

Asia (Japan and China) Mission 2018

Date: June 22, 2018
To: Economic Development Committee
From: General Manager, Economic Development and Culture
Wards: All

SUMMARY

Councillor Michael Thompson led a mission to Japan and China in May 2018. The Councillor was joined by Councillor Mark Grimes and Mike Williams, General Manager, Economic Development and Culture (EDC), on the mission. The main focus of the mission was to strengthen bilateral relationships with key international markets, sell Toronto's strengths as Canada's financial and business capital and a hub for higher education and research, and to encourage investment in multiple sectors including food processing, urban infrastructure and new technology. Japan and China have been identified as priority markets by the World Trade Centre - Toronto.

The cities visited were Tokyo and Sagami-hara in Japan and Shanghai (Mike Williams only) and Chengdu in China. The purpose of the mission was to explore opportunities for trade and export development in Japan and China. Meetings included: building relationships with local organizations, Global Affairs Canada, Trade Commissioners Services, local government officials and various channel partners who can assist in expanding trade opportunities for Toronto based companies.

This mission was aligned with and supports City Council's objectives as stated in the adopted International Trade Funding Report designed to enhance Toronto's international engagements and economic trade activity in priority markets.

This report provides a high-level summary of the mission to Japan and China, with highlights of the key activities that occurred during the mission and planned follow-up from the mission.

RECOMMENDATIONS

The General Manager, Economic Development and Culture recommends that:

1. Economic Development Committee receive this report for information.

FINANCIAL IMPACT

Net costs of the trade mission to the City of \$10,707.75 were included in EDC's 2018 Approved Operating Budget, under Business Services' International Alliances activity.

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

The Economic Development Strategy, Collaborating for Competitiveness, adopted by City Council in February 2013 presents specific recommendations and actions to advance four key strategies to accelerate economic growth and job creation in Toronto. A key pillar to the strategy is to "Boost Business Growth" which focuses on leveraging the City's relationship with our international alliance partner and friendship cities as well as with bi-lateral business associations to establish cross border business oriented partnerships, develop new markets and trade alliances, and act as a catalyst for new investment, as well as business, educational and cultural exchanges.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.ED19.4>

The international trade funding report adopted by City Council in February 2017 directs the General Manager, Economic Development and Culture to report to Economic Development Committee on the results of all outbound trade missions within three months of the mission and to report to Economic Development Committee annually on all international economic and cultural development activities. The report highlighted World Trade Centre – Toronto (WTC-T) as a key supporting partner in the delivery of trade promotion activities.

<http://www.toronto.ca/legdocs/mmis/2017/bu/bgrd/backgroundfile-100375.pdf>

COMMENTS

Through the City of Toronto's International Alliance Program (IAP), Toronto fosters formal and informal relationships with international cities to strengthen economic, cultural and multicultural links, and to share best practices.

Outbound missions are an essential and integral part of the program. Mission priorities include relationship-building with government, community, and business partners. The core of any outbound mission typically includes courtesy calls with representatives of the local governments, one-on-one business meetings and broader audience marketing functions as well as institutional meetings and speaking engagements. Economic Development and Culture (EDC) Division staff work very collaboratively with other orders of government in-market such as Global Affairs Canada officials and provincial officials in International Trade and Economic Development to facilitate local market engagements.

Canada-Japan relations are underpinned by political, economic and cultural ties which are bolstered by common values and mutual positive perceptions. Trade and economic relations between Canada and Japan have been steadily expanding. As of 2017, Japan stood as the third-largest economy in the world. In March 2018, Canada, Japan and eight other Pacific countries agreed to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, opening Japan's economy to increased foreign competition.

The City of Toronto has maintained a Friendship City relationship with the city of Sagamihara, Japan since 1991 (prior to amalgamation it was the City of Scarborough). Numerous exchanges have taken place since the inception of this relationship. In June 2013, Toronto renewed its Friendship City agreement with Sagamihara for an additional five years. Sagamihara serves as Toronto's gateway to Tokyo and the rest of Japan.

The City of Toronto has had a long history of developing and promoting economic, business and cultural exchanges with cities in China and Japan. Established in 1986, the relationship with Chongqing, China was initiated by the City of Toronto. Over the years, the City of Toronto has signed four Memorandum of Understanding (MOU) agreements with different cities and organizations in China. There have been several goodwill visits, trade missions, and business exchange programs, primarily in the economic, cultural, professional training and educational fields.

