

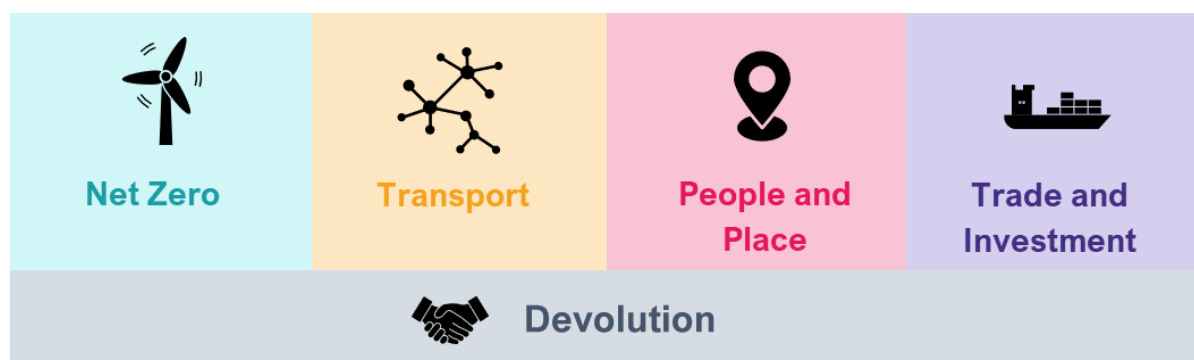


Convention Policy Brief: Trade and Investment

This paper sets out a series of policy propositions in the field of Trade and Investment, for discussion at the 2024 Convention of the North. It has been drafted by a group of policy officers from across the North of England, drawing on the expertise of local authorities, combined authorities, and partner organisations.

With a General Election confirmed for 2024, the Convention is an opportunity to showcase the **ambitions of the North** on the national stage, with propositions that are in the North’s particular opportunities and challenges. This year, there will be a focus on four policy areas: **Net Zero, Transport, People and Place and Trade and Investment**, underpinned by an enabling theme of greater **Devolution** to the North:

Figure 1. The four policy themes for Convention 2024



During the workshops as part of the 2024 Convention, we are looking to debate and iterate our draft policy propositions for Trade and Investment, while collectively shaping a shared ambition for the North.

1: Formalising T&I ties with Government	2: A Northern T&I Strategy	3: Promoting Northern Sectors
A partnership between the North and Government responsible for growing the North’s global investment footprint.	A shared Northern plan to boost Trade and Investment across all parts of the region with a robust underpinning evidence base on current performance.	Promote the North’s most promising investable propositions including in Clean Growth, Life Sciences, and our initiatives like Investment Zones, and Freeports.
<p>Co-creating the Manifesto: <i>What are the barriers to achieving against our potential in this policy area? What will help accelerate delivery? What could the North’s overarching ambition for Trade and Investment across the North be?</i></p>		



Why should the North act on Trade and Investment?

The North is home to over 1.1m businesses with recognised strengths in manufacturing, health innovation, digital and energy, many which are part of inter-connected and complex global value chains. The North has long recognised the economic importance of improving Trade and Investment outcomes and the limitations of places acting independently to compete on a global stage. This shared understanding has led to effective joint working on trade and investment for almost 10 years, including coordinating efforts to combine ambition, economic power, strategic assets and prime capabilities to give the North sufficient scale to compete globally.

The NP11's recent Trade, Investment and Business Productivity evidence review demonstrates some progress over this period. **In 2021 alone foreign-owned businesses generated £71bn GVA and the total value of goods and services exports from the region was £98.5bn.**

- For example, the North's resilience is evident in its ability to attract new Foreign Direct Investment projects, measured by project and job numbers. Between 2017/18 and 2022/23, the total number of UK FDI projects fell by 20.2%. In the North, the decline in FDI projects over the period was significantly lower at 4.4%, which suggests the region performed well compared to other UK regions.
- When considering export growth, total goods exports grew by 13.2% in the North between 2017 and 2022, generating £348billion for the region. The equivalent for the UK was 13.3%. Machinery and Transport, Chemicals and Manufactured goods continue to remain the North's strongest sectors for Goods exports.

While this progress must be celebrated, a wider examination of the data within the UK context reveals the North still lags on Trade and Investment relative to its potential.

