

The economic benefits of Sister City relationships

Report to Sister Cities New Zealand

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Preface

The New Zealand Institute of Economic Research (NZIER), based in Wellington, was founded in 1958 as a non-profit making trust to provide economic research and consultancy services. Best known for its long-established *Quarterly Survey of Business Opinion* and *Quarterly Predictions*, the Institute also undertakes a wide range of consultancy activities for government and private organisations. It obtains most of its income from research contracts obtained in a competitive market and trades on its reputation for delivering quality analysis in the right form, and at the right time, for its clients. Quality assurance is provided on the Institute's work:

- by the interaction of team members on individual projects;
- by exposure of the team's work to the critical review of a broader range of Institute staff members at internal seminars;
- by providing for peer review at various stages through a project by a senior staff member otherwise disinterested in the project;
- and sometimes by external peer reviewers at the request of a client, although this usually entails additional cost.

Authorship

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- Dave Adamson (Christchurch City Council)
- Jenny Lapham (Dunedin City Council)

We thank the numerous businesses, educational establishments and other organisations that provided information and time to this project. We also thank all respondents to our scoping survey.

EXECUTIVE SUMMARY

Brief

NZIER was commissioned by Sister Cities New Zealand, Local Government New Zealand, the Ministry of Economic Development and the Asia 2000 Foundation to fill the gap in existing knowledge related to the economic benefits of sister city relationships in New Zealand. We used a survey and visits to Councils, organisations and businesses around New Zealand to establish the types of economic benefits that have already arisen from sister city relationships, and those that are likely to occur in the near future.

A note on quantifying economic benefits

Quantifying the precise economic benefits of sister city relationships is fraught with difficulty. It is difficult to identify and attribute specific economic benefits to any one sister city relationship. Local-level data is often scarce, and in many cases commercial confidentiality restricted the information available to us. So rather than attempting to quantify the total economic benefits of sister city relationships in New Zealand, our research looked at selected programmes and projects. We focussed our investigation on ascertaining *how* sister city relationships have helped generate economic gains, and how this information could most usefully be applied to fostering economically successful sister city relationships throughout New Zealand.

Conclusions

1. *Sister city relationships have delivered economic benefits at the firm level*

Our interviews with firms that have used sister city relationships in their business plans indicate that, at the microeconomic (or firm) level, these relationships have delivered economic benefits. These benefits have had a positive impact upon local economies. However, from a macroeconomic perspective (i.e. compared to total economic activity in New Zealand), these benefits are small.

2. *These benefits are broad ranging*

Economic benefits typically cited as arising from, and attributable to sister city relationships include:

- Establishing business contacts.
- Providing a gateway into new markets and product lines.
- Enhancing the overseas reputation of both individual firms, and New Zealand as a whole – giving businesses a competitive edge.
- Reducing transactions and search costs in business negotiations.
- Attracting foreign-fee-paying students.
- Facilitating knowledge and technology sharing and joint research.
- Increasing tourism.

The first three points relate to the creation of potential economic benefits, whereas the last four points represent realised benefits. Some examples of the benefits from our case studies are displayed in Table 1 below.

3. The potential benefits are augmented if opportunities are maximised

There is substantial potential for extracting further economic benefits from sister city relationships. Some firms that we talked to have yet to see tangible gains from their business dealings via sister city links, but they expect in the near future to see a return on the resources that they have invested into developing networks and building trust overseas. Other firms expect the benefits that they have already enjoyed to increase over time.

If Councils and businesses wish to experience greater economic gains from their sister city relationships, they need to better take advantage of the opportunities that such links provide. The results of our interviews led us to create a set of best practice guidelines for Councils and firms to consider when they are looking to derive economic gains from their sister city relationships (see **Best Practice Guidelines** below).

4. Sister city relationships are evolving – economic benefits are now more important

Sister city relationships have evolved over time since their introduction in the 1950s, but government to government relationships remain very important in many countries. The relationships have traditionally focused on cultural and educational exchange and knowledge sharing. Although many of New Zealand's active sister city relationships still maintain this focus, a good many others now see the development of economic benefits as a key objective.

This change has occurred relatively recently in New Zealand and thus the business links that have occurred as a result of sister city relationships remain relatively young. However, the role (and subsequent economic pay-offs) of sister city relationships acting as catalysts to developing business linkages is likely to increase over the next decade.

Cultural and commercial objectives need not be mutually exclusive – enhancing cultural understanding in the short term can promote commercial exchange in the long run. In a world where cultural barriers have been lessened by technological developments such as the internet, and by increasing globalisation, it may be that less emphasis is required on the cultural aspects of these relationships. In addition, reduced barriers to the physical flow of goods, services, investment and workers have meant that it is imperative for most economies – and in particular small open economies such as New Zealand – to be outwards looking in their trade policies.

5. Goal-setting and effective planning are the keys to success

While objectives will differ across relationships, it is important that each one is planned and the aims explicit. That said, flexibility is also important, to accommodate changing objectives as relationships evolve and develop. Developing cultural links and understanding can lead to commercial benefits, and are an important foundation for successful business deals. Sister city committees' strategic plans therefore need to be reviewed regularly, to ensure they reflect changing priorities.

Sister city relationships can dovetail nicely with other strategic goals. Some of the most successful relationships focused on identifying and exploiting the region's competitive

advantages and existing clusters and infrastructure. By targeting key growth industries, sister city relationships can build on both regional and national strategic economic goals, and maximise the economies of scale of their activities.

6. Examples of economic benefits

Table 1 shows some examples of the economic benefits arising from the five sister city relationships we studied in depth. Note that it would be inaccurate to attribute all of these economic benefits to the fact that sister city relationships exist. Some of the benefits are due to the efforts of businesses and individuals that would have occurred whether or not a sister city relationship was in place. However, sister city relationships have certainly aided these transactions to take place, as they have been a catalyst for each project.

Table 1 Summary of case study projects displaying economic benefits

Project	Economic benefit
Auckland	
Exports of education	Estimated 700 students from Guangzhou, China. Direct benefit of \$24 million per annum.
Compendium	Attendance at trade fairs in Fukuoka, Japan, has opened up new markets for New Zealand gifts.
Transport network planning	Sharing of knowledge/technology transfer with Brisbane, Australia. There are potential benefits for Auckland from more efficient transport system.
Computerised information management	Sharing of knowledge/technology transfer with Brisbane, Australia. Improved efficiency of Auckland City Council computer systems.
Christchurch	
Kurashiki orchestra visit	Week long visit by 100-strong orchestra from Japan. Direct impact estimated to be around \$175,000.
Human Interface Technology laboratory	Technology transfer and knowledge sharing are highly likely to lead to commercial success in future, following example of US HIT lab. Enhances Christchurch's reputation as centre of excellence for information technology.
Canterbury Car Club	100 visitors from Adelaide attended a Premier 3 racing car meet. Direct impact estimated to be \$150,000. Possibility of a larger visit (230 team members) in 2004, resulting in additional expenditure of \$340,000.
DBS International Limited	Exports of comb honey to Kurashiki, Japan, worth over \$200,000.
Bone marrow project	Link with Fred Hutchinson Cancer Research Center, Seattle. Staff exchange and knowledge transfers represent cost savings and improved treatment for Christchurch facilities.
Australian publicity	Hour long documentary on Christchurch was shown on primetime TV in Adelaide, organised at low cost to the City. A 10 page glossy feature in <i>Encounter Australia</i> magazine was also organised. This kind of publicity represents valuable advertising.
Transport planning, 'green' building processes	Knowledge exchange with Seattle and Adelaide. Significant transfer of information at very low cost. Some interest shown overseas in purchases of environmentally-friendly electric buses from Ashburton.

Dunedin

Wallis Nurseries	Nursery established in Shanghai, China. Two others set up elsewhere in China. Actual financial benefits so far have been small. Aim is to supply Councils with millions of plants for beautification of Beijing prior to 2008 Olympics.
Natural History New Zealand (NHNZ)	Dunedin's sister city relationship with Shanghai provided NHNZ with point of difference over competitors when selling there. Gave firm a headstart over rivals.
Beijing Broadcasting Institute (BBI)	NHNZ's contacts with the BBI has resulted in strong interest in Beijing students attending the University of Otago's film and design courses.
Otago Polytechnic	80 students from Otago, Japan per year for 4 week courses. Direct expenditure impact of around \$250,000. 10 students from other parts of Japan as a result – total tuition fees of \$150,000, plus expenditure on gifts, leisure, etc.

Far North

Exports of education	Existing benefits are small as relationship with Liaoning province is young, but potential exists.
Māori tourism	Interest expressed by visiting delegations from Liaoning, potential for further visits.
Investment	List of investment opportunities in Liaoning presented to Far North District Council, passed onto MED and Industry New Zealand for advice.

Tauranga

Jeffco International Limited	Agricultural firm now has office in Yantai, China, and has signed export contracts worth over \$1 million.
Pelco New Zealand Limited	Knowledge exchange on aquaculture, potential opening of new export markets in Yantai.
Comvita	Exporting natural health products to Japan, via visiting delegations.

Source: NZIER

Table 2 outlines the direct costs of sister city relationships to the councils studied. This does not take into account the cost of committee volunteers' time or the expenses of businesses that put their own resources into projects related to sister city relationships. Without knowing the true cost of sister city relationships, it is very difficult to determine the *net* economic benefits arising from such linkages.

Table 2 Direct costs to Councils of sister city programmes

Costs per Council

	Auckland	Christchurch	Dunedin	Far North	Tauranga
Sister city funding, 2002 FY	\$25,000	\$350,000	\$40,000	\$10,000	\$29,000
Staff resources (1)	1	1.5	As required	0.05	0.33

Notes: (1) Stated in terms of number of full time employees.

Source: City or Regional Councils

Best practice guidelines

Our case studies of successful sister city relationships highlighted a number of critical success factors, both for business and for Councils. By considering and implementing these suggestions, Councils will be able to improve the number of economic success stories resulting from their relationships. Businesses can improve their chances of using a sister city relationship effectively if they examine how other firms have succeeded.

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. Internal politics can be offset by using outside agencies for some activities.
- **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

Sister city relationships represent another tool in a business's toolbox. While they shouldn't be relied upon as the only way for a firm to achieve growth overseas, they can be an important part of any strategic business plan. In this respect, putting time and resources into sister city relationships should be regarded in the same way as any other investment. Building successful business relationships with sister city contacts requires up-front expenditure and effort, and will not generate immediate benefits. It can take time – sometimes years – for these efforts to bear fruit. Continuity of contact, and time spent establishing trust and building personal relationships is vital to maximising the 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 Council to do all the leg-work; be pro-active in following up contacts and seeking out the information you need.

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1. INTRODUCTION

1.1 Background

Sister city relationships are formal relationships between two cities in different countries. Sister city programmes foster communication across borders, focussing on individual contact at the local level. They aim to stimulate cultural awareness and understanding, with a view to increasing the flow of ideas and promoting cultural, educational and sporting exchange, as well as increasing tourism and trade between the two cities.

New Zealand currently has around 145 formal sister city relationships. Sister Cities New Zealand is a national level organisation that aims to support and better the quality of local sister city programmes. Its strategic plan focuses on seven key goal areas:

- Provision of a national office and support services to members and network of international people-to-people interests.
- Investigating and devising a support system for sister schools/international education sector.
- Promoting and profiling sister cities and their benefits.
- Enhancing 'good practice' in local sister city programmes.
- Engaging in partnerships and networking with like-minded interest, and giving leadership in this field.
- Developing youth awareness and participation.
- Managing and boosting resources.

In order to achieve these aims, Sister Cities New Zealand need information regarding the activities and success of local sister city relationships. But to date, there has little co-ordinated research conducted into this area. Underpinning the strategic plan is therefore an emphasis on credibility through research, education and up-skilling of practitioners.

Research into the economic benefits of sister city relationships in New Zealand is a major contributor to achieving these aims. In particular, analysis of economic benefits resulting from sister city relationships will assist in profiling sister cities and their benefits, and enhancing good practice. Such research will also inform Councils and other funding agencies regarding the best use of resources – both within sister city programmes, and across funded programmes.

