



# From Sister to Global Cities

Key findings and learnings from 2003 and 2019

Conference handout

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## About NZIER

NZIER is a specialist consulting firm that uses applied economic research and analysis to provide a wide range of strategic advice to clients in the public and private sectors throughout New Zealand and Australia and further afield.

NZIER is also known for its long-established Quarterly Survey of Business Opinion and Quarterly Predictions.

Our aim is to be the premier centre of applied economic research in New Zealand. We pride ourselves on our reputation for independence and delivering quality analysis in the right form and at the right time for our clients. We ensure quality through teamwork on individual projects, critical review at internal seminars and peer review at various stages through a project by a senior staff member otherwise not involved in the project.

Each year, NZIER devotes resources to undertake and make freely available economic research and thinking aimed at promoting a better understanding of New Zealand's important economic challenges.

NZIER was established in 1958.

## Authorship

This paper was prepared at NZIER by James Hogan

It was quality approved by John Yeabsley

We gratefully acknowledge the valuable contributions of:

- Toni Grace and Hiromi Morris (Sister Cities New Zealand)
- Alistair Crozier (Christchurch City Council)
- Dougal McGowan (Otago Chamber of Commerce)
- Janet Andrews (Wellington Xiamen Association)
- John Christie (Enterprise Dunedin)
- Kimberly Wu (Auckland City Council)
- Matthew Nichols (Christchurch City Council)
- Rob Jeffrey (Jeffco International Ltd).



L13 22-28 Willeston St | PO Box 3479, Wellington 6140  
Tel +64 4 472 1880 | [econ@nzier.org.nz](mailto:econ@nzier.org.nz)

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## Background

NZIER was commissioned in 2003 to investigate the economic benefits of Sister City relationships and their potential for supporting regional economic development. Our report set out a number of recommendations for how businesses and councils could improve the economic benefits of Sister City relationships.

Now, 16 years after our first report, NZIER has been recommissioned to follow up with the original interviewees and find out how their businesses have changed. We were also asked to explore what have been the learnings from the successful attempts by some Sister Cities to commercialise their relationships.

### Revisiting the report topic 16 years later

The recommendations from the 2003 report still stand, although there are a number of new external factors that have prompted the interest for revised analysis and report:

- A growing focus and interest among councils in supporting greater economic cooperation outcomes via Sister City relationships.
- Several new bilateral Free Trade Agreements have come into force for New Zealand, including with China, Thailand and South Korea.
- A significant increase of Sister City activities in certain markets, such as China, over this time.
- A growth in new local players and stakeholders, such as regional Economic Development Agencies, which are mandated by councils to independently advance a range of economic development strategies and initiatives, including regional promotion, investment attraction, business development, major events, tourism and international education.

This revised report was commissioned to review the 2003 analysis and conduct new interviews to understand how Sister Cities have evolved, where cities have succeeded or struggled and what lessons we can extract for consideration by Sister Cities New Zealand and its members. These are summarised in this introductory handout, with further detail and feedback in the substantive paper, which will be available online at [www.sistercities.org.nz](http://www.sistercities.org.nz).

## Best-practice guidelines from 2003

### Guidelines for councils

- **Identify your targets** – exploit the comparative advantage of your locality.
- **Planning is vital** – have a strategic plan for each relationship. Build in regular reviews and ensure that changing objectives can be accommodated.
- **Define the roles** – councils are not always the best agency to conduct business negotiations, and roles should be delineated accordingly.
- **It's a two-way thing** – include local businesses in trade promotion activities. But by the same token, know when to back off and let the business partners negotiate the deal.
- **Don't rush things** – Sister City relationships thrive on continuity of contact and the building of trust between local and overseas local bodies. Ensure that continuity of contact is not over-reliant on individuals.
- **Evaluation is essential** – evaluating council activities and keeping track of business successes helps demonstrate accountability and contributes valuable information regarding best practice.
- **Savings are benefits too** – information and technology exchange can be a valuable, low-cost source of information.
- **Make use of technology** – the internet provides an effective, low-cost vehicle for advertising your region and its comparative advantages.
- **Details matter** – councils can help business by providing important cultural and background information.

### Guidelines for business

A Sister City can be an important part of a strategic business plan. Time and resources committed into Sister City relationships are investments. Successful business relationships require upfront expenditure and effort that will not generate immediate benefits. Continuity of contact and time spent establishing trust and building personal relationships is vital to maximising economic benefits from Sister City relationships.

- **Use the Sister City relationship as a springboard** – Sister City contacts can open the doors to new markets.
- **Planning is vital** – Sister City links work best as part of a business plan. Details matter, and market research is essential to getting the details right.

- **Treat it like any other investment** – don't expect to reap the rewards straight away. Take the time to develop personal relationships and establish trust.
- **Savings are benefits too** – contacts made through Sister City relationships and delegations can reduce transactions and search costs.
- **It's a two-way thing** – don't expect councils to do all the legwork; be proactive in following up contacts and seeking out the information you need.

## Findings in 2019

Sister City relationships operate between pairs of local government councils and their communities. They produce two types of trust-generating economic outputs:

- **Bilateral cultural-enhancing activity between city communities that creates and enhances community trust.** The cultural-enhancing activity is visible and objectively perceived by the overseas Sister City and other international parties and credibly signals commitment to a personal-level relationship between cultures.
- **Trust and assurance between cities that reduce transaction cost for local business.** Council entities provide assurance that the international relationships are long duration and will last, the relationship is important, the rules of engagement between cities are within the control of the parties and each party will engage constructively whatever the circumstances.