- **The North's foreign-owned businesses are less productive**, suggesting there is potential to attract and safeguard more high productivity international firms. Although the percentage of foreign-owned businesses aligns with the UK average, their productivity falls 2% behind the national average and 6% lower than the productivity of foreign-owned businesses in London and the South East.
- **The North punches below our weight in service exports.** Despite the North being the second largest service exporter in the UK, its total value is nearly five times lower than London and the South East. UK Total Service exports grew at 7.8% between 2018-2021, 3.1% faster than the North. Closing this gap presents an opportunity for the North to grow service exports to generate additional GVA for both the region and wider UK.

Although further resources and coordination efforts will nudge the dial on the North's Trade and Investment performance, wider systemic issues including lower business productivity and business investment, and wider infrastructure must also be considered.

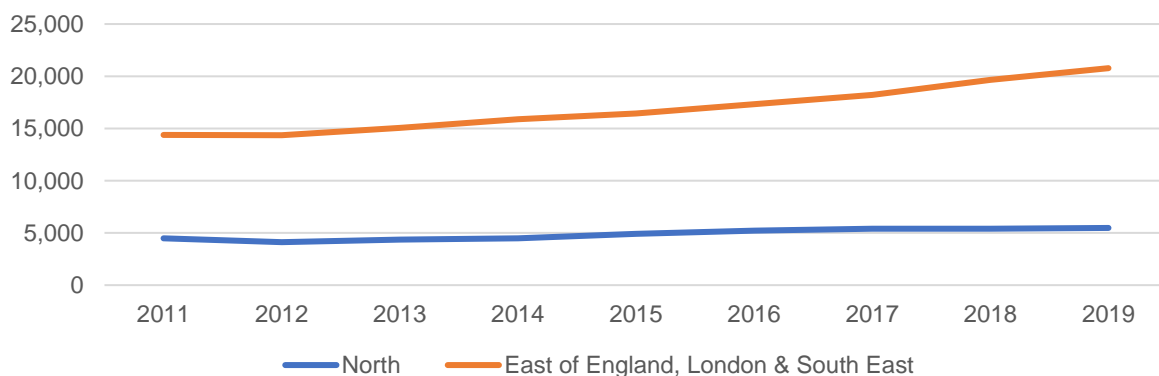


Increasing investment in the North

Capital investment is a catalytic driver for generating more productive investment in the North, helping to unlock the regions potential to maximise its FDI and trade comparative advantages. Increased R&D expenditure will lead to similar benefits, boosting innovation, productivity and driving the creation of new products, services and business models which will enable the North to maintain its advantages in a competitive global landscape.

Reviewing of Capital Investment flows from 1997 to 2020 shows positive trends in the North but a widening gap compared to the performance of London and the South East, nearly doubling that of the North. R&D expenditure depicts an even starker story, portraying relatively stagnant expenditure over the last decade from just under £4 billion in 2011 to slightly over £5 billion in 2019. This is a complete contrast to the UK’s leading region which comprises the Golden Triangle between London, Oxford and Cambridge where R&D expenditure has increased significantly from under £15 billion to over £20 billion in the same period. **R&D expenditure in this region is now almost four times higher than for the North.**

Figure 2. UK Gross Domestic Expenditure on R&D: North of England vs East of England, London and South East (ONS, regional R&D expenditure 2011-2019)



The North has a substantial asset base to drive trade, investment and innovation. It is home to some of the best universities in the world along with translational institutes such as the AMRC in Sheffield and Lancashire. The Technology & Innovation scenario in the [refreshed NPIER](#) identified that **increasing public investment in this space by £6bn a year by 2030 would stimulate further private investment**, driving increased efficiency and productivity. This would lead to improved competitiveness and export market share, resulting in significant growth in net exports by the 2040s. **By 2050, this would generate an additional £22bn of GVA above baseline forecasts and 106,400 more jobs**

If the North is to improve its performance in FDI attraction and retention and contribute further to the UK’s balance of trade, it must in tandem identify substantial policy interventions to improve its position in relation to expenditure on R&D, capital investment and wider productivity challenges.