NZIER has been commissioned by Local Government New Zealand, Sister Cities New Zealand, Ministry of Economic Development and Asia 2000 Foundation to fill the gap in the existing knowledge base related to the economic benefits of sister city relationships in New Zealand. The questions that we addressed include:

- What types of economic benefits have been derived from sister city relationships?
- Which New Zealand relationships have delivered the most significant economic benefits?
- What have been the critical success factors in achieving economic benefits?

- How can sister city programmes be developed so as to foster and deliver economic benefits?

This report presents the results of our research, and provides recommendations regarding the types of partnerships and activities that are most likely to result in economic benefits.

1.2 Approach

Our research comprised two key stages:

- (i) A scoping survey of 26 local authorities which have active sister city relationships, the purpose of which was to select five case studies for more in-depth analysis.
- (ii) Case studies of five sister city programmes, which have resulted in economic gains to business and organisations in their region. This involved face-to-face and telephone interviews with representatives from projects demonstrating economic benefits arising from the sister city relationship.

So rather than attempting to quantify the total economic benefits of sister city relationships in New Zealand, our research thus looked at selected programmes and projects. Even so, determining the economic benefits of individual programmes is fraught with difficulty. It is hard to determine what proportion of any benefits is due solely to a sister city relationship. Furthermore, local-level data is often scarce, and in many cases commercial confidentiality restricted the information available to us. We therefore focussed our investigation on ascertaining *how* sister city relationships have helped generate economic gains, and how this information can most usefully be applied to fostering economically successful sister city relationships throughout New Zealand.

The rest of our report is organised as follows. Section 2 reviews the literature on sister cities: their origins and objectives, and the likely benefits arising. Section 3 summarises the results of our initial survey of local authorities. Section 4 presents the findings of our case studies. The conclusions of the report are presented as the Executive Summary. The detailed results of the scoping survey and the interview notes from the case studies are presented for completeness in the Appendices.

2. LITERATURE REVIEW

2.1 Definition and origins

A sister city relationship denotes a 'formal relationship between two cities or local government areas in different countries'.¹ Sister cities can also refer to municipal partnerships within countries, e.g. between countries or states, but for the purposes of this project we are concerned solely with international affiliations.

The notion of sister cities (also known as twinning cities and friendship cities) can be traced back to the aftermath of World War II, when sister city relationships were established in Europe as reconciliatory gestures, e.g. between Ludwigsburg in Germany and Montbeliard in France in 1950.² Sister city relationships were initiated between the US and other countries shortly afterwards, following President Dwight D. Eisenhower's proposal for a people-to-people programme, at a White House conference in 1956. Eisenhower envisaged the fostering of such relationships as contributing to increased cross-cultural understanding and global co-operation, and hence decreasing the probability of future world conflict.³

2.2 Objectives

Early sister city relationships focused on reducing barriers (such as those of language, and of cultural mores), and increasing information and understanding about partner cities' cultures, via cultural and educational exchange. As the contribution of cultural understanding to commercial success became more widely appreciated, the objectives of some sister city relationships developed more towards developing commercial and trade links. Improved knowledge and experience with a foreign culture is valuable in conducting business and investment activities, and capitalising on any enhanced understanding achieved through a sister city relationship can help offset the costs of maintaining that relationship.

Cultural and commercial objectives may not be regarded as mutually exclusive: a survey of local governments in New Zealand in 1995/96 found that cities may see objectives such as cultural exchanges as precursors to economic relationships. That is, enhancing cultural understanding in the short term can promote commercial exchange in the longer term (Ramasamy and Cremer, 1998).

As locally-based initiatives, sister city relationships are not overseen by central government, nor do they necessarily conform to central government policies. Indeed, some sister city relationships in the US have been instigated as a form of expression of disapproval of and resistance to official (national) policies.⁴

¹ Kevin O'Toole (2001) 'Kohusaika and internationalisation: Australia and Japanese sister city type relationships' *Australasian journal of international affairs* 55 (3), 2001 (403-19).

² B. Ramasamy and R.D. Cremer (1998) 'Cities, commerce and culture: the economic role of international sister city relationships between New Zealand and Asia', *Journal of the Asia Pacific economy* 3 (3), 1998 (446-61).

³ Sister Cities International *Fact sheet*.

⁴ Rolf D. Cremer, Anne de Bruin and Ann Dupuis (2001) 'International sister cities: bridging the global-local divide', *American journal of economics and sociology* 60 (3), January 2001 (377-401).

2.3 Costs and benefits

This project focuses on the economic benefits achieved through and attributable to sister city relationships. However, as noted above, such commercial aspects may not be the explicit objective of the affiliation. Economic benefits could plausibly include:

- increased tourism
- increased trade
- increased foreign direct investment
- collaborative research.

Educational exchange (e.g. reciprocal student visits) may also result. The economic benefits of these exchanges is likely to be small (e.g. students' expenditure whilst in the country). The benefits of cultural exchange, such as improved understanding and reduced language barriers are difficult to measure; increased cultural knowledge may manifest itself indirectly through increased trade and investment.

Due to the diffuse nature of sister city relationships, both quantifying the benefits and ascertaining the degree of benefit attributable directly to the relationship are difficult. The way in which the partner city regards the relationship is also worth considering; not only may the two cities have different views regarding the objectives of the relationship, but they may also (perhaps for cultural reasons) regard the importance of potential benefits differently. For example, a study of Australian-Japanese sister city relationships found that the Japanese partners had different expectations regarding the affiliations, with the Japanese sister city associate members and local government officials regarding business relations as outside the relationship. Australian partners, on the other hand, placed some emphasis on the (expectation of) commercial benefits from the relationships (O'Toole, 2001).

The costs of sister city relationships may be distributed across local government and community and business organisations. Costs include not only direct financial expenditure on the initiative, but the opportunity cost of the resources involved, including people's (such as that of staff, and community volunteers) time.

3. SCOPING SURVEY

3.1 Purpose of scoping survey

A key element of our brief was to identify the economic benefits of sister city relationships by selecting five local authorities' relationships as case studies. We therefore wanted to select relationships which have already demonstrated economic benefits resulting from their programme. In order to select appropriate examples, we conducted a scoping survey. This survey helped us identify potential case study participants. We then liaised with the clients, drawing on their knowledge of sister city activities around the country, to select our five case studies.

The scoping survey form (which is shown in Appendix A) was sent to 26 local authorities and covered topics such as:

- (i) History of the relationship.⁵
- (ii) Goals, promotion and assessment of the relationship.
- (iii) Inputs into the relationship.
- (iv) Types of economic benefit arising from the relationship.

3.2 Key results

We received 22 replies – an 85% response rate – which was very encouraging. The detailed results of the scoping survey are shown in Appendix B, but we touch on a few key results in this section. The scoping survey indicated that economic benefits are an important facet of many sister city relationships in New Zealand.⁶

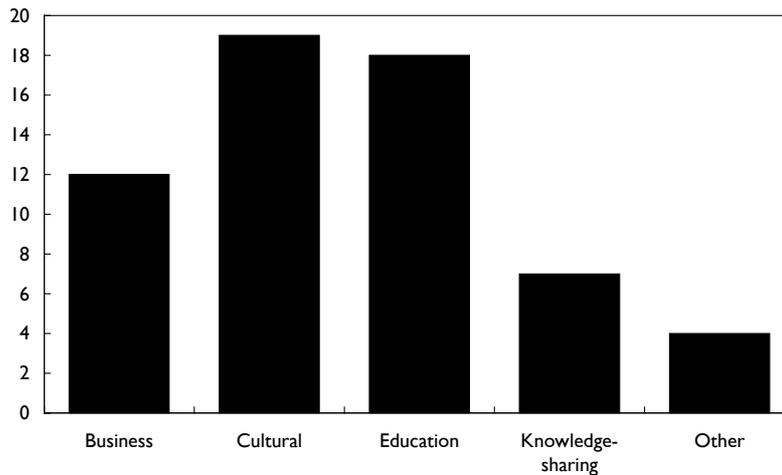
Cultural and educational exchange remain the most commonly-cited goals of sister city relationships in New Zealand, as shown in Figure 1. These reflect the more 'traditional' sister city links. However, the fact that over half of the survey respondents cited fostering business links and opportunities as a goal suggests that the economic aspect of sister city relationships is also vitally important. Knowledge-sharing – a less obvious form of economic benefit – was also a goal of nearly one-third of respondents.

⁵ Respondents were asked to answer the survey for their most active sister city.

⁶ We have no previous survey results against which to compare the results of our survey, and so cannot indicate if the role of economic benefits has increased in, say, the past five years. It would be useful to carry out a similar survey in a few years' time to determine how sister city relationships in New Zealand have evolved.

Figure 1 Goals of the sister city relationship

Number of respondents

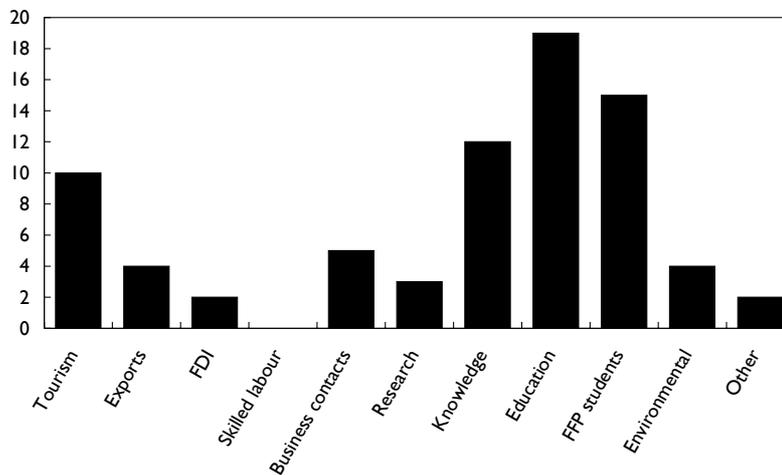


Source: NZIER

So what types of economic benefits do sister city relationships have to offer? Our survey suggests that educational exchanges or increases in foreign-fee-paying students (FPPs) are the most common economic benefit.⁷ As shown in Figure 2, knowledge sharing and tourism also rated highly. Interestingly, increased exports of goods did not appear to be a common benefit, and no respondents indicated that their sister city relationship had resulted in any movement of skilled labour to or from their region.

Figure 2 Benefits from the sister city relationship

Number of respondents

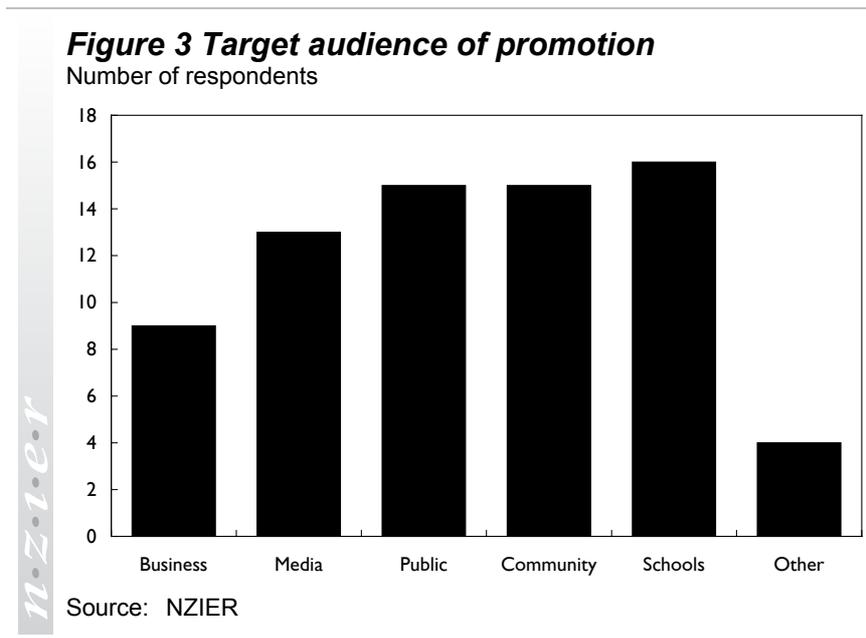


Source: NZIER

In order to highlight the financial benefits that sister city relationships can bring to businesses, Councils need to promote what they can offer to the private sector. Figure 3 shows the distribution of responses regarding the target audience of current

⁷ Note that educational exchanges usually involve one foreign student coming here, and one New Zealand student studying in the foreign country. Although there may be slight differences in the relative costs of studying in New Zealand or in the sister city, such exchanges therefore result in little direct *net* economic benefit to the region.

promotional activities. Although nine out of 22 respondents try to promote sister city relationships to businesses, the results suggest that more work needs to be done to make firms aware of the potential gains from participating in such relationships.



