

Economy, Business Growth & Skills Overview & Scrutiny Committee



Date: 8th December 2017

Subject: GM Internationalisation Strategy

Report of: Sir Richard Leese, Portfolio Lead for Economy and Business

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Scrutiny Committee views on progress with the implementation of the GM Internationalisation Strategy and seek views on the challenges highlighted in the report.

2. RECOMMENDATIONS

- 2.1 To comment on the GM Internationalisation Strategy.
- 2.2 To note the progress made with the implementation of the GM Internationalisation Strategy and the key challenges GM faces due to ongoing Brexit uncertainty.

3. CONTACT OFFICERS

- 3.1 John Steward, GMCA
Mark Hughes, Chief Executive, The Manchester Growth Company

4. BACKGROUND

- 4.1 The GM Internationalisation Strategy 2017 – 2020 was approved by the GM LEP Board on 19 September 2016 and the GM Combined Authority (GMCA) on 30 September 2016.
- 4.2 The formal launch of the Strategy took place on 4th July 2017 and was well attended with very positive feedback.
- 4.3 The priorities and actions identified in the Strategy are now embedded within the Greater Manchester Strategy and are also an integral part of the Growth Company's Business Plan. It informs the activities of the GM Combined Authority and the work of key partners including GM Universities and Manchester Airport Group.
- 4.4 The preparation and implementation of the Strategy has been overseen by the private sector led Internationalisation and Marketing Advisory Board of the Manchester Growth Company which is chaired by Iwan Griffiths and includes membership from GM Universities; Manchester

Airport and private sector companies. The GM Chief Executive Internationalisation Portfolio Lead, Jim Taylor has also been invited to join the Board alongside Councillor Dylan Butt.

4.5 Our Internationalisation Strategy stated that our long term vision is to become a top 20 global city by 2035 as measured by:

- Our attractiveness to international investors, visitors, business and academic talent and students;
- Our international cultural and place offer and the propensity of our business base to trade internationally;
- Our success as a key international gateway to the UK – and a gateway to the world for our UK businesses and communities.

The quality and ease of access and interconnectivity to all places across the city region to maximise the local benefits of Internationalisation across Greater Manchester communities.

4.6 It identified **eight key priorities** which have framed our internationalisation ambitions to 2020.

4.7 These were determined by a thorough analysis of our performance and our challenges and opportunities. These were then tested through wide consultation across the private and public sectors, academia and other key organisations. The layout of the priorities below is intended to illustrate the cross cutting importance of cementing our role as a key global gateway for the UK and the North – and the value of communicating our story effectively across all our priorities.



4.8 The Strategy set out in detail how each Priority would leverage the opportunities derived from the **GM sector, specialisms and niche strengths** and the **key global markets** identified.

5. KEY GLOBAL MARKETS

5.1 The Strategy, informed by substantial evidence including trade, inward investment, research, international students and visitor number linkages, which confirmed that GM should focus on six key global markets: **EU, USA, China, India, Japan and UAE**.

5.2 This evidence confirmed that the EU would remain the most important market, currently accounting for 58% of GM trade exports.

5.3 A number of “opportunity” markets were also identified where there are existing trade, visitor, research or investment connections that necessitate a watching brief. These included Canada, Singapore and Malaysia. The diagram under Appendix A at the back of this report summarises this work.

5.4 The table below shows how our key markets were mapped against key GM sector strengths and research specialisms to inform trade export focus.

	Trade Export focus in GM Priority and Opportunity Markets					
	EU	USA	China	India	Japan	UAE
Market Objective >>	Maintaining existing levels	Increasing growth	Increasing growth	Increasing Growth	Increasing growth	Increasing growth
Key GM Sectors	Finance & Professional	Finance & Professional	Finance & Professional	Finance & Professional	Finance & Professional	Finance & Professional
	Life Science/ Health Innov.	Life Science/ Health Innov	Life Science/ Health Innov	Life Science/ Health	Life Science/ Health	Life Science/ Health
	Manufacturing / Materials	Manufacturing / Materials	Manufacturing / Materials	Manufacturing / Materials	Manufacturing / Materials	Manufacturing / Materials
	Digital/ Creative/Tech	Digital/ Creative/Tech	Digital/ Creative/Tech	Digital/ Creative/Tech	Digital/ Creative/Tech	Digital/ Creative/Tech
Research Specialisms	Nuclear, Smart Grid	Nuclear, Smart Grid	Nuclear, Smart Grid	Nuclear, Smart Grid	Nuclear, Smart Grid	Nuclear, Smart Grid

6. STRATEGY DELIVERY

6.1 The Strategy was prepared and agreed against the backdrop of considerable uncertainty across many areas following the EU referendum. However, Members may be aware that the GMCA has closely monitored the impact of the Brexit vote through monthly analysis reports.

