



Midlands Engine Internationalisation Strategy

February 2019 – Vision and Ambition

**MIDLANDS
ENGINE**

The Midlands is contributing £90bn to the national economy through its international activities and is in a strong position to achieve even more

The Midlands has key strengths and enjoys success across a number of international domains:



In 2017 the Midlands accounted for **22% of England's total exports**



Second largest region overall in terms of % **international students from outside the EU**



Opportunity to **leverage strong presence in key markets** across different domains



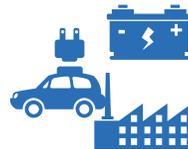
In 2017, the Midlands accounted for **one-third of all UK FDI projects and jobs** in manufacturing



Selected to host **Commonwealth Games (Birmingham 2022)** and **Coventry City of Culture (2021)**



It is the **fastest growing UK region for international tourism** (9.2% growth over 5 years)



Our **sector strengths** are underpinned by **technology and innovation**

With more success stories underway...

- East Midlands Airport is **UK's busiest pure cargo airport and UK hub** for DHL and UPS
- £4.8m grant for Worcestershire **5G testbed**
- Birmingham had **more start ups registered in 2017** than anywhere outside London
- Marketing Derby was **ranked second for attracting FDI of all small cities in Europe** by FT in 2018
- **Significant investments from Amazon for two shipping and distribution centres** in Coventry (£27m) and Rugby (£59m)

In line with national ambition, we are seeking to capture the economic potential of international activities, increasing their value by 29% to £116bn per annum

We are doing our part to...

support the Government's Export Strategy to realise our vision of a Global Britain



Supporting the Export Strategy (Aug 2018) to increase exports as a % of GDP from 30 to 35%. For the Midlands, this means setting ourselves an ambition to grow exports by £20bn



Building on the UK's Industrial Strategy and Midlands Engine's Vision for Growth to realise the potential of our regional economy



Delivering on our ambition to match or exceed the national average in GVA per capita by 2030. This means **adding £54bn to the size of our regional and UK economy**

As a region, we aim to...

increase the value of international activities by £26bn, contributing half of our £54bn growth target for 2030



In line with the UK's ambition, we will support Midlands businesses to **grow exports in goods and services by £20bn.**



We will continue to attract investors into the Midlands, increasing the **contribution of FDI to our regional economy by £4bn**



We will grow our **tourism and higher education** offers, adding up to **£2bn** in additional GVA to the region

We are taking the lead to...

show how the national strategy can be operationalised and its financial objectives delivered, an exemplar region for trade and investment

