



Report to: Development Services Committee

Meeting Date: September 25, 2017

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**SUBJECT:** Markham Economic Alliance and Twinning Policy

**PREPARED BY:** Sandra Tam, Senior Business Development Officer (ext.3883)

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**RECOMMENDATION:**

- 1) THAT the report dated September 25, 2017 entitled “Markham Economic Alliance and Twinning Policy” be received and endorsed; and,
- 2) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to provide an update of Markham’s Economic Alliance Program (EAP) and Twinning Policy and recommend that any new alliances be limited to economic objectives, and that additional budgetary resources be made available in the event of increased alliance activity.

**BACKGROUND:**

Markham’s Economic Alliance Program (EAP) dates back to 1990 when Council first approved a strategy to create a global network of business relationships with selected communities and business groups in strategic market locations and to expand international awareness of Markham’s business assets and location benefits.

In 2008, Council adopted “Markham 2020”, an economic strategy that included building a “Global Markham” through the Economic Alliance Program (EAP). Since its inception, Markham 2020 has been a successful blueprint for guiding the City’s economic development program and the EAP has proven to be successful in achieving its objective to attract foreign direct investment and increase awareness of Markham in targeted markets.

To-date, Markham has established 24 functioning regional partnerships across three categories (see Table 1 on Page 5):

- 3 Sister cities.
- 11 Friendship cities.
- 10 Economic Alliances with municipalities and organizations.

**DISCUSSION:**

Program Goals and Objectives:

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Markham's Economic Alliance Program is designed to achieve the following goals:

- To enhance Markham's global image as Canada's most diverse city that is fast growing, innovative and globally connected.
- To raise the profile and reputation of Markham on an international scale as the High-Tech Capital of Canada.
- To support local economic development by strategically pursuing inbound Foreign Direct Investment.
- To create new business opportunities for local businesses by encouraging global trade efforts.

Benefits of the Program:

- A source of pre-qualified contacts for businesses wishing to expand export opportunities
- A cost-effective promotional vehicle for Markham and Markham businesses in international markets
- A guarantee of beneficial/high quality business and government contacts/protocol in partnership communities
- A proactive and qualified source of investment leads
- A source of learning data on competitive global business and government issues of importance to Markham

Sector Focus:

Markham's EAP focuses on Markham's strategic growth sectors:

- Convergence of ICT and life sciences
- Finance and insurance
- Professional, scientific and technical services
- Green technologies, education and health care

Key Target Markets Identified:

Among the top priorities in Markham's economic strategy, *Markham 2020*, is to foster a "Global Markham" focused on building business relations with key business partners.

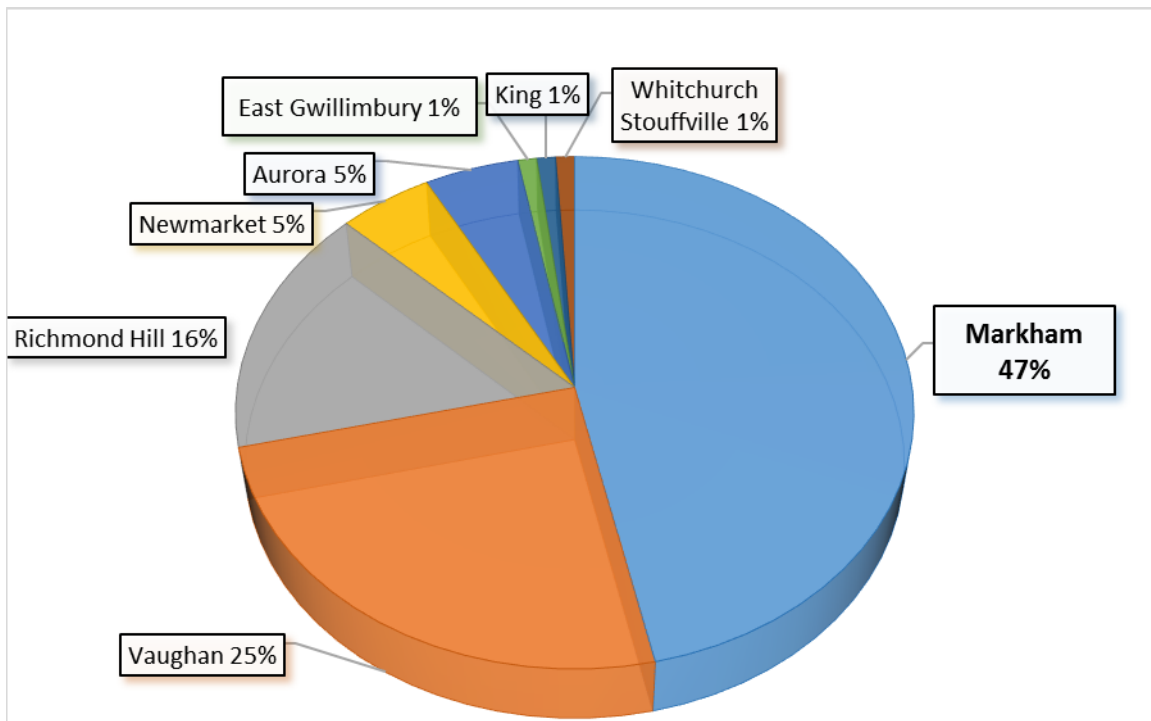
- U.S.A.: The USA is Markham's largest source of foreign investment – U.S. companies in Markham represent more than 50% of Markham's total foreign companies (2016). Examples include IBM, Johnson & Johnson, AMD, etc.
- China: China is the world's second largest economy and Canada's second largest trading partner. In recent years, Markham has received a significant increase in foreign direct investment from China. Notable examples are Huawei Canada, Bank of China (Canada) and Lenovo.
- India: India presents a significant business opportunity for Canadian companies with expertise in digital and information technologies, infrastructure development, engineering, urban planning, and education.