6.2 To note the progress made with the implementation of the GM Internationalisation Strategy and the key challenges GM faces due to ongoing Brexit uncertainty.

Despite continuing uncertainty GM has made significant progress in the delivery of the Strategy over the past 12 months. Key developments have included:

- Ensuring the success of the **new direct route from Manchester Airport to China** which has substantially increased the volume of freight trade and visitor numbers supported with £1m trade and consumer campaign in partnership with Hainan Airlines and Visit Britain.
- Delivery of **new European campaign** in partnership with Ryan Air to grow market share in three key EU markets
- Launch of **Study Manchester** an initiative aimed at promoting Greater Manchester to international students supported by all GM Universities
- Creation of the “**MIDAS Partnership**”, a partnership of 8 of the major property developers across GM, to support inward investment.
- Confirmation of **£1bn investment by Manchester Airport Group in Manchester Airport** expansion
- An **increased in the number of international visitors to 1.4m in 2016**, already surpassing the original target set by the Tourism Strategy for 2020 with growth in the USA and China
- Establishment of **Team North initiative** to strengthen channels between Marketing Manchester and other marketing teams across the North and National Campaign Partners including Visit Britain and the Department of International Trade.
- Collaborative working with the Department of International Trade in the development of **joint missions to key target markets including USA, China and India**.
- Securing from HMRC **significantly enhanced trade export data** so that we can better understand our performance across key markets and more effectively target the trade support services delivered through the Business Growth Hub.
- **Securing £250,000 funding with London to support promotional activities** to reduce the impact on tourist visitor numbers as a result of the terrorist attacks.
- Working with the private sector to **improve “in market” presence in our target markets**. MIDAS extended the in-market presence in India, concentrating on Bangalore and the IT and Life Sciences/Medtech clusters. Negotiations are now underway to develop a similar in-market presence in China, and, through lead generation programmes, in-market capacity has been developed in Europe and the US in San Francisco and Boston.
- MIDAS inward investment activity led to **apprentice opportunities across GM local authorities** including through Amazon and Vodafone.
- **£15m commitment by Department for International Trade (DIT) to support 17 trade missions across the North** in 2017/18 to support priority sectors and markets. (7 x EU, principally targeted at those new to exporting, 2 x UAE, 1 x India, 3 x China and 4 x USA),

- Continued international investment activity and reach is being achieved through **MIPIM**. In 2017 the **GM delegation was the most significant to date with** 113 companies and 274 delegates attending including six of the ten GM Local Authorities (Manchester, Salford, Trafford, Bolton, Oldham and Rochdale) promoting GM investment opportunities internationally and forging partnerships.

7. LEVERAGING THE NORTHERN POWERHOUSE

- 7.1
- Northern local authority leaders, Metro Mayors, and LEP chairs met Department of International Trade in November to discuss **pan-Northern arrangements to improve cooperation** and strengthen working arrangements for trade and investment activity across the North. A **proposal for how the new working arrangements with DIT could operate is being developed, led by GM**, and a further meeting is to be scheduled in February 2018 to agree the approach.
 - The **Department for International Trade is working with Greater Manchester to agree a new Trade and Investment Plan**, to increase exports and investment agree how Greater Manchester and DIT activities and resources can be better aligned and enhanced.
 - The Secretary of State for Exiting the European Union, **David Davis, met with the Northern Combined Authority Mayors**, holding discussions with Andy Burnham, Steve Rotherham and Ben Houchen about the region's priorities for EU exit in November. The Secretary of State agreed that there would be ongoing Ministerial engagement with the Mayors, and to **set up joint working groups assessing the implications of Brexit options for sector and businesses in the North**, and examining the powers returning to the UK which could be devolved beyond Westminster.
 - **Good progress has also been made securing Government commitment to HS2 and wider transport investment** aimed at transforming connectivity to GM and across the North.

8. KEY PROJECTS OVER THE NEXT 12 MONTHS

- 8.1
- Development of India market opportunities including commitment for a **direct flight to India** – led by Manchester Airport Group working with MIDAS and Marketing Manchester.
 - A more **integrated partnership approach across GM to secure more international conferences** – led by Marketing Manchester working across GM.