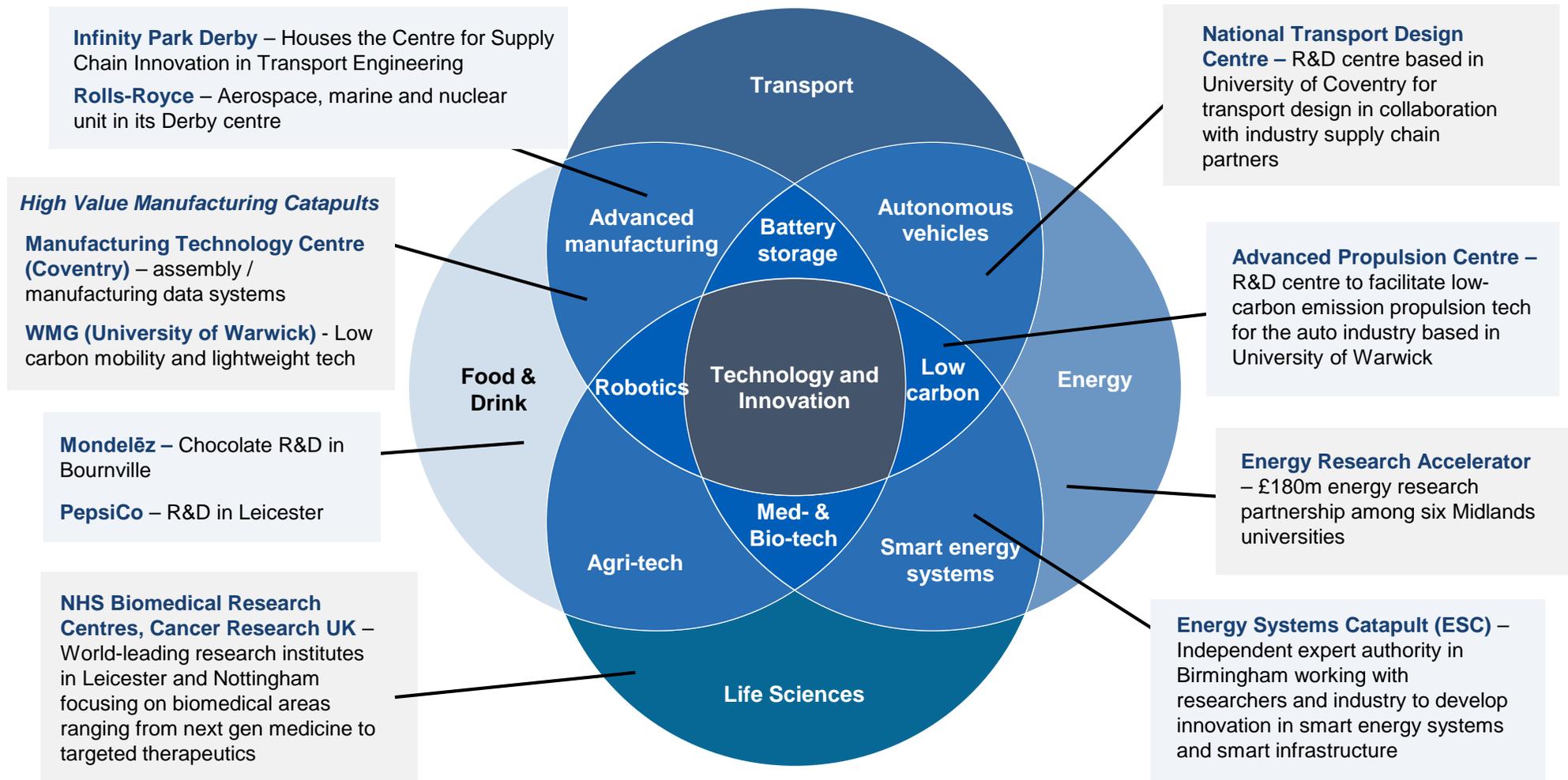


Empowering local players whilst targeting strategic gaps in the regional ecosystem; creating a multiplier effect by working with national, regional and local tiers of trade and investment support



Many regional partners – including universities and successful business exporters – have said **they want to contribute and support the region to succeed in the international arena**

We will leverage the critical role of our R&D strengths to amplify our regional sector offers for internationalisation



A number of headwinds are reinforcing our desire to do internationalisation differently

Macroeconomic uncertainties: Brexit and US protectionism

*“A bad Brexit deal would cost Jaguar Land Rover **more than £1.2bn profit each year**. As a result, we would have to **drastically adjust our...plans for a further £80bn [investment] in the next five [years]**. We will have to close plants here in the UK... I hope it’s an option we never have to go for”*

Quoted by BBC, 5 July 2018

*“If this continues to escalate it’s a disaster,” said Peter Davies, who runs Brockhouse, which has been forging steel components since 1885. **‘We would be out of business.’** Davis has been forced to **shelve plans to buy £300,000-worth of hi-tech machinery** for the factory, and **worries about the future of his 80 staff.**”*

Quoted by Sunday Times, 1 July 2018

Some uncertainty over funding

Current tranche of £5m ERDF funding to various agencies in the Midlands winding up and due to end in 2020; opportunity to bid for a further tranche of funding for another 3 years but uncertainty beyond that period

Vulnerability around investor confidence for FDI

*“The FDI figures are masking the **weakest investment pipeline we have seen in 20 years**”*