- Japan: Japan is Markham's 3rd largest source of foreign investment. In 2017, Mayor Scarpitti will lead Markham's first-ever business mission to thank and strengthen our relationship with Japanese companies.

#### Foreign Direct Investment in Markham

The Economic Alliance Program, which is an integral part of Markham's Economic Strategic "Markham 2020", has been successful in attracting foreign direct investment and building a strong global business sector in Markham. *York Region Planning & Economic Development Branch statistics (2017)* shows that among the nine municipalities in York Region, Markham is the most successful in attracting foreign direct investment. Almost half of all foreign companies in the York Region are located in Markham.

Location of Foreign-Owned Businesses in York Region by Municipality



In recent years, Markham has become a gateway to the North American market, as reflected by the significant increase in foreign direct investment from Asia Pacific and Europe.

Foreign direct investment (FDI) projects and new investors bring benefits and opportunities for Markham's economy. As of summer 2016, 215 foreign companies were employing close to 30,000 persons in Markham, representing 60% of all FDI employment in York Region. FDI provides increased municipal tax revenue, innovation initiatives, and enhanced technology transfer. FDI also helps attract and retain local and foreign talent, and supports social and cultural diversity.

Twinning/Sister City Policy:

In 1998, Markham Council endorsed a formal “twinning policy” and adopted a set of criteria for forging these new relationships.

- Overall factors to take into consideration:
  1. Genuine interest on both sides
  2. Long-term commitment for the relationship
  3. Adequate financial support for exchanges and maintenance of the sister cities relationship
  4. Realistic assessment of potential success
  5. Significant engagement and support by local groups with strong social, cultural, political, and business ties in those cities
- General categories of factors to take into consideration:
  1. Population and demographics
  2. Strategic geographic location
  3. Comparison of key industries
  4. Ethnic and cultural composition
  5. Existing linkages (e.g., universities, businesses, etc.)
  6. Potential for active community involvement in the relationship
- Cultural/Civic/Educational Criteria:
  1. Museums, theatres, symphony/orchestra, libraries
  2. Variety of civic organizations
  3. Newspapers, television stations, sports teams, hospitals
  4. Schools, colleges, universities
- Economic Criteria:
  1. Trade and investment climate
  2. Similar economic composition (e.g., high-tech, life-sciences, education, financial services)
  3. Matching economic strengths and capabilities
  4. Market analysis of industries
  5. Investment climate and present investment levels
  6. Trade exchange potential, air links
  7. Active Board of Trade or Chamber of Commerce
  8. Diplomatic presence, Honorary Consuls
  9. Number/flow of tourists
  10. Presence of foreign businesses locally
  11. Local businesses engaged in international activity
- Political Criteria:
  1. Geographic location
  2. History of diplomatic relations
  3. Present degree of cooperation in political, economic, commercial, and cultural fields

Process for Considering New Relationships:

The key stages in the approval of a new Economic Alliance are:

- Initial discussions to examine the basis for the collaboration
- Formal submission to Economic Development for consideration
- Due diligence check by Economic Development staff
- Economic Development staff recommendation to Mayor
- New partner approval by Mayor based on recommendation by staff: starting with an Intention Agreement, and then potentially advancing to Friendship City, and ultimately the potential for Sister City status
- Official approval by Council in case of establishing formal “Sister City” Relations.

