

# A Global Review of Innovative Practices in Regional SME Exporting Strategies and Foreign Direct Investment Attraction

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## 1.0 Introduction

Exporting, and small and medium-enterprise (SME) exporting in particular, have recently become critical new components in national economic development strategies in response to the impact of globalization and as an effective way to recover from the Great Recession. Exporting has fueled powerhouse economies like Germany, China, Korea, Brazil, and others. Substantial research and resources have supported the development of national exporting strategies. But the development of sub-national, or regional, export strategies and research to support such strategies have lagged for the most part.

In this country, the advent of regional SME export strategies has sprung mainly from the Obama Administration's 2010 National Export Initiative (NEI) and the 2011 National Export Strategy. But that is not to say that the Administration has made regional exporting strategies a major part of the new federal exporting architecture. As a federal initiative, a major focus of the National Export Strategy has been on aligning federal agencies to deploy their resources more effectively to support SME exporting. A major new thrust has been the U.S. SBA's State Trade and Export Promotion (STEP) program that was instituted in late 2011 to provide a significant new infusion of exporting resources deployed at the state level. This program does not require regional export strategies, but in keeping with firm-focused approaches of the past, export plans are require of companies receiving STEP support.

We have conducted our research here with an eye on the needs of Michigan and U.S. regional economic planners and their stakeholders. Based on our research at this point, the development of regional exporting strategies in the U.S. is limited. We expect, however, that that will change. In the meantime, we have identified six regional exporting strategies: the Brookings Institute's Metropolitan Export Initiative collaborations with four metropolitan regions—Los Angeles; Minneapolis-St. Paul; Portland, OR; and Syracuse, New York; and the MSU Center for Community and Economic Development's collaboration with the East Michigan Council of Governments (EMCOG) and the Eastern Upper Peninsula Regional Planning and Development Commission (EUPRPDC).

This report also describes research conducted by the MSU Center for Community and Economic Development research team on a global scale to identify innovative practices in regional SME exporting strategies and foreign direct investment (FDI) attraction and answer the following questions.

- How can regions act strategically to increase successful SME exporting?
- What are the ways to increase the capacity of regions to support exporting?

- What outreach strategies can be used by local economic developers and export assistance providers to engage and encourage SMEs to start or increase exporting?

### **1.1 The Purpose and Organization of the Research**

The underlying purpose of this project is to provide Economic Development Districts (EDDs) across the U.S. (and regional and local economic development organizations in Canada and Mexico) with relevant knowledge to help develop effective regional exporting strategies and attract FDI to their regions. And strategies based on bi-national regional collaboration create unique opportunities in the development of data-driven trade and logistics hub approaches.

This paper, then, is intended to illuminate a path towards new thinking and innovative ideas that EDDs and other planning organizations can apply to the development of their own regional exporting strategies and FDI attraction. This is important because increasing SME exporting creates and retains jobs. According to the U.S. International Trade Administration, every \$197,000 of export revenue supports one export-related job. This paper focuses primarily on those entrepreneurial SMEs with high-tech and high-growth potential.

This paper consists of seven sections. First, the nexus between exporting and foreign direct investment and exporting and economic clusters is briefly discussed. Second, we briefly describe our research methodology. Third, international innovative exporting practices are preliminarily explored. Fourth, U.S. innovative regional exporting practices are reviewed. Fifth, bi-national regional collaboration initiatives are examined. Sixth, SME market drivers and regional environment factors are discussed. And seventh, a brief conclusion highlights our findings and emphasizes that this paper represents a modest start in learning about and developing effective regional SME exporting strategies.

### **1.2 The Nexus between Exporting and Foreign Direct Investment (FDI)**

While the regional strategies identified in this paper focus on exporting activities, it is important to be mindful of the nexus between exporting and foreign direct investment (FDI). And we look at this nexus specifically in the context of regional (sub-state) economic development strategic planning in the U.S. The shared goal of both exporting and FDI is ***to cause additional economic assets to flow into the region from outside the region.*** In the U.S. Department of Commerce, Economic Development Administration (EDA) (a funder of this project) framework, regions are generally multi-county Economic Development Districts (EDDs) of which Comprehensive Economic Development Strategies (CEDs) are required. The fundamental objective of these strategies is to increase the assets, revenues, income, and resources of the region or local places within the region.

The inward flow of these assets can be in the form of **exporting** goods or services produced in the region to locations outside the region **or** in the form of **investment** from outside the region (from either domestic or foreign sources). When the external recipients of the region's goods/services send payments for their purchases to exporters in the region, then the region has benefited by receiving additional assets, revenues, income and resources.

In investment, a sub-category is foreign direct investment, or **FDI**. FDI is investing in businesses located in the region by foreign citizens or businesses; this often involves equity ownership (owning shares of stock) of a business in the region. Thus, **direct** investment typically involves a high degree of control or influence over the firm into which the investment has been made. **Indirect** investment, such as portfolio flows from institutions from abroad investing in equities listed on U.S. stock exchanges, represent another investment track. For a more detailed and operational discussion of FDI, see published work on urban and regional planning in the global knowledge economy.<sup>1</sup>

Exporting goods and services from a region **and** attracting investment to a region share a single common goal: **both actions** result in additional benefits of economic growth, new jobs, and/or competitive advantages to the region.

### 1.3 Exporting and Economic Clusters

Economic-base theory provides the conceptual foundation for the objective of causing the inward flow of additional resources to the region by means of export-based strategies. The differentiation of basic and non-basic economic activities in this theory was recently stated by Yupo Chan:

"An economic-base study is an attempt to determine those economic activities devoted to the export of goods and services beyond the study area's borders. This activity is thought of as being the primary reason for the earning ability and economic growth of the community. Because these basic industries sell their products and services outside of the area, non-basic or service industries can be supported within the community's boundaries. For example, barbers, dry cleaners, shoe repairers, grocery clerks, bakers and movie operators serve others in the area who are engaged in the principal activities of the community, which may be mining, manufacturing, trade, or some other industry. These service industries have as their main function the provision of goods and services to persons living in the community."<sup>2</sup>

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<sup>1</sup> Kenneth E. Corey and Mark I. Wilson. *Urban and Regional Technology Planning: Planning Practice in the Global Knowledge Economy*. London and New York: Routledge, 2006.

<sup>2</sup> Yupo Chan. *Location Theory and Decision Analysis: Analytics of Spatial Information Technology*. Heidelberg: Springer-Verlag Berlin Heidelberg, 2011. Pgs. 18-19.

For an empirical application of this practice, the Redwood Region Economic Development Commission in northern California has used basic/non-basic concepts to inform its CEDS. For example, the Humboldt County, California CEDS has premised its core strategy on the application of “the leading economic theory and research on how economies function and grow.”<sup>3</sup> This CEDS was inspired by economic base theory and cluster theory. The application of these theories is described below.

Base industry clusters compete for global customers and local labor, thereby driving greater growth in wages, productivity, and jobs in the local economy. From 2003 to 2006, average wages in the total Humboldt County economy increased 13.4% (from \$25,220 to \$28,600). For the same period, average wages in the base industries increased 16.7% (from \$27,663 to \$32,277).<sup>4</sup> Base industries are thus a natural target for strategic investment of limited economic development resources. Humboldt County's base industries include:

- Forest Products
- Education and Research
- Tourism
- Niche Manufacturing
- Dairy and Dairy Processing
- Specialty Agriculture
- Fisheries, Fish Processing, and Aquaculture
- Information Technology
- Arts and Culture

These industries were identified based on their export value, their concentration in the region, their competitive advantage in national and international markets, and their potential for future growth.

The local economy also includes industries that grow primarily from the demands of the local population. They circulate capital within the local economy, and provide critical services, jobs and resources for the economy, such as health care, childcare, retail, and construction. Support industries include:

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<sup>3</sup> The North Coast Prosperity Website. Retrieved May 11, 2012 from <http://www.northcoastprosperity.com/localeconomy/prosperitystrategy>.

<sup>4</sup> Redwood Region Economic Development Commission (no date) Prosperity ! The North Coast Strategy. Humboldt County's Comprehensive Economic Development Strategy. Eureka, California: Redwood Region Economic Development Commission. Retrieved May 11, 2012 from <http://www.northcoastprosperity.com/files/webfm/contents/prosperity.pdf>.



- Retail
- Transportation
- Business Services
- Finance/Insurance
- Government
- Health Care
- Child Care
- Real Estate
- Construction
- Wholesale
- Utilities<sup>5</sup>

Regional sector clusters provide companies with greater access and interaction with foreign markets. Companies in clusters are able to take advantage of both local and global knowledge bases to enhance innovation and increase exports. For example, industries that are largely technical benefit from the spatial proximity of the cluster, as companies and individuals can easily and conveniently share tacit knowledge. Industries that are knowledge-based benefit from the accessibility of global resources that the cluster enables through global pipelines.<sup>6</sup> Clusters encourage rivalries and competition between companies within the cluster, which drives regional innovation, as companies try to gain a competitive advantage.<sup>7</sup> Clusters attract a highly skilled labor force that promotes innovation through labor mobility, boosting cluster-wide innovation.<sup>8</sup> Ultimately, the innovation that results from regional industry clusters increases companies' global competitiveness, increasing exports.

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<sup>5</sup> The North Coast Prosperity Website. 2012. Retrieved June, 2012. <http://www.northcoastprosperity.com/>

<sup>6</sup> Meric S. Gertler and David A. Wolfe. "Space of Knowledge Flows: Clusters in a Global Context." 2005. Retrieved on July 27, 2012. [http://www.druid.dk/uploads/tx\\_picturedb/ds2005-1603.pdf](http://www.druid.dk/uploads/tx_picturedb/ds2005-1603.pdf)

<sup>7</sup> Anders Malmberg and Dominic Power. "(How) Do (Firms in) Clusters Create Knowledge?" 2003. Retrieved on July 27, 2012. [http://www.druid.dk/conferences/summer2003/papers/MALMBERG\\_POWER.pdf](http://www.druid.dk/conferences/summer2003/papers/MALMBERG_POWER.pdf)

<sup>8</sup> Meric S. Gertler and David A. Wolfe. "Space of Knowledge Flows: Clusters in a Global Context." 2005. Retrieved on July 27, 2012. [http://www.druid.dk/uploads/tx\\_picturedb/ds2005-1603.pdf](http://www.druid.dk/uploads/tx_picturedb/ds2005-1603.pdf)

## 2.0 Methodology

Research commenced on this MSU EDA University Center for Regional Economic Innovation project on May 31, 2012. The project methodology consisted of identifying and interviewing experts in export promotion and FDI support; conducting a comprehensive (but by no means exhaustive) literature review; providing a webinar presentation June 29, 2012 to obtain external feedback on the first draft; and then drafting our final paper based on incorporating external and internal feedback and additional research.