It is important for the City of Toronto to tap the investment potential of our existing relationships in these markets to generate new contacts, conduits and leads to facilitate direct trade, market local products abroad, and keep Toronto 'top of mind' on the investment list. The City of Toronto maximizes export trade targeting by utilizing and expanding upon formal and informal partnerships and networking opportunities with public and private sector stakeholders abroad.

Mission Objectives

The specific objectives of the Asia Mission were to:

- Promote Toronto's competitive advantages for business, help the City to compete globally and create opportunities for new partnerships leading to more jobs and investment
- Advance Toronto's international reputation for innovative technologies, services and products
- Strengthen existing relationships and economic, political and cultural ties
- Establish relationships with local channel partners that can assist Toronto based SMEs in developing trade opportunities in the two countries
- Renew the friendship and cooperation city agreement between the City of Toronto and City of Sagamihara, Japan
- Sign of a Letter of Intent (LOI) between City of Toronto and City of Chengdu, China

Mission Highlights

Shanghai (May 14-15)

- Co-led a City of Toronto sponsored food business mission to Shanghai with 11 businesses (see Attachment A for a list of participating businesses), which was organised and co-led by the World Trade Centre – Toronto.
- Attended presentations and workshops on the following topics:
 - Entering and succeeding in the Chinese marketplace by The Export Group
 - Distribution of your product in China by Metcash
 - Building a brand that resonates with Chinese consumers
 - Managing regulatory and product localization requirements
 - Agri-food product importation regulation and policy updates
 - Financing support from Export Development Canada
 - E-commerce in China: How to start and how to bring traffic
 - Creative Social Media Marketing: How to make your brands known to the local consumers

- Attended site visits to the following organisations:

- **HSBC**

HSBC is a leading international bank and one of the world's largest banking and financial services groups. Their business lines include: Commercial Banking, Global Banking and Markets, and Retail Banking and Wealth Management. HSBC serves customers worldwide through an international network of around 3,900 offices in 67 countries and territories in Europe, Asia, North America, Latin America, the Middle East and North Africa.

Through the workshops at HSBC, participants gained an understanding of the Chinese consumer landscape. An overview of trends and recent developments in China's online and offline selling environment was provided, as well as insights into becoming 'China-ready' from market structure understanding to developing position strategy to building local brand propositions, products and packaging. Information on case studies regarding the evolving role of foreign brands was also provided.

- **Greenland Business Group / G-Super Xuhui Store (part of the Greenland Business Group)**

Founded in 1992 with headquarters in Shanghai, Greenland Group is a global leading real estate enterprise. In recent years the company has gradually transformed into an urban service operator, focusing on consumption and service demand of the middle class generated by China's huge population base. Greenland Direct Global Goods was created to provide healthy, safe and high-quality goods to urban residents. The company purchases diverse high-quality and low-cost global products from five continents, covering over 8,000 kinds of imported goods. Greenland's first three physical boutique supermarkets opened in Shanghai in 2014 with great success, and are rapidly expanding across China with a goal of over 50 locations by the end of 2018.

Through this site visit, delegates were provided with a better understanding on how the retail market works in China, price comparison, store structure, packaging and presentation ideas. Delegates went on a tour conducted by different product category managers who guided delegates on the different steps to access specific distribution channels. Finally delegates had an opportunity to pitch Greenland buyers with several promising export opportunities developing.

- **Boxing Cat Brewery (BCB) – North American Microbrewery in Shanghai**

The Boxing Cat Brewery is one of the first and the most internationally recognized microbreweries in China. Established in 2008 in Shanghai, they now have over 3 brewpub locations and 1 central factory in Minhang. BCB is a Canadian company that has achieved great success in the Chinese market.

Through this site visit, delegates were provided with business insights pertaining to the food and beverage market in China and a platform for networking.

- **Fragomen**

Fragomen specialises in assisting multinational corporations, financial institutions, and other global employers with employment based immigration consultancy services as well as assists with investor visas.

Delegates attended a session at Fragomen's office in Shanghai to learn about China's Immigration Landscape: Challenges & Opportunities.

Sagamihara - May 17, 2018

Japan External Trade Organisation (JETRO)

- Met with representatives from JETRO to discuss trade opportunities between Toronto and Sagamihara companies.
- Sagamihara is interested in targeting 'Robotics' as a strategic growth initiative and there were discussions around the World Robot Summit due to be held in Fukushima and Aichi, Japan in August and October 2020.

Sagamihara Chamber of Commerce (SCC)

- Met with the President of SCC to discuss opportunities for bilateral trade and trade relations between Toronto and Sagamihara.
- Explored opportunities for the exchange of commercial and industrial projects between both cities.