Markham’s Current Sister Cities/Economic Alliances

Whereas the City's Economic Alliance program was founded on the basis of trade and investment attraction potential, it has been recognized that there are also advantages for the City in forging ties to municipalities based on cultural, social, and political interests and affinities. For example, in China, the approach to formalizing relationships has been a graduated one whereby the relationship might begin with the signing of an Intention Agreement meant to build cultural and social links. The Intention Agreement could then set the framework for a future Sister City or Friendship City agreement that would incorporate a business focus.

Table 1 “Markham’s Economic Alliance Partners as of January, 2017” illustrates the breadth of Markham’s EAP. Since 1991, the City of Markham has signed 24 agreements with international cities and organizations. While some of the earlier agreements targeted cities in developed countries, more recent agreements focus on what are known as emerging markets, namely China and India. Sixty-five percent (65%) of the City’s agreements focus on Chinese cities/organizations and 22% percent are focused on India. The shift towards emerging markets is not surprising given the business opportunities associated with these high growth jurisdictions as well as Markham’s changing demographics.

Table 1: Markham’s Economic Alliance Partners as of January, 2017

<b>Relationship</b>	<b>City Name/Country</b>	<b>Year Agreement first signed</b>
Sister City	Nördlingen, Germany	2011
	Cary, U.S.	2002
	Wuhan, P.R. China	2003
Friendship City	Huadu District, Guangzhou, P.R. China	1998
	Xiamen, P.R. China	2012

	Zhongshan, P.R. China	2012
	Zibo, P.R. China	2012
	Foshan, P.R. China	2012
	Ganzhou, P.R. China	2013
	Qingdao, P.R. China	2013
	Meizhou, P.R. China	2013
	Jiangmen, P.R. China	2014
	Nanhai, P.R. China	2014
	Mullaitivu, Sri Lanka	2017
Economic Alliance with Municipalities and Organizations	Yangpu District, Shanghai, P.R. China	2008
	Haidian District, Beijing, P.R. China	1998
	Hsinchu County, Taiwan	2016
	Hong Kong Trade Development Council, Hong Kong Special Administration Zone	1991
	Zhongguancun Science Park, Toronto Office	2002
	World Trade Centre Mumbai, India	2012
	All India Association of Industries	2012
	Mahratta Chamber of Commerce Industry and Agriculture, India	2012
	College of Engineering Pune, India	2013
	India Business Group, Mumbai, India	2013

#### Alliance/Partnership Obligations:

There are three core activities in the Markham Economic Alliance Program (EAP):

- Hosting inbound business/government delegations
- Conducting outbound business missions
- Ongoing relationship-building activities with organizations and facilitators that have business and cultural connections to Markham's targeted markets.

Appendix A "Number of International Inbound Delegations and EAP Related Activities, 2012-2016" illustrates the increasing volume and growing demand for adding new municipalities to the Economic Alliance Program, especially in the China market. The number and size of inbound delegations has shown a significant increase, and the scale of local events has also grown bigger. For example, the 3-day Celebration of the 10<sup>th</sup> Markham-Wuhan Sister Relations involved a high level business forum, an official MOU signing ceremony, "Wuhan Street" unveiling and a Wuhan Acrobats Troupe Performance.

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The 75-member 2012 CGTCBA (Confederation of Greater Toronto Chinese Business Association) Business Mission to China was the largest ever and in 2015, Markham visited 10 cities in China in 14 days.

In addition to these core activities, staff, Mayor and Council members are actively engaged in local ethnic business associations' events and programs and often work in partnership with the Association of Chinese Canadian Entrepreneurs, Hong Kong Economic and Trade Office, Hong Kong Trade Development Council, Markham, Richmond Hill and Vaughan Chinese Business Association, to name a few.

#### Operating Capacity

The annual budget of the EAP is \$35,000 in years when there are no outbound missions and \$85,000 in years with scheduled outbound missions. The equivalent of 1.0 FTE is dedicated to managing the EAP with additional staff time and support required when receiving delegations. At present, the Economic Development Department's EAP budget and staff allotment are fully used to service the 24 existing agreements plus a contingency for other visiting delegations, etc. The approval of any new alliances without the approval of associated budget and staff time would negatively impact the Department's ability to meet the obligations of existing agreements, as well as impact on other department programs.