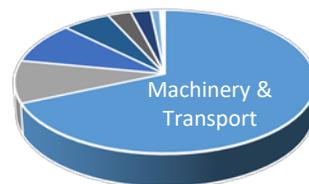
Midlands Investment Promotion Agency (IPA), July 2018

*“Over **one-third of investors globally expect the UK’s attractiveness to deteriorate** over the coming three years”*

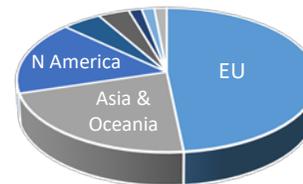
EY Attractiveness Survey, June 2018

Heavily concentrated exports: reliant on large exporters within Machinery & Transport and EU markets

Value of exports by sector, 2017



Value of exports by region, 2017



Businesses see an opportunity for the region to lead change and are keen to play their part

The region to lead on seizing the opportunities post Brexit

- Many SMEs see the hiatus created by Brexit as a good catalyst to drive export growth
- They believe an empowered region is the best way to realise that potential - by interpreting and translating local wishes in a form that is understandable by national policymakers, and similarly translating national policy into local actions

“We need to show some leadership before Brexit; capture the opportunity and help the region and the UK to declare victory”

Greater regional focus and targeting in trade and investment

- Some businesses were confused by the roles of different agencies, and had not received any support
- Some businesses that had received support felt it was too cumbersome and difficult to navigate
- Individuals involved in trade and investment promotion cited a lack of focus and coherence, pursuing too many different things with no clear strategy

“The current system is not working; there is no focus, we do not know where the expertise is scattered, and trade missions have to be much better executed”

A desire to strengthen peer to peer networks

- Without exception, businesses said that they value peer-to-peer support – learning from the first hand experience of fellow business people, as well as practical advice such as sharing logistics networks and local distributors in overseas markets
- Many successful exporters are keen to champion the region and the opportunities for growth brought about by international expansion

“It can be quite lonely for small businesses... In Germany, you can imagine the CEOs of all the automotive businesses have each other on speed dial... We need to get to that level”

Bolster the role of the private sector

- Some businesses feel the support available through public sector bodies is somewhat out of touch and old fashioned
- It is noted that some high growth, tech-led businesses do not tend to engage with mainstream services
- They point to a lack of business voices in discussions around support to reflect actual needs on the ground

“There is a lack of practitioner’s input in the existing trade and investment activities; they are mostly run by civil servants”

The Midlands is at a tipping point, needing to tackle the immediate challenges and capture opportunities

As a region, we are looking to ...

Create **new ways of working** as a region and with national partners on trade and investment promotion to promote greater internationalisation

Strengthen the **Midlands brand proposition** for internationalisation – create a buzz around trade and investment

Build capacity in the region to **tackle strategic gaps** in the ecosystem for internationalisation

Harness latent capabilities from regional actors, especially universities and the private sector, as launch pads for internationalisation growth

Align targets, transform governance, and **work towards shared outcomes** in capturing the benefits of internationalisation

By doing so, we will be able to ...

Be clear about what we need from Central Government and business and vice-versa. Clearly articulate our **shared strategic goals** and **how to pursue them as a region**

Empower local players with the funding and resources to create new growth areas for internationalisation

