

SOLIHULL METROPOLITAN BOROUGH COUNCIL

Report to:	Full Cabinet
Meeting date:	11 August 2016
Subject/Report Title:	International Promotion & Economic Cooperation
Report from:	Cabinet Portfolio Holder for Managed Growth
Report Author/Lead Contact Officer:	Perry Wardle, Assistant Director, Growth & Development
Wards affected:	<input checked="" type="checkbox"/> All Wards <input type="checkbox"/> Bickenhill <input type="checkbox"/> Blythe <input type="checkbox"/> Castle Bromwich <input type="checkbox"/> Chelmsley Wood <input type="checkbox"/> Dorridge/Hockley Heath <input type="checkbox"/> Elmdon <input type="checkbox"/> Kingshurst/Fordbridge <input type="checkbox"/> Knowle <input type="checkbox"/> Lyndon <input type="checkbox"/> Meriden <input type="checkbox"/> Olton <input type="checkbox"/> Shirley East <input type="checkbox"/> Shirley South <input type="checkbox"/> Shirley West <input type="checkbox"/> Silhill <input type="checkbox"/> Smith's Wood <input type="checkbox"/> St Alphege
Public/Private report:	Public
Exempt by virtue of Paragraph:	N/A

1. Purpose of Report

- 1.1 For Cabinet to consider and agree a greater emphasis on and revised approach to developing international links and “twin town” or “sister city” relationships, with a strong focus on economic and business links, to enable increased international trade, investment and tourism in the longer term. This will build on the links being developed not only with Solihull’s existing twin towns – Cholet and Main-Taunus-Kreis, but with new links in the United States (the City of Mentor, Ohio) and in China (Changzhou).
- 1.2 Doing so will enable Solihull to both complement and play an active role in the wider links, partnerships and approaches that will be taken forward by the West Midlands Combined Authority and Midlands Engine, maximising the promotional and

investment potential of the HS2 Interchange and UK Central for the Borough and wider region.

2. Decision(s) Recommended

2.1 Cabinet is recommended to consider and agree a revised approach to developing international links and “twin town” or “sister city” relationships, to be led and coordinated through Economic Development & Regeneration, and in particular to:-

- (a) endorse the development and entering into of a formal Memorandum of Understanding with the Chinese city of Changzhou, and authorise the Leader of the Council to sign the agreed version;
- (b) work towards the development of a similar formal arrangement or Memorandum of Understanding with the City of Mentor;
- (c) pursue opportunities for stronger economic links through existing partnerships and relationships, such as Main-Taunus-Kreis, where there are clear opportunities;
- (d) agree to the development of a wider international engagement strategy, providing a clear framework within which these links can be established and developed, complementing activity being undertaken at a Combined Authority and Midlands Engine level, to be considered by the Cabinet Portfolio Holder for Managed Growth in due course.

3. Background

3.1 Whilst twin town and sister city relationships were originally developed for diplomatic, cultural or educational purposes, there is a growing emphasis on expanding and leveraging these relationships for economic development, with research (McKinsey, 2011) identifying that rather than established “mega cities”, cities with populations of 150,000 to ten million will account for 50% of global growth to 2025 – with metropolitan areas or city regions being the key unit of the global economy.

3.2 These links and partnerships need to be based on the synergies between the partners – shared or complementary economic strengths and priorities and increasingly, sharing best practice and approaches relating to sustainable development.

3.3 This is consistent with the UK Government’s strong focus on international trade and investment promotion as critical driver of competitiveness and growth – a focus which has been strengthened following the EU Referendum with the creation of the Department for International Trade, which will have responsibility for exporting and inward and outward investment.

3.4 This economic focus can be complementary to civic links, and recognises the importance, particularly in certain markets such as China, of establishing effective wider relationships with partners, which could include wider civic and educational links. It also recognises that education links, in particular through Further and Higher Education, have a key role to play in many international partnerships.

3.5 Solihull is well placed to play an important role in developing international relationships and economic links which will support and complement activity undertaken at a Combined Authority and Midlands Engine level, as well as by

individual partner areas such as Birmingham and Coventry:-

- (a) It has a strong track record of securing international investment, with the Economic Development & Regeneration team recording 62 investments in 2015/16 of which 18 (nearly 30%) came from Foreign Direct Investment. These included 5 investments by US companies, 5 by German companies, with 1 each from Chinese and French businesses.
- (b) With Birmingham Airport, the National Exhibition Centre and Resorts World, it is already a key destination and international gateway for the West Midlands. This role is being reinforced by the ongoing growth of Birmingham Airport, which reported in June 2016 on year-on-year passenger growth rates of 10.6% for long-haul and 13.2% for short-haul routes.
- (c) This role, and the investment opportunities in the Borough, will grow further as a result of the development of the HS2 Interchange – the first station out of London and a new focus for national and international investment and growth. As the home to the Interchange and UK Central, it is important that Solihull plays an active role in maximising the investment potential from HS2 for the wider region, driving economic growth.
- (d) The Borough's economic assets, strengths and areas of further potential export development are attractive in both established and growing and emerging markets. Sustainable development, renewables and environmental technologies for example are all UK Government priorities for links with China, and China is looking to grow expertise and businesses in services and to develop its health and care sector.

