

COMMITTEE OF THE WHOLE – MAY 15, 2012

INTERNATIONAL BUSINESS DEVELOPMENT – CHINA CITY-TO-CITY BUSINESS AGREEMENT WITH YIWU, CHINA AND INTERNATIONAL BUSINESS TRAVEL TO TAIPEI, TAIWAN TO COINCIDE WITH THE 2012 GREATER TORONTO CHINESE BUSINESS ASSOCIATION TRADE MISSION

Recommendation

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

1. The City explore the development of a Business Partnership with the city of Yiwu, People's Republic of China through the signing of the attached Letter of Intent.
2. The Official Letter of Invitation from the Director-General of the Taipei Economic and Cultural Office in Toronto to explore economic opportunities with Taipei, Taiwan be received; and
3. The scope of the Mission of the delegation from Vaughan participating in the 2012 Greater Toronto Chinese Business Association Trade Mission November 23 - December 4 be broadened to include travel to Taipei, Taiwan to further explore the economic opportunities for the City.

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.

Economic Impact

The associated costs with this report will have a minimal impact on the Economic Development Department's 2012 Operating Budget. However, any future activity associated with the signing of a Letter of Intent, such as; future business mission(s) to Yiwu, China that the City would be established through a future report that identifies objectives and costs for Council approval. Likewise, any future business development activities with Taipei, Taiwan that may require international travel would be requested through a separate report to Council.

Communications Plan

Should Council approve the recommendations in this report, notification will be given to the Vaughan Chamber of Commerce, the Vaughan Chinese Business Association, the Confederation of Greater Toronto Chinese Business Association and the Chinese Consulate General in Toronto. Staff will communicate to the business community through the Economic Development Newsletter *Business Link*. In addition, staff will be working with the local media outlets to report on various aspects of the Mission prior to departure, during the mission and post mission.

Purpose

To strengthen Vaughan's International Business Development as outlined in the City's 10-Year Economic Development Strategy through;

1. The creation of a business partnership with Yiwu, People's Republic of China and the signing of an Economic Letter of Intent.
2. Further explore the economic opportunities with Taipei, Taiwan as a Gateway to China.

Background – Analysis and Options

The recently adopted 10-Year Economic Development Strategy entitled "Building A Gateway To Tomorrow's Economy" clearly articulates that Vaughan's international business development (IBD) must bring economic benefits to Vaughan's businesses and residents.

The key objectives for Vaughan's international business development strategy are:

1. To support local economic development by providing local businesses with an additional tool to access new markets, achieve growth, and retain their competitive edge
2. To support local economic development by pursuing foreign investment attraction
3. To create or leverage opportunities arising from multicultural or ethnic partnerships
4. To enhance Vaughan's global image

Why Pursue Asia Pacific Linkages

From a practical point of view the economic development strategy identifies that the CP rail lines originating in Vaughan essentially terminate in Delta, British Columbia where they are linked to Asia-Pacific trade through the Deltaport Container Terminal, one of Canada's largest container terminals. Therefore, an obvious potential for partnership exists with the Asia Pacific market based on the following factors:

- Asia-Pacific goods carried by CP Rail and destined for the Ontario and Northeastern markets enter the country through Deltaport and terminate in Vaughan at the CP Intermodal facility.
- Goods produced in Ontario and destined for markets in the Asia-Pacific region pass through Vaughan before heading west to Delta.
- The realities of rail traffic suggest that CP Rail has little desire to stop at additional locations along the route from Vaughan to Delta; such stops cause delays and make goods transport less profitable.
- Taking advantage of the existing flow of goods to expand existing strengths in transportation, warehousing and logistics, while cooperatively pursuing new opportunities for packaging, light assembly and value-added manufacturing brings economic value to the City.

Seeking to partner with additional communities across the Asia-Pacific region such as; Yiwu and Taipei, to form a mutually supportive and targeted trade and economic development partnership will be beneficial for the City as it strengthens its position as the economic gateway to the Greater Toronto Area.

Potential Gateway to China - Taipei, Taiwan

On March 29, 2012 a delegation led by the Director-General of the Taipei, Taiwan Economic and Cultural office for Canada, Mr. Winston Wen-yi Chen, was received by Mayor and Members of Council, the City Manager and the Director of Economic Development at City Hall.

The delegation request made by the Director-General's office was coordinated through the City's Economic Development Office. The Taipei Economic and Cultural Office had recently read through local media that Vaughan was participating in the Greater Toronto Chinese Business Association's 2012 Mission to China and therefore, wanted to formally make an introduction to

the many economic benefits of using Taipei as the Economic Gateway to China. Much in the same way Vaughan is positioning itself as the gateway to the Greater Toronto Area.

Taiwan's Economic Development Rationale

The Director-General spoke to the notion that foreign companies are being able to leverage their business in China very successfully mainly due to the fact that when a company uses Taiwan it is a much easier business-to-business transition due to the country's democratic model of government and capital based banking system created more than 60 years ago. In addition, the English language is considered Taiwan's second language, spoken and taught throughout the Country.