Experts were identified based on their work in public or private sector export-related organizations, their publication of export-related works, their presentations at relevant conferences, or through referrals by other experts. Five semi-structured telephone interviews with identified experts were conducted to inform the context of the regional SME exporting strategies described below. Key informants at the state and national levels also helped guide our research and provided feedback on drafts of this paper.

The project team conducted an online literature review of both international and U.S. sources reporting on exporting promotion/support policies and programs and FDI attraction. Reports by agencies and organizations, such as the U.S. International Trade Commission (US ITC) in the U.S. Department of Commerce, European Commission (EC), and Organization for Economic Cooperation and Development (OECD) proved especially helpful. The project team analyzed resources at the local, regional, and national levels in the context of how each supports export promotion or FDI attraction and is used at the regional level.

The project team presented the early results and research findings in a webinar June 29, 2012. Participants in this webinar provided invaluable feedback and robust discussion of our first draft. Over the next 30 days, the project team conducted additional research to address issues identified in the webinar discussion, and revised the draft narrative accordingly.

The thematic contours of this paper emanated in large part from the MSU CCED's current U.S. EDA-funded project (that runs through December 31, 2012), "Innovative Regional Infrastructure to Support Export Market Entry and Expansion for Small and Medium Businesses." In developing regional SME export strategies with two economic development districts (EDDs), the MSU CCED project team and these regional partners have sought to incorporate bi-national collaboration as a means to achieve mutually-beneficial economic development goals. Feedback from the regional leaders in this project, Jeff Hagan, executive director of the Eastern Upper Peninsula Regional Planning and Development Commission, and Jane Fitzpatrick, program coordinator at the East Michigan Council of Governments, was invaluable in grounding our research and analysis in the workday reality of our regional planner partners.

### 3.0 International Review of Innovative Practices in Regional SME Exporting Strategies

SME exporting has recently become a critical new component in national economic development strategies. It is increasingly understood that powerhouse economies like Germany, South Korea, and China use exporting as a prime driver of their economic growth. This new focus in economic development practice on exporting has led many local, regional, and state economic planners to seek ways to increase SME exporting. U.S. resources have supported preliminary research on the role and impact of SMEs in exporting and economic growth, and how to improve SME strategic performance.

The European Community (EC) and its 27 member national states have acquired extensive experience in designing and implementing exporting strategies at various scales, including sub-state or sub-provincial regions. European exporting strategies are moreover components of broader internationalization strategies that include exporting as well as foreign direct investment (FDI), participation in international value chains, improving access to new technologies, and other forms of inter-SME cooperation.<sup>9</sup>

An OECD Working Group found that sectors and regions-of-origin, network and supply chain links, social ties, immigrant links, and improved global trade infrastructure seemed to stimulate SME internationalization. The OECD further observed that “soft” factors are inter-related and that they reflect recently emerging trends, including, for example, the increasing importance of linkages with lucrative supply systems and value chain networks of larger global players to SME internationalization.<sup>10</sup>

The findings of the OECD Working Group are reflected in large part in the elements of MSU CCED’s regional exporting infrastructure assessment that includes soft as well as physical and institutional assets (see Appendix A for the MSU CCED regional exporting infrastructure assessment). Soft export infrastructure assets in a U.S. context will be discussed on page 30.

While the OECD Working Group observed that “there is an increasing tendency to take a sub-national approach to promoting SME internationalization in several countries, including Australia, Czech Republic, Germany, Greece, Hungary, Italy, and USA,” discussion of such approaches was somewhat abbreviated.<sup>11</sup>

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<sup>9</sup> EC, Directorate-General for Enterprise and Industry, “Supporting the Internationalisation of SMEs”. December, 2007. [http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=3328](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=3328)

<sup>10</sup> OECD Working Party on SMEs and Entrepreneurship. “Top Barriers and Drivers to SME Internationalisation.” 2009. <http://www.oecd.org/dataoecd/16/26/43357832.pdf>

<sup>11</sup>Ibid.

The following section provides an overview of innovative regional exporting strategies and practices at a global scale outside of the U.S. These exporting strategies or elements of these strategies could provide models for U.S. regions to adopt to their specific needs and conditions.

### 3.1 Singapore

Singapore has a long trading history. From the early 19th century until the 1960s, Singapore was a major colonial seaport in the global British Empire. Once colonial rule ended, Singapore took a different path compared to most newly-independent countries. The Singapore Economic Development Board (EDB) was founded in 1961 to create an effective inward-investment and export promotion process. After Singapore was expelled from Malaysia in 1965, the EDB assumed an unparalleled role in guiding the Singapore national economy and implementing a trade-based economic policy. Expulsion from Malaysia resulted in the loss of access to raw materials and a large domestic market, necessitating a bold new approach.<sup>12</sup>

#### Key Lesson

- Use ports, railroads, airports, and highways to increase exporting and elevate economies.

*(A complete list of Key Lessons is in Appendix B.)*

Today, English-speaking Singapore has developed infrastructure to support becoming a major logistics hub by taking advantage of its strategic gateway location to Southeast Asia.<sup>13</sup> Singapore has a population of 5.4 million people and ranks 14th globally in exporting.<sup>14</sup> Facilities have been developed for Singapore to serve as a trade hub with many companies basing their headquarters there. Singapore's highway system creates a link between the ports of entry and Southeast Asia by land, increasing trade traffic. Regions with similar infrastructure and geographic characteristics can learn from Singapore's model and use ports, railroads, airports, and highways to their advantage to increase exporting and elevate their economies.

The strengths of Singapore's logistics hub include:

- A strong, developed physical infrastructure including ports, airports, highways, and railroads;
- Good connectivity to both global and regional trading hubs and manufacturing bases by both air and sea;
- Major shippers and logistics service providers have based their regional headquarters in Singapore;

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<sup>12</sup> Singapore EDB, "The 1960s". Retrieved July 16, 2012.

[http://www.edb.gov.sg/edb/sg/en\\_uk/index/about\\_edb/our\\_history/the\\_1960s.html](http://www.edb.gov.sg/edb/sg/en_uk/index/about_edb/our_history/the_1960s.html).

<sup>13</sup> The Working Group on Logistics. "Developing Singapore into a Global Integrated Logistics Hub." 2002.

[http://app.mti.gov.sg/data/pages/507/doc/ERC\\_SVS\\_LOG\\_MainReport.pdf](http://app.mti.gov.sg/data/pages/507/doc/ERC_SVS_LOG_MainReport.pdf)

<sup>14</sup> Central Intelligence Agency. "Singapore." *The World Factbook*. 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/sn.html>

- Stable political, economic, and social conditions;
- An educated workforce;
- A strong legal system and business-friendly tax structure that is attractive to companies and investors; and
- Government is pro-active in opening doors for businesses through bilateral and multilateral initiatives, including FTAs.<sup>15</sup>

Substantial FDI is attracted to Singapore, a reflection of its open legal framework and transparent policies. Investors are not required to form joint ventures with local partners; both local and foreign investors are subject to uniform regulations.<sup>16</sup> Singapore offers eight designated Free Trade Zones (FTZs), which encourage export growth, foreign investment, and greater trade.<sup>17</sup> In the FTZs, imported goods can be repackaged and exported with few customs requirements. Singapore's six ports and two airport FTZs provide equal access to both foreign and local companies.<sup>18</sup>

The Singapore Economic Development Board (EDB) has an international reach that was engineered to assist inward foreign investment<sup>19</sup> with offices located throughout Europe, Asia, and North America, including six U.S. offices.<sup>20</sup> The EDB's global system and export promotion provide a relevant model for regions competing in the modern global economy and for creating an effective system of investment intelligence-gathering and marketing activities. The Singapore Model, along with Japan's approach, has been emulated by the other East Asian Dragon Economies, and later by China, as they developed their own economies based on exports and inward FDI.

The Singapore Ministry of Trade and Industry targets SMEs through both SPRING Singapore and the Exporter Development Program. SPRING Singapore provides a broad range of SME assistance, including the Angel Investor Tax Deduction program and Management Associate Partnership. The latter raises the profiles of local SMEs to attract new graduates. The Exporter Development Program enhances the exporting capabilities of SMEs with limited exporting experience. This program provides export strategy planning assistance, export training courses,

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<sup>15</sup> The Working Group on Logistics. "Developing Singapore into a Global Integrated Logistics Hub." 2002.

<sup>16</sup> U.S. Commercial Service and American Chamber of Commerce. "Doing Business in Singapore the Gateway to Southeast Asia." 2011.

<sup>17</sup> Singapore Economic Development Board. "Singapore Secures its Position as a Global Logistics Hub." 2009. [http://www.edb.gov.sg/edb/sg/en\\_uk/index/news/articles/singapore\\_secures.html](http://www.edb.gov.sg/edb/sg/en_uk/index/news/articles/singapore_secures.html)

<sup>18</sup> U.S. Commercial Service. "Doing Business in Singapore the Gateway to Southeast Asia." 2011.

<sup>19</sup> Singapore EDB, "The 1960s." Retrieved July 6, 2012.

[http://www.edb.gov.sg/edb/sg/en\\_uk/index/about\\_edb/our\\_history/the\\_1960s.html](http://www.edb.gov.sg/edb/sg/en_uk/index/about_edb/our_history/the_1960s.html)

<sup>20</sup> Singapore EDB, "Contact EDB." Retrieved July 6, 2012 from

[http://www.edb.gov.sg/edb/sg/en\\_uk/index/ContactEDB.html/](http://www.edb.gov.sg/edb/sg/en_uk/index/ContactEDB.html/)

and overseas market visits over a 5-7 month span.<sup>21</sup>

## 3.2 Germany

Germany's export-driven economy currently ranks third globally with exports accounting for 47% of the country's GDP in 2010.<sup>22</sup> Germany has a population of 81 million people.<sup>23</sup> Germany's economy is driven by three major factors: regional clusters, research/development and innovation, and aggressive exporting.