Investment Promotion Seminar

- Presented to a group of approximately 34 businesses from Sagamihara, Tokyo and Yokohama on Toronto's strengths, trade opportunities and investment climate in various sectors with a particular focus on Artificial Intelligence (AI) (see Attachment B for a list of participating businesses).
- Presentations were also made by representatives from the Province of Ontario on the business climate and investment opportunities in Robotics and related industries.
- City of Sagamihara highlighted future opportunities and economic exchanges between Toronto and Sagamihara during the exchange of presentations.

Aoyama Gakuin University

- The Toronto delegation was provided a tour of the university and an overview of the various programs offered.
- A discussion on the learning exchange for one of their students at the City of Toronto is being planned for summer 2018.
- A faculty exchange program is being considered in partnership with York University.

Courtesy Meeting with Mayor of Sagamihara and Council Chair Numakura

- Met with Mayor Kayama and Mr. Numakura of Sagamihara to explore further areas of economic and cultural cooperation between both cities.
- Witnessed the official signing of the endorsement of the Friendship City Cooperation Agreement between City of Toronto and City of Sagamihara.
- Sagamihara is interested in the Robotics and AI sectors and plans to position this as a strategic growth initiative.
- Sagamihara will be sending a delegation of City Councillors to Toronto in summer 2018 to learn more about the AI sector and will be seeking introductions to AI partners in Toronto's technology ecosystem.

Tokyo - May 18, 2018

Meeting with East Japan Railway Company (JR East) representatives

- East Japan Railway Company is a major passenger railway company in Japan and one of the seven Japan Railways Group companies.
- Representatives from JR East arranged a tour of the Shinjuku station and surrounding commercial areas. The master plan of the area was discussed which included regional transit, property assembly, subways, intercity buses, commercial shopping area and two office buildings. JR East has designed retail space with turnover in mind and leases have been configured with shorter lease terms. Interesting pop up retail as well as social media spaces have been designed. Planning around the station is highly vertically integrated. A Tokyo Tourism office is also housed at the Shinjuku station.

Meeting with Tokyo Metropolitan Government (TMG) representatives

- This meeting focused on high-level cooperation between Tokyo and the City of Toronto to promote trade and mutual business investment interests in both cities.
- Toronto's experience hosting the Invictus games as well as the upcoming Tokyo Olympics were discussed.
- TMG is interested in shared access to incubators and accelerators between Tokyo and Toronto.

Meeting with Japan International Asset Management (JIAM) Centre of Promotion

- Discussed collaboration related to financial services between Toronto and Tokyo and exploring meaningful collaboration in terms of facilitating the entry of asset management organisations in each market.

Chengdu (May 18-20)

2018 Innovation Forum for Mayors of International Sister Cities of Chengdu

- Attended the opening ceremony of the Global Innovation and Entrepreneurship Fair (GIEF) and 2018 Innovation Forum for Mayors of International Sister Cities of Chengdu.
- GIEF was established for the purpose of integrating global innovation and entrepreneurship resources, promoting the flow and exchanges of innovation and entrepreneurship elements and showcasing new trends and achievements in innovative industries.
- The forum is one of the most important events under the framework of the GIEF which has been held since 2016 and is an important platform for dialogues and cooperation discussions between Chengdu and its sister cities and friendship cities around the globe.
- This year's theme was 'New Economy, New Driving Force and New Development'. The intent was to analyze opportunities and challenges brought on by the New Economy from three dimensions: Economy and Industry, Community and Daily Life and City Governance.
- Toronto was invited to participate and share the international stage with 43 countries and signed a LOI with the City of Chengdu for a future MOU.
- Toronto was also given an opportunity to highlight its strengths and programs as one of the keynote addresses during the forum.

Site visit to Jincheng Plaza Station

- The Toronto delegation visited the Jincheng Plaza Station - Line 18 of the Chengdu Metro network. This line is under construction and is 66.7 km long with 12 stations in total. Construction began in August 2016 and is expected to be completed by June 2020.
- Discussion with staff and engineers from the Chengdu Urban and Rural Construction Commission was around the speed of development pertaining to infrastructure projects and government supports in Chengdu to realize the same.
- Exchanging best practices on building and operating mass transit were discussed.