It appears that when considering how to improve their relationships in the future, enhancing the economic benefits from sister city links is a priority. Half of the respondents expressed a wish to increase trade links and improve local business attitudes. Increasing the investment flows resulting from the relationship was also high-ranking goal for improvement (see Table 3).

Table 3 Possible improvements to the relationship

Possible improvement	Number citing
Increase trade links/improve business attitudes	11
More local promotion/involvement	4
Work slowly/have patience	2
Increase understanding of sister city's culture	2
Increase tourism/organise citizen tours	2

Note: Many other improvements were listed by just one respondent, see Table 11 in Appendix B.

Source: NZIER

3.3 Suggested case studies

To select the case studies we assessed each respondent's answers against a number of criteria. Our recommended criteria were that those selected should:

- Have a formalised sister city relationship – this eliminated friendship relationships and informal city partnerships.
- Have a commercial focus – some sister city relationships in New Zealand are relatively new and have not yet developed trade links. We were interested in those

local authorities who listed relationship goals such as 'business links' and 'knowledge sharing'.

- Have goals which are formally recorded and against which progress is evaluated – if tangible economic benefits are a goal of a sister city relationship, it is important for the local authority to have some assessment procedure to monitor development.
- Include 'business' in their target audience for promotion – if local authorities promote their sister city relationship to local firms, this indicates that the relationship has an economic focus.
- Have a relationship which is also promoted in the host city – a relationship that is promoted to local firms in both cities is likely to lead to greater awareness of potential gains from trade.
- Have some idea of the resource inputs into the relationship – we are interested in identifying the *net* benefits of sister city relationships. That is, we need to consider the economic costs as well as the economic benefits of each relationship.
- Cite some benefits accruing to the relationship – the case studies were to consist of a series of interviews with parties that have achieved economic gains from their sister city relationship, so we needed some examples of the types of benefits experienced.

These criteria acted as a guide to selecting the case studies. However, rather than applying 'hard and fast' rules, some discretion was used. For example, we wanted to look at both the North and South Islands, and consider both large cities and smaller ones.

Using client input, the following five local authorities were selected as the subjects of our case studies:

- Far North district
- Auckland city
- Tauranga district
- Christchurch city
- Dunedin city.

4. CASE STUDIES

4.1 Aim of case studies

The purpose of the five case studies was to examine some economically successful relationships in more depth. Face-to-face visits and phone interviews were conducted with a wide range of businesspeople, Council members and other interested parties. We were reliant on the sister city co-ordinator in each of the five local authorities to provide us with the contact details of people involved with specific projects displaying economic benefits attributable to the relationship.

As explained in section 1.2, we did not attempt to quantify the economic benefits of sister city relationships in New Zealand. Rather, we used the interviews to identify the key issues that Councils, sister city co-ordinators and local businesses should consider when attempting to use a sister city relationship for economic gain. A number of these issues were pervasive across all of the case studies. We then identified the critical success factors for maintaining an economically beneficial relationship.

The full set of interviewees is presented in Appendix C. A summary of the most salient points from each case study follows.

4.2 Lessons from Tauranga

Tauranga has two active sister city relationships: with Yantai in China, and with Hitachi in Japan. Both of these relationships are well established.

4.2.1 Jeffco International Limited

Jeffco exports and imports agricultural products and livestock, and has developed a strong and financially rewarding relationship with businesses in and around one of Tauranga's sister cities, Yantai, China. It stands out as a business that has invested considerable resources in developing a trading relationship with a sister city partner.

It used Tauranga's sister city connections in the late 1980s to make contacts in Yantai, and then leveraged off these initial contacts to build a network of potential trade partners. During the network-building phase, Jeffco had to absorb some significant sunk costs in terms of travel expenses, accommodation and time. However, the company now has an office in Yantai (opened in 1994) and is reaping the benefits of that investment. While the specific value of Jeffco's contracts was not disclosed, we were assured that some fell into the seven-figure bracket.

The firm's success in Yantai is due to some factors which may provide pointers to businesses looking to gain economic benefits via sister city relationships.

Using the sister city relationship as a springboard

Jeffco used initial contacts from the sister city to start building relationships with both local businesses and – just as importantly – local and central government politicians. But it did not sit back and expect sister city representatives to entice Yantai firms to make contact straight away. Rather it used its own resources to make inroads into a new market.

Not rushing things

Jeffco recognised that in order to be successful when conducting business in China, trust needs to be built up between the potential players in any deal. This doesn't occur quickly. Special focus needs to be placed on the continuity of contact.

Making sister city partners a component of a strategic plan

During the 1980s, Jeffco realised that China would present vast potential export opportunities as it developed and became more outward looking. The company appreciated that some networking groundwork had already been done by Tauranga's sister city representatives in Yantai and formulated a business plan around that groundwork.

4.2.2 Pelco New Zealand Limited

Pelco New Zealand (located in Mount Maunganui) is a Māori-owned and operated exporter of processed pelagic fish. While it is yet to see any tangible economic benefits from Tauranga's sister city relationship with Yantai, the actions that it has taken in recent years suggest that there will be significant gains in the near future.

The company aims to export large volumes of low value fish to Yantai. Contact with businesses in Yantai commenced in 1998, with a senior member of Pelco's staff being introduced by representatives from the Tauranga Council. Pelco understood that building trust and cementing relationships in China was a prerequisite to realising the considerable business opportunities offered by Yantai's population of 6.5 million. This initial visit has been followed up via further face-to-face meetings both in Yantai and in Mount Maunganui, and via the exchange of letters.

One spin-off from the networks that Pelco has developed over the past four years is that it has participated in an exchange of knowledge regarding the aquaculture industry. Pelco is considering adding an aquaculture branch to their business, the aim being to export high value, low volume products. Yantai already has in place some massive marine farms. A Pelco staff member recently visited the region to find out more about aquacultural growing techniques and increased her knowledge on the subject immensely. Staff at the marine farms in Yantai were very open with their knowledge, and this demonstrates the high level of trust that has already been developed between Pelco and its Chinese counterparts.

The investment by Pelco in developing industry-specific networks in Yantai illustrates two important considerations for firms wishing to take advantage of the export opportunities offered by sister city partners.

Identifying gaps in the sister city market

Given that Yantai already displays considerable expertise in the aquaculture industry, it is perhaps surprising that Pelco is looking to export marine farm products there. However, the knowledge gained by Pelco from visiting the marine farms in Yantai showed them that there are lucrative niche aquaculture markets that could be filled by New Zealand produced goods.

The importance of family values in developing trust

Pelco is a family-oriented company. At least three members of one family have visited Yantai. Since family values are important to Chinese (and many other Asian) businesses, each visitor was welcomed immediately. This contributed to an immediate bond being formed between the potential trade partners, and meant that the Yantai businesspeople were happy to readily share their aquacultural intellectual property.

4.2.3 Actions of the Tauranga District Council

Tauranga's active sister city relationships with Yantai in China and Hitachi in Japan are well established and have been successful in breaking down cultural barriers and developing trust. The Council is now looking to move the relationships to another level of closeness by enhancing trading opportunities and realising economic benefits. In order to achieve these goals, it has taken a number of steps:

- (i) It has identified five key sectors which it will promote. The focus of export promotion will be forestry, agriculture/horticulture, aquaculture, education and tourism. These are sectors in which Tauranga's business community already holds a competitive advantage. The local infrastructure such as the Port of Tauranga supports a focus on these sectors. In addition, considerable thought has been put into the identification of potentially lucrative niche markets outside of these 'big five' sectors. For example, Japanese consumers have a preference for natural medicine. Tauranga is taking advantage of this demand by exporting high profit margin honey and bee-pollen based products to Hitachi.
- (ii) Given the size of the potential export markets in China and Japan, the Council has looked to include the wider region (in the Bay of Plenty and beyond) in its plans in order to satisfy the significant demand for exports that could result from aggressive trade promotion. Businesses in Whakatane and as far afield as the Waikato have expressed a willingness to participate in this process.
- (iii) The Council has recognised that it needs to actively include local businesses in trade promotion activities and have taken various business delegates with them on official sister city visits. This benefits both the Council and businesses. The Council gets help deepening their sister city relationship. Businesses get the opportunity to create new trade deals with vastly reduced transaction costs, as much of the groundwork in building trust has already occurred.

4.3 Lessons from Auckland

Auckland has a number of active sister city relationships:

- Fukuoka in Japan (formalised in 1986)
- Guangzhou in China (1989)
- Pusan in Korea (1996)
- Brisbane in Australia (1988)
- Los Angeles in the US (1976)

It also has friendship city agreements with Tomioka and Shinagawa in Japan. The Asian sister cities are the focus of attempts to gain economic benefits through trade. The sectors which are seen as the main beneficiaries from Auckland's Asian sister city relationships are tourism and education. The relationship with Brisbane is based mainly on the exchange of information and technological transfers.

4.3.1 Study Auckland

Study Auckland is a branch of Tourism Auckland. Its role is to represent the region's schools, tertiary institutions and private education providers (such as language schools). Much of its focus is on attracting lucrative overseas students to Auckland. Auckland attracts around 47% of the total number of overseas students visiting New Zealand, which equates to about 20,000 students a year.

Auckland's sister city bonds have been very useful in attracting foreign students. This is primarily because China, Korea and Japan represent New Zealand's three largest export markets for education services. Together, they account for 66% of overseas students in Auckland, according to a Study Auckland survey. Guangzhou has been the focus of much of Study Auckland's promotion efforts.⁸ In 2000, there were 500 students from Guangzhou at various education establishments in Auckland, and this is estimated to now be a figure closer to 700.⁹

International students contribute to the economy by spending on tuition fees and living costs. Expenditure varies by student type (secondary, tertiary, English Language school). It is estimated that secondary students spend around \$10,000 per year on student fees, tertiary students \$15,000 and those at private institutions an average of \$8,000. Living costs have been estimated at an average of \$11,800 per year for secondary students, \$11,600 for tertiary and \$5,000 for those at private institutions.¹⁰ A McDermott Fairgray report (2001) estimates the direct expenditure (excluding operational expenditure) by students from Guangzhou in Auckland at an average of \$23.6 million per annum (over the 1999-2001 period). The benefits are even larger if indirect expenditure (the 'multiplier' effect) is taken into account.

Some key messages for Councils considering promoting education exports were learnt from Study Auckland:

The importance of interacting with other industry organisations

Study Auckland does not conduct a great deal of direct marketing aimed at specific overseas cities and regions, due to funding constraints.¹¹ Instead, it associates with bodies such as the Auckland City Council, Trade New Zealand and Education New Zealand. The organisations are able to pool resources and gain economies of scale by not stepping on each others' toes. For example, if Auckland City Council is organising a broad-based trade delegation in Fukuoka, it is more efficient for Study Auckland to accompany them than to try to make their own arrangements. By interacting with other industry and trade promotion authorities, budget-constrained organisations can maximise their effectiveness through shared knowledge.

Identifying your comparative advantage and exploiting it

New Zealand cannot rely on academic reputation to market its education services overseas. Its institutions do not have the branding of 'Ivy League' establishments such as those in the United Kingdom or the US. Therefore Study Auckland has identified a number of reasons why New Zealand should be seen as an attractive destination for

⁸ Although the Japanese market in Fukuoka is seen to be more attractive for exports of education, the economic downturn experienced in Japan over the last decade has reduced families' willingness to send their children overseas for education.

⁹ We also spoke to Air New Zealand about how they may have benefited from the Fukuoka relationship, and in particular from students coming to study in Auckland. Their view was that "it is hard to define exactly what benefits can be attributed "directly" to the relationship... there are so many more outside influences that have led to benefits on the Fukuoka route.... But being a sister city with [Auckland] does raise New Zealand's profile in the region. It is the overall exposure that helps us as opposed to the direct relationship... Overall they are an important part of our sales and marketing operations in Japan with the total sum of the sister city relationships more relevant than any one by itself" (email from Craig Pettigrew, Market Analyst Officer (Toyko), Air New Zealand).