### 3.2.1 SME Exporting

SMEs account for 98% of German companies that export.<sup>24</sup> The most export-dependent sectors are the transportation goods and manufacturing sectors, where exporting accounts for approximately one-fifth of the companies' incomes. Many SMEs have high-technology, research and development-intensive, high-value exports, which allow the companies to be extremely competitive globally. German SMEs will often work with larger companies and use them as a resource for reaching larger markets, as in the cases of motor vehicles, machinery, and chemicals.<sup>25</sup>

#### Key Lessons

- Regional development banks provide SMEs with access to development loans.
- Cross-border, region-to-region SME exporting programs encourage export growth.

To support SMEs at the regional level, a regional development bank provides SMEs with access to business development loans. Policies vary from region to region; some regions actively market and promote local exports while attracting investments. For example, Bavaria sponsors trade fairs in New York to promote German companies within the region. In addition, North Rhine-Westphalia, which ranks first in terms of FDI, is marketed by the

<sup>21</sup> IE Singapore, "IE Singapore Launches New Export Programme to Help Singapore SMEs." Retrieved May 28, 2009. [http://www.iesingapore.gov.sg/wps/portal/PressRelease?WCM\\_GLOBAL\\_CONTEXT=/wps/wcm/connect/ie/My+Portal/Main/Press+Room/Press+Releases/2009/IE+Singapore+Launches+New+Export+Programme+To+Help+Singapore+SMEs](http://www.iesingapore.gov.sg/wps/portal/PressRelease?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/ie/My+Portal/Main/Press+Room/Press+Releases/2009/IE+Singapore+Launches+New+Export+Programme+To+Help+Singapore+SMEs)

<sup>22</sup> Central Intelligence Agency. "Germany." *The World Factbook*. Retrieved June 8, 2012. <https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>.

The World Bank. "Exports of Goods and Services (% of GDP)." 2012. <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>

<sup>23</sup> Central Intelligence Agency. "Germany." *The World Factbook*. Retrieved June 8, 2012. <https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>.

<sup>24</sup> United States International Trade Commission. "Small and Medium-sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms." 2010. <http://www.usitc.gov/publications/332/pub4169.pdf>

<sup>25</sup> Ibid.

state's Ministry of Economic Affairs and Energy, which promotes the innovation and exporting activities of SMEs.<sup>26</sup>

North Rhine-Westphalia supported a cross-border, region-to-region SME exporting program that encouraged cross-border trade with the Netherlands, called the INTER-NED program. This program, which concluded in 2008, connected some 20 chambers of commerce, business development organizations, technology centers, and universities in both countries. These groups worked to provide training, market information, and business support services to promote SME trade between the two regions.<sup>27</sup> Discussion of the INTER-NED program's successor, To Connect Business, appears in Section 5.2.3.

### 3.2.2 Regional Clusters

Germany has made extensive use of industry clusters which act as critical mechanisms in making the German economy one of the strongest in the world. Among other things, clusters provide a means by which smaller companies can reach out to global markets. German clusters are organized both privately and publicly with public funding provided by both the federal and state governments. The German model focuses on a smaller number of strong clusters as more effective than a larger number of weaker clusters (see Appendix C for Germany's leading edge clusters).<sup>28</sup>

Cluster objectives include:

- Pooling regional competencies
- Initiating collaborative technology development
- Carrying out mutual networking
- Learning from like clusters
- Conducting training and educational activities for companies within the clusters
- Generating international trade<sup>29</sup>

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<sup>26</sup> fDi Intelligence. "European Cities and regions of the Future 2012/2013 Winners." 2012. [http://www.berlin-partner.de/fileadmin/chefredaktion/pdf/studien-rankings/2012\\_en\\_European-Cities-Awards.pdf](http://www.berlin-partner.de/fileadmin/chefredaktion/pdf/studien-rankings/2012_en_European-Cities-Awards.pdf)

<sup>27</sup> United States International Trade Commission. "Small and Medium-sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms." 2010. <http://www.usitc.gov/publications/332/pub4169.pdf>

<sup>28</sup> Christensen, Thomas Alslev, Gerd Meier zu Köcker, Thomas Lämmer-Gamp, Morten Solgaard Thomsen, and Kresten Olesen. "Cluster and Network Policy Programmes in Europe." 2011. [http://www.clustercollaboration.eu/documents/10147/23229/Cluster\\_policy\\_programmes\\_in\\_Northern\\_Europe.pdf](http://www.clustercollaboration.eu/documents/10147/23229/Cluster_policy_programmes_in_Northern_Europe.pdf)

<sup>29</sup> Gerd Meier zu Köcker, Liane Garnatz, and Helmut Kergel. "Cluster in Germany and Korea: Similarities and Differences." Ministry for Research and Education. 2009. [http://www.tci-network.org/media/asset\\_publics/resources/000/003/370/original/Clusters\\_in\\_Germany\\_and\\_Korea\\_-\\_Similarities\\_and\\_Differences.pdf](http://www.tci-network.org/media/asset_publics/resources/000/003/370/original/Clusters_in_Germany_and_Korea_-_Similarities_and_Differences.pdf)

Clusters collaborate and compete with one another to obtain a “leading edge cluster” designation, which is determined by the Federal Ministry for Research and Education. Leading edge clusters receive funding for dedicated research and development from the Ministry, adding incentive to be innovative and competitive both globally and locally.<sup>30</sup>

Funding for the majority of German cluster formation comes from both federal and state governments. The clusters are usually formed from regional development policies and supported by public funding. Publicly-funded clusters are usually politically initiated, according to the Research Ministry, and managed by public agencies.<sup>31</sup>

It is interesting to note that about one third of the most competitive clusters are privately funded. These clusters receive funding from its members to manage the cluster. The clusters are often driven by SME collaboration with clear benefits to cluster members.<sup>32</sup> These clusters often operate independently from policymakers and are driven through the input of cluster members.

### 3.2.3 FDI Attraction

Germany established a new foreign trade and inward investment agency, Germany Trade and Invest, in 2009. Its mission is to promote Germany as a location for industrial and technological investments and identify investors for the German market. The agency advises and supports foreign companies seeking to invest in Germany and assists German companies looking to export. Germany Trade and Invest provides companies with comprehensive and tailored economic and industry data as well as information about exporting regulations and opportunities in foreign markets.<sup>33</sup>

Germany Trade and Invest relies on an international network of industry analysts who perform on-site research on foreign markets and supports foreign businesses looking to invest in Germany. The international team of experts collaborates with the German Chamber Network to provide more comprehensive market information for German companies. This partnership allows German exporters and potential foreign investors to benefit from a centralized first point

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<sup>30</sup> Federal Ministry of Education and Research website. “The Leading-Edge Cluster Competition.” 2012. <http://www.bmbf.de/en/10726.php>

<sup>31</sup> Gerd Meier zu Köcker, Liane Garnatz, and Helmut Kergel. “Cluster in Germany and Korea: Similarities and Differences.” Ministry for Research and Education. 2009.

<sup>32</sup> Christensen, Thomas Alslev, Gerd Meier zu Köcker, Thomas Lämmer-Gamp, Morten Solgaard Thomsen, and Kresten Olesen. “Cluster and Network Policy Programmes in Europe.” 2011.

[http://www.clustercollaboration.eu/documents/10147/23229/Cluster\\_policy\\_programmes\\_in\\_Northern\\_Europe.pdf](http://www.clustercollaboration.eu/documents/10147/23229/Cluster_policy_programmes_in_Northern_Europe.pdf)

<sup>33</sup> German American Chambers of Commerce. “Germany Trade and Invest.” Retrieved July 20, 2012. <http://www.gaccny.com/vertretungen/germany-trade-and-invest/>



of contact overseas with tailored information and consultancy services all provided by one agency.<sup>34</sup>

### 3.2.4 North Rhine-Westphalia

The state of North Rhine-Westphalia ranks first in exporting among German states and has a population of around 18 million.<sup>35</sup> Primary exports include machinery and equipment, chemicals, and basic metals.<sup>36</sup> North Rhine-Westphalia attracts the most FDI of any German state, and ranks first in FDI attraction strategy in the EU.<sup>37</sup> The region has two major international airports, including Duisburg, the world's largest inland port. Cologne and Düsseldorf increase market access for SMEs and attract FDI through hosting international trade fairs.

The state-run agency, NRW Invest, markets North Rhine-Westphalia both domestically and internationally as a prime investment site to attract external investments. NRW Invest assists investors by providing advice and guidance throughout the entire investment process. The agency analyzes investment projects and provides investors a matching service for suitable locations in the state for their investment. Ten international offices provide investor support to attract FDI.<sup>38</sup>

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<sup>34</sup> Ibid.

<sup>35</sup> Bundesrat. "North Rhine-Westphalia." Retrieved on July 17, 2012.

[http://www.bundesrat.de/cln\\_117/nn\\_10940/EN/organisation-en/laender-en/nw-en/nw-en-node.html?\\_\\_nnn=true](http://www.bundesrat.de/cln_117/nn_10940/EN/organisation-en/laender-en/nw-en/nw-en-node.html?__nnn=true)

<sup>36</sup> NRW.Invest. "10 Good Reasons for Your Investment Decision." North Rhine-Westphalia. 2012.

[http://www.nrwinvest.com/NRW\\_at\\_a\\_glance/Good\\_reasons\\_for\\_NRW/index.php](http://www.nrwinvest.com/NRW_at_a_glance/Good_reasons_for_NRW/index.php)

<sup>37</sup> fDi Intelligence. "European Cities and regions of the Future 2012/2013 Winners." 2012. [http://www.berlin-partner.de/fileadmin/chefredaktion/pdf/studien-rankings/2012\\_en\\_European-Cities-Awards.pdf](http://www.berlin-partner.de/fileadmin/chefredaktion/pdf/studien-rankings/2012_en_European-Cities-Awards.pdf)

<sup>38</sup> NRW.Invest. "About Us." North Rhine-Westphalia. 2012. [http://www.nrwinvest.com/About\\_us/index.php](http://www.nrwinvest.com/About_us/index.php)

### 3.2.5 Baden-Württemberg

The state of Baden-Württemberg ranks second in exporting among German states and has a population of around 11 million.<sup>39</sup> Baden-Württemberg's export-oriented economy focuses on high-technology industries and manufacturing. The state includes the Stuttgart city-region, which headquarters world famous corporations, like IBM, Mercedes-Benz, and Porsche,

#### **Key Lessons**

- Provide SMEs education on how to exploit comparative advantages.
- Use local higher education institutions' capacity to train SMEs.

in addition to a large number of exporting SMEs.<sup>40</sup> SME support is a commitment of the state government, as SMEs generate around half of the state's GNP.<sup>41</sup>

The Stuttgart Region Economic Development Corporation, a public company, collaborates with companies, research institutions, local business promoters, and chambers to promote economic development.<sup>42</sup> The company educates local companies on how to best capitalize on the region's advantages. The Stuttgart Region Economic Development Corporation markets the region to foreign investors and undertakes trade missions in North America.