The North's opportunity in Trade and Investment

Recent data suggests that the North has a huge opportunity to attract inward investment and maximise exports. The North has historical FDI strengths in retail and wholesale, transportation and warehousing linked to logistics, business, professional and digital. And other sectors are emerging as increasingly important focal points for FDI within the North, reflecting the North's Prime Capabilities, with research by NPP finding that FDI into renewable energy almost trebled from 2012-16 to 2017-21 increasing from \$6.95bn to \$20.25bn.

However, the large gap between the North and London and the South East on R&D projects is a cause for concern, particularly when recognising lower levels of R&D expenditure in the North. The North's greatest FDI opportunities lie in sustaining momentum in the successful attraction and safeguarding of projects and jobs, continuing to close the gap between London and the South East.

With regard to Exports, between 2018 and 2021 total Goods and Services exports were valued at approximately £381 billion. Although significant, the North has underperformed in export growth compared to the UK average and its Service exports are drastically lower than London and the South East.

This gap presents a clear opportunity for the North to increase exports in both goods and services to improve export productivity and create additional GVA for the region and the UK. On Goods, the North must build on its sector strengths in Machinery and Transport, Chemicals and Manufactured Goods alongside while developing new sector-based opportunities. On Services, [as service exports are a fast-growing part of global trade](#), the North's strengths in digital, financial services and university assets positions the region favourably to capitalise on this trend. And the North's devolved institutions, operating at a wider footprint aligned with the scale of international investors, are already securing FDI wins and raising the international profile of their place in terms of exports.

The size of the prize in Trade and Investment

The current GVA of new and safeguarded FDI jobs in the North for 2022/23 is £492m. On the North's current growth trajectory, this value will reach £634.8m by 2030.

On an accelerated growth trend of a 5% increase on the current trajectory in jobs per year, the North has the potential to reach over £800.6m by 2030.

Between 2018 and 2021 total Goods and Services exports were valued at approximately £381 billion. Although significant, the North has underperformed in export growth compared to the UK average and its Service exports are drastically lower than London and the South East.

If the North increases its value of exports as a percentage of GVA (27.1%) to meet the UK average of 31.7%, this will equate to £16.7 billion in additional export value.



Barriers to Trade and Investment in the North

Building on recent reviews of Northern and UK-wide performance in Trade and Investment, we have identified a series of key barriers to increasing Northern Trade and Investment performance.

A lack of strategic collaboration between Northern and National partners.

The Harrington Review of Foreign Direct Investment emphasised that current government systems are “disorganised, risk-averse, siloed, and inflexible when it comes to meeting modern investors’ needs”. This is particularly true in the relationship between national and sub-national bodies, which currently operates as a “patchwork” of agencies working with constrained resources which limits the capacity to be proactive and strategic in targeting investment.

Recent years have shown progress in this regard with the Trailblazer Devolution Deal agreed by Greater Manchester, and the subsequent national Devolution Framework providing a clear route to greater collaboration around targeting and landing high value investments. However, the North still has limited involvement in the shaping of national trade & investment priorities. Meanwhile, many LEP and Local Authority partners are not resourced sufficiently to interact effectively with colleagues in DBT and OFI.

This resource gap leads to a ‘coordinated failure’ as information and knowledge are not processed effectively. It also limits the effective promotion of the North’s inward investment offer to potential investors. Greater collaboration in this space would also position the North, and the UK, to address the lack of globally competitive, top tier, investment-ready sites – highlighted as a key gap in the UK’s competitiveness in the Harrington Review.

A lack of co-ordination around key Northern products and specialisms

The recently-published Northern Powerhouse Independent Economic Review (NPIER) reaffirmed the North’s prime capabilities in advanced manufacturing, digital, energy and health & innovation. Work in recent years, for example NP11’s Net Zero North Prospectus and the NP11/NHSA’s work on the Northern Life Sciences Super Cluster, has highlighted the vast investment potential in these sectors. However, a lack of co-ordination means that opportunities in these key sectors and others are not always well reflected in national promotions which limits the North’s ability to compete on the global stage.

Similarly, there is substantial investment taking place in strategic infrastructure across the North including in six Investment Zones and three Freeports. However, it is not sufficiently joined up and coherently packaged to investors to enable the full strategic benefits of these investments to be realised.

The Northern Productivity Challenge.

