate Communications to issue a News Release on the day of the signing that highlights the partnership.

Purpose

To obtain Council approval to explore to the creation of a business partnership with Changning District, Shanghai, People's Republic of China by signing a Letter of Intent with Changning District while in Shanghai during the Greater Toronto Chinese Business Association's China Business Mission 2010.

Background – Analysis and Options

A significant amount of planning has been undertaken by staff in the Economic Development Department in preparation for the City's participation in the Greater Toronto Chinese Business Association's China Business Mission 2010, May 19-30, 2010. (December 14, 2009, Economic Development Committee Report No.4, Item #2)

The planning encompasses, corporate site visits, business network meetings, face-to-face investment meetings and government meetings with the Canadian and Ontario consulates and numerous Chinese government offices and officials. The meetings will ensure that Vaughan has more opportunity to achieve its economic development goals as a participating municipality. As

final preparations are completed, staff in the Economic Development department were contacted during the week of April 26, 2010 by Mr. Tommy Gong, a York Region and Shanghai businessman with a unique opportunity to sign a Letter of Intent for a business focused partnership with Changning District, Shanghai, People's Republic of China.

Mr. Gong, is a key member of the Changning District government's advisory board that is responsible for overseas business and friendship associations and has a formidable relationship with Ms. Jingyan Fang who is the deputy director for Changning Mayor's office foreign co-operation. As a businessman, Mr. Gong's company manages one of the largest real estate development groups in Asia Pacific with approximately 10 Billion USD sales revenue in 2009.

Profile

Changning District, Shanghai, People's Republic of China is one of the most diversified, wealthy and culturally centred districts in Shanghai and perhaps China. The District is located on the west side of downtown Shanghai and encompasses approximately 40 sq. kilometers. The population of Changning District is approximately 700,000 people.

Changning's business sectors are anchored in three master planned business parks. The Shanghai Multimedia Park, Changning Information Park and the International Business Park. All three business parks are designed to accommodate specific business sectors that are core to the Shanghai economy. The largest sector is information technology and in particular, digital media technology. Changning has more than 1,260 IT companies. In addition, other major sectors of importance to Changning are headquarters, transportation and logistics. The district is also home to six hospitals which provide a solid foundation for the development of bio and life science sectors, healthcare services as well as medical research and commercialization activities.

Perspective

In 2008, the Economic Development Department organized a Business Mission to China. The Mission was lead by Regional Councillor Joyce Frustaglio, Councillor Sandra Yeung Racco, Chair of the Economic Development Committee, and Michael DeAngelis, the former City Manager. In preparation for the Mission, staff of the economic development office relied on the assistance of York Region and Chinese businessman, Mr. Tommy Gong. Mr. Gong assisted staff with establishing, scheduling and hosting key business meetings for the Vaughan delegation while in Shanghai.

Subsequently, in September, 2009, Shanghai Changning District sent a delegation to Vaughan lead by Changning Deputy Mayor Zhou Longfei and accompanied by Mr. Gong. During this trip a discussion for future co-operation in business, culture and investment was discussed with members of the Economic Development Committee and Staff of the Economic Development Department.

Following Shanghai Changning's visit to Vaughan, Changning Magistrate, Li Yaoxm sent a formal invitation to the City expressing a desire to host a delegation from Vaughan to begin discussions which could eventually lead to establishing a partnership between the cities.

Based on the communication and delegations received with Changning, an option to build and maintain the business relationship with Changning is through the opportunity of signing a Letter of Intent. The Letter of Intent is considered a key component of doing business in China, in that the relationships with government bodies are nurtured over a period of time which then creates business activity and options for business investors and partners.

Conclusion

The International Partnership Policy of the City of Vaughan has been in place since 1991 and it indicates two forms of International Partnerships: Friendship Agreements and Twin City Agreements. These partnerships are also characterized by the type of collaboration that they propose to cultivate: cultural or educational relations or economic opportunity development.

On February 26, 2007, Council approved a report directing staff to bring forward recommendations for new economic partnerships with suitable partner cities in China, northern Italy, USA and any other jurisdiction offering excellent growth opportunities for Vaughan. Council in February 2008, also requested a report on the establishment of a strategy and protocol related to international partnerships, economic or business missions.

Therefore, until a formal international partnership strategy is established through the forthcoming 10–Year Economic Development Strategy a Letter of Intent would give staff of the Economic Development Department the opportunity to further research and identify economic opportunities that could be achieved with Changning District, Shanghai. Initially, the sectors identified as key opportunities through the department's recently completed Employment Sectors Study Strategy match well with the predominant industry sectors of Changning.

The Letter of Intent is based on creating a framework of initiatives and outcomes for both municipalities that focus on business. In addition, the Letter of Intent is created with a defined timeframe to pursue a more formal economic development partnership. Although a partnership agreement or Letter of Intent was initially not a formal objective of participating in the Greater Toronto Chinese Business Mission the opportunity to sign a Letter of Intent with the government officials of Changning District, Shanghai during the Business Mission is an excellent opportunity for the City to establish an introductory economic relationship with one of Asia's most prominent cities.

The process for entering the Chinese market begins with developing relationships. China is a vast and complex country, which makes doing business more complex than other regions. The economy is diverse and has many distinct economic regions. A challenge in maximizing business opportunities is forging the right connections to advance one's commercial interests and without these connections, municipal and provincial government efforts to enter the Chinese market may be significantly hampered.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved. Specifically, this report fulfills Vaughan Vision 2020 Goal: Plan and Manage Growth and Economic Vitality.

Regional Implications

Not applicable

Attachment

1. Letter of Intent for Business Partnership with Changning District, Shanghai, People's Republic of China

Report prepared by:

Tim Simmonds, Director of Economic Development

Respectfully submitted,

Tim Simmonds
Director of Economic Development

Letter of Intent of Business Exchange
between
the City of Vaughan, Ontario, Canada
and Changning District, Shanghai, People's Republic of China

This letter of intent of Business Exchange is created in order to strengthen the ties and relationship as well as achieve common development between the two regions, the City of Vaughan, Ontario, Canada and Changning District in Shanghai. On the basis of mutual respect and equality, the two parties have reached the agreements through friendly consultation. The details are as follows:

1. Organizing Governmental Delegations

The two parties will organize the delegations to visit each other to achieve frequent communications by the government officials. If the condition permits, the mutual visits will be scheduled once a year.

2. Conducting Non-Governmental Exchanges

Through a series of activities and exchanges, the two parties intend to achieve common development in the field of science and technology, advanced manufacturing, business investment, logistics and goods movement and tourism and culture.

3. Facilitating the Exchange of Information that is Directly Linked to Key Economic Indicators

Opportunities will be identified for the enterprises of two regions to learn from each other, thus promoting the economic cooperation.

Therefore, with the signing of this letter of intent and on the principles of friendship, equality and mutual benefit, the two parties will take action to make substantial progress towards creating a formal Economic Partnership Agreement between **Changning District, Shanghai, People's Republic of China** and **City of Vaughan, Ontario, Canada**.

The letter of intent is written in English and Chinese. Both versions have the same

equivalency.

The letter of intent comes into effect from the date of signing by both parties in Shanghai on May 21, 2010 and will expire or be replaced by a formal Economic Partnership Agreement on May 31, 2012. It has two originals, each party holding one.

The City of Vaughan, GTA,
Ontario, Canada

Changning District, Shanghai
P. R. China

Mayor

Mayor