Taiwanese businesses have developed extensive networks of contacts and relationships and have accumulated substantial trade and investment experiences in China for more than 30 years. This unique strength of Taiwanese businesses has led to many international companies using Taiwan based executives to manage their Greater China operations.

Like Hong Kong companies under the Closer Economic Partnership Arrangement between China and Hong Kong, Taiwanese companies are now also treated as if they were Chinese domestic companies for various purposes. This makes it more advantageous for Taiwanese companies trying to penetrate China's domestic market.

With the ease of travel between Taiwan and China and its convenient and geographical location to mainland China, Taiwan is making itself an attractive gateway to China for foreign multinationals. A number of Korean, Japanese, and European companies have taken this approach as have the United States and now Canada.

Currently Taiwan is Canada's 13th largest global trading partner and Canada's 4th largest trading partner in Asia. Given that Taiwan is an export-based economy, there is great potential for further trade relations between the two countries to take advantage of the knowledge and experience of Taiwanese firms and join together to enter the Greater China market

Yiwu and Vaughan : Economic Partnership

The City of Vaughan most recently participated in a Business Mission to Yiwu, China in April, 2011 which was organized by the Economic Development Department.

The Economic Development Department has been working with Yiwu companies since 2009. Most notably with L&D Investment (Ms. Helen Dong), whose core business is to assist Chinese companies expand outside China. In July 2009, Ms. Dong led a 30+ member delegation from Shanghai/Zhejiang to the Toronto-area, including Vaughan.

The City also took an opportunity during the 2010 Mission to China to further its relationship with L&D Investment and visit Yiwu. During this time Ms. Dong introduced the City to Mr. Edison Luo of Zhejiang Regional Economic Cooperation Promotion Association, based in the city of Yiwu. It is was their goal to create a Canadian import centre at the Commodities Market thus creating greater access for Canadian companies to the Chinese market. The delegation was also able to meet with Yiwu municipal representatives and toured Yiwu's export commodities trading markets as well as the Imported Goods Centre during this visit.

In addition, the City of Vaughan hosted a delegation from Yiwu in December 2010. During the delegation's visit, Vice Secretary, Madame Chen Xiuxian had extended an invitation for the City of Vaughan to attend the 2011 Yiwu Cultural Products Trade Fair and continue to explore opportunities to launch the Canadian Import Centre through the work of Ms. Dong and Mr. Luo and potentially create an economic partnership with the City.

Canada Mart (Canadian Import Centre)

The newly established import centre in Yiwu has been officially named "Canada Mart" and is located in the newly constructed area of the Export Commodities Market and is being managed by Zhejiang Winners Trading Ltd. The retail location is approximately 500 square meters (5,500 sq. ft) in size and is ideally located on a corner location on the main floor.

Most recently the economic development office received a three-person business delegation from CanadaMart located in Yiwu, China. Representing CanadaMart and Zhejiang Winners Trading Limited were Mr. Edison Luo, President; Mr. Tim Shen Wang, Assistant to the President; and Ms Xiao Yi.

As mentioned, over the past two years, the Department has been working with Mr. Luo to open an import centre for Vaughan and other Canadian made products at the Yiwu Cultural Trade Fair. A delegation from Vaughan led by the Mayor, attended the opening of CanadaMart in April 2011. Mr. Luo has reported that CanadaMart has been very successful with the products sourced through Vaughan's contacts and has returned to meet with new potential manufacturers and distributors.

During their visit on December 15-16, 2011, Staff arranged meetings for this delegation with seven local companies engaged in food and beverage, cosmetics, health and wellness products. As well, we introduced Mr. Luo to Ontario Food Exports, a program under the Ministry of Agriculture, Food & Rural Affairs, that links targeted international buyers with qualified, reliable Ontario food producers and suppliers.

Our continuing work to establish business connections with the Yiwu Municipal Government, and Zhejiang Winners in particular, is consistent with the City's 10-year Economic Development Strategy

Yiwu, China

An Edge City within the richest province in China, Zhejiang - Yiwu has a population of about 1.2 million people. The city is famous for its small commodity trade and vibrant free markets and is a regional tourist destination. Yiwu is a major trade centre in China's coastal zone and provides an entry for Vaughan to China, while building on the asset of Vaughan's growing Chinese population. An important local and regional transportation hub, Yiwu relies on international trade connections to service its rapidly growing economy. Yiwu is unique in that the City has succeeded in creating the largest small commodities export centre in China and the world. It has been highlighted by investment firms including Morgan Stanley as a significant growth centre in the Chinese economy.

Commodities Market

Developed and managed by Zhejiang China Commodities City Group Co., Ltd. (Public, SHA:600415). Yiwu's Market has for six consecutive years topped China's Top 100 open markets. The International Commodities Trade Centre now encompasses more than 43-million square feet of commercial space dedicated to exported small goods and commodities; and attracts more than 200,000 incoming business people daily, in addition to the 13,000 overseas or expatriates living there.

In addition to the wholesale trade, Yiwu is fully integrated to provide distribution and warehousing services, transportation logistics and customs clearance. The scale of Yiwu's commodities

markets may be better understood in this way: if one spends three minutes per booth/showroom, eight hours per day, it would take more than a year to complete a tour of the entire commodities trade space. As a result, more than 1,000 shipping containers leave Yiwu everyday for destinations around the world.