3.6 Solihull has a strong base to build on; having seen increased interest and direct approaches to the Council to develop economic cooperation and partnerships over the past 18 months, as well as playing an active role working in partnership with Birmingham and Marketing Birmingham.

- (a) In 2015, Solihull, together with Bristol and Derby, were identified as potential partners for growing Chinese cities by the British Consulate in Shanghai, with Solihull being linked to the City of Changzhou in Jiangsu Province – based on economic strengths and synergies in business sectors (automotive, aerospace and rail), high standards of quality of life and large scale development potential through UK Central. In September 2015 the Consulate and Changzhou UK Association provided funding for a senior officer to visit Changzhou to explore the potential to develop a partnership. In October Solihull hosted a delegation from Changzhou, with the aim of developing the relationship between the two areas and identifying opportunities for partnership and cooperation. The delegation met with the Leader of the Council, and the Mayor, as well as with a number of local business leaders. A second delegation, headed by the Vice-Mayor of Changzhou and hosted by the Mayor, Leader and Deputy Leader of the Council, visited in June, focussing in more detail of potential areas of collaboration that could come within the scope of a Memorandum of Understanding. A third, education focussed delegation visited at the end of July to explore opportunities for partnership and joint working relating to education, children and skills, meeting with the Cabinet Portfolio Holder for Education, Children & Skills and Director for Children & Skills and visiting Solihull College's Woodlands Campus.

- (b) Solihull worked with partners in a West Midlands European Service led project to develop business links with the cities of Guangzhou and Tianjin, including hosting a session for the visiting delegation in November 2015.
- (c) The Leader of the Council, together with senior representatives from Birmingham and Marketing Birmingham made a presentation on investment potential and opportunities in the area to a delegation visiting the UK as part of President Xi's visit in 2015. Solihull, Birmingham and Marketing Birmingham similarly briefed a UKTI RIO delegation visiting from Shanghai about the range of potential opportunities for investment in the area, including those related to HS2 and UK Central.
- (d) In April 2016, Solihull welcomed a delegation from the City of Mentor in Ohio – an introduction brokered by the British-American Chamber of Commerce recognising synergies with Solihull's key strengths in terms of business sectors (advanced manufacturing, aerospace and medical technologies), and large scale development potential. The delegation was exploring the potential to develop a partnership in the Midlands, and have also established links with Greater Birmingham Chamber and Birmingham City University.
- (e) Solihull also has ongoing civic links, including staff visits, with its twin towns of Cholet and Main Taunus Kreis, with the potential for a stronger focus on economic links and opportunities, particularly in the case of Main-Taunus-Kreis.

3.7 Many of Solihull's key employers operate in a global economy, the Borough and the Council should look to wider horizons, and promote a wider range of opportunities to local businesses in the interests of Solihull's economic growth.

3.8 International trade and promotion will be a key focus for the Midlands Engine – with plans for a number of international delegations, with the first to be a visit to the US. Solihull can play a direct role in expanding and strengthening network of links and relationships that will be critical to the long-term success of the Midlands Engine approach.

3.9 Solihull does also have an important wider leadership role, with the Leader of the Council being Chair of the West Midlands Combined Authority, reinforcing the importance of Solihull playing an active role in wider partnership activity and enabling economic growth in Solihull to the benefit of both the Borough and wider region.

China - Changzhou

3.10 Changzhou is a leading economic performer within the wider Yangtze Rover Delta area with parallels to Solihull within the West Midlands context, located between two major cities – Shanghai and Nanjing, capital of Jiangsu province.

3.11 It is a key area within the recently announced new city cluster development plan for the Yangtze River Area – one of the country's economic powerhouses and the fastest growing part of the Chinese economy. The cluster of cities in the region, will work together to attract foreign investment, attract high quality employees globally and open up the service sector. This approach will be underpinned by investment in rail, road and waterways infrastructure to improve physical connectivity.