Addressing the challenge and opportunity of increasing productive business investment in the North is critical if the region is to improve its performance in attracting and retaining FDI and trading with the world. The North’s ability to retain FDI and also trade effectively and competitively in the global economy has been constrained given the underlying relative lack



of capital investment in its economy. This systemic challenge must be viewed in parallel with any policy interventions designed to support Trade and Investment outcomes.

A lack of investment attraction levers

Due to a lack of transparent national investment attraction levers, the UK is now an outlier amongst the G20 grouping of economies incentivising FDI attraction through discretionary funding. For example, Germany has a €3bn regional support fund for inward investment and France has a €30bn multi-sector attraction fund to support new supply chain development in FDI. Limited influence over and unclear access to investment attraction levers limits the North's ability to incentivise investment into transformational projects and sectors.

Competition vs. Collaboration

The Harrington Review highlighted that the current system of UK regions competing against each other for investment does not work in the best interests of the UK. The review highlighted strong support for a more collaborative model which emphasises the complementary strengths of neighbouring regions and promotes cross-border clusters of specialisation. The formation of the Pan-Regional Partnership for the North presents clear opportunities for the North to be at the forefront of this collaborative model.

Limited Understanding of Performance and Impact

Recent work to review trade & investment performance in the North has again highlighted a lack of reliable and robust data on which to measure performance and impact, and to shape future activity. The fluctuation year on year presents further challenges.

Nationally, activity to support inward investment is currently monitored by the outputs of 'number of jobs' safeguarded or created' and 'number of projects'. Export value and volume is monitored via HMRC and regional successes recorded through export wins, business support engagements and events. Across the North, measures of success for Trade and Investment are monitored inconsistently. Others, including those of high importance to our businesses, are not measured at all.

Data availability at lower geographic levels

Trade and Investment data is often unavailable at the level of city-regions and Local Enterprise Partnership areas, only available at the regional or national level. This stops places from properly understanding the particular barriers and opportunities at the geographic level where they already have levers to influence and support Trade and Investment activity. Without the right data, Northern places cannot plan and develop strategies that take into account the actual nature and destination of their exporting and import flows to the rest of the world.



In the following sections, we review three draft policy propositions that have been developed by the Convention of the North Policy Officers Group. The goal of the Convention workshop process is to challenge, shape and inform these propositions as part of the wider process of co-creating a Manifesto for the North.

Proposition: Formalising T&I ties with Government

The North has a key role to play in shaping national trade and investment policy. We propose that this importance should be recognised through:

- 1. Formalise relationship between the North, DBT and OFI**
- 2. Back the North's PRP and its defined role to grow the North's global footprint.**
- 3. Clear route to new Ministerial Investment Group outlined in Harrington Review**
- 4. A clear role for the North influencing any proposals to increase UK-wide investment.**

As set out above, the North is essential to the UK's Trade and Investment success, and future growth. Recognising this importance and embedding the North's voice in the structures of the UK Government is a necessary pre-condition to making the most of the North's potential.

The Office for Investment will play a key role in this process. The Office for Investment (OFI) should provide a clear route into government to address planning and regulatory barriers alongside targeted and accelerated programmes to unlock land for investment, including land assembly, structured development partnerships and funding to deliver the site and infrastructure needs.

Additionally, the OFI has a critical role to play in supporting the North to identify and unlock sites that can deliver a strategic economic shift, helping to determine any specific infrastructure and land requirements sought by global investors. Collaboration on a pipeline of schemes, with OFI providing insight on global investor demand and priorities, can help align investment and policy decisions with market need.



The North and Government should work together to embed the North's voice and influence within national Trade and Investment decision-making. We recommend that this is achieved via the following actions:

1. Recommendation: Formalising the relationship between the North, DBT and OFI

The UK Government and the North should work together to embed institutional collaboration. The focus of this partnership would be to develop a framework for how national and sub-national IPO's work together more effectively. It would also review how trade support is delivered locally.

2. Recommendation: Backing the North's PRP and its defined role to grow the North's global footprint

The emerging Pan Regional Partnership for the North will have trade and investment policy as a key priority. The UK Government should recognise the role of the pan-regional partnership and support it with appropriate support and oversight responsibilities.

3. Recommendation: Outlining a clear route to new Ministerial Investment Group outlined in Harrington Review

The Harrington Review of FDI recommended the creation of a cross-Government Investment Committee to oversee Government delivery of FDI and support the UK business environment. Government should set out proposals and a timeline to delivering this approach, which the North welcomes as a positive step in supporting regional investment.