Yiwu has developed an Imported Goods Centre. The Imported Goods Centre, covers an area of more than 530,000-square feet, and is expected to attract 27,000 kinds of commodities from 52 countries.

Conclusion

It is important that the City remain active in international business development and maintain a level of continuity as long-term relationships are key to creating business opportunities in China and the other Asia Pacific countries.

Establishing a gateway through Yiwu and potentially Taipei, to export Vaughan products to China, builds on the “Edge City” and gateway concepts articulated in the Economic Development Strategy. Goal One recognizes that geo-political borders are inconsequential to business and flows, especially in a globalized economy, and establishing connections to international trade flows position Vaughan as an excellent gateway to the Greater Toronto Area and the economic region.

The wide scope of the Economic Development Strategy with regard to new international business development is being approached as a multi-phase program of activity and will require Council and City Staff to have much greater reliance on external agencies such as international chambers and business aggregators; consulates; and, federal and provincial economic development agencies. The process of fostering trust and communication in order to achieve economic and social benefits requires regular reciprocal visits and/or local representation or agents in the partner market.

It also means continual knowledge development on and anticipation of global trends, because if anything is true of our globalizing economy, it's that change is the only constant. Economic developers and communities who do not seek to understand how new policies, technologies, trends or news constantly reshape their work – and respond accordingly – will find themselves at a disadvantage to those who do.

To maximize a local company's contacts, Economic Development staff will continue to work at forming a network of relationships with people at various levels across a broad range of government and non-government organizations locally and abroad. Thus giving Vaughan companies a distinct advantage in doing business in China.

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 Yiwu, People's Republic of China
2. Taipei Economic and Cultural Office, Toronto – Letter to Mayor Bevilacqua

Report prepared by:

Tim Simmonds, Director of Economic Development

Respectfully submitted,

Tim Simmonds
Director of Economic Development

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April 11, 2012

His Worship Mayor Maurizio Bevilacqua
The City of Vaughan
2141 Major MacKenzie Drive
Vaughan, Ontario
L6A 1T1

Dear Mayor Bevilacqua:

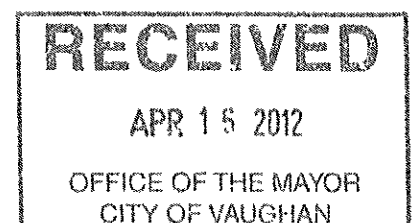
It was a great pleasure and honor to meet with you, four Councillors of Vaughan City, and Director Tim Simmonds on March 29. Our conversation was constructive and informative, that gave me much confidence in enhancing our relationships in the near future.

As mentioned, Taiwan is an important trading partner with Canada. And the new Economic Cooperation Framework Agreement (ECFA) signed between Taiwan and Mainland China in 2010 not only reduces the barriers to the Mainland China market from Taiwan, but also creates opportunities for Taiwanese and Canadian businesses to form alliances to enter that market. I was happy to learn that you and the mayors of the Greater Toronto will lead a delegation to visit Mainland China and Hong Kong this year, and hence I would like to take this opportunity, on behalf of the Government of Republic of China (Taiwan), to extend an open invitation to you to visit Taiwan, hoping that you include Taiwan in your itinerary. During your stay in Taiwan, we will arrange meetings with our government officials and schedule the programs to meet your interest, in the field of trade promotion and cultural exchanges. I believe that the visit will induce much benefit to your city.

In closing, I express my gratitude again for your kind attention in this matter, and hope to hear from you soon.

Yours Sincerely,


Winston Wen-yi Chen
Director-General



**MEMORANDUM OF UNDERSTANDING
BETWEEN
CITY OF VAUGHAN, ONTARIO, CANADA
AND
CITY OF YIWU, PEOPLE’S REPUBLIC OF CHINA**

Taking into consideration the mutual interest to strengthen the friendly relations between the City of Vaughan and the City of Yiwu, both parties have agreed to take appropriate action, through reciprocal exchange in various areas, to establish a Special Friendship Relation for a period of three years. After friendly consultation, both parties agree to reach the following agreement:

1. To promote and expand friendship between the two sides, and to receive official visiting delegation of the other side.
2. To promote exchanges in the fields of business, culture, education, science & technology, etc.
3. To develop and promote the cooperation of trade, investment and industry.
4. To promote the development of tourism.
5. To dispatch officials to each other's governments for training or short-term exchange when convenient.
6. To commission the City of Vaughan Economic Development Office and Foreign & Overseas Chinese Affairs Office of Yiwu Municipal People’s Government as liaison for the daily contact of the friendly exchanges between the two sides.

In witness thereof both sides have agreed the Memorandum of Understanding becomes effective on _____. The Memorandum of Understanding is written in English and Chinese in two copies. The texts of each language are of equal force.

Honorable Maurizio Bevilacqua
Mayor
City of Vaughan, Canada

Honorable Mr. He Meihua
Mayor
City of Yiwu, China