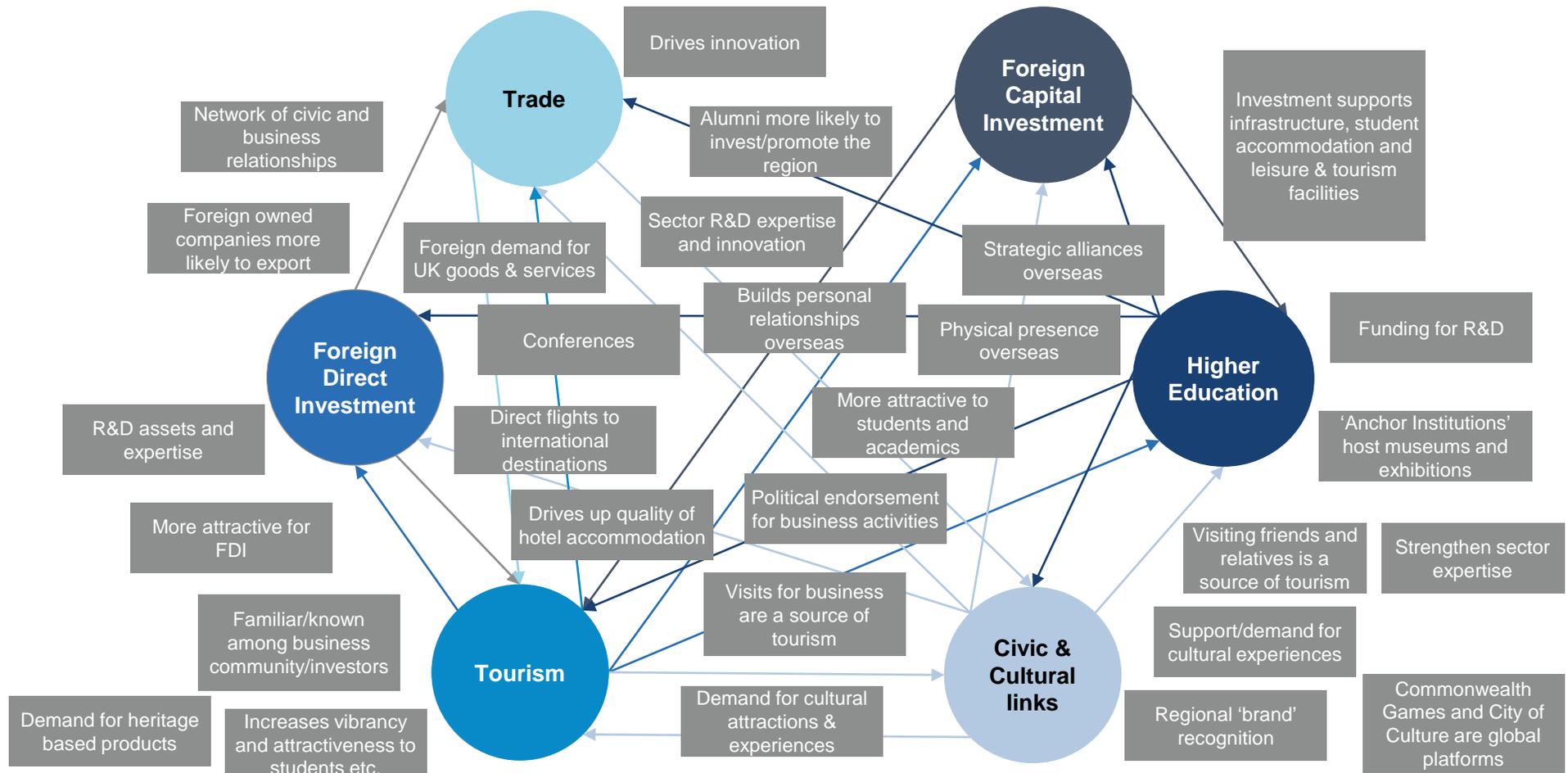
Improve accountability and transparency of trade and investment promotion activities across the region

Have the **confidence to compete internationally** and deal with the headwinds of the wider environment

Become an **exemplar** of regional-national trade and investment promotion collaboration for the rest of the country

The Midlands will pursue international opportunities through six strategic pillars

We will focus on making existing infrastructure work more effectively for the region, driving greater focus and coherence





Appendix A: Sectors and Markets Analysis



The Midlands needs to target Opportunity and Growth Markets and emerging sector expertise, as well as build on existing areas of strength