¹⁰ Infometrics (2000), cited in McDermott Fairgray Group (2001) *Assessing the benefits of Auckland City's sister city relationships*. Report to Auckland City Council.

¹¹ Study Auckland did attend a trade fair in Fukuoka, and its stall was provided without charge.

gaining an education. For example, its brochures emphasise heavily the 'fresh thinking' attitude of Kiwis, the high quality living conditions and the warm and welcoming environment that New Zealand can offer. Study Auckland has conducted market research and identified where there are points of difference between study in Auckland and in competing cities. In other words, it has identified its comparative advantages and is using these advantages to attract clients.

Be involved, have your say

Study Auckland has recognised that it needs to look outside of Asia in order to diversify its markets. They know that if there were a repeat of the late 1990s Asian crisis, its exports of education would drop sharply. Thus they – on behalf of their members – are keen to develop networks in Europe and South America. They have discussed this with Auckland City Council, which is currently identifying potential sister cities in these regions.

4.3.2 2020 Auckland-Guangzhou Committee

This committee comprises ex-pats from Guangzhou now living in Auckland and other members of the Auckland community who are interested in developing relations with Guangzhou. The committee was initiated by the Council, but does not receive funding from it, although they do use Council chambers for their meetings. Their fund-raising activities draw on member businesses and personal donations. Their goal is to promote cultural awareness, education and business opportunities in Auckland to residents of Guangzhou. Over the past few years, they have focused on the cultural and education objectives and last year hosted 'Guangzhou Day' in Auckland. Over 20,000 people attended the event which showcased Guangzhou's culture, food, people and businesses. A reciprocal 'Auckland Day' was also organised in Guangzhou and was equally successful. Welcomes for international students have also been organised and have been very well received

The Committee's efforts are now being directed towards promoting business opportunities in Auckland. They are in the process of organising a golf day (or a series of days) around Auckland to which high net worth individuals from Guangzhou will be invited. By showcasing the possibility of mixing work and pleasure in Auckland, the Committee hopes to attract investment from Guangzhou.

The key lesson that can be learnt by looking at the 2020 Committee's activities is:

It is not solely the Council's responsibility to promote business relations

Councils have limited funding to conduct their sister city activities. It may be that promoting the economic benefits that can be gained from these relationships is not a priority for Councils. Hence other organisations may be the best vehicle for highlighting business opportunities. As long as these organisations, such as the 2020 committee are not 'treading on the toes' of Councils, they should be encouraged and informed of the latest developments in sister city relationships.

4.3.3 Compendium

Compendium is a small business based in Auckland that sells New Zealand products to domestic and international tourists. It is owned and operated by Pamela Elliot. She has been to two trade fairs in Fukuoka and has experienced both the difficulties and benefits that result from using sister city relationships as an opportunity to trade. Pamela was approached by an ex-Council member who suggested that her wares would be very popular in Fukuoka. Another business also mentioned that Fukuoka's

trade fairs represented a major opportunity for Compendium to develop overseas networks. Her first trip to Fukuoka was not a profitable one, as explained below. But by learning from her mistakes, Pamela was able to make her second visit more beneficial. Her experiences highlight a number of lessons that could be useful to other small businesses wishing to trade via sister city relationships.

Market research is vital

Pamela's first trip to the Fukuoka trade fair was not financially beneficial. She took too much stock and the cost of freighting unsold product back to New Zealand was high. By her own admission, she had not really considered what Japanese businesses and public would be attracted to. Her preconceptions of Japanese tastes were slightly mistaken. It would have been useful if she had talked to other businesses selling similar products in Japan, so that she could determine what range of goods would be popular at the fair. Pamela learnt from her mistakes and her second trip was far more successful. She took less stock and took orders at the fair, with the product to be sent to Japan from New Zealand at a later date.

Details matter

Firms need to think more laterally about how they are presenting themselves when visiting sister cities. Pamela did not have her business cards, brochures or price lists printed in Japanese when she first visited Fukuoka. This increased the difficulty of conducting potential business deals at the trade fair. It was also suggested that having at least a working knowledge of the local language would help break down initial cultural barriers. While such issues may not be at the forefront of a proprietor's mind when trying to organise a business trip – primary concerns might be deciding what stock to take, how to deal with tariff schedules, etc – addressing the details can make a large difference.

It's a two way thing

Businesses who have not had experience in overseas markets often need advice regarding customs procedures, tariffs, cultural protocols, for example. Pamela contacted the Japan External Trade Organisation (JETRO) and did not receive a vast amount of specific help. Equally, she suggested that Trade New Zealand was not particularly helpful. The Council provided some guidance by sending Pamela's promotional material ahead.

If Councils are serious about making economic benefits a prime goal of their sister city activities, then they need to provide businesses with more practical help. They need to put businesses with little experience in touch with those who have worked overseas, preferably in similar industries. However, businesses also need to be pro-active and make sure that they actively search out all the information they require.

Treat it like any other investment

In order to improve profitability, firms make investments in plant, machinery and its staff. When they do so, they incur an up-front cost in the anticipation of expected future benefits. Using a sister city relationship for economic gain is no different. Pamela had to absorb the costs of flights to Fukuoka, accommodation, food, freight and employing a temporary worker in her Auckland store. Whilst this put a dent in her bank balance, it was done in the anticipation of profiting from this expense. However, as with other investment, the benefits are not always immediate. They could take six months, a year or even five years to really start providing a high yield return. This is

certainly the case with Pamela's experience. When dealing with Japanese businesses, trust needs to be built up and relationships and networks developed. This can take a significant amount of time. Firms cannot expect to make an investment and reap the benefits immediately, and this applies to the use of sister city relationships as a vehicle for trade.

4.3.4 Actions of the Auckland City Council

The Council sees economic gains as being an increasingly important component of the future of its sister city relationships. This is particularly so for the Guangzhou relationship, whereas the Fukuoka bond is expected to remain focused on promoting youth and cultural activities.

Brisbane has so far been a source of valuable information and technology exchange, especially in the areas of:

- Transport network planning.
- Public-private partnerships in roading.
- The set up of the Council's legal section.
- Operational and events management.
- Computerised information management.

Auckland City Council has taken a different approach to Tauranga District Council when promoting business links. Rather than targeting specific sectors (or 'picking winners'), the Council has tried to lift overseas firms' awareness of Auckland as a whole. With Auckland's profile suitably enhanced, the Council has then looked to use trade fairs and delegations to highlight sectors such as education and tourism. In addition, its participation in technological transfers with Brisbane demonstrates a form of economic benefit that is often not appreciated by the public. Valuing the exact economic contribution that these exchanges have made to the Auckland economy is nigh on impossible. However, the benefits to businesses – and to the population of Auckland as a whole – of a more efficient transport system resulting from discussions with Brisbane are likely to be sizeable.

4.4 Lessons from the Far North

The Far North District Council has three sister city relationships:

- Liaoning Province, China
- Duncan City, Canada
- Yuasa Town, Japan

The Canadian and Japanese relationships are not heavily focused on generating economic gains. The regions are both of a similar size (population wise) to the Far North and have economies based on tourism and horticulture. The Canadian relationship is the oldest of the Far North's sister city links, and revolves around cultural exchange and official visits. The Yuasa relationship has been based on a cultural and social exchange with the Kerikeri Community. Kerikeri High School has formed a direct educational link with Taikyū High School in Yuasa (one of the oldest schools in Japan).

The Chinese relationship is more recent (an agreement was signed in 2000). The Liaoning Province's population is over 43 million, compared with the Far North's 54,000. The relationship is young, but is expected to retain a substantial focus on economic matters.

Our examination of the Far North's relationship with Liaoning revealed a few key suggestions about how a Council should act if it wants to harness economic gains from a new sister city relationship.¹²

4.4.1 Actions of the Far North District Council

Be explicit at the start

Modern sister city relationships are not solely about creating business opportunities. It is recognised that building trust and developing friendships is a vital pre-cursor to doing business overseas, and in particular in Asia.¹³ However, this does not mean that Councils should shy away from including explicit economic goals when negotiating and signing sister city agreements. The Far North's agreement with Liaoning immediately states that the relationship's goals are 'developing friendly cooperation, promoting social and economic prosperity and further deepening mutual understanding and friendship between the Chinese and New Zealand peoples'. It then goes on to identify a number of sectors which could experience the most benefits from the sister city link (education, tourism, agriculture and animal husbandry, science and technology). Each of the Chinese delegations that the Far North has hosted have been focused on one industry at a time. By being specific at the initiation of the agreement, this will ensure that any plans related to developing business links are targeted in the appropriate industries.

Look outside your borders for help

As mentioned before, the Far North and the Liaoning Province are completely dissimilar sizes. When a Chinese delegation presented the Far North District Council with a portfolio of potential investment opportunities in Liaoning, Council members quickly realised that the costs involved in the projects being promoted were way beyond the scope of most businesses in the Far North. They then took the portfolio to the Ministry of Economic Development and Industry New Zealand to get their advice, and to see if the opportunities might be suitable for firms in other regions in New Zealand. The important point here is that a small population size does not have to be a constraint on economic benefits – it may just be that these benefits can be shared by the rest of the country.

Don't compromise the quality of services offered

There are a large number of students in Liaoning who are looking for an overseas education. With the Far North being an approved destination for Chinese visitors, there is strong demand for places at the Far North's education establishments. However, schools in the Far North have emphasised to the Chinese delegations that they are more interested in providing a quality service, rather than letting a flood of Chinese students come in, which could put pressure on schools' infrastructure and teaching abilities. One school has put a limit of ten students per year in order to ensure that the quality of services offered is not lowered.

¹² We do not look at specific projects here, as most of them related to educational exchanges and Māori tourism, which have been covered elsewhere in this report. Instead, we focus on the actions of the Council.

¹³ The Far North-Liaoning relationship is still in the relationship building phase, with economic gains falling mainly in the 'potential' basket at the moment.

Developing credibility is a key

The Council has been approached by a few businesses in the Far North who are interested in doing business in Liaoning. Rather than sending them straight off to meet the important officials in China, the Council first 'vets' these firms. It ensures that they are suitable to represent the Far North's commercial interests and that they will enhance the region's credibility as a place to do business.

Make it a community effort

The Liaoning relationship is fairly young. The Council uses local newspapers, newsletters and the internet to improve community awareness of the sister city links. These types of promotional activities are essential if the region's citizens are to take a degree of ownership of the relationship and to be involved with it.

4.5 Lessons from Christchurch

Christchurch has a number of active sister city relationships:

- Kurashiki in Japan (formalised in 1973)
- Gansu Province in China (1984)
- Christchurch in England (1975)
- Songpa-Gu in Korea (1995)
- Adelaide in Australia (1972)
- Seattle in the US (1981)

Each relationship has a different focus. The Christchurch (England) association is primarily in existence because of its nomenclature – little or no direct economic benefits have resulted. The Gansu region in China is vast, but remains primarily an agricultural region. The relationship is currently based on cultural exchange. However, given its agricultural economy, opportunities exist for knowledge sharing and technological exchange in the future. The Song-pa Gu relationship was selected with a specific aim of developing business to business linkages. However, it is relatively young and has not yet developed into a 'deep' enough relationship that would be suitable for a trade focus. The Adelaide and Seattle relationships are based less on cultural exchanges (due to the lack of language or cultural barriers), and have resulted in a number of information exchanges. The Kurashiki relationship, whilst again founded on cultural exchange and student and youth activities, has led to economic benefits more recently.

4.5.1 The Kurashiki orchestra

In April 2002, 24 members of the Kurashiki orchestra visited Christchurch and performed a free concert for the public. They were so impressed with the welcome they received that they are returning in 2003. This time the group will number around 100 and will include the Kurashiki junior orchestra. They will perform a joint concert with the Burnside High school orchestra. The visitors will not accept any form of payment for their performance, with the recital to be a fundraising exercise for the Burnside High orchestra. In addition to this obvious economic benefit, the group will stay in Christchurch for a week, visit tourist attractions and contribute to the local economy through their expenditure on retail goods, food, etc. The group will be made up of 40 children under the age of 12 and 65 teenagers and adults. The average Japanese adult spends around \$255 per day when visiting New Zealand.¹⁴ If we assume that children

¹⁴ Source: Statistics New Zealand's *International Visitor Survey*, September 2002. The average expenditure per trip by Japanese visitors is \$4,603. Their average length of stay is 18 nights, giving an average daily

spend half as much per day as adults, then the direct economic impact of the Kurashiki orchestra's week-long visit to Christchurch is likely to be in the vicinity of \$175,000.