Meeting with the Vice Mayor – Chengdu Municipal People's Government (CPC Jinniu District Committee, Chengdu)

- The Toronto delegation met with the Vice Mayor and senior officials in charge of public planning, transportation and infrastructure development.
- Chengdu was positioned as a centre of economy, finance and a comprehensive hub for communication.
- Chengdu is seeking mutual cooperation in specific sectors such as Manufacturing, Digital, Retail and ICT
- The officials are very interested in establishing a direct flight from Toronto to Chengdu.
- Tourism was also highlighted as an important sector for investment and cooperation.

Investment Promotion Seminar

- In order to provide Sichuan enterprises with a better understanding of Canada's investment environment and policies, federal, provincial (Ontario) and municipal (Toronto) government officials gathered in Chengdu, with the support of the Office of Foreign Affairs of the Chengdu Municipal People's Government and the National Talent Service Canada, for an "Ontario Business Investment Promotion Seminar" to share and exchange the investment environment and business cooperation opportunities in Canada, Ontario and Toronto.
- Approximately 35 companies from varying sectors with specific investment interests attended this session (see Attachment C for a list of participating businesses).
- Toronto presented at the seminar highlighting its business climate and sectoral strengths.

Mission Outcomes

The following is a high level summary of mission outcomes and various opportunities to be explored that would benefit the City of Toronto companies in Japan and China:

Japan

- Held confidential discussions with a Japanese security company looking at opening a branch in Toronto.
- Opportunities for Toronto technology companies to explore strategic alliances with Artificial Intelligence (AI) companies in Sagamihara.
- Discussed a learning exchange program with Aoyama Gakuin University.
- Discussed shared access to accelerators and incubators with TMG.
- City of Toronto will host a delegation from Sagamihara to explore opportunities in the Tech sector in summer 2018.
- Identified opportunities for Toronto based asset management firms to enter the Tokyo market.

China

- The World Trade Centre organised 44 tailored meetings in Shanghai with potential partners and distributors, as a direct result of this:
 - 67% of the companies will increase their export sales within the next 24 months
 - Flow water and Golden Ontario, both Toronto Region based, returned from the mission with two purchase orders.
 - Modgarden, a Toronto based technology venture identified an investor for a \$5 million private placement
- Discussions around a potential direct flight from Toronto to Chengdu was flagged during meetings with senior officials in China.
- Discussions with a Scandinavian company at the forum, who developed ground breaking technology to extract kinetic energy from slow moving water sources, on investment in green technology in Toronto.
- Identified a travel company in Chengdu interested in opening an office in Toronto.

- Identified an aviation company who is looking at promoting aviation training and exchanges with Toronto based firms.
- Met with successful restaurateur in Chengdu interested in opening a chain of Sichuan cuisine restaurants in Toronto and surrounding GTA.

Next Steps

The City of Toronto and City of Sagamihara have agreed to increase economic and trade relations between both cities. A delegation from Sagamihara will be visiting Toronto in summer 2018 to discuss opportunities in the technology sector.

The City of Toronto and the City of Chengdu have agreed to undertake the development of a MOU. The MOU will focus on cultural and economic development projects between the two cities.

The city has also committed to information exchanges with the various meeting participants as well as continuing to develop relationships with channel partners with the goal of increasing trade activities between both cities above.

Economic Development and Culture Division staff will continue to identify joint initiatives that can be undertaken between Toronto and the cities in Japan and China that fall within the framework of the signed agreements.

Mission Budget

The mission had a total cost of \$10,707.75 to the City. This included expenses as follows:

Travel	\$2,950.00
Accommodation	\$2,850.00
Ground transportation	\$1,360.00
Per Diem	\$3,082.20
Other	\$465.55

Other costs were covered by the Chengdu government as well as by our partnership with World Trade Centre – Toronto.

Conclusion

The goal of the mission was to solidify existing relationships and convey the message that Toronto is open for business. There are many potential export opportunities for Toronto small and medium size enterprises and investment opportunities for Japanese and Chinese firms in Toronto. The mission set the foundation to build collaboration with local partners to activate plans for a successful future Mayor-Led business mission to Asia. This is part of a plan to continue to explore and build on established linkages in Japan and China.

It will take some time for trade opportunities to be realized fully but the groundwork has been established for future investment and trade opportunities to be created as a result of the contacts made on the mission.

It is important to note that follow up is necessary and crucial to the success of a business mission. The City of Toronto will work closely with its partners from the mission to realize the opportunities and initiatives identified in this report.

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SIGNATURE

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ATTACHMENTS

Attachment A: List of Companies on the World Trade Centre mission to Shanghai, China

Attachment B: List of Japanese companies who attended the Investment Promotion Seminar in Sagamihara

Attachment C: List of Chinese companies who attended the Investment Promotion Seminar in Chengdu