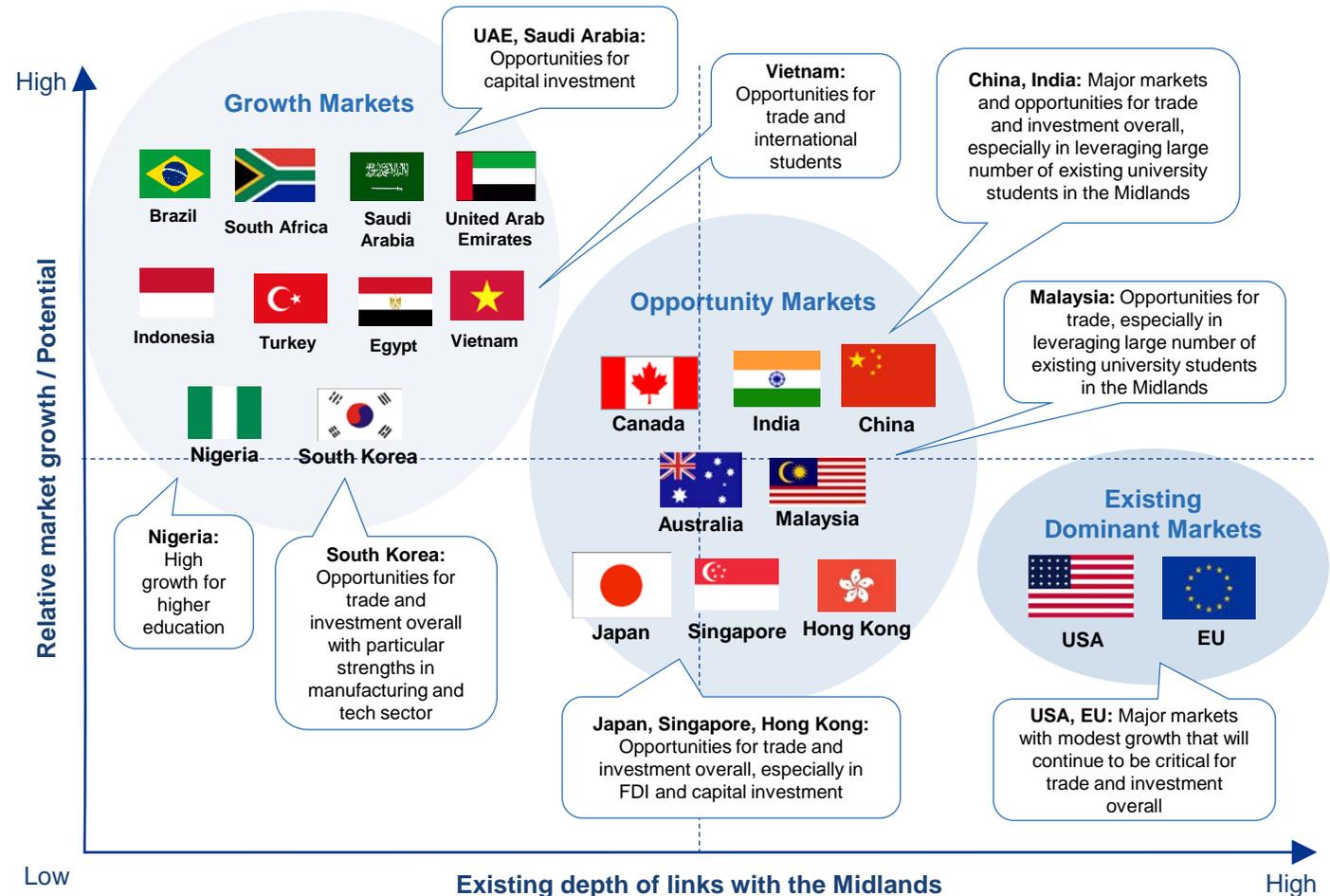
	International Activities					Sectors									
	Trade	Foreign Direct Invnt.	Foreign Capital Invnt.	Higher Education	Tourism	Advanced manufacturing / engineering				Life and health sciences		Creative, Digital and Design	Professional services	Others	
						Automotive / Mobility / Transport Equipment	Energy / Low Carbon / Environmental tech	Agri-tech / Food and drinks	Aerospace and Defence	Pharmaceuticals & Healthcare	Bio-tech	Creative industries and digital	Fin-tech / Financial services	Logistics and transportation	Construction and built environment
EXISTING DOMINANT MARKETS															
European Union															
United States															
OPPORTUNITY MARKETS															
China															
India															
Japan															
Hong Kong															
Singapore															
Malaysia															
Australia															
Canada															
GROWTH MARKETS															
United Arab Emirates															
South Korea															
Turkey															
Saudi Arabia															
South Africa															
Indonesia															
Brazil															
Nigeria															
Vietnam															
Egypt															