4.5.2 Human Interface Technology lab New Zealand

Christchurch's sister city relationship with Seattle has led to the establishment of the Human Interface Technology (HIT) laboratory at the University of Canterbury. HIT involves the development of new interfaces to make computers more useful and intuitive for end users. These new technological innovations are designed to increase human capabilities by accelerating people's ability to learn, create and communicate. HIT labs have existed in Washington DC and Seattle for the past 12 years and have resulted in the creation of 21 new companies (two of which are trading on the NASDAQ share index). They have created interfaces such as the Magic Book, which allows children's books to be animated and seen in 3D on a handset, and the virtual retinal display, which scans images directly onto the retina of the eye.

The HIT lab in Christchurch is a joint venture between the University of Washington, the University of Canterbury and the Canterbury Development Corporation (CDC). The HIT lab was opened in October 2002. So where do Christchurch's sister city relationships enter the equation? In 2000, staff from CDC participated in a sister city trip to Seattle and visited the HIT lab at Washington University. Discussions were held with Professor Thomas Furness III, the Director of the lab, regarding the feasibility of setting up a partner lab in Christchurch. These discussions continued between the CDC and Professor Furness (sister city representatives took a back seat after making the introduction) and after he visited Christchurch, Professor Furness felt that the city would be a suitable location for a New Zealand HIT lab.

Given that the HIT lab in Christchurch is in its infancy, its economic benefits are yet to be seen. However, its commercial potential is enormous when one considers the success of the Seattle lab in creating new companies. It is poised to become an integral part of Christchurch's rapidly developing technology cluster. The most important lesson learnt from the HIT lab project is the following.

Identify projects that fit into your city's economic structure

Christchurch has for some time had an emerging technology sector. The University of Canterbury and its polytechnics, along with numerous reputable electronics companies, have created a reasonable-sized cluster. The HIT lab was therefore a natural fit into the regional economy. The CDC is also developing a digital trade network with Seattle, aimed at improving the transfer of ideas and knowledge.

4.5.3 Canterbury Car Club

Sometimes economic benefits do not arrive in the traditional, business to business fashion. Vincent Chew, chairman of the Adelaide sister city committee, has encouraged a number of sporting events and exchanges. While some of these ventures, such as greyhound racing and hockey involve relatively small groups, one in particular will lead to significant benefits to Christchurch. The Canterbury Car Club has negotiated with Adelaide, via sister city contacts, for the Premier 3 class of racing cars to attend a meet in Christchurch. The event, which took place in January 2003, involved 10 cars and an entourage of around 100 people staying in Christchurch for 10 days. Given that the average visitor from Australia spends around \$150 per day in New Zealand, it is

spend of \$255.72. A full list of daily expenditure by overseas visitors by country of origin can be found in Appendix D.

estimated that this visit resulted in a direct economic injection of nearly \$150,000 into the Canterbury region.¹⁵ The flow-on (or multiplier) effects of this boost to the economy would increase the economic impact of the racing car meeting.

The visit was a success from the sporting side of things as well. It is hoped that next year a 'double points' round will be organised in Christchurch. Such an event could lead to up to 23 teams visiting, and up to 230 team members staying in Christchurch. Using the same expenditure data as above, this could reasonably be expected to result in new direct expenditure of at least \$340,000 for the Canterbury region.

A further development in the pipeline is that Adelaide classic car enthusiasts could be brought to Christchurch for a 4-event, 3-4 week series of races. Many of these enthusiasts are multimillionaires with the capacity to spend large amounts during their stay, which will encompass other parts of the South Island as well as Christchurch.

These events illustrate how sister city members' personal interests can be used to create economic benefits for the region as a whole – how the mixing of business and pleasure can very effective.

4.5.4 DBS International Limited

DBS is an import and export business operating in Christchurch and run by David Bolam-Smith. David has been a member of the Kurashiki sister city committee for around 15 years. As well as organising various sporting and cultural events, his company has been successful in trading with Kurashiki and other Japanese cities. He cultivated contacts via his sister city experiences, and spent a lot of his own time and money developing trust and extending networks in Kurashiki and beyond. The result has been that DBS now imports foodstuffs, beer and sake from Kurashiki, and has exported comb honey. The latter venture was worth around \$200,000 to DBS. Future ventures include the export of wine from Waipara to Kurashiki, which is likely to be very profitable, given the premiums that New Zealand wine attracts overseas.

His advice to other small businesses considering using sister cities as a catalyst for trade is similar to that obtained from Pamela Elliot from Compendium in Auckland:

- Don't rush things – develop networks and invest the time and money to do this properly.
- Plan carefully each trip and discuss your plans with people with more experience of conducting business in Japan.
- Prepare yourself culturally – learn basic etiquette and some basic language.

By following this advice, the effectiveness of a business trip will be maximised. And whilst this preparation may not be easy, as David suggested: 'A visit is worth 1,000 faxes'!

4.5.5 Bone marrow project

The Seattle relationship has brought about a further valuable exchange of information and technology related to research into bone marrow-related health projects. The Fred Hutchinson Cancer Research Center (<http://www.fhcrc.org>) is located in Seattle and is at the forefront of research to understand, treat and prevent cancer and related diseases. It has been operating since 1975 and has over 2,300 staff. Representatives of

¹⁵ Source: Statistics New Zealand's *International Visitor Survey*, September 2002. The average expenditure per trip by Australian visitors is \$1,771. Their average length of stay is 12 nights, giving an average daily spend of \$147.58.

the New Zealand Bone Marrow Trust visited the Center on a sister cities delegation in the early 1990s, accompanied by the then Mayor Vicki Buck. The aim of the trip was to seek ways to improve the treatment of cancer sufferers in New Zealand. As a result of the trip, an exchange of nurses was organised. The presence of a member of staff from the Seattle Center in Christchurch will transfer information on best practice medical techniques to New Zealand medical practitioners. This type of training is usually only possible in the US or UK, so this represents a major saving on training costs.

4.5.6 Lessons from the Christchurch City Council

Know when to back off

The establishment of the HIT lab in Christchurch illustrates perfectly how sister city delegations can lead to significant potential economic benefits. The delegation to Seattle was responsible for introducing CDC staff to the Director of the Washington HIT lab. However, the sister city committee itself then took a back seat and allowed the CDC to conduct further discussions. There was no need for further direct sister city committee involvement – their job was to act as a catalyst and then let the relevant parties negotiate between themselves.

Make the relationships flexible

As can be seen above, many of Christchurch's sister city relationships have existed for decades. They stem from a time when the purpose of such associations was to promote international understanding and peace. The Council now recognises that from an economic point of view, the mix of existing relationships may not be optimal. Ideally, the Council would be able to alter the status of some relationships to friendship cities. However, formally 'getting out' of existing relationships is not particularly easy. To account for this in the future, the Council intends to make all relationships contain long term performance review clauses. If such a review leads to the conclusion that the relationship could be reclassified, then a 'sunset clause' (an agreement to change the status of that relationship) would be implemented. This will ensure that the Council's limited sister city funding is used optimally.

Follow up on business introductions

As with the Auckland relationship, the role of Christchurch Council in promoting economic gains through sister cities has mainly been to act as a gateway. It gives businesses contacts and introduces them when appropriate (be it in Christchurch or on overseas delegations). The Council then steps back and lets businesses deal with each other. This is an extremely valid and valuable role. However, the potential result of this tactic is that firms may not always remember to keep in touch with the Council to keep them updated of progress. Consequently, although it may be that many of the Council's sister city introductions have led to economic benefits for the firms involved, the Council may not know about these benefits. It is vital that the Council tries to identify these 'hidden benefits'. This is not intended in any way as a criticism of the Council – it probably reflects firms' priorities of conducting day to day business and hence forgetting where that work stemmed from. The issue does, however, emphasise the importance of monitoring business activities.¹⁶

If there is to be a greater focus on economic gains, Councils need to record all business introductions that they make via their sister city relationships. Every three to six

¹⁶ For example, a local English language school has been hosting up to 100 students from Kurashiki for many years. However, this was not brought to the Council's attention until recently.

months, Councils should get in touch with these businesses and record what progress has been made. This will ensure that any economic gains are documented, and if possible – within the bounds of commercial sensitivity – publicised. It will also account for problems that are caused when Councillors' terms expire and they and their business contacts move on. By creating a database that can be accessed by anyone involved with sister city relationships, any (over) reliance on individual committee members will be reduced.

Christchurch may also have experienced further 'hidden benefits' as a result of return visits from people that came to the city on sister city delegations. The Council is unlikely to be aware of such return visits, and can thus have little idea of their economic value.

Use technology and other media fora to promote business

Christchurch City Council hosts a sister cities website.¹⁷ Some mention is made of the economic benefits that can be gained. However, the Council realises that further promotion of business links would be useful. The internet is an effective, low cost forum for advertising and highlighting Christchurch's key sectors (manufacturing, education and tourism for example) to overseas web surfers.

The Adelaide committee organised for a film crew from Adelaide to visit Christchurch. Christchurch businesses were persuaded to sponsor/subsidise travel, accommodation and tour costs. The result was that an hour long documentary of Christchurch and its attractions was shown on primetime television. The value of this exposure is very high, and was achieved at a low cost to the City itself. In addition, a similar exercise was organised that led to a ten page glossy feature on Christchurch in *Encounter Australia* magazine.

Make potential benefactors/sponsors aware

When trying to secure sponsorship funds for sister city events, Christchurch City Council has been treated well by both the city's casino and the airport. These organisations obviously recognise the gains that they can make by fostering Christchurch's sister city links. Committee members ensure that their contacts at the casino and airport are kept well up to date with upcoming sister city activities that might lead to those businesses profiting.

Savings represent economic benefits too

When we think of businesses achieving economic benefits from sister city relationships, we generally think of firms increasing their export sales. However, on the other side of the ledger, firms (and Councils) can benefit from reduced costs. Firms benefit through lower transaction and search costs when they are introduced to the appropriate contacts in the partner city. If they were to attempt to make their own way, particularly in Asian countries, firms would expend valuable time and money. These costs can be reduced or avoided by participating in sister city trade delegations.

Christchurch City Council has conducted significant information and technology exchanges with Seattle and Adelaide. These have concerned setting up a technology incubator, improving transport systems and environmentally-friendly building

¹⁷ See <http://www.christchurch.org.nz/sistercities>

processes. By tapping into information sources from Adelaide and Seattle, the Council has gained a tremendous amount of information at relatively low costs.¹⁸

4.6 Lessons from Dunedin

Dunedin has four sister city relationships:

- Otaru in Japan (formalised in 1980)
- Shanghai in China (1994)
- Edinburgh in Scotland (1980)
- Portsmouth in the US (1962)

There are significant differences in the levels of activity associated with each of the relationships.¹⁹

- The Portsmouth relationship was set up following President Eisenhower's push for city to city friendships in the late 1950s. After an initial burst of enthusiasm for exchanging civic gifts, reciprocal naming of streets, etc, the level of activity dropped sharply. Trade possibilities were hampered by the fact that most New Zealand trade with the US was with the West Coast, rather than the East Coast where Portsmouth was situated. The relationship is now relatively dormant.
- The Edinburgh link has its roots in the obvious historical ties that it shares with Dunedin. Again, despite initial hopes of commercial benefits, the relationship has never achieved much more than the occasional exchange of gifts or official visit.
- The Otaru bond commenced because of the city's geographical similarities to Dunedin (steep hills around a large harbour). Dunedin also exported timber and meat products directly to Otaru. After some initial commercial success, the relationship is now focused on cultural and educational activities.
- The Shanghai relationship was initiated because the Council considered that creating a formal link with China would provide economic opportunities for Dunedin that would otherwise not occur. This in part reflects the changing philosophy behind forging sister city bonds: commercial gains are now seen as much more of important when assessing potential partners. This relationship accounts for a large proportion of the Council's sister city expenditure and is responsible for most of the economic gains accruing to Dunedin businesses.