The Reutlingen University houses the Export Academy Baden-Württemberg, which provides services and training to companies that wish to export. The academy hosts seminars for companies seeking access to specific foreign markets. International cooperation opportunities are also available through the academy, granting companies easy access to foreign markets.<sup>43</sup>

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<sup>39</sup> European Commission. "Labour Market Information." 2012.

<http://ec.europa.eu/eures/main.jsp?catId=367&acro=Imi&lang=en&countryId=DE&regionId=DE1&nuts2Code=null&nuts3Code=null>

Bundesrat. "Baden-Württemberg." Retrieved July 17, 2012.

[http://www.bundesrat.de/nn\\_11644/EN/organisation-en/laender-en/bw-en/bw-en-node.html?\\_\\_nnn=true](http://www.bundesrat.de/nn_11644/EN/organisation-en/laender-en/bw-en/bw-en-node.html?__nnn=true)

<sup>40</sup> Stuttgart Region Economic Development Corporation. "Business and Innovation." 2012. [http://eu.region-stuttgart.de/en/stuttgart\\_region/business\\_innovation.html](http://eu.region-stuttgart.de/en/stuttgart_region/business_innovation.html)

<sup>41</sup> The State of Baden-Württemberg. "Doing Business." Retrieved on July 12, 2012. [http://www.baden-wuerttemberg.de/en/doing\\_business/86221.html](http://www.baden-wuerttemberg.de/en/doing_business/86221.html)

<sup>42</sup> Stuttgart Region Economic Development Corporation. "Business and Innovation." 2012. [http://eu.region-stuttgart.de/en/stuttgart\\_region/business\\_innovation.html](http://eu.region-stuttgart.de/en/stuttgart_region/business_innovation.html)

<sup>43</sup> Export-Akademie Baden Württemberg. Reutlingen University. 2012. <http://www.eabw.org/>

### 3.2.6 Bavaria

The state of Bavaria ranks third in exporting among German states and has a population of around 12.5 million.<sup>44</sup> The Bavarian government structured the state's economy around an export model, which has propelled economic growth throughout the region. The government's international economic strategy created in 2008 emphasizes increasing the number of and supporting SME exporters. The strategy accentuates the importance of trade missions and shows, convenient access to foreign markets, and export financing and support by regional partners. The Bavarian government provides services to companies to support exportation.<sup>45</sup> For instance, the state-run corporation Bayern International assists Bavarian SMEs with export marketing and attracts FDI to the region, while the Bavaria International Economy Center works with SMEs to improve export readiness.<sup>46</sup> The Bavarian government has also established 20 offices internationally to promote the state as a location for business and investment and provide Bavarian companies access to international markets.<sup>47</sup> Invest in Bavaria, a regional agency, sends representatives to major trade fairs, organizes seminars, and facilitates location visits for investors to aggressively pursue FDI attraction.

#### **Key Lesson**

- Establish international offices to promote FDI attraction and provide market access for SMEs.

### **3.3 Canada**

Canada ranks 12th in exporting, which accounts for approximately 38% of Canada's GDP<sup>48</sup> with 80% of all Canadian exports going to the United States.<sup>49</sup> Canada has a population of around 34.3 million.<sup>50</sup>

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<sup>44</sup> Bundesrat. "The Free State of Bavaria." Retrieved July 17, 2012.

<sup>45</sup> Emilia Istrate and Bruce Katz. "Boosting Exports, Delivering Jobs and Economic Growth." Brookings Institution. 2011.

[http://www.brookings.edu/~media/research/files/papers/2011/1/26%20exports%20katz%20istrate/0126\\_exports\\_katz\\_istrate.pdf](http://www.brookings.edu/~media/research/files/papers/2011/1/26%20exports%20katz%20istrate/0126_exports_katz_istrate.pdf)

<sup>46</sup> Bayern International. "Promoting Bavaria." Bavarian Bureau for International Business Relations. Retrieved July 12, 2012. <http://www.bayern-international.de/en/about-us/>

<sup>47</sup> Bavarian State Chancellery. "Bavaria in the World." 2010. <http://www.verwaltung.bayern.de/egov-portal/xview/Anlage/4010851/Bavaria%20in%20the%20world.pdf>

<sup>48</sup> The World Factbook. "Canada." 2012. <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>

<sup>49</sup> Newfoundland Labrador: Innovation, Trade and Rural Development. "Export Development Strategy Newfoundland and Labrador." 2007.

[http://www.ibrd.gov.nl.ca/publications/Export\\_Development\\_Strategy.pdf](http://www.ibrd.gov.nl.ca/publications/Export_Development_Strategy.pdf)

<sup>50</sup> Central Intelligence Agency. "Canada." *The World Factbook*. Retrieved 17 July, 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html>

Canadian companies seeking to export are provided with multiple funding options through inter-governmental programs. Programs include the International Trade Assistance Program, the Business and Market Development Program, the Business Networks Program, and the SME Fund. These programs provide grants and loans which can support the SME as it bears the costs of exporting.<sup>51</sup>

The following sub-sections review innovative regional exporting strategies and practices in Canadian regions. These exporting strategies and practices associated with specific useful and productive export development resources could serve as models for U.S. regions.

### 3.3.1 Province of Newfoundland and Labrador

The remote Canadian Atlantic province of Newfoundland and Labrador, which joined Canada in 1949, has a population of about 510,000 with most of the population located on the Island of Newfoundland.<sup>52</sup> The government of Newfoundland and Labrador has developed a relatively mature, comprehensive system to support an exporting and investment attraction agenda. The provincial system accommodates sectoral and sub-provincial dimensions to exporting and investment attraction as means to elaborate strategic planning and programming at different scales, e.g., the cultural economic tourism sector and at the sub-provincial scale, such as Fogo Island. The province of Newfoundland and Labrador provides U.S. regional planners with a strong SME exporting strategy to use as a potential model for predominantly rural and isolated regions.

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<sup>51</sup> More discussion of SME exporting in Canada is located in: Barbara Orser, Martine Spence, Allan Riding, and Christine Carrington. "Canadian SME Exporters." 2008. [http://www.sme-fdi.gc.ca/eic/site/sme\\_fdi-prf\\_pme.nsf/vwapj/Canadian\\_SME\\_Exporters\\_Eng.pdf/\\$FILE/Canadian\\_SME\\_Exporters\\_Eng.pdf](http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/vwapj/Canadian_SME_Exporters_Eng.pdf/$FILE/Canadian_SME_Exporters_Eng.pdf) Industry Canada. "Canadian Small Business Exporters." 2011. [http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/vwapj/KSBS-PSRPE\\_June-Juin2011\\_eng.pdf/\\$FILE/KSBS-PSRPE\\_June-Juin2011\\_eng.pdf](http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/vwapj/KSBS-PSRPE_June-Juin2011_eng.pdf/$FILE/KSBS-PSRPE_June-Juin2011_eng.pdf)

<sup>52</sup> Newfoundland and Labrador Statistic Agency website. Department of Finance. Retrieved July 17, 2012. <http://www.stats.gov.nl.ca/>

The provincial Department of Innovation, Trade, and Rural Development developed an exporting strategy in 2007 that focuses on:

- Increasing SME exporting,
- Working with SMEs to educate SMEs,
- Assisting in SME exporting development,
- Identifying new markets, and
- Increasing the value and diversity of exports.<sup>53</sup>

The strategy provides SMEs market entry support. Market opportunity seminars are offered to

#### Key Lesson

- Connect exporting companies and potential exporters with federal agencies and industry associations that promote exporting.

SMEs, which connect exporting companies and potential exporters with federal agencies and industry associations that promote exporting and introduce SMEs to target markets around the world.

After Kathy Dunderdale became Premier in 2010, the provincial Department of Innovation, Trade, and Rural Development was reorganized in 2011 as the Department of

Innovation, Business, and Rural Development. It provides SMEs with information collected on local, national, and global market trends. SMEs can also obtain detailed market intelligence, contact assistance, and information about specific market opportunities. Information is readily available through the Department's five regional offices and 17 local offices.

The agency also provides SMEs with market advice and counseling. With this assistance, SMEs can create market entry plans and identify market partners to assist with market penetration. An Export Readiness Assessment can help SMEs understand their level of preparedness to export and help develop training programs tailored to the needs of SMEs to help them prepare for exporting.<sup>54</sup>

The provincial regional exporting strategy also calls for trade missions and exhibitions to help provide SMEs with access to new markets. These trade missions are often done in collaboration with other provinces, and often funded by agencies such as The Canada-Atlantic

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<sup>53</sup> Newfoundland Labrador: Innovation, Trade and Rural Development. "Export Development Strategy Newfoundland and Labrador." 2007.

[http://www.ibrd.gov.nl.ca/publications/Export\\_Development\\_Strategy.pdf](http://www.ibrd.gov.nl.ca/publications/Export_Development_Strategy.pdf)

<sup>54</sup> The U.S. Government Accountability Office reported in a 2009 testimony, "International Trade: Observations on U.S. and Foreign Countries Export Promotion Activities," that exporting support programs should be tailored to the unique needs of SMEs. The Newfoundland Labrador Department of Innovation, Business, and Rural Development is a good model for U.S. regional planners addressing the needs of exporting SMEs. The text of the Testimony provided by the USGAO is located at: <http://www.gao.gov/htext/d10310t.html>

Provinces Agreement on International Business Development to reduce costs to participating SMEs.