3.12 The area includes the Changzhou National Hi Tech District - the location of over

1,300 foreign companies, with a focus on advanced manufacturing, six vocational colleges and universities and 30 R&D institutes. It also has considerable expertise in high speed rail and a shared focus on infrastructure and connectivity, including establishing direct links between an international airport, high speed rail and the National Hi Tech District – similar to Solihull's proposals for Arden Cross and the UK Central Hub.

- 3.13 A draft 'Letter of Intent' has been produced, outlining the potential for collaboration, subject to Cabinet approval, designed to establish a formal approach to developing economic links around shared industry strengths (automotive, aerospace, ICT, energy and rail) and shared themes (innovation, infrastructure, smart cities, sustainable development and education).
- 3.14 If Cabinet endorse the approach outlined, a Memorandum of Understanding will be drawn up between the two areas, based upon this agreement, that would be officially signed at Changzhou's annual International Forum for Science and Technology and Foreign Trade and Cooperation, on the 28th September 2016 (subject to securing funding for a small Solihull delegation to visit). As part of this Forum, several workshops will be identified to scope out potential projects with key industry sectors, education establishments and government officials to begin the basis of a structured 'collaboration platform framework' - underpinned by identified projects, partners and resources.
- 3.15 Potential collaboration areas are:
 - (a) Business to Business – in areas such as the automotive supply chain, where there is particular strength and depth in the Midlands; developing financial and other services in China, or project management and systems integration, where again there are strengths in businesses such as Arup.
 - (b) Research and Innovation, helping to develop and broker links with key players such as the High Value Manufacturing Catapult and Warwick Manufacturing Group.
 - (c) Collaboration and best practice sharing in areas such as transport planning and high speed rail, with Changzhou having particular expertise in the latter.
 - (d) Education – developing vocational and industry links as well as links with local schools and colleges.
 - (e) Trade – export and import, working with UK Trade & Investment and the China Britain Business Council, and focussed on sector strengths such as environmental technologies and consultancy, construction and rail.
 - (f) Inward Investment – looking to create a "soft landing" point/gateway to respective regions, offering known points of contact, working with UKTI and Marketing Birmingham to coordinate activity and also maximising opportunities for international promotion through our respective organisations, partners and networks.
- 3.16 Economic Development & Regeneration will continue to work with the British Consulate in Shanghai to develop and coordinate these links and explore the potential to secure funding and other support for continued joint working, such as via the China Britain Business Council, which works closely with UK Trade & Investment.

3.17 There is potential to develop and implement a two-tier or phased approach – with an initial focus on direct links and activity between Solihull & Changzhou and a longer term opportunity to explore a broader approach, positioning Solihull as a gateway for links to wider West Midlands Combined Authority / Midlands Engine area (which offer scale for wider collaboration), and to complement and align with other Midlands Engine links and relationships with cities in China – in particular Birmingham, Wolverhampton, Derby, Nottingham and Leicester - being similarly developed with support from the Consulate in Shanghai.

US – Mentor

3.18 The US is a market of over 300 million people – five times the size of the UK – and the world's biggest economy. It is also the UK's largest single trading partner. It accounts for approximately 17% of all UK exports, or £88bn worth of trade in 2014. The UK are actually a net exporter to the US, selling them £36bn more goods and services than they sell us.

3.19 UK Trade Investment (UKTI) has identified a number of focus sectors in the US as huge opportunities for UK exporters, these are all areas in which the UK has proven expertise and capability, and in which there is a sizeable demand for high quality goods and services in the target markets. These sectors include aerospace, technology, food and drink, automotive and energy. These opportunities certainly exist for large UK exporters, but they are also there for smaller companies. Evidence demonstrates that doing business internationally leads directly to economic growth, bringing money into the local economy, boosting employment and business competitiveness. It helps to improve business efficiency, productivity and innovation through the fostering of new ideas for products and services

3.20 The City of Mentor, 25 minutes from central Cleveland, is home to over 1700 businesses and is at the heart of a dynamic economy in North East Ohio – one of the US's premier business regions. Mentor has grown and diversified its local economy to become home to a number of hi-tech firms specialising in sectors from aerospace to medical device design, manufacturing and light engineering sectors, and is also recognised for its quality of life, accessibility and skilled workforce. Its position as a successful, prosperous, gateway to the wider North East Ohio region has clear similarities to Solihull's position in the west Midlands.

3.21 Potential areas for collaboration are:

- (a) Understand further Mentor's priority sectors – identify specific companies which have trade potential – with a focus on supply chain opportunities;
- (b) Opportunities to promote and support business to business activity;
- (c) International Trade – opportunities for exporting and importing goods and services, working with UK Trade & Investment
- (d) Develop best practice sharing – with an economic, cultural and trade focus
- (e) Education links, including student exchange opportunities
- (f) Inward Investment – creating a “soft landing point” or gateway to our respective regions, by offering a known point of contact
- (g) Opportunities for promotion overseas - potential working with partners on

lead generation opportunities.