4.6.1 Otago Chamber of Commerce

The way in which the Dunedin City Council attempts to generate economic benefits from its sister city relationships is quite different to many other Councils. Most of the social and cultural events related to Dunedin's sister cities are organised by the relationships' committees. These committees are fairly independent from the Council, as the Council's staffing input for sister city relationships is relatively minor. When business prospects are being discussed, the Council involves the Chamber of Commerce (COC).

In the early days of Dunedin's relationship with Shanghai, the Otago COC signed a Memorandum of Understanding (MOU) with its counterpart in Shanghai. This MOU focused on using the sister city relationship to maximise any potential economic gains

¹⁸ Information exchanges have also been created due to Christchurch's electric buses that run in the centre of town. Visitors from Adelaide and Kurashiki have expressed an interest in finding out more about these buses, which are manufactured in Ashburton.

¹⁹ Information taken primarily from a Dunedin City Council report, 16 October 2000.

to both parties. Therefore the COC, rather than the Council, is responsible for promoting Dunedin businesses in Shanghai, although the COC and Council maintain a close working relationship. This does not appear to be the case in other cities in New Zealand. Given that the Shanghai relationship has been relatively successful from an economic point of view, it may be that such an arrangement may be preferable to the Council trying to promote businesses when it does not have the necessary knowledge or contacts to do so effectively.

4.6.2 Wallis Nurseries

Wallis Nurseries' efforts at expanding into Shanghai have been greatly aided by Dunedin's sister city relationship with the region. The firm realised in the 1990s that as competition increased for the leisure dollar in New Zealand, they would be faced with overcapacity. Selling plants overseas was a natural next step in their strategic plan. When a friend in the horticulture industry visited China, he suggested that there were opportunities to supply local government bodies with plants for their vast expanses of public land. Clive Wallis, the owner of the Wallis Nurseries, obtained funding from the Asia 2000 Foundation in the late 1990s to conduct some market research in Shanghai. He then met with Shanghai local government politicians when they visited Dunedin on a sister city delegation. They explained that the planned beautification of Beijing for the 2008 Olympics would require millions of plants to be grown and planted.

Wallis Nurseries now has three nurseries set up in China, although only one was a result of Dunedin's sister city relationship with Shanghai. They are trialling various plants to see how they grow in Chinese soil conditions. Whilst these nurseries have yet to secure any major supply deals with Chinese local Councils, they have had some small sales and are hoping to sign a large contract in the near future. If such a contract is signed, the business expects to double employment on the nursery in Dunedin and anticipates a 25% return on investors' funds.

By Clive Wallis's own admission, Wallis Nurseries has benefited immensely from Dunedin's sister city relationship with Shanghai. The contacts that he made as a result of hosting a visiting delegation proved to be quite influential in opening doors in Shanghai. The potential economic gains that could accrue to Wallis Nurseries as a result are very large. His experiences suggest a few important points that should be considered by businesses hoping to take advantage of sister city relationships for economic gain.

Invest time to impress visiting delegations

Clive spent many hours showing visiting sister city delegations around his nursery. This is time that could have been spent doing other tasks around the nursery, and Clive could have easily delegated the task to someone less senior. However, Clive recognised that if wanted to make a good impression on the visitors, it was important that he took the time to show them around himself. This is vital for gaining respect when dealing with Asian businesspeople or Council representatives – status is everything. The time that Clive spent hosting the delegations has been worthwhile as there were one or two quite high ranking local politicians, and they have been valuable in helping him establish nurseries in China. He estimates that these contacts gave him at least a year's head start over overseas rivals also keen to get involved in the beautification of Beijing.

The contacts that Clive made through then sister city relationship led to his firm being exempted from paying a 17% import duty on seedlings – this exemption was probably

the difference between the firm's plans being stalled due to profits being squeezed and it continuing to establish production in Shanghai.

Get your brand name recognised

Wallis Nurseries invested resources in entering plants in a horticultural show in Shanghai. Their entry won an award, and Clive found that this recognition of his firm's talents and high quality products has made the process of getting Chinese customs permits much easier than if his products were completely unknown.

Combine resources with the sister city

Wallis Nurseries' branches in China train and employ local labour to tend their seedlings, which are exported from Dunedin in containers. This is far cheaper than sending New Zealand staff to Shanghai and ensures that returns to investors (profits) can be maximised. By combining their own domestic production talents with cheap resources (labour) in the sister city, both cities stand to benefit.

4.6.3 Natural History New Zealand

Natural History New Zealand (NHNZ) is a world-leading producer of television documentaries related to animals, geography, science, health and people. Its recent growth has seen it become the 2nd largest producer of such programmes in the world, according to its website <http://www.nhnz.co.nz>. NHNZ has an office in Beijing, and while it would be a push to say that this can be attributed to Dunedin's sister city relationship, Michael Stedman (the firm's Managing Director) suggests that the relationship did provide him with a competitive edge.

A few years ago NHNZ attended a banquet hosted by the Mayor of Shanghai at a film festival being held in the region. The Mayor understood that NHNZ was based in Dunedin and knew a great deal about the city as a result of the sister city relationship. This immediately gave NHNZ a headstart over rivals from Spain and France (for example) in making contacts, building trust and developing friendships with regional politicians. NHNZ found that Dunedin's bonds with Shanghai contributed to their business plans - to open an office in Shanghai - being accepted more quickly than would otherwise have been the case. So the sister city relationship, while not really bringing direct economic benefits to NHNZ, is certainly valued by the firm.

NHNZ's presence in Beijing has resulted in it developing links with the Beijing Broadcasting Institute (BBI). It appears that the BBI is very interested in sending its students to the University of Otago to participate in its film and design courses. This could lead to further economic benefits for the Dunedin region in the future.

The key lesson that can be learnt from NHNZ's experiences in Shanghai is:

Sister city relationships can be an important point of difference

Most business opportunities take place under conditions of competition. Often a number of similar organisations from various countries compete for work. NHNZ made itself stand out from the crowd by virtue of being from one of Shanghai's sister cities.

4.6.4 Otago Polytechnic

One business that has benefited from the Otago relationship is Otago Polytechnic. The Polytechnic has a good relationship with the Otago Junior Women's College, and the sister city relationship has facilitated access to the necessary officials in Otago. It has

received up to 80 students a year from the region for its 3-4 weeks English language courses. At a basic cost of around \$500 a week for education, accommodation and meals, plus any additional expenditure on gifts, sightseeing and leisure activities, this represents a significant impact on the Dunedin economy. If we assume a per-student spend of \$300 a week on tourist activities and gifts, then direct expenditure impact of 80 students staying for 4 weeks is around \$250,000.

The credibility that the Polytechnic has gained through its relationship with Otaru has allowed it to expand its marketing efforts into other parts of Japan, resulting in 10 Japanese students attending the Polytechnic for much longer courses. These courses are around \$15,000 each for tuition, plus living costs. The tuition fees alone represent expenditure of \$150,000 per year entering the Dunedin economy.

4.6.5 Lessons from the Dunedin City Council

Use external agencies to offset internal politics

As noted above, the Council provides annual funding and secretarial and organisational assistance to Dunedin's sister city committees, but it does not have a significant amount of direct dealings with the committees. It directs most business enquiries to the Chamber of Commerce. By allowing the four sister city committees and the COC to operate separately from the Council, these relationships are maintained no matter what occurs within the Council. For example, Dunedin's Mayor refused for many years to visit China due to her concerns about its poor record on human rights issues. This could have had major consequences for the Shanghai relationship. However, the COC maintained a strong relationship with its counterpart in Shanghai, and individual committee members also kept in touch with friends and contacts there. This ensured that the relationship between Dunedin and Shanghai did not deteriorate after almost a decade of efforts to deepen the bond.

Make a plan for each relationship

The Council recognises that each of Dunedin's four sister city relationships is quite different. Each has different relative strengths in the cultural, educational, economic and civic areas. The Council is not prepared to let any of its relationships sit dormant – they want to conduct at least one major economic, cultural or mayoral event each year for each relationship.²⁰ This will ensure that the relationships do not die over time, although some may naturally be the subject of less attention than others.

Use existing frameworks to promote business overseas

As part of Dunedin's economic development strategy, the Council has identified six sectors around which it wants to base future growth. These are education, tourism, biotechnology, engineering, information and communications technology and film/fashion. The Council also plans to promote these sectors internationally. The promotional material that has already been developed for the Council's development strategy can also be used hosting sister city delegations in Dunedin, or when Dunedin representatives travel to the partner cities.

²⁰ As Peter Brown, the General Manager of City Marketing and Development noted "you can't afford to have something just because it's nice" when taxpayers' money is involved!

5. BEST PRACTICE GUIDELINES/RECOMMENDATIONS

5.1 Guidelines for business

Use the sister city relationship as a springboard

Sister city relationships can provide the way in to new markets, both in terms of geography (export destinations) and products (niche markets) – business contacts can knock on doors, but sister city contacts can open them. A sister city relationship can be like a ‘living internet’²¹ – its contacts and links spread exponentially and provided it is used effectively, it can be used create significant potential economic benefits. But while Council and sister city representatives can provide initial contacts, it is up to individual businesses to follow through. See Jeffco International Limited (page 9), Pelco New Zealand Limited (page 10), HIT lab (page 18), Wallis Nurseries (page 23).

Planning is vital

Sister city links work best as part of a strategic business plan. High-level planning includes the direction and orientation of exports and product lines. Market research is important in evaluating opportunities for trade, but also in terms of understanding cultural differences. Details matter: for example, having business cards printed in two languages can make all the difference. See Compendium (page 13), Wallis Nurseries (page 23), Jeffco International Limited (page 9).

Treat it like any other investment

Using a sister city relationship for economic gain can incur up-front costs, and realising the benefits may take some time. In this respect, it resembles any other business investment, as it takes time for trust to be established between potential players in any deal. Sister city relationships rely on continuity of contact, and the development of personal relationships. See Jeffco International Limited (page 9), Wallis Nurseries (page 23).

Savings are benefits too

Economic benefits arise not just from increased sales revenue, but from reduced costs. Firms can benefit from sister city relationships through lower transactions and search costs when they are introduced to appropriate contacts in the host city. Costs can be reduced or avoided by participating in sister city trade delegations. See HIT lab (page 18), Wallis Nurseries (page 23).

It's a two-way thing

Councils can provide guidance, information and initial contacts. But it's up to businesses to be pro-active in seeking out further information, and following through with leads and introductions. Businesses can help Councils make the most out of sister city relationships by providing feedback on outcomes, particularly on any economic benefits arising.

²¹ Thanks to David Bolam Smith of DBS International, Christchurch for this phrase.

5.2 Guidelines for Councils

Identify your targets

There are two broad ways to take advantage of a sister city relationship:

- (i) If the goods and services produced by the partner city are quite different to those produced by the host city, then this creates the opportunity to export and fill gaps in demand in the partner city. See Tauranga District Council (page 11)
- (ii) If the partner and host share similar production structures, opportunities are present for knowledge-sharing and joint research. See Auckland City Council (page 15), Christchurch City Council (page 21).

To maximise the economic benefits from a sister city relationship, exploit your comparative advantage and infrastructure. This may involve identifying key industries to target, or looking for niches or gaps in product markets which your region is well-placed to fill. It may extend beyond a regional development strategy, to align with national economic growth frameworks. For example, the government's Growth and Innovation Framework (GIF) is an economic development strategy targeting growth in key sectors. A key strand of the GIF is improving New Zealand's 'global connectedness'. Sister city relationships can contribute to this goal.

Planning is vital

Have a strategic plan for each sister city relationship. They need not all have the same objectives, nor all focus on economic benefits. These plans should be flexible, allowing for changes in focus as relationships evolve, and also for changes in status. Having long-term performance review clauses enables a relationship to be reclassified if necessary. See Dunedin City Council (page 25), Christchurch City Council (page 20), Tauranga District Council (page 11).

Define the roles

For significant economic gains to result from sister city relationships, local businesses must play a key role in promoting the host city and developing networks in the partner city. Councils are not always the best agency to conduct business negotiations on behalf of their city's firms.

Clearly delineating the roles of business, Council and other agencies can help avoid internal tensions, and maximise the economic benefits. Internal politics can also be offset by using external agencies for some activities – for example the local Chamber of Commerce may be well-suited to handling business enquiries (see Otago Chamber of Commerce (page 22), HIT/Canterbury Development Corporation (pages 18, 20)). If economic benefits are to become more important in assessing sister city relationships, the interaction between Councils, business organisations and businesses themselves must be improved.