Staff recommends that Council maintain the existing "sister city", "friendship city" and "economic alliance" relations. Any new alliances must follow the formal approval process and meet evaluation criteria listed in the EAP policy.

#### **FINANCIAL CONSIDERATIONS**

Not applicable.

#### **HUMAN RESOURCES CONSIDERATIONS**

Not applicable.

#### **ALIGNMENT WITH STRATEGIC PRIORITIES:**

Markham Economic Alliance Program is an integral part of Markham's 10-Year Economic Strategy "Markham 2020". The Program addresses the objective of building Global Markham and Branded Markham.


#### **BUSINESS UNITS CONSULTED AND AFFECTED:**

Not applicable.

**RECOMMENDED BY:**

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Stephen Chait, EcD., CMC  
Director, Economic Growth, Culture and  
Entrepreneurship

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Jim Baird, M.C.I.P., R.P.P.  
Commissioner, Development Services

**ATTACHMENTS:**

A: "Number of International Inbound Delegations and EAP Related Activities & Programs, 2012-2016"



**APPENDIX A:**  
**Number of International Inbound Delegations and EAP Related Activities**  
**2012-2016**

Number of Inbound Delegations Hosted & Supported by Economic Development Office:

<b>Year</b>	<b>Number of Inbound Delegations</b>
2012	<b>15</b> - China (8); India (5), Israel (1), Austria (1)
2013	<b>25</b> - China (15), Taiwan (1), Israel (1), India (7), Italy (1)
2014	<b>29</b> - China (21), India (3), Israel (1), Brazil (1), Italy (2), Germany (1)
2015	<b>27</b> - China (20), India (5), U.S. (1), Italy (1)
2016	<b>28</b> - China (20), Taiwan (1), India (7)

Outbound Delegations:

<b>Year</b>	<b>Number of Outbound Delegations</b>
2012	2 - China, India
2013	1 - India
2014	Nil
2015	<b>3</b> – China (2), India (1)
2016	2 – China (by staff only), India
2017	2 – China, Japan

## Major EAP Related Activities Hosted or Supported by EDO:

Year	Major EAP Related Activities (Highlights)
2012	<ul style="list-style-type: none"> <li>- Indo Canada Chamber of Commerce business events</li> <li>- OMNI media Interview</li> <li>- Indian Institutes of Technology Alumni Canada Lecture</li> <li>- Bank of China (Canada) Business Seminar</li> </ul>
2013	<ul style="list-style-type: none"> <li>- Canada-Taiwan Business Reception</li> <li>- 1<sup>st</sup> Hakka Economic &amp; Cultural Alliance Summit &amp; Gala</li> <li>- Canada China Business Council Workshop</li> <li>- HKCBA Markham Morning Workshop</li> <li>- Beijing Book Festival</li> <li>- India-Israel Opportunity business event</li> <li>- Indian Institutes of Technology Alumni Canada lecture</li> <li>- Italian Chamber Business Excellence Awards</li> </ul>
2014	<ul style="list-style-type: none"> <li>- Markham-Nanhai Business and Investment Forum</li> <li>- Canada China Chamber of Commerce: Canada-China Investment Forum</li> <li>- Pan IIT Global Conference</li> <li>- IITAC Lecture</li> <li>- Canada India Foundation Forum</li> </ul>
2015	<ul style="list-style-type: none"> <li>- HKCBA Markham Morning Workshop</li> <li>- HKETO "Think Asia Think Hong Kong" Symposium</li> <li>- Canada K Entrepreneur Association Business Seminar</li> <li>- Canada China Enterprise Capital Union Business Seminar</li> <li>- IITAC Lecture, Conference</li> <li>- ICCC Women's Business Networking Event</li> <li>- Canada India Foundation Forum</li> <li>- Markham India Business Reception</li> </ul>
2016	<ul style="list-style-type: none"> <li>- HKETO "Belt and Road" Morning Workshop</li> <li>- Wuhan-Markham Sister City Relations 10<sup>th</sup> Anniversary Celebrations</li> <li>- Nanhai International Cantonese Opera Festival</li> <li>- Visual China Arts Exhibition</li> <li>- IITAC Lecture, Conference</li> <li>- Asia Pacific Foundation Roundtable</li> </ul>