3.22 Economic Development & Regeneration will look to work in partnership British-American Business Council (BABC), affiliated to the Chamber of Commerce, in Birmingham, which is the leading transatlantic networking organisation, as well as with Birmingham City University to develop a coordinated approach. The current BABC Chair is based in Birmingham and the BABC Midlands is committed to promoting transatlantic trade and investment to businesses.

Twin Towns – Cholet and Main-Taunus-Kreis

3.23 There is potential to revisit these relationships to explore and, where appropriate, look to expand relevant and mutually beneficial business and economic links, with potential synergies including the Airport economy in Main-Taunus-Kreis, driven by the nearby Frankfurt Airport, as well as the potential to promote leisure and tourism opportunities. There are existing links through the Solihull Twinning Association as well as a history of strong civic links through the Mayoralty: recognising these existing links and maximising the expertise and capacity they can offer would be critical to the exploration and development of any additional links and activity in the future.

3.24 It will be important also to work with UK Trade & Investment and the Chambers of Commerce, who provide support for international trade and exporting, promote relevant opportunities to Solihull businesses, and seek to leverage existing relationships, such as that between Birmingham and Frankfurt.

International Engagement – strategic approach

3.25 Given the increasing importance of developing international links and relationships at local, Midlands and national level, it is suggested that a structured framework for future activity – an international engagement strategy for Solihull – be produced for consideration and agreement by the Cabinet Member for Managed Growth in due.

3.26 This would build on the activity undertaken to date and next steps from the proposals set out in this report as well the contribution to and alignment with activity being undertaken by Marketing Birmingham, West Midlands Combined Authority and Midlands Engine.

4. Evaluation of Alternative Options

4.1 Not applicable.

5. Reasons for Recommending Preferred Option

5.1 Not applicable.

6. Scrutiny

6.1 None

7. Implications

7.1 Delivery of the Council's Priorities

Enabling business investment and growth (through both inward investment and international trade) as well as the long term success of UK Central is an essential

element delivering Managed Growth in the Borough.

7.2 **Policy/Strategy Implications**

Investment and growth are central to the delivery of the Council Plan, as well as the priorities of the Greater Birmingham & Solihull LEP West Midlands Combined Authority and Midlands Engine

7.3 **Meeting the duty to involve**

Not relevant to this report

7.4 **Financial Implications**

- (a) Budget will be required to cover overseas delegation visits from Solihull and also to host delegations visiting the Borough, incorporating travel, gifts and hospitality. The budget required will need to be fully appraised based upon the recommendations in this report and the timetable of planned activities, also accounting for visits that may arise throughout the year.
- (b) Where there is clear alignment, the established UK Central budget can help to support relevant marketing, communications and investment promotion activity, but it would be necessary to identify and secure external resources both to expand the work being undertaken and specifically to fund and overseas visits by Solihull to twin towns and cities.
- (c) Potential sources of funding to be pursued include the Cross-Government Prosperity Fund, from which the British Consulate General in Shanghai has secured resources; the Changzhou UK Association, and any trade and promotional resources which may be available via the Midlands Engine. There may also be scope to explore a possible bid to the Europe for Citizens 2014-2020 programme, which support town twinning activities and the development of networks of towns, in partnership with Main-Taunus-Kreis and / or Cholet, although the status of this should be considered uncertain at the moment.
- (d) Consideration should also be given to developing an ask of Government to support the further development of international links and investment promotion linked specifically to the unique opportunities arising from the HS2 Interchange and UK Central Hub.
- (e) If external funding should not be fully forthcoming, Cabinet would need to consider whether funding should be provided from within existing Managed Growth & Communities budgets in order to support the activity.

7.5 **Legal implications**

None arising out of this report

7.6 **Risk Implications**

None arising out of this report

7.7 **Statutory Equality Duty**

Not applicable in respect of this report

7.8 Carbon Management/Environmental

The environment and quality of life in Solihull is also a crucial factor in attracting investment to the Borough.

7.9 Partner Organisations

As set out in the report

7.10 Safeguarding/Corporate Parenting Implications

Not applicable in respect of this report

7.11 Customer Impact

Not applicable in respect of this report

7.12 Other implications

No other implications identified

8. List of Appendices Referred to

8.1 None

9. Background Papers Used to Compile this Report

9.1 None

10. List of Other Relevant Documents

10.1 None