If city to city economic relationships are to develop efficiently and effectively, all representatives must be singing from the same songsheet. Business development groups, government agencies and sister city committees need to stay in close contact to ensure that the economic messages that they each send to overseas groups are consistent. If there is no one on a sister city committee who is well versed in presenting a regional economic overview, then if they go on a trade-focused delegation, they are unlikely to make the optimal impression on overseas businesses and organisations.

It's a two-way thing

Clearly defining the respective roles of Council and business means explicitly acknowledging that each have different strengths, and that activities should be divided up accordingly. For Council, this means actively including and encouraging local businesses in trade promotion activities (see Far North, page 17). It also means knowing when to back off, and let the business partners negotiate the deal.

Don't rush things

The most successful sister city relationships have thrived on continuity of contact and the building of trust over many years. Continuity can be enhanced by ensuring the relationship does not over-rely on the personal dedication of individuals. Establishing trust involves keeping up your end of the bargain; delivering on promises, keeping in touch, and giving the relationship time to develop.

Evaluation is important

It's important that sister city activities such as overseas delegations, are not regarded as junkets. Assessing delegations against 'Key Performance Indicators' may be a way of ensuring that visits are beneficial to business and achieve their aims, and also demonstrates accountability.

Documenting the progress and end results of activities such as business introductions is crucial to maximising the economic benefits from sister city relationships. Both Councils and the public tend to hear about the failures of firms that have not operated in the best possible fashion, rather than about the economic benefits accruing to businesses that have gone through the right channels and reaped the reward of their efforts. Part of this is due to the commercially sensitive nature of business success stories. Nevertheless, creating and maintaining a database which tracks business contacts and benefits (within the bounds of sensitivity) can generate a valuable stock of knowledge regarding best practice, highlight the success stories, and also reduce over-reliance on the institutional knowledge of individual committee members. Some efforts have been made to track business contacts and note the resultant benefits (for example Tauranga District Council, and Christchurch City Council).

Promote effectively

Councils need to market the benefits of sister cities to businesses more effectively. It is at present unclear the extent to which local businesses are aware of the potential benefits of using sister city relationships. Councils, in collaboration with their Chambers of Commerce and other business organisations, need to get out into the business community and demonstrate how sister city relationships can act as potentially valuable bridges to new markets (see Christchurch City Council, page 21). Perhaps the best means of doing this is to persuade firms that have already used these relationships to extol the virtues of sister city links to their peers, for example in business umbrella groups or local clusters.

Savings are benefits too

Information and technology exchange with sister cities can be a source of extremely valuable information, at relatively low cost. Other ways Councils can save are by allowing and encouraging private sector sponsorship of sister city-related activities (see Christchurch City Council, page 21). Sponsors can themselves benefit from participating in activities, and should be kept informed of up-coming opportunities.

Make use of technology

The internet is an effective, low-cost medium for disseminating information to a potentially vast audience. Websites can be used to advertise not just the sister city relationship, but your city and region, and its comparative advantages.

See <http://www.aucklandcity.govt.nz/auckland/introduction/sister/auckland.asp> or <http://www.christchurch.org.nz/sistercities> for two good examples.

Details matter

Councils can help business by providing the right sort of information. Background cultural information is just as important as providing business contacts.

APPENDIX A: SCOPING SURVEY FORM

Study of the economic benefits of sister city relationships
 by NZIER
 for Sister Cities NZ, Asia 2000 Foundation, Local Government New Zealand and the Ministry of Economic Development

Section 1 History of the sister city relationship/programme

This section looks at the history of your current sister city relationship/s.

1) With which cities does your local council currently maintain a sister city relationship? Please state both city and country.

City 1 _____	City 4 _____
City 2 _____	City 5 _____
City 3 _____	City 6 _____

For the following questions, if you have more than one sister city, please **answer only for the most active relationship**

2) What factors influenced the selection of the city? (You can tick more than one box)

Sister city characteristics (e.g. similar infrastructural or environmental issues)	<input type="checkbox"/>
Sister city location (country or region)	<input type="checkbox"/>
Existing links with local government staff	<input type="checkbox"/>
Existing trade or business links	<input type="checkbox"/>
Other	<input type="checkbox"/>

If 'other', please specify _____

3) How was the relationship initiated?

By your local council	<input type="checkbox"/>
By the sister city	<input type="checkbox"/>
Other	<input type="checkbox"/>

If 'other' please describe _____

4) Has the relationship been formalised (i.e. by an order of council)? Yes No

Section 2 Goals of the sister city relationship

For the next question, please consider only your most active sister city relationship

5) What are the main goals of the relationship?

Fostering business links and opportunities	<input type="checkbox"/>
Cultural exchange	<input type="checkbox"/>
Educational exchange	<input type="checkbox"/>
Sharing of knowledge/best practice	<input type="checkbox"/>
Other	<input type="checkbox"/>

If 'other' please specify _____

6) Are these goals formally recorded (e.g. in committee minutes)? Yes No

7) Is progress towards achieving these goals evaluated? Yes No

8) If so, how? _____

Section 3 Promotion of the relationship

For the next question, please consider only your most active sister city relationship

9) How is the relationship promoted? _____

10) Who is the target audience of this promotion?

Businesses	<input type="checkbox"/>	General public	<input type="checkbox"/>	Schools	<input type="checkbox"/>
Local media	<input type="checkbox"/>	Community groups	<input type="checkbox"/>	Other	<input type="checkbox"/>

If 'other', please state _____

11) Has the relationship been promoted in the host city? Yes No

12) If yes, how? _____

Section 4 Resource inputs into the sister city relationship

In this section, we are looking at the resources that are put into your sister city relationship/s. These may include expenditure and use of staff time by your council, as well as the time, money and resources of volunteers and businesses in your local community.

Please consider the inputs into programme as a whole, over the last financial year.

13) What was the expenditure by:

- Your local council
- Local businesses
- Grants funding (e.g. community trusts)
- Other sources (e.g. Partner city)

14) How many people put time into the relationship? Please state in terms of full time workers; e.g. if a full time council staff member spent half their time working on the sister city relationship, write 0.5 in the 'council staff' box.

- Council staff
- Other paid staff
- Volunteer

15) Were any other resources (e.g. photocopying) provided from outside council (such as local businesses or community groups)?

Yes No

If yes, please describe the resources provided _____

Section 5 Economic benefits arising from the relationship

This section looks at the benefits accruing to your city as a result of the sister city relationship.

For the next question, please consider only your most active sister city relationship.

16) Over the last financial year, have you seen an increase or improvement in any of the following, as a result of your sister city relationship?

- Tourism
- Exports
- Foreign direct investment
- Movement of skilled labour to your city
- International business-to-business contacts/networks
- Joint research with sister city
- Knowledge sharing with sister city
- Educational exchanges (e.g. student visits)
- Foreign fee-paying students
- Environmental resources or information (e.g. best practice guidelines)
- Other

If 'other', please specify _____

17) Can the value of these benefits be quantified? Yes No

18) Have there been any additional benefits that have accrued to:

Your wider region Yes No

New Zealand as a whole? Yes No

19) If possible, provide examples _____

Section 6 Possible improvements to the relationship

For the next question, please consider only your most active sister city relationship.

20) What factors have influenced the success of the relationship?

21) In what ways do you think your sister city relationship could be improved, to make it more commercially beneficial to your city?

22) Has your council examined other sister city relationships in order to get ideas about how to improve the existing relationship? Yes No

23) If yes, which relationships, and what was learned? _____

Any additional comments?

Please use the space below (or additional sheets) if you would like to expand on any of the above questions, or have any further comments.

APPENDIX B: SCOPING SURVEY RESULTS

B.1 Survey process

In consultation with the client group, we selected 26 local authorities to take part in our initial scoping survey. It should be noted that this is not an unbiased sample – only those authorities whose relationships were thought to be economically active were considered. Prior to sending out the survey forms, we telephoned the local sister city contact person. After tracking down the relevant person in each locality, we either conducted the survey over the phone, or sent out the form by email or fax. Follow-up phone calls were made by representatives from Sister Cities New Zealand. We received 22 replies – an 85% response rate.

B.2 Survey results

Note that for many questions, respondents were free to select as many responses as they liked. Thus results often sum to more than 22, or 100%. For all questions except those concerning resource inputs (expenditure, etc.), the respondents were asked to consider their *most active* sister city relationship. We refer in the following to the local partner as ‘the city’ and the foreign partner as the ‘sister city’.

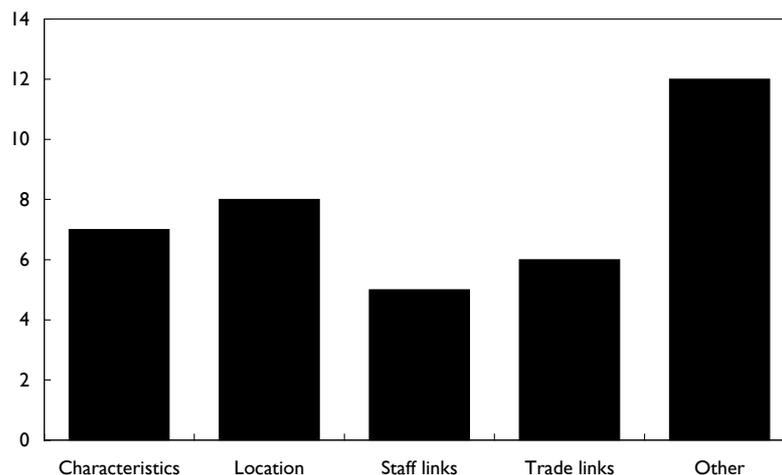
B.2.1 History of the sister city relationship

B.2.1.1 City selection

Characteristics of the sister city was cited by 7 respondents, and location of the sister city by eight respondents, as influencing city selection.

Figure 4 Factors influencing selection of sister city

Number of respondents



Source: NZIER

‘Other’ factors were listed by twelve respondents. These are set out in Table 4 (note that one respondent listed two factors).

Table 4 'Other' factors influencing city selection

Factor influencing selection	Number citing
Approached by sister city	3
Possibility of developing trade links	2
Existing research links	2
Possibility of educational links/outcomes	1
Existing sister port relationship	1
Existing community links	1
Similarities	1
Approach by Japanese individual	1
Japanese policy of local govt internationalisation	1

Source: NZIER

B.2.1.2 Initiation of the sister city relationship

The majority of sister city relationships were initiated by the (foreign) sister city in some way (Table 5).

Table 5 Initiation of sister city relationship

How initiated	Number citing
Local council	7
Sister city	11
Other	
Local individual	3
Sister ports	2
Chinese Consul General	1
Local community request	1
Overseas individual	1
MFAT	1

Source: NZIER

B.2.1.3 Formalisation of the relationship

Twenty one respondents (95%) said their sister city relationship had been formalised (i.e. by an order of Council). The remaining respondent did not answer this question.

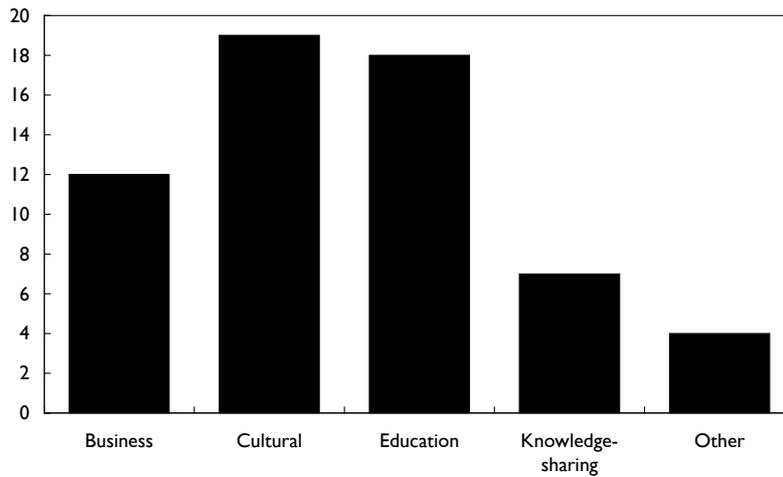
B.2.2 Goals of the relationship

The vast majority of respondents cited cultural and educational exchange as the main goals of their sister city relationship. A large number also cited fostering business links and opportunities.