4. Recommendation: Outlining a clear role for the North influencing new proposals to increase UK investment

We note that several UK political parties are looking at potential proposals to increase investment, responding to analysis that has highlighted recent shortfalls within this area. This includes options under consideration such as regional growth funds, institutional investment vehicles and Sovereign Wealth Funds. Irrespective of the form, the North must have a voice in the structures of these vehicles to ensure that appropriate levels of investment are retained within the places of the North, and that a place-blind approach does not see the North's investment potential flow elsewhere.



Proposition 2: A Northern T&I Strategy and evidence base

Proposition: A Northern Trade and Investment Strategy and Evidence Base

The North should be supported to develop a Trade and Investment Strategy. As part of this, the UK Government should work with the North to:

- 1. Review Northern T&I performance and role in Global Value Chains**
- 2. Co-develop a Northern Trade and Investment Strategy with Government**
- 3. Develop a shared outcomes and performance framework**
- 4. Closer working on the joint design and delivery of T&I programmes**
- 5. Ensure T&I is considered in parallel with wider policies – e.g. R&D, Business Support etc.**

Trade and investment data in the UK faces serious limitations, which is holding back the North's ability to understand and make the most of its own economy. The evidence in the opening section of this paper stems from a short review of existing data sources.

Considering strategy at the Northern level also offers the chance to engage with international investors at a compelling scale relative to other opportunities. To dig deeper, the North and Government must work closely together to build evidence, strategy, and delivery capabilities.

5. Recommendation: Reviewing Northern T&I performance and role in Global Value Chains

The first step should be a comprehensive review of the North's role within international trade and production, recognising the limitations of existing T&I data. This would enable targeted T&I activity across high-potential sectors and sub-sectors.

6. Recommendation: Co-developing a T&I strategy with Government

Built on a robust evidence base and local expertise to further FDI successes, this strategy should set out a path to improve trade performance and address strategy and delivery coordination failures.

7. Recommendation: Developing a shared outcomes and performance framework

An outcomes framework aligned to regional and national priorities including increasing innovation, working towards net zero and supporting inclusive growth. Within this framework should sit an agreed performance management framework which sets targets for Trade and Investment that align with transformational capabilities.

8. Recommendation: Closer working on the joint design and delivery of T&I programmes

This would follow those steps outlined in annual delivery plan of the above Trade and Investment Strategy, with the UK Government working closely with Northern partners to scope, design and deliver individual T&I priority programmes.

9. Recommendation: Ensuring T&I is considered in parallel with wider policies

UK Government should aim to align T&I policy with wider UK Government policies and spending flows, such as R&D, business support etc. For the below, can we change "each sector" to "shared priority sectors"



Proposition 3: Promote Northern Sectors

To make the most of the opportunity the North's key sectoral strengths provide, the North and Government should work together to develop distinctive "Northern Products" for each sector. This will require:

- 10. Support to develop sectoral investable propositions (for example, jointly developing and promoting a competitive Life Sciences 'Northern Product')**
- 11. Significant marketing and promotional campaign in key markets and concerted effort to attract industry conferences in relevant sectors.**
- 12. Fast track support from OFI to address investment barriers (e.g. infrastructure, skills, planning).**
- 13. Recognise and define the distinct opportunity of Freeports and Investment Zones for improving the investment pipeline.**

The North should seek to support investment in and raise the profile of its key sectors, achieving recognition both nationally and internationally. The North can achieve this by working together as a region to develop compelling and complementary propositions to promote the North's world-leading assets and prime capabilities, in addition to and complimentary with national sectoral and industrial policy. Our ask is that Government and the North do so by:

10. Recommendation: Developing sectoral investable propositions

The North, with the support of Government, should work together as a region to develop compelling and complimentary propositions. The North has genuinely world-leading capabilities and possibilities in certain sectors, such as renewable energy and the green transition (see companion COTN24 policy paper for more on this topic). A pan-Northern Trade and Investment proposition – for example, a Clean Growth product that packages together Green investment opportunities – would be a compelling and distinctive complement to the North's existing sectoral strengths.