It is because councils are long-term enduring bodies that are elected by a collective of people and make law that they have a capability to create trust between cities.

Councils can create a high-trust environment between international local governments that opens up economic opportunities for business and lowers risk, cost and uncertainty for business seeking to engage in bilateral trade.

Mayoral visits strengthen the commitment between the Sister Cities through showing the relationship is still valued and, more importantly, through personal in-presence face-to-face commitment by each mayor to engage constructively whatever the circumstances or evolving political context.

## Positives from 2019

### 1. Personal relationships are important

Without exception, all interviewees emphasised the fundamental and paramount importance of keeping the relationships between Sister Cities alive through regular contact and communication. Successful Sister City

relationships or trading relationships require a lot of effort and commitment to maintain regular working-level operational contact between cities and regular civic-level mayoral visits.

Maintaining relationships helps the parties keep up with the ever-changing global economic environment and growing social concerns, for example, climate change, consumer trends and geopolitical changes.

## **2. Cultural outputs matter**

Cultural, art and sporting exchanges are all forms of gift sharing, which builds trust visible to the other party and shows a genuine commitment to an enduring relationship. The overseas city can observe the strength of the cultural relationship between the cities, and that impacts on the credibility of the trust built between the cities.

## **3. Trade happens through business, and business networks matter**

As with the 2003 report, the interviews reiterated that councils are not businesses, and they cannot engage alone in meaningful bilateral economic trade. The best value councils can add is to provide assurance and promote trust. Trade between businesses still needs to be conducted by business and comes with its own risks and uncertainties. Chambers of Commerce, with their networks into their overseas counterparts, can further reduce risk through maintaining a trusted network at the business level. Doing this collaboratively with councils and providing a united front has its advantages.

## **4. Culture happens through communities, and Sister City Society networks matter**

Just as business networks can make businesses operate more efficiently, so to can community networks make cultural relations efficient. Their costs are minimal, but their ability to signal credibility to the Sister City is high. They are tangible demonstrations of the interest one city's community has in understanding the culture of another.

## **5. Focus on marketing regional comparative advantage**

The most successful Sister Cities have taken a **strategic** approach to tapping the economic potential of their city relationships through actively promoting the industries and sectors they are regionally best at. Once trade became established, they looked for opportunities to increase the value of the relationships through providing higher-value services.

Overseas delegations need to be strategic. The temptation to take a large mayoral-led business delegation overseas can result in an unfocused visit that is unable to meet all of the participants' needs. Business and trade is ideally facilitated

one on one, tailored to the business. It is less effective with a big delegation at a civic level.

## **6. Bring a team and pitch to each member's comparative strengths**

The most successful cities have taken a collective approach when seeking to open overseas markets, recognising interdependency between members. Councils can provide assurance needed for foreign business commitment but can neither enter into business nor expertly represent a sector. Likewise, business and sectors approaching overseas markets might find bureaucratic doors are closed without the prestige and mana of a mayor.

## **Bottlenecks to progress**

### **1. Limits of city-based economic production**

The scale of opportunity in some international markets can be overwhelming. The pairing between New Zealand and Chinese cities, for example, can have New Zealand populations of 10,000–15,000 matched with cities of several millions of people. Even if a negotiation is successful, the inability to deliver Chinese-level volumes may prevent successful trade relationships. This highlights an opportunity for taking a regional or New Zealand-wide approach to potential business opportunities rather than focusing only on what can be done between the two cities.

### **2. Council bandwidth**

A number of councils maintain several Sister City relationships with a ratepayer-funded staffing base. While the benefits and activities are varied, not all Sister City relationships can (or should) be commercialised. Creating an expectation of economic co-operation but not having the capacity to deliver may lead to loss of relationship and trust for some.

An across-council strategy for which overseas cities ought to be engaged by councils collectively and for which specific economic opportunities could help make best use of limited council resource. An across-council strategy should also include criteria for establishing new relationships – especially new markets of emerging importance for New Zealand – and how these can be effectively prioritised and balanced against existing relationships and resource commitments.

### **3. Brand New Zealand**

New Zealand's brand in an international market is either relatively unknown to some cities or viewed as having a relatively narrow offering. Within this narrow offering, New Zealand cities are constantly seeking to explain both New Zealand's uniqueness and their regional New Zealand

difference. Some interviewees saw this as just one aspect of the overseas marketing job, but there may be opportunities to deliver the New Zealand Inc. brand message more consistently via Sister Cities.

#### **4. Communicating opportunity to a wider audience**

Promoting trade opportunities from Sister Cities back to the local region can be difficult. Regions have struggled to get business involved and commit to entering overseas markets. The people-to-people exchanges and bilateral cultural-enhancing activity also need to be more prominent and communicated to the community.

#### **5. Business skills and becoming export ready**

Many New Zealand businesses lack real knowledge of how to do international business contracts, especially in a culturally different environment.

Firms looking to enter overseas market need to be market ready and have the financial ability to get up into market multiple times before agreements occur. Sister City visits may be able to provide a useful window for market familiarisation, but businesses should make an effort to source other forms of advice via business or export networks, consultants, Economic Development Agencies or New Zealand Trade and Enterprise. This level of managerial requirement and financial capability may be a limiting factor for many businesses seeking to commercially benefit through Sister City relationships and visits alone.

#### **6. Signalling commitment and maintaining trust**

Trust is like a renewable resource that atrophies with disuse and multiplies with use. For signalling commitment to a relationship and maintaining trust, there is no substitute for face-to-face meetings. Without face-to-face engagement, relationships needed to maintain strong business connections will not develop. Economic opportunity will disappear if relationships are not maintained.