There are a number of ‘Opportunity Markets’ where the Midlands should start focusing its trade and investment growth, while maintaining links to ‘Dominant Markets’

A number of ‘**Opportunity Markets**’ have been identified, where the Midlands should prioritise its broad international efforts across a range of activities.

These have been identified on the basis there is an existing foundation of linkages with the Midlands and strong near-term growth potential for trade, investment, higher education and tourism links. This includes several countries in the Commonwealth.

In addition, a collection of ‘**Growth Markets**’ are identified, where there is considered to be an opportunity to grow links over a more extended timescale. The Midlands should monitor but not prioritise these markets in the near term.





Appendix B: Progress to date and Data Sources



We are developing an internationalisation strategy for the Midlands Engine

For the purpose of developing this report, the Midlands Engine has adopted a working definition of internationalisation as follows:

- **The overall aim of internationalisation is to drive growth and prosperity in the Midlands and wider UK economies.**
- **Internationalisation may include:**
 - Increasing the involvement of businesses in international markets (through trade and investment).
 - Increasing the inward investment of capital and resources from international markets.
 - Integrating more international/intercultural dimensions into education, research and development.
 - Increasing the international dimension of travel and tourism.
 - Increasing collaboration and sharing of cultural and sporting experiences.

In 2018, the Midlands Engine initiated plans to begin work on developing a regional internationalisation strategy to support the growth of international activities to drive growth and prosperity.

- **Since then, the Midlands Engine:**
 - Has formed an ambition and vision for internationalisation aligned to The Midlands Engine Vision for Growth;
 - Has established a baseline of Midlands Engine's internationalisation activities and performance;
 - Is developing a plan to improve coordination and collaboration on internationalisation activities among regional stakeholders; and
 - Is working towards gaining agreement on an explicit international focus among stakeholders to make the Midlands Engine's internationalisation activities more than the sum of its parts on an international stage.

The strategy is being developed through stakeholder consultation, supported by analysis on open data sources

Open source data

To maintain data consistency on a pan-regional basis, desk research was conducted using the following sources to establish a basis on the region's performance:

- Trade:
 - HMRC Regional Trade Statistics
 - Office for National Statistics
 - MIT Observatory of Economic Complexity
 - UN Trade Statistics
- FDI:
 - Department for International Trade
 - FDI Markets
- Higher Education:
 - Higher Education Statistics Agency
- Tourism
 - VisitBritain

Stakeholder consultation

During the development of this report, we conducted consultation with over 70 stakeholders from more than 50 regional organisations, including (in alphabetical order):

- Businesses based in the Midlands
- Chambers of Commerce
- DIT and UKEF
- Local authorities, including city councils, local councils and combined authorities
- Local Enterprise Partnerships
- Place marketing organisations
- Universities and Further Education colleges

Important note:

- The data sources and stakeholders listed above does not include those stated in each page of the document when referencing specific data points.
- Analysis using open source data uses standard ONS regional definitions:
 - 'Midlands Engine' is based on East Midlands and West Midlands, which includes Northamptonshire, even though it is not formally part of the Midlands Engine partnership.
 - Most recent data available is used throughout; however, this may differ between different data points.

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