These propositions should promote the North's world-leading assets and prime capabilities; overleaf, outlines for a Net Zero or Life Sciences-based investable proposition is outlined, to show how this approach could work in practice.

11. Recommendation: Significant marketing and promotional campaign in key markets and concerted effort to attract industry conferences in relevant sectors.

Government and the North should collaborate in taking the approach of creating an umbrella campaign on behalf of the North in which the established Northern brands (city, country, and coastal) can flourish. This would also include marketing activity in key markets, but also include additional funding to attract industry conferences to the North.



12. Recommendation: Fast track support from OFI to address investment barriers

Competitive infrastructure is essential to attracting international FDI, and there is a risk that the UK is falling behind in certain fields (e.g. grid infrastructure, planning system speed and capacity). The North should work with the OFI to develop a system for fast-track support to address particular supply constraints and barriers, that are holding up major investment opportunities.

13. Recommendation: Recognise, define and promote the distinct opportunity of Freeports and Investment Zones for improving the investment pipeline

The North has a particular opportunity with regard to Freeports and Investment Zones to attract international investment, where 3/8 and 6/8 respectively are located within the North. Government should work with the North to ensure that the correct support exists to maximise FDI through these sites, including marketing and promotional campaigns to raise the profile of the Freeport and Investment Zone programmes as a whole in international markets.

Developing a sectoral investable proposition: Life Sciences

The UK is a global innovation hub for research and development, with a strong life sciences sector, backed by world-leading universities and hospitals, clinical trials infrastructure and a robust healthcare evaluation environment. The North of England in particular excels at Health tech, digital health, translational research and clinical trials delivery.

The Northern population is diverse and multi-cultural, making clinical trials conducted here more representative. Bringing the latest healthcare technologies and treatments primarily to the North allows our patients to benefit from access to globally leading technologies first and presents an opportunity for creating high skilled jobs in an innovative industry.

The Northern health life science alliance report; [A Northern Life Sciences Supercluster](#), showed that with investment the Northern Life Science sector could grow to 118,700 jobs with a productivity growth of £5.17 Billion to £16.52 Billion by 2040.

However, the NHS is a difficult market to access and the UK Health research landscape is complex to navigate, making scaling and the UK as an investable proposition risky.

To address these barriers and highlight the opportunities of the North on the international stage, the Government and the North could start to build a sectoral product by:

- Providing the emerging Northern Pan Regional Partnership with funding to allocate to Northern level projects and the development of a pan-Northern pipeline of investable projects, avoiding the risk of competition at the local authority level.
- Making available funding for NHS R&I teams to engage with local authorities to drive FDI from their research activities and provide business development and contracting support for commercial engagement activities.
- Backing up promotional campaigns with funding for travel, events and engagement with experts and key decision makers, to assist with building partnerships and attending key investor events.



Developing a sectoral investable proposition: Clean Growth

Trade and Investment discussions at the Convention of the North 2023 highlighted a broad appetite to develop and promote a competitive 'Northern product' within the field of Clean Growth that demonstrates a unified voice on the North's sector opportunities, skills and education offer.

The North will be key to driving clean growth and ensuring the UK meets its environmental targets. It is estimated that building on current activities, scaling up and collaborating can unlock significant benefits in coming decades, including creating approx. 100,000 new jobs and generating an additional £2.3bn GVA by 2050. But, with limited place-based international capacity and resources, we are restricted in our capacity to tell our story overseas, understand global demands and connect proactively with potential investors.

The [Net Zero North Prospectus](#) was the first step on a journey to establish collaborative strategy and interventions around future prosperity through clean growth in the North of England. Building on this foundation, there is the potential for the North to work with DBT to:

- Collaboratively develop a compelling Northern proposition linked to net zero, in-line with market demands and national government priorities.
- Connect with overseas investors through DBT's global network, working closely with overseas posts to promote the North's strengths and investment opportunities through webinars and participation in overseas visits.
- Position key Northern sites and opportunities for future DBT familiarisation visits, investor delegations and national campaign activity.
- Develop insights on future demand to inform the evolution of the North's pan-Northern proposition.

With the right support from Government, we can:

- Increase the national and international visibility of the North's unique clean growth sector specialisms, clusters and investment opportunities.
- Increase the number of net zero investment leads.
- Increase Net Zero FDI into the North.