- Development of an **evidence based case for priority business sector promotion** of the GM offer internationally – led by Marketing Manchester working with MIDAS.
- **Delivery of new European visitor campaigns that maximise opportunities from the strength of the Euro** and further enhance our reputation and welcome pending Brexit – led by Marketing Manchester.
- **Strengthening performance in target markets identified in the Strategy.**
- Identification of key peer international cities where we can build on shared strengths, existing connections and mutual opportunities leveraging increased profile of Greater Manchester and our Metro Mayor - led by GMCA working with The Growth Company.
- Further **influence Department of International Trade activities** to better align with GM and Northern Powerhouse strengths and priorities and target markets – led by GMCA and the Growth Company.
- **Continued support for** Manchester airport expansion and the development of new routes including a second direct route to China – led by Manchester Airport Group working with GMCA, The China Forum and The Growth Company.
- Supporting Northern Powerhouse pressure (through Transport for the North) for government commitment to rail and road investment plans.
- The **Launch of Study Manchester online platform** and closer working with GM universities including joint collaboration on inward investment – led by MIDAS, the China Forum and Marketing Manchester.

9. CHALLENGES

- 9.1 The key challenges moving forward are divided between those that are Brexit related and those that are not. There has been some indirect positive benefits from including increased tourism as a result of currency devaluation. This has also helped GM secure new air routes. The current negative impacts of Brexit can largely be attributed to the continued uncertainty about the outcome of negotiations.
- 9.2 In that context there is a need to ensure that the national framework for leaving the EU meets the needs, not only of GM but also the other Cities across the North and outside of London which make a significant contribution to economic growth and addressing the productivity challenge.

9.3 This is because UK growth prospects are heavily dependent on international trade in the UK's Core Cities (which account for 29% of all UK trade). Post Brexit national policy will have to be aligned with the key strengths and drivers of GM and the other Core Cities growth if the combined £79.5 billion productivity gap is to be addressed. In addition, GM will need to forge strong post-Brexit EU City region relationships to support a forward looking relationship within the EU.

9.4 GM is currently working closely with other UK Core Cities to make the case to Government for such a framework that can elevate the influence of UK City regions in the Brexit negotiations as they move forward.

9.5 Brexit uncertainty is impacting significantly in the following areas:

- **International Students at GM Universities.** It is not yet known how the Government intends to reduce UK immigration numbers following Brexit. However, it is known that it currently intends to count international students within the figures. These students remain a key trade export for GM. They spend money in GM, bring in fees for our Universities and attract family visits. Maintaining existing numbers will be a significant challenge whilst they continue to be counted in our immigration figures. GM did coordinate a joint letter from all UK LEPs to the Theresa May in January 2017 seeking a reconsideration given its substantial trade export value. There is now the opportunity for further Government lobbying leveraging the weight of all UK Metro Mayors.
- **Inward Investment** – the pipeline of inward investment projects remains robust but there are conversion challenges due to uncertainty. The average project lifecycle has increased by over 50% from 231 to 349 days since the EU Referendum. There is also increased competition both nationally and internationally – particularly from markets such as the Netherlands and Ireland (with Dublin and Amsterdam regular competitors). As Brexit impacts become clearer a constructive dialogue with Government about inward investment incentives may become urgent to create a more level playing field especially with Scotland, Wales and Northern Ireland.

9.6 Outside of Brexit impacts we have the following challenges:

- One of the most significant ongoing challenges is **embedding a fundamental cultural shift, particularly in GM manufacturing sector, to export internationally.** This can make the most significant contribution, through direct productivity improvements, in spreading the benefits of internationalisation across the whole of GM.
- It is clear that further message amplification is needed to **challenge international perceptions about Greater Manchester** just being about football.

10. SUMMARY

- 10.1 The eight Strategy Priorities have remained robust despite the continued economic and political uncertainty. However, as stated in the Strategy document, that our approach to delivering them can flex to take account of changing circumstances.
- 10.2 A review of the Strategy Implementation Plan is now being undertaken to take account of improved intelligence (trade data, business survey and economic data) to determine what actions will need to be adjusted accordingly. This will be completed by March 2018.
- 10.3 The opening of China air route demonstrated how one successful intervention can deliver significant spin off on trade and visitor numbers – even within one year. Investment in securing a direct route to India is therefore critical both for GM and the whole North.
- 10.4 It is also clear that our peer city regions across the EU and the wider world are not standing still. It is therefore essential that GM continues to invest across the spectrum of its international activities – maintaining a focus on its six key markets.

The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100D(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as identified by that Act.

- https://www.greatermanchester-ca.gov.uk/meetings/meeting/296/greater_manchester_combined_authority/attachment/1353

The above papers and documents may be inspected during normal office hours at GMCA, Churchgate House, 56 Oxford Street, Manchester M1 6EU.