Fogo Island, an isolated island of 110 square miles with a population of some 2,700 people off the main island of Newfoundland, faced the threat of its population being relocated by the provincial government of Premier Joey Smallwood 45 years ago. In response to the threat of relocation, the community established the Fogo Island Co-Operative Society Limited that developed a strong exporting model.<sup>55</sup> The cooperative builds fishing boats and buys abandoned fish-processing plants while seeking foreign buyers of consumer fish products. With 750 employees, the cooperative exports to 19 different countries for export sales totaling over \$25 million CAD in 2011.<sup>56</sup>

Fogo Island also exports services and tourism with the support of the local Shorefast Foundation that was founded in 2006.<sup>57</sup> The foundation markets Fogo Island's cultural assets through innovation-based and entrepreneurial programs. Since its establishment, the foundation has leveraged federal and provincial resources of nearly \$20 million in private-public investments, aimed at attracting tourists and supporting island businesses. The foundation states that its "projects will build on the people, culture, and ecology of the islands to create a leading destination for geotourism and to build another leg to the economy of this special place."<sup>58</sup>

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<sup>55</sup> Gavin Will. "Fogo Island, Economic Powerhouse." July 2010. <http://www.investmentexecutive.com/-/news-54153>

<sup>56</sup> Industry Canada. "Canada Company Capabilities." Retrieved on July 11, 2012. <http://www.ic.gc.ca/app/ccc/srch/nvgt.do?sbPrtl=&prtl=1&estblmntNo=900042680000&profile=cmpltPrfl&profileId=21&app=sold&lang=eng>

<sup>57</sup> Shorefast Foundation website. "About Us." Retrieved on July 19, 2012. [http://www.shorefast.org/?page\\_id=237](http://www.shorefast.org/?page_id=237)

<sup>58</sup> Ibid.

### 3.3.2 Province of British Columbia

The province of British Columbia has a population of about 4.6 million.<sup>59</sup> The provincial government provides resources to help SMEs in developing export plans and in identifying appropriate, new markets. These resources are available both online and in booklets published by the Ministry of Small Business and Revenue. The Ministry also published an annotated “Import/Export Guide” for companies that are considering exporting.<sup>60</sup>

These resources include:

- Team Canada Inc., a network of over 20 federal departments and agencies, helps SMEs develop export plans, identifies target markets, and plans export financing.
- Canadian Border Services Agency, provides SMEs with a range of tools to help explain exporting rules and regulations.
- Trade Team BC, a regional trade network that provides one-on-one coaching for SMEs, contacts in foreign markets, and helps SMEs prepare to enter the export market.
- Export Development Canada, provides export insurance and intelligence on market trends and successful export strategies.
- Export Controls On-Line, allows SMEs access to export permits.<sup>61</sup>

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<sup>59</sup> Statistics Canada. “British Columbia’s Population Clock.” Retrieved July 17, 2012. <http://www.statcan.gc.ca/ig-gi/pop-bc-eng.htm>

<sup>60</sup> Ministry of Small Business and Revenue, British Columbia. “Import/Export Guide.” 2006. <http://www.sb.gov.bc.ca/pdf/SBImportExportGuide.pdf>

<sup>61</sup> Ibid.

### 3.3.3 Kamloops, British Columbia

Kamloops, British Columbia, located about 170 miles northeast of Vancouver, is home to an award-winning marketing and economic development organization, Venture Kamloops. It was named a runner-up for the Best FDI Strategy in a micro city, top ten in Cost Effectiveness in a micro city, and a top ten Micro City by FDI Intelligence for 2011/2012.<sup>62</sup> These awards emphasize that the Kamloops approach is recognized as effective. Venture Kamloops provides a truly comprehensive one-stop website for businesses looking to locate in the city. Resources include testimonial videos, demographic information, live chat with a Venture Kamloops

#### **Key Lesson**

- Provide comprehensive, online resources to businesses and investors.

business specialist, and a “14 Steps to Starting a Small Business” guide that includes export/import information. The site connects potential businesses with the government resources needed to establish or expand a Kamloops-based business. Venture Kamloops is currently developing the Kamloops Technology Directory, which will provide contacts and information on local developers, manufacturers, service providers, suppliers, connecting them with buyers.<sup>63</sup> The project will help promote and develop the technology sector in Kamloops, potentially increasing exports.

### 3.3.4 Stratford, Ontario

Stratford, Ontario has a population of approximately 32,000 residents and is located mid-way between Port Huron, Michigan and Toronto, Ontario at a distance of about 80 miles from each. It is of course more widely known for its renowned Shakespeare Festival than for economic development. But that perception is changing.<sup>64</sup> The city of Stratford has gained international attention for its intense focus on development of a technology cluster in the city, being named one of the Top Seven Intelligent Communities of 2011 by the Intelligent Community Forum two years in a row.<sup>65</sup> The city has built a public WiFi network, increasing the accessibility of Stratford businesses.<sup>66</sup> 80% of all family physicians in the community are connected to an e-health network.<sup>67</sup> The mayor of Stratford has described this approach as taking advantage of the ability of a smaller community to be nimble, throwing out the paradigm

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<sup>62</sup>Venture Kamloops website. Retrieved on 13 July, 2012. <http://www.venturekamloops.com/about-vk.htm>

<sup>63</sup> Venture Kamloops. “Venture Kamloops Spring 2012 Newsletter.” 2012.

<sup>64</sup> Intelligent Community Forum. “The Top Seven Intelligent Communities of 2011.” Retrieved on 13 July, 2012. [https://www.intelligentcommunity.org/index.php?src=gendocs&ref=Top7\\_2011&category=Events](https://www.intelligentcommunity.org/index.php?src=gendocs&ref=Top7_2011&category=Events)

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid.



that says only big cities can move in a technological direction.<sup>68</sup> The Stratford exporting strategy focuses heavily on exporting technology and services, notably tourism, and provides an exporting strategy model for U.S. regional planners, particularly those in predominantly rural, small town regions.

### 3.3.5 York Region, Ontario

The York Region of Ontario developed an export development program in 2005. The program provides free, one-stop assistance to companies planning on entering foreign markets. One-on-one consultations and professional seminars for SMEs are provided to help them

#### **Key Lesson**

- Establish a free, one-stop assistance program for SMEs.

develop their export readiness.<sup>69</sup> An export readiness assessment is available for companies, highlighting critical human, financial, and logistics issues. The program provides market intelligence, contacts and networks, and advice on business growth. Program advisors help companies build strategic alliances and joint ventures, which can reduce the costs of exporting and increase access to new markets.<sup>70</sup> U.S. regional planners could use the York Region Export Development Program as a model, and develop a free, one-stop assistance center for SMEs.

### 3.3.6 Atlantic Canada Opportunities Agency

Atlantic Canada Opportunities Agency (ACOA) supports economic growth in Canada's Atlantic region which includes Newfoundland and Labrador, New Brunswick, Prince Edward Island, and Nova Scotia. These efforts are rooted in working to maintain tax, fiscal, entrepreneurial, knowledge and infrastructural advantages.<sup>71</sup> SMEs account for 98% of all businesses in Atlantic Canada.<sup>72</sup> ACOA focuses on export readiness and FDI attraction. The agency provides export training programs and seminars as well as resources for non-Canadians looking to do business in Canada.

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<sup>68</sup> Amy Kraft. "Q&A: The 'City of Tomorrow' is Here (and it's in Canada)." June 29, 2012. <http://www.smartplanet.com/blog/smart-takes/q-a-the-8216city-of-tomorrow-is-here-and-its-in-canada/27390?tag=nl.e662>

<sup>69</sup> York Region. "Export Development." Retrieved July 18, 2012. <http://www.york.ca/Business/Export+Development/Default+Export+Development+Initiative.htm>

<sup>70</sup> Ibid.

<sup>71</sup> Atlantic Canada Opportunities Agency. "Five Year Report to Parliament: 2003-2008." 2008. [http://www.acoa-apeca.gc.ca/eng/publications/ParliamentaryReports/Documents/ACOA%205-Yr%20Report%20En\\_web.pdf](http://www.acoa-apeca.gc.ca/eng/publications/ParliamentaryReports/Documents/ACOA%205-Yr%20Report%20En_web.pdf)

<sup>72</sup> Ibid.

### 3.4 South Korea

South Korea's exporting ranks eighth globally, with exporting comprising 52% of the country's GDP in 2010.<sup>73</sup> South Korea has a largely urban population, numbering about 49 million.<sup>74</sup> Primary exports include high technology goods, semiconductors, wireless telecommunications equipment, motor vehicles, and computers.<sup>75</sup> South Korea offers incentives that bolster FDI and exporting, and signed a Free Trade Agreement (FTA) with the U.S. in 2012, which will significantly reduce tariffs and encourage trade between the two nations.

FDI attraction and export promotion in South Korea is centered around Foreign Trade Zone (FTZ) usage, particularly in the port cities of Incheon, Busan-Jinhae, and Gwangyang. In FTZs, companies receive direct and indirect tax exemption, equal treatment with Korean nationals, and the option to lease national and local government properties.<sup>76</sup> The establishment of Free Economic Zones (FEZ) in the FTZs promotes a business-friendly environment through providing incentives for foreign investments and an advanced physical infrastructure, while streamlining customs procedures and export regulations for foreign companies.<sup>77</sup>

The Incheon FEZ supports the development of the Songdo International Business District from the ground up. Songdo aims to be a center for multinational business and a high value-added knowledge-based complex.<sup>78</sup> The city is strategically located for international trade, with access to Chinese, Japanese, and Russian markets. The construction of a 68-story Northeast Asia Trade Tower is planned, to attract international trade and corporations. The city contains the Songdo Convensia, a large convention center used for international conferences, trade shows, and meetings. Songdo is based in the Incheon FEZ with easy access to the Incheon International Airport, which has a 3.5 hour flight radius to a third of the world's population. The city has been designed to serve and is marketed as the new gateway to Northeast Asia.<sup>79</sup> Songdo and the Incheon FEZ could be relevant to U.S. regions with its use of an FTZ and its exploitation of comparative geographic advantages.

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<sup>73</sup> The World Bank. "Exports of Goods and Services (% of GDP)." 2012.

<http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>

<sup>74</sup> Central Intelligence Agency. "South Korea." *The World Factbook*. Retrieved July 11, 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/ks.html>

<sup>75</sup> Ibid.

<sup>76</sup> Invest Korea. "Foreign Direct Investment." 2005.

[http://www.investkorea.org/InvestKoreaWar/work/ik/eng/bo/bo\\_01.jsp?code=102030103](http://www.investkorea.org/InvestKoreaWar/work/ik/eng/bo/bo_01.jsp?code=102030103)

<sup>77</sup> Economic and Social Commission for Asia and the Pacific. "Free Trade Zone and Port Hinterland Development." 2005. [http://www.unescap.org/ttdw/Publications/TFS\\_pubs/pub\\_2377/pub\\_2377\\_fulltext.pdf](http://www.unescap.org/ttdw/Publications/TFS_pubs/pub_2377/pub_2377_fulltext.pdf)

<sup>78</sup> Ibid.

