

Yorkshire Universities submission to the Inward Foreign Direct Investment inquiry – International Trade Select Committee

February 2021

About Yorkshire Universities

Since 1987, Yorkshire Universities (YU) has been the regional voice for higher education in Yorkshire. YU represents eleven universities and one specialist higher education institution (HEI). YU is a unique partnership based on a shared commitment to strengthen the contribution that universities and HEIs make (individually and collectively) to the economic, social, cultural and civic life and well-being of people and places in Yorkshire.

Increasingly, YU members have adopted a global perspective, but they remain firmly embedded in local economies and communities, working with public and private sector organisations of all sizes. Our members are vital anchor institutions driving local and regional growth. It is with this contribution in mind that we respond to the International Trade Select Committee's inquiry into inward FDI, with a particular focus on (a) the importance of a place-based approach and (b) the vital role of universities in attracting investment.

Universities and inward FDI

Inward investment is a crucial driver of increased innovation and improved productivity. Universities and HEIs in Yorkshire play a direct role in place promotion and in attracting inward investment by collaborating with LEPs, Combined Authorities, Metro Mayors, local government, business and others, including the Department for International Trade (DIT). This often takes the form of providing evidence of specific research and innovation strengths, and supporting trade and investment events, such as MIPIM or the Smart City Expo. Universities also have a vital role in place-making, in the provision of education, skills and training, and working with local business, the public sector and communities to generate, co-produce and exchange new and emergent knowledge. Realising and utilising the contributions of universities towards place promotion, and selling the benefits to investors of a talent pipeline, is essential for ensuring future success in attracting investment and trade.

1. How can the Office for Investment most effectively fulfil its remit to “support the landing of high value investment opportunities into the UK”, while “ensuring high and rigorous standards of scrutiny and security”?

The new Office has a vital role: attracting investments, which align with key government priorities, such as reaching net zero, investment in infrastructure and advancing research and development. We would emphasise three means of doing this effectively.

The first is to recognise the role that universities can play in helping to attract FDI, to help maximise the contribution of investments into the local economy, to connect and support new companies with opportunities within and beyond the region, and to work alongside Metro Mayors, LEPs, Combined Authorities and others in these efforts.

The relationships that exist in Yorkshire between universities and LEPs, Combined Authorities, metro mayors, local authorities and DIT provide a solid base to build upon. In YU's work, we have encouraged a more strategic approach to involving universities in place promotion and FDI activity. This means, for example, moving away from ad-hoc last-minute requests to universities to present at meetings to investors, and towards supporting stronger relationships at the local level. This means ongoing dialogues and strategic discussions between partners, which reflect the particular geographies in which investment and trade activity takes place, and which reflect locational and sector assets and opportunities. The result: quicker and more effective responses to investment opportunities as and when they arise. It can also reduce duplication and inefficiency, and enable a more intelligent use of local assets, knowledge and expertise. The Office should encourage and support the involvement of universities in efforts to attract high value investment opportunities.

Second, the Office needs to ensure that policies and strategies connect with, and reinforce, research and investment and other relevant agendas (such as the Northern Powerhouse, and the forthcoming Devolution White Paper). This is essential if the government is to meet its 2.4 percent research and innovation investment target, and its overall objectives for reversing regional inequalities are to be realised. To do this, we recommend establishing a senior-level post within the Office with responsibility for building links across Whitehall. Chief Scientific Officers have performed similar functions in government departments: bringing evidence to bear in decision-making and policy-making, and joining up thinking across government (whilst reflecting these outwards to key bodies such as universities and research institutes).

Third, the Office needs to ensure a constant place-based focus in its work. We turn to this in question two.

2. How does the Government's Investment Strategy relate to its Industrial Strategy, its regional policy and the "levelling up" agenda?

The government's investment strategy should be inextricably linked to the Industrial Strategy, regional policy and the 'levelling up' agenda.

As we look to the future, any meaningful recovery and rebuilding will depend on doubling down on the social and spatial inequalities we face as a country and as a region. The disparities between regions in England were widening when COVID emerged, and they have been exacerbated since. We know that regions, such as Yorkshire, have been less resilient and have taken longer to bounce back from previous shocks, and that a similar pattern may arise this time.¹ The government's investment strategy can, and should, play an active role

¹ <https://committees.parliament.uk/writtenevidence/6294/pdf/>;
<https://www.yorkshirepost.co.uk/business/yorkshire-experience-uks-slowest-economic-recovery-pandemic-3067550>.

in addressing regional disparities; the government's High Potential Opportunities (HPO) and 'Investment Champions' programmes are promising steps in the right direction.²

The levelling up agenda requires careful and precise definition, and this is possible by focusing clearer attention and efforts on narrowing the structural barriers to improved economic, social and health opportunities and outcomes, between regions. As some experts have suggested, this requires a fundamental examination of how we organise our lives, and the operation of, and value we place on, our social and economic systems.³ It also needs government policies and interventions (including those carried out by the Office for Investment) to be more sensitive and specific to individual places.

For investment strategies to be effective, they need to reflect unique regional contexts – from research and innovation infrastructure and physical assets to patterns of investment and trade. Regarding the latter, for example, the Yorkshire's key trading partners are Netherlands, USA, Germany, France and Belgium – which differs from nearly every other UK region.⁴ Yorkshire is the top exporter of manufacturing goods outside of London, and the region boasts the highest proportion of exports going to sub-Saharan Africa.⁵ And 58 percent of the region's exports are to the EU-27, compared to a UK average of 49 percent.⁶

We would add that the focus of many inward investment conversations is cities and metropolitan or urban areas. Depending on the vantage point of international investors, UK regions are considered fairly compact geographies. Connectivity and linkages between related and complementary assets within and between regions are likely to carry more weight with business than concerns about specific administrative boundaries. Similarly, the complexities of place and asymmetric governance can challenge efforts to build collaborative activity amongst local partners. In Yorkshire, these links are generally strong, and initiatives such as the Place-Based Economic Recovery Network (PERN) are further strengthening links between public bodies and universities, especially research evidence.⁷ The government, in its economic policy, its levelling up agenda, and its investment strategy, should maintain a tight focus on the challenges faced by regions, and the exciting opportunities that can be realised by adopting a place-based approach.

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² <https://www.gov.uk/government/news/regional-investment-projects-announced-to-boost-local-economies>.

³ <https://www.regionalstudies.org/news/a-message-from-our-president/>.

⁴ UK Regional Trade Statistics Commentary Q4 2018:
<https://www.uktradeinfo.com/Statistics/RTS/Pages/default.aspx>.

⁵ <https://www.gov.uk/government/news/yorkshire-leading-the-way-for-manufacturing-exports-outside-of-london>.

⁶ <https://researchbriefings.files.parliament.uk/documents/CBP-7851/CBP-7851.pdf>.

⁷ <https://yorkshireuniversities.ac.uk/pern/>.