'Other' goals cited were sporting exchange (2 respondents), to build relationships with a long term view to trade, and tourism (1 respondent each).

Figure 5 Goals of the sister city relationship

Number of respondents



Source: NZIER

Most respondents (82%) said that these goals were formally recorded. However, only 55% said that progress towards achieving these goals was evaluated.

Table 6 shows the ways in which progress is evaluated.

Table 6 Evaluation of goals

How evaluated	Number citing
Regular meetings	5
Business/strategic plan	4
Informally	2
Bi/annual review	2
Regular reports to council	2
Performance contract	1
Meetings during reciprocal visits	1

Source: NZIER

B.2.3 Promotion of the relationship

B.2.3.1 How the relationship is promoted

Media releases and advertising (e.g. of events and activities) are the most common methods of promoting the sister city relationship.

Table 7 How the relationship is promoted locally

How promoted	Number citing
Media releases and advertising	7
Visits/exchanges	6
Events and activities	4
International/Friendship Assoc.	3
Website	2
Chamber of Commerce	1
Email	1
Word of mouth	1
International Friendship Day	1
Council newsletter	1
Targeted promotion (letters)	1
Inclusion of media in delegation visit to host city	1
Arranging/vetting business delegations to sister city	1
Physical reminders (e.g. signs, plaques)	1

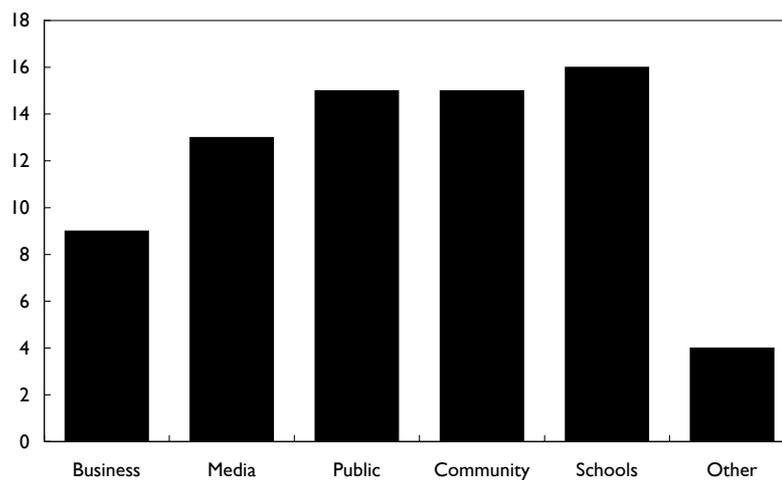
Source: NZIER

B.2.3.2 Target audience of the promotion

Figure 6 shows the distribution of responses regarding the target audience of promotion. Of the four respondents who stated 'other', two specified; one saying 'polytechs', and one 'visitors'.

Figure 6 Target audience of promotion

Number of respondents



Source: NZIER

B.2.3.3 Promotion in the sister city

Most respondents (86%) thought that the relationship was also promoted in the sister city.

Promotion in the sister city is similar to that undertaken locally, with a focus on media releases and advertising.

Table 8 How the relationship is promoted in the sister city

How promoted	Number citing
Media releases and advertising	7
International/Friendship Assoc.	3
Physical reminders (e.g. signs, plaques)	2
Events and activities	2
Visits/exchanges	2
Display case	2
International Friendship Day	1
Council newsletter	1
NZ Fair	1
Community Org. for Global Awareness	1
Trade fair	1

Source: NZIER

B.2.4 Resource inputs to the sister city programme

This section looked at resources put into the sister city programme *as a whole*. Most respondents stated Council expenditure and Council time inputs. In many cases, however, the quantification of these inputs was difficult. A total of twelve respondents (55%) stated that volunteers put time into the sister city programme.

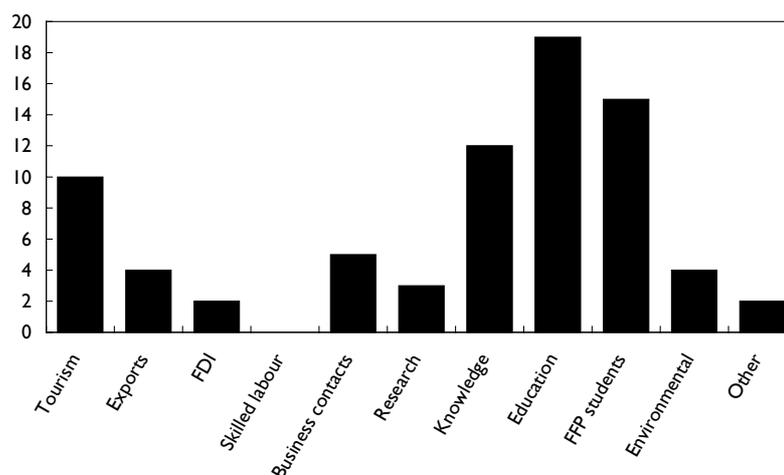
A small number of respondents (7) cited other resource inputs. These were described as: billeting/hosting of visitors, community fundraising (e.g. schools raising money for fares for educational exchange), liaisons between businesses, and in one case, school fees being waived for an exchange student from the sister city.

B.2.5 Economic benefits arising from the relationship

As shown in Figure 7, most respondents (86%) cited educational exchanges as a benefit arising from the sister city relationship. Increases in foreign-fee-paying students (FFPs), knowledge sharing, and tourism also rated highly. Two respondent indicated 'other' benefits, with one specifying; the approval of the region as an approved Chinese tourist destination.

Figure 7 Benefits from the sister city relationship

Number of respondents



Source: NZIER

Most respondents (77%) did not believe that the value of these benefits could be quantified.

In terms of benefits accruing beyond the city, 55% thought that there had been benefits accruing to the wider region, and 36% to New Zealand as a whole. These are set out in Table 9.

Table 9 Benefits accruing to the wider region, NZ as a whole

Benefits	Number citing
Tourism/touring	8
Raising of NZ's profile, rapport with sister city	2
Increased exports of logs and timber	1
Increased awareness of sister city's culture	1
Becoming an approved Chinese tourist destination	1
Networks	1
National environmental conference	1

Source: NZIER

B.2.6 Possible improvements to the relationship

B.2.6.1 Success factors

Eight respondents cited the support of various groups/organisations are important to the success of the sister city relationship. Groups cited were the Consulate, local Friendship Society, schools, volunteers, and the local community in general.

The personal side of the relationship featured as an important contributor to the success of the relationship. Seven respondents cited being dedicated to developing the relationship as a critical success factor. Fostering trust and forming friendships at a

personal level were cited by six respondents. Linked to these factors is the issue of longevity: relationships that have developed slowly over time were emphasised as highly valued by a number of respondents (Table 10).

Table 10 Factors influencing the success of the relationship

Success factor	Number citing
Support of Consulate/Friendship Society/local community/schools/volunteers	8
Dedication/commitment to relationship/being pro-active	7
Trust/rapport	6
Good personal contacts/friendships	6
Longevity of relationship	3
Strong business links	3
Council leadership/formal direction/organisation and planning	3
Communication	2
Not having a commercial focus	1
Ideas sharing	1
Finance and resources	1
Difference in cultures	1
Both relatively safe cities	1
Sporting links	1
Dedicated individual	1
Vetting business delegations to sister city	1

Source: NZIER

B.2.6.2 Possible improvements to the relationship

Respondents' suggestions regarding possible improvements to the relationship are set out in Table 11. Increasing trade links/improving businesses' attitudes was cited by half of all respondents. However, one respondent noted that their Japanese sister city does not place a commercial focus on the relationship.

One respondent noted that their local school is about to accept foreign-fee-paying students, and that an English Language School is about to open in their city. These two comments therefore concern initiatives that are already currently underway, rather than ones which could be improved upon in future.

Table 11 Possible improvements to the relationship

Possible improvement	Number citing
Increase trade links/improve business attitudes	11
More local promotion/involvement	4
Work slowly/have patience	2
Increase understanding of sister city's culture	2
Increase tourism/organise citizen tours	2
English Language School opening	1
Support Trade NZ	1
Promote success stories, not failures	1
Marketing	1
Japan doesn't have emphasis on commercial	1
Local school to accept FFPs	1
Learn the language/reduce language barrier	1
Improve technological links (email, fax etc.)	1
Increase exchanges	1

Source: NZIER

B.2.6.3 Learning from other sister city relationships

Half of all respondents said they had studied other sister city relationships/programmes in order to get ideas about how to improve their own relationship. The Christchurch city sister city programme was the most commonly cited. What was learnt from studying other relationships is set out in Table 12.

Table 12 What has been learnt from other relationships

What learnt	Number citing
Need to involve local community	2
Maintain good communication	1
Range of activities undertaken	1
Don't be totally trade focussed	1
Need accountability for funding	1
Lack of council funding is a barrier	1
New initiatives/links	1

Source: NZIER

B.2.7 Additional comments

We received three additional comments from respondents. One sought to emphasise the value of cultural exchange and understanding, the two to emphasise the importance of trust.

APPENDIX C: LIST OF INTERVIEWS

During our case study visits, many people and organisations gave up their time to be interviewed. The following is a list of people with whom we talked face to face. In addition, there were countless others who we contacted by phone whose opinions and ability to suggest potential contacts were invaluable. Their insights and knowledge made a large contribution to the outcome of this report. An asterisk denotes that person is a member of a sister city committee.

C.1 Tauranga

- Margaret Cooper, Tauranga District Council*
- Jan Beange, Mayor of Tauranga
- Brian Diver, Tauranga Intermediate School
- Rob Jeffrey, Jeffco International Limited*
- Andrew Rolleston, Pelco New Zealand Limited
- Takeo Yoshida, GAIGO Educational Systems, Hitachi*
- Rosemary Chalmers, Air New Zealand TravelCentre

C.2 Auckland

- Ondine Crosby, Auckland City Council*
- Caroline Lassiter, Auckland City Council*
- Helen McConachie, Study Auckland*
- Jennie Law, 2020 Auckland-Guangzhou Committee*
- Pamela Elliot, Compendium
- Vic Percival, New Zealand-China Trade Association*
- Craig Pettigrew, Air New Zealand (via email)

C.3 Christchurch

- Dave Adamson, Christchurch City Council*
- Barbara August, Christchurch City Council*
- Sue McFarlane, Christchurch City Council*
- Julie Battersby, Christchurch City Council*
- Newton Dodge, Newton Dodge Promotions*
- Larry Podmore, Christchurch Development Corporation
- Keith Cowan, Jade Software Corporation*
- Vincent Chew, Robert Harris*
- Eric Livingstone, Livingstone Business Consultants*
- David Bolam-Smith, DBS International Limited*

C.4 Dunedin

- John Christie, Otago Chamber of Commerce and Industry
- Clive Wallis, Wallis's Nurseries Limited/Otago Plant Exporters Limited
- Mike Waddell, Otago Polytechnic

- Peter Chin, Webb Farry*
- Russell Duff, VIP Travel*
- Paul Crack, Crack Management Services*
- Peter Brown, Dunedin City Council*
- Jenny Lapham, Dunedin City Council*
- Jane Robertson, Dunedin City Council*
- Michael Stedman, Natural History New Zealand

C.5 Far North

- Fiona Vessey, Far North District Council*
- Doris Robinson, Quantum Learning
- Johnny Edmonds, Irimana Enterprises
- Neil Sorensen, Kerikeri High School
- Pam Jenkins, Kerikeri High School
- Bruce Devine, Bay of Islands College

APPENDIX D: INTERNATIONAL VISITOR EXPENDITURE

Table 13 Visitor expenditure by country of origin

Daily expenditure, New Zealand dollars, June years

Origin	1999	2000	2001	2002
Australia	126	144	144	148
USA	241	245	296	266
UK	101	115	122	115
Germany	138	101	108	118
Japan	199	225	254	220
South Korea	213	321	308	177
Taiwan	194	173	128	154
Hong Kong	136	142	246	176
Singapore	196	218	258	404
Total	114	154	163	133

Notes: (1) Calculated by dividing the average per trip expenditure of visitors by the average number of nights stayed in New Zealand.

Source: International Visitor Survey. Available on Tourism New Zealand website
http://www.tourisminfo.govt.nz/cir_randd/index.cfm?fuseaction=Survey