<sup>79</sup> Songdo International Business District. "Master Plan." 2012. <http://www.songdo.com/#>

Invest Korea promotes investment in Korea from around the world. The agency works with foreign investors as a one-stop service to establish foreign businesses in Korea. Invest Korea promotes regions to investors, describing the strengths of each region to attract investors. The agency also supports the foreign companies and investors that have already invested in the region.<sup>80</sup> U.S. regional planners can follow Invest Korea's example of regional marketing and promote their respective regions to attract FDI.

### 3.5 Japan

Japan's export driven economy currently ranks fifth globally with exporting comprising 15% of the country's GDP in 2010.<sup>81</sup> The island-based nation has a population of 127 million.<sup>82</sup> Primary exports include motor vehicles, semiconductors, and iron and steel products. A massive earthquake disrupted manufacturing in 2011, influencing the Japanese government to pursue FTAs.<sup>83</sup> Japan cooperates with, though is not a member of, the Association of Southeast Asian Nations (ASEAN), which aims to promote peace, stability, and prosperity in Southeast Asia.

Japan's involvement with ASEAN resulted in the establishment of the ASEAN-Japan Centre in Tokyo in 1981. The ASEAN-Japan Centre works closely with the Japan External Trade Organization (JETRO) to promote international trade from Japan. JETRO offers companies a business matching database, which enables companies to search and find business partners online. JETRO has 36 offices throughout Japan, which work with local companies providing advice to local governments to help improve intellectual property protection for local products, and works with companies to overcome barriers to trade and understand regulations.

JETRO cooperates with regional governments to help them attract foreign investment, develop business incentive programs, promote the region overseas, identify foreign investors, and train regional government personnel in investment-promotion.<sup>84</sup> A Ministry of Economy, Trade, and Industry initiated partnership between JETRO and the local and prefectural government supports the Osaka International Trade Fair Commission, which plans exhibitions that draw attention to the city-region and helps market the region and the region's goods globally.<sup>85</sup> This

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<sup>80</sup> Invest Korea. "About Us." Korea trade-Investment Promotion Agency. Retrieved on July 11, 2012.

[http://www.investkorea.org/InvestKoreaWar/work/ik/eng/bo/bo\\_01.jsp?code=1020608](http://www.investkorea.org/InvestKoreaWar/work/ik/eng/bo/bo_01.jsp?code=1020608)

<sup>81</sup> The World Bank. "Exports of Goods and Services (% of GDP)." 2012.

<http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>

<sup>82</sup> Ibid.

<sup>83</sup> Central Intelligence Agency. "Japan." *The World Factbook*. Retrieved July 11, 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html>

<sup>84</sup> Yasuo Hayashi. "Message from the Chairman." Japan External Trade Organization. 2007.

[http://www.jetro.go.jp/austria/intro/index.html/Organisationprofile\\_E.pdf](http://www.jetro.go.jp/austria/intro/index.html/Organisationprofile_E.pdf)

<sup>85</sup> Osaka International Trade Fair Commission website. Ministry of Economy, Trade, and Industry. 2012. Retrieved July 19, 2012. [http://www.fair.or.jp/index\\_en.html](http://www.fair.or.jp/index_en.html)

cooperation emphasizes the importance and effectiveness of vertical alignment when approaching export promotion.

The Technology Advanced Metropolitan Area (TAMA) of western Tokyo is a regional cluster that promotes high technology exports, such as biotech and nanotechnology. The TAMA Association was established by SMEs, universities, municipal authorities, and local chambers of commerce in 1998.<sup>86</sup> The association provides information networking, industry-university collaboration, and foreign market support, in addition to hosting trade and business fairs.<sup>87</sup> Cooperation with JETRO supported trade and cooperation between TAMA and the Veneto Region in Italy, through the establishment of a business exchange program.<sup>88</sup> The TAMA model emphasizes the positive impact of collaboration between private firms and the use of federal support programs, providing an example for U.S. regions.

### 3.6 Italy

Italy ranks ninth globally in exporting and has a population of 61 million.<sup>89</sup> SMEs accounted for 52% of Italian exports in 2005.<sup>90</sup> The Italian national government has consistently made distinctions between its Northern, Central, and Southern regions based on the variations in the structure and size of SMEs in these regions. These regions contain a large number of SMES and are extremely impacted by Italian SME policies.

Among the key thrusts of the Italian SME policy are to seek to reduce disadvantages of small-scale production by assisting in the stabilization or improvement of SMEs' position in foreign markets and in the SME's entrance to foreign markets. In close cooperation with the Italian Institute for Foreign Trade, the Italian government provides eight multi-level regional support programs, including an export finance fund of EUR 50 million and also finances feasibility studies within EC rules.<sup>91</sup>

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<sup>86</sup> OECD. "Trends in Urbanisation and Urban Policies in OECD Countries: What Lessons for China?" 2010. <http://www.oecd.org/dataoecd/2/18/45159707.pdf>

<sup>87</sup> Toshihiro Kodama. "Industrial Cluster Policy in Japan- Its Concept, Origins, Development and Implications." Institute of Economic Research, Kyoto University. Presentation. 2007. <http://www.iar.ubc.ca/centres/cjr/seminars/loceconddev/slides/kodama.pdf>

<sup>88</sup> Toshihiro Kose. "Second Term Medium-Range Industrial Cluster Program." Ministry of Economy, Trade and Industry. 2006. [http://www.rieti.go.jp/users/cluster-seminar/pdf/023\\_e.pdf](http://www.rieti.go.jp/users/cluster-seminar/pdf/023_e.pdf)

<sup>89</sup> Central Intelligence Agency. "Italy. *The World Factbook*. Retrieved July 17, 2012. <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>

<sup>90</sup> United States International Trade Commission. "Small and Medium-sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms." 2010. <http://www.usitc.gov/publications/332/pub4169.pdf>

<sup>91</sup> OECD Working Party on SMEs and Entrepreneurship. "Top Barriers and Drivers to SME Internationalisation." 2009.

Italian SMEs, particularly in the northeast and central regions, benefit greatly from industry clusters. Larger companies identify and match foreign markets with appropriate products, information which is commonly passed on to SMEs in the cluster and region. This cooperation results in greater exporting potential and market access for the companies within the cluster. Local networks of public and private institutions support companies in their respective districts. Industry clusters result in strong vertical and horizontal linkages from the exchange of goods, services, information, and people, which reduce costs and encourage exporting.<sup>92</sup> Clusters are supported by the favorable Italian political economy and system. Real service centers support Italian clusters, providing services and assistance to SMEs in the exporting process.<sup>93</sup>

Northwest Italy, which contains the cluster-intensive Piedmont Region, contributes 41% of all Italian exports and 32% of the national GDP.<sup>94</sup> The region's clusters contribute to the recognition of the region as a leader in R&D, with over 200 R&D centers and 12 locally-supported innovative clusters including biotechnology and information and communication technology clusters.<sup>95</sup> Piedmont ranks first in Italy in collaboration between universities and industries, with strong cooperation between public and private research centers, SMEs, multinational groups, and institutions.<sup>96</sup> The Piedmont Regional Authority provides funding to the clusters, boosting the competitiveness of the companies in the cluster. The Piedmont Agency for Investment, Export, and Tourism provides export training, FDI attraction, and assists cluster members in establishing themselves on the international market.<sup>97</sup>

### 3.7 Australia

Australia ranks 22<sup>nd</sup> globally in exporting and has a population of approximately 22 million. Primary exports include coal, iron ore, and gold.<sup>98</sup> In 2002, the Australian Commonwealth set a goal of doubling national exports by 2006. Although the country fell short of this goal, it developed several methods to increase exports. The Export Market Development Grants program helps firms, particularly SMEs, cover some exporting costs. Companies that

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<sup>92</sup> United States International Trade Commission. "Small and Medium-sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms." 2010.

<http://www.usitc.gov/publications/332/pub4169.pdf>

<sup>93</sup> United Nations Industrial Development Organization. "The UNIDO Cluster/Network Development Programme: The Italian Experience of Industrial Districts." Retrieved July 18, 2012. <http://www.unido.org/index.php?id=o4310>

<sup>94</sup> Italian Trade Commission. "The Piedmont Biotechnology Cluster." 2011. Retrieved July 19, 2012.

<http://www.biotechinitaly.com/pdfUffici/Piemonte.pdf>

<sup>95</sup> Invest in Turin and Piedmont. "Automotive." 2005. Retrieved July 19, 2012.

<http://www.centroestero.org/invest/repository/File/automotive.pdf>

<sup>96</sup> Italian Trade Commission. "The Piedmont Biotechnology Cluster." 2011. Retrieved July 19, 2012.

<http://www.biotechinitaly.com/pdfUffici/Piemonte.pdf>

<sup>97</sup> Ibid.

<sup>98</sup> Central Intelligence Agency. "Australia." *The World Factbook*. Retrieved July 17, 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/as.html>

demonstrate they have spent at least \$20,000 in the last two years on exporting expenses can request reimbursement for up to 50% of their export promotion expenses over \$10,000.<sup>99</sup>

### Key Lessons

- Support SME Exports through trade missions and exhibitions.
- Coaching from export advisors, seminars, and workshops.

The Australian government committed A\$23.3 million over four years starting in 2009 for its TradeStart network. This network assists export innovation in rural regions where exporter numbers are growing at three times the rate of their metropolitan counterparts and where exports account for one in four of all jobs. Eight Export Hubs have also been established in key locations to provide local businesses one-stop assistance from Austrade and AusIndustry. This blend of industry development and export support

is considered particularly useful to regional innovators seeking global markets while at the same time benefiting their communities.<sup>100</sup>

The state government of New South Wales offers support to SME exporters through hosting trade missions and exhibitions to export-ready companies in the state. The Small Business New South Wales government agency offers coaching from export advisers, seminars, and workshops to SMEs to develop their business to export. An online toolkit is offered to SMEs in New South Wales that are planning on exporting services through the agency's website.<sup>101</sup>

The number of Australian exporting companies increased from 25,000 to 32,000, in part due to the Australian government's encouragement of exporting through the Export Market Development Grants with 4,022 firms applying for grants by 2004.<sup>102</sup> In addition, the Australian experience demonstrates the positive effect of identifying key markets and market trends. In 2006, 19 of the top 25 Australian exports achieved record export values, largely due to the fact that Australian companies were able to take advantage of increased market demand. Due to increasing demand for key metals and raw materials, Australian exports greatly increased in 2006 with resource export values rising 21%, gold rising 57%, and manufactures rising 13.5%.<sup>103</sup>

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<sup>99</sup> Australian Trade Commission. "Export Market Development Grants (EMDG)." 2012.

<http://www.austrade.gov.au/Export-Market-Development-Grants-EMDG/default.aspx>

<sup>100</sup> OECD Working Party on SMEs and Entrepreneurship. "Top Barriers and Drivers to SME Internationalisation." 2009.

<sup>101</sup> New South Wales Government. "Small Business NSW: Trade and Investment." 2012.

<http://www.smallbiz.nsw.gov.au/exporting/growing/Pages/default.aspx>

<sup>102</sup> Senate Foreign Affairs, Defence and Trade Legislation Committee. "Answers to Questions on Notice from Austrade." February, 2004.

[http://www.google.com/url?sa=t&rct=j&q=austrade%204022&source=web&cd=6&ved=0CFsQFjAF&url=http%3A%2F%2Fwww.aph.gov.au%2FParliamentary\\_Business%2FCommittees%2FSenate\\_Committees%3Furl%3Dfadt\\_ctte%2Festimates%2Fadd\\_0304%2Ffat%2Fans\\_austrade\\_feb04.doc&ei=ImDjT4eSBKK02gXSgfnCw&usq=AFQjCNG8dFSwIBO2q4ouEEEXPUhYHeh5xw&cad=rja](http://www.google.com/url?sa=t&rct=j&q=austrade%204022&source=web&cd=6&ved=0CFsQFjAF&url=http%3A%2F%2Fwww.aph.gov.au%2FParliamentary_Business%2FCommittees%2FSenate_Committees%3Furl%3Dfadt_ctte%2Festimates%2Fadd_0304%2Ffat%2Fans_austrade_feb04.doc&ei=ImDjT4eSBKK02gXSgfnCw&usq=AFQjCNG8dFSwIBO2q4ouEEEXPUhYHeh5xw&cad=rja)

<sup>103</sup> Ibid.

### 3.8 Estonia

The small country of Estonia ranks 77<sup>th</sup> globally in exporting, yet exports comprise a phenomenal 93 percent of its GDP.<sup>104</sup> The country, with a population of around 1.3 million, borders the Baltic Sea.<sup>105</sup> Estonia currently enjoys the highest GDP growth rate in Europe, a result of the heavy export focus and increased FDI attraction (due to the adoption of the euro in 2011). Primary exports include machinery and equipment, wood and wood products, and metals.<sup>106</sup> Estonian companies export substantial software development services, notably writing e-governance software for countries including Azerbaijan and Afghanistan.<sup>107</sup> Estonia's capital, Tallinn, contains both an international airport and large seaport, and markets itself as the link between Western and Eastern Europe.<sup>108</sup>

A key objective of the Estonian national policy for SME development is balanced regional development. Thirteen regional groups are identified and objectives and specific support measures are defined for every subgroup. Although Enterprise Estonia, a federal business and regional development agency, and KredEx, a federal financing agency, have the overall responsibility for implementing most measures, regional business centers and the Ministry of Economic Affairs also play important roles in delivering the support programs to SMEs.<sup>109</sup>

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<sup>104</sup> The World Bank. "Exports of Goods and Services (% of GDP)." 2012.

<http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>

<sup>105</sup> Central Intelligence Agency. "Estonia." The World Factbook. Retrieved on July 12, 2012.

<https://www.cia.gov/library/publications/the-world-factbook/geos/en.html>

<sup>106</sup> Ibid.

<sup>107</sup> Cybernetica AS. "Azerbaijan to Launch E-Government Platform Created in Estonia." 2012. Retrieved on July 18, 2012. <http://www.cyber.ee/home/news/aserbaidzaan-kaeivitab-eestis-loodud-e-valitsuse-susteemi>

<sup>108</sup> Estonian Exporters Database. "About Estonia." Retrieved on July 12, 2012.

<http://www.tradewithestonia.com/about-estonia>

<sup>109</sup> OECD Working Party on SMEs and Entrepreneurship. "Top Barriers and Drivers to SME Internationalisation." 2009.

### Key Lesson

- Establish an Exporters Database where companies register to provide foreign buyers information on products.

The Enterprise Support and Credit Management Foundation provides the Estonian Exporters Database, which enables Estonian companies to register online to provide foreign buyers information on the products the company offers. Foreign companies can use the database to pursue Estonian partners and joint ventures.<sup>110</sup> The website is updated daily with foreign companies seeking Estonian business and partners, promoting exporting and providing access to foreign markets. The Estonian Investment and Trade Agency website provides a guide to potential investors who seek to invest in Estonia, and provides support through 10 international offices, including offices in London, Tokyo, and Paris. The agency provides information services and investment preparation, consulting and project management, and post-investment services to investors. It also hosts contact events and business missions to attract FDI.<sup>111</sup> U.S. regional planners can develop similar websites and programs to increase exporting and FDI attraction in their respective regions.

### 3.9 Azores Islands, Portugal

The Azores Islands, an autonomous Portuguese island chain in the North Atlantic nearly 1,000 miles from the European mainland, provides important insights on the key drivers of internationalization for companies that are based in remote or isolated areas. The Azores illustrate the important role of social ties and networks in guiding and supporting isolated SMEs towards entering the global market. The challenges of isolation and distance from the core economies and diseconomies of scale and high transportation costs commonly mean that these

### Key Lesson

- Leverage family and social ties and networks to access foreign markets.
- Create a social networking site to link citizens of isolated areas to emigrants in developed areas.

SMEs tend to exhibit low international involvement. The challenges often result in economic weakness, which drives emigration from the region.<sup>112</sup>

There is evidence, however, that some isolated-region SMEs leverage family and social ties and networks existing between those remaining in the isolated region and those that emigrated to compete in international markets. In the case of a small fish exporter from the Azores Islands, this meant access to major emigrant communities in Canada (British Columbia and Quebec) and the United States (California, Hawaii, Massachusetts, and

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<sup>110</sup> Ibid.

<sup>111</sup> Estonian Investment and Trade Agency. "About the Agency." Enterprise Estonia. Retrieved July 12, 2012. <http://www.investinestonia.com/en/about-the-agency/>

<sup>112</sup> Câmara, F. J. L. and V.C. Simões. "Social Networks as Drivers of Internationalisation Patterns: A Case Study on Fish Exports." 2008.



Rhode Island), among others.<sup>113</sup> The citizens of the islands created the online networking site, Azores Nation, to link residents of the islands to emigrants.<sup>114</sup> The website also provides a medium for Azorean companies to market their products globally.

#### **4.0 Review of Innovative Practices in Regional SME Exporting Strategies in the U.S**

The following section examines efforts to increase SME exports in the United States, including studies and publications produced by the U.S. International Trade Commission, SelectUSA, and the National Exporting Initiative; four regional export strategies supported by the Brookings Institute and two by the Michigan State University Center for Community and Economic Development; and innovative practices used by Florida, Georgia, and Seattle. These strategies and studies can be used by U.S. EDDs in the development of their own regional exporting strategies.

##### **4.1 U.S. International Trade Commission (USITC): SME Exporting and Strategies, 2010**

The U.S. International Trade Commission, housed in the U.S. Department of Commerce, is responsible for independent analysis of trade and tariff matters in addition to administering U.S. trade remedy laws. In response to a request by the Office of the U.S. Trade Representative in 2009, the USITC conducted research on and field investigation of SMEs and trade opportunities and barriers. The USITC published three major reports in 2010 describing the role of SMEs in exporting and a comparative analysis of exporting activities, performance characteristics of SME exports, and barriers faced by U.S. and European SMEs.<sup>115</sup>

The USITC emphasized the use and value of Free Trade Agreements (FTA) and other trade arrangements to increase SME exporting. The U.S. now has Free Trade Agreements with 20 countries, the most recent of which were signed with South Korea, Columbia, and Panama. U.S. SME benefits from Free Trade Agreement include increasing SME competitiveness in foreign markets, expanding their market access, a reducing exporting paperwork, and protecting Intellectual Property (IP). An FTA Tariff Tool has been developed to help companies educate themselves on the tariffs applied to various products in different markets and progressive,

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<sup>113</sup> Câmara, F. J. L. and V.C. Simões. "Social Networks as Drivers of Internationalisation Patterns: A Case Study on Fish Exports." 2008.

<sup>114</sup> The Azores Nation website is located at: <http://azoresnation.com/>

<sup>115</sup> United States International Trade Commission. "Small and Medium-sized Enterprises: Overview of Participation in U.S. Exports." 2010. <http://www.usitc.gov/publications/332/pub4125.pdf>

United States International Trade Commission. "Small and Medium-sized Enterprises: Characteristics and Performance." 2010. <http://www.usitc.gov/publications/332/pub4189.pdf>

United States International Trade Commission. "Small and Medium-sized Enterprises: U.S. and EU Export Activities, and Barriers and Opportunities Experienced by U.S. Firms." 2010. <http://www.usitc.gov/publications/332/pub4169.pdf>

planned reductions in tariffs (see Appendix D for a list of U.S. FTA partner countries). FTAs can be hugely important to SMEs in developing new foreign markets.

Results from a USITC survey of SMEs revealed that SMEs want more government-sponsored market access assistance programs established, particularly in China and India. St. Louis provides an example of this strategy as leaders there created the Midwest-China Hub Commission, which focuses on establishing an air link between St. Louis and China. This link will allow SMEs greater access to Chinese markets and reduce transportation costs for SMEs, boosting exports.

### Key Lessons

- Greater SME outreach through government programs.
- Matchmaking the best markets and partners for firms.
- Provide foreign language training.

The USITC also recommended greater outreach to SMEs through government programs; matchmaking the best markets and partners for firms; and foreign language training. Exports can be greatly increased through identifying appropriate regional niche markets for SMEs. Trade missions sponsored by the U.S. government were recommended, focusing on niche-specific markets to help boost SME competitiveness. Trade missions can be organized around a region's industry to increase foreign awareness and access a region's niche industry.

The USITC recommends training and new efforts by government agencies to streamline exporting processes. The U.S. Commercial Service provides important assistance to SMEs that plan to export. Support from the U.S. Commercial Service can be obtained on the internet or through a U.S. Export Assistance Center. Private trade consultants can also provide support to SMEs and help SMEs navigate the exporting process and ease market access. Accessible and inclusive export programs and agencies established at the regional level providing training and export process streamlining support may encourage SMEs to export and increase the exports of exporting firms.

The USITC report further recommends enhancing the amount of foreign market knowledge available to SMEs through government outreach to encourage greater SME exporting. Collaboration with larger companies or formation of trade alliances can also provide SMEs with greater access to foreign markets.

In order to reduce exporting costs, the USITC recommended that SMEs collaborate in reaching out to foreign markets. Through the formation of trade alliances or sector collaboration, SMEs can share transportation and compliance costs. This kind of collaboration can readily focus on the regional scale so that export market entry is eased and associated costs are reduced.

In reviewing key barriers and export strategies in selected industries, the USITC identified the formation of regional industry groups as a means to pool resources dedicated to market research, product promotion, and identification of potential export customers. These groups can utilize export programs and assistance provided by the government agencies, and take advantage of federal and regional funding.

#### **4.2 SelectUSA**

SelectUSA was created June 15, 2011 by Presidential executive order to showcase the United States as the world's premier business location and to provide easy access to federal-level programs and services related to business investment.<sup>116</sup> SelectUSA works with economic development organizations (EDOs) and stakeholders to help regions attract investment by streamlining the investment process. SelectUSA also offers cluster analysis to U.S. regions and helps companies maintain their competitive advantage so they are more likely to receive FDI.<sup>117</sup> The attraction of FDI is closely associated with increased exporting.

An early SelectUSA success story included a collaboration with the Michigan Economic Development Corporation (MEDC) and local Michigan agencies in attracting the Canadian company AGS Automotive to invest \$20 million in new manufacturing capacity to produce bumper impact assemblies in the state. AGS annual sales of \$100 million are expected over the next five years, with some 50 jobs retained and 100 new jobs created.

#### **4.3 National Exporting Initiative (NEI)**

The National Export Initiative (NEI) was announced by President Obama in his 2010 State of the Union with the goal of doubling exports by the end of 2014.<sup>118</sup> The 2011 National Export Strategy: Powering the National Export Initiative was developed by the federal Trade Promotion Coordinating Committee and includes 70 recommendations in eight priority areas. SME Exporting is one of the eight priority areas.<sup>119</sup> However, only one of the 70 recommendations involves a regional approach.<sup>120</sup>

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<sup>116</sup> The SelectUSA website is located at: <http://selectusa.commerce.gov/>

<sup>117</sup> Aaron Brickman, SelectUSA. CCED staff phone Interview. June 13, 2012.

<sup>118</sup> The National Export Initiative website is located at: <http://export.gov/nei/>

<sup>119</sup> The other 7 priority areas include: 1) Federal export assistance; 2) Trade missions; 3) Commercial advocacy; 4) Increasing export credit; 5) Macroeconomic rebalancing; 6) Reducing trade barriers; and 7) Export promotion of services.

<sup>120</sup> Trade Promotion Coordinating Committee. "2011 National Export Strategy: Powering the National Export Initiative." 2011. <http://trade.gov/publications/pdfs/nes2011FINAL.pdf>

The SME priority area includes four elements: 1) Identify SMEs that can begin or expand exporting; 2) Prepare SMEs to export successfully; 3) Connect SMEs to export opportunities; and 4) Support SMEs once they find export opportunities.<sup>121</sup>

In the section on SME preparations to export successfully, it is recommended that export opportunities be promoted among competitive industry clusters. The U.S. SBA has provided 20 contracts to support counseling and training to small businesses through regional innovation clusters, according to the 2011 National Export Strategy. The 20 clusters awarded contracts were announced in September 2011, providing those clusters with \$1.8 million for further development.<sup>122</sup>

Clearly, more can be done at the regional level across the U.S. where leadership is cognizant of SME exporting opportunities and the need to better deploy SME export assistance resources and make investments in infrastructure improvements to support more efficient freight movement.<sup>123</sup>

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<sup>121</sup> Ibid.

More discussion on the importance of supporting SMEs in exporting is located in: Andrew B. Bernard and J. Bradford Jensen. "Why Some Firms Export." 2001. [http://www.nber.org/papers/w8349.pdf?new\\_window=1](http://www.nber.org/papers/w8349.pdf?new_window=1)

<sup>122</sup> U.S. Small Business Administration. "New Obama Administration Initiative to Spur Job Creation and Accelerate Economic Growth in 20 Regions across the Country." September 22, 2011. <http://www.sba.gov/about-sba-services/7367/25001>

<sup>123</sup> More discussion on SMEs in America and the SBA's involvement is located in: U.S. Small Business Administration. "The Small Business Economy." 2009. [http://archive.sba.gov/advo/research/sb\\_econ2009.pdf](http://archive.sba.gov/advo/research/sb_econ2009.pdf)

#### 4.4 Brookings Institute Metropolitan Export Initiative

The Brookings Institute's 2010 "Export Nation: How U.S. Metros Lead National Export Growth and Boost Competitiveness."<sup>124</sup> and "Export Nation 2012: How U.S. Metropolitan Areas Are Driving National Growth" provide excellent analyses of goods and services exported from U.S. metropolitans.<sup>125</sup>

Key findings of the 2012 report include:

- U.S. exports grew rapidly in the first year of the nation's economic recovery.
- Large metropolitan areas powered the nation's export growth.
- The Great Recession accelerated the shift of U.S. exports toward developing countries.

##### Key Lesson

- Develop regional export plans that can be incorporated into broader economic development strategies.

- Manufacturing drove the export resurgence in 2010.
- High-value-added service exports witnessed uninterrupted growth through the recession and recovery.<sup>126</sup>

The Brookings Institute launched the Metropolitan Export Initiative (MEI) in 2011 with the goal of creating and implementing customized metropolitan export plans. These metropolitan export plans apply research and market intelligence to develop tailored regional export strategies that can be incorporated into broader economic development strategies.

The Brookings Institute helped develop metropolitan export plans in 2011 for four city-regions: Portland, Oregon;<sup>127</sup> Los Angeles;<sup>128</sup> Minneapolis-Saint Paul;<sup>129</sup> and Syracuse, New York.<sup>130</sup> These four plans are important because they provide specific regional export strategies based

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<sup>124</sup> Emilia Istrate, Jonathan Rothwell, and Bruce Katz. "Export Nation: How U.S. Metros Lead National Export Growth and Boost Competitiveness." Brookings Institute. 2010. [http://www.brookings.edu/~media/research/files/reports/2010/7/26%20mountain%20exports%20muro/0726\\_exports\\_istrate\\_rothwell\\_katz](http://www.brookings.edu/~media/research/files/reports/2010/7/26%20mountain%20exports%20muro/0726_exports_istrate_rothwell_katz)

<sup>125</sup> The Brookings Institute website is located at: <http://www.brookings.edu/>

<sup>126</sup> Emilia Istrate and Nicholas Marchio. "Export Nation 2012: How U.S. Metropolitan Areas Are Driving National Growth." Brookings Institute. 2012.

[http://www.brookings.edu/~media/research/files/reports/2012/3/08exports/0308\\_exports](http://www.brookings.edu/~media/research/files/reports/2012/3/08exports/0308_exports)

<sup>127</sup> Brookings Institution. "Greater Portland Export Plan." 2012. [http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export\\_initiative\\_portland.PDF](http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export_initiative_portland.PDF)

<sup>128</sup> Brookings Institution. "Los Angeles Export Plan." 2012. [http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export\\_initiative\\_losanangeles.PDF](http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export_initiative_losanangeles.PDF)

<sup>129</sup> Brookings Institution. "Minneapolis-Saint Paul Export Plan." 2012.

[http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export\\_initiative\\_minneapolis.PDF](http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export_initiative_minneapolis.PDF)

<sup>130</sup> Brookings Institution. "Syracuse/Center State Export Plan." 2012.

[http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export\\_initiative\\_syracuse.pdf](http://www.brookings.edu/about/projects/state-metro-innovation/~media/Projects/state%20metro%20innovation/export_initiative_syracuse.pdf)

on data analysis. Each strategy focuses on expanding upon the unique features of each city-region and promoting that region in global markets (see Appendix E for a summary of the goals, development, and action plans of the four strategies).

#### **4.5 East Michigan Council of Governments (EMCOG) and Eastern Upper Peninsula Regional Planning and Development Commission (EUPRPDC) Regional Exporting Strategies**

The Michigan State University Center for Community and Economic Development (MSU CCED) partnered with the East Michigan Council of Governments and the Eastern Upper Peninsula Regional Planning and Development Commission in 2011 to develop regional exporting strategies for their respective regions in a project funded by the U.S. Economic Development Administration (see Appendix F for the draft regional strategies).<sup>131</sup> The project is focused on increasing SME exports and enhancing global market awareness in the two EDD partners' regions.

##### **Key Lesson**

- Survey local businesses to identify concerns and opportunities.

MSU CCED first conducted an online survey of SMEs in the two regions. Survey findings indicated that most SMEs lack knowledge about exporting assistance resources, foreign markets, export regulations, and exporting logistics. SMEs also noted that the financial risk and lack of financial resources create barriers to exporting. These findings were considered in the development of the two regional exporting strategies with the EDD partners.

The draft regional exporting strategies consist of 10 components:

- Assess the regional export infrastructure
- Create and retain export-related jobs
- Leverage university/community college resources to assist in regional planning and SME exporting
- Mainstream exports
- Upgrade/modernize existing trade transportation infrastructure to support and enhance exporting
- Develop a global mind set and promote multi-cultural awareness in the region
- Develop and promote a regional identity on a global scale
- Revitalize or obtain U.S. Foreign Trade Zone designation

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<sup>131</sup> The Michigan State University Center for Community and Economic Development website is located at: <http://www.knowledgeplanning.org/>

- Create a strong foreign direct investment (FDI) strategy to attract innovative firms that fill gaps in key manufacturing clusters
- Build and maintain strong bi-national collaborative relationships with border and near-border regions.

Appreciating the value of soft export infrastructure assets is important in developing robust exporting strategies. Foreign-born populations, for example, have proven invaluable to local/regional exporting and economic development. These populations pull expertise and contacts from around the globe into a region. With their cultural expertise and lingual proficiency, they form a type of soft infrastructure that is conducive to regional export development.

According to Global Detroit, a Detroit-based company that capitalizes on the immigration experience, foreign-born populations are drivers of new business and job creation; disproportionately responsible for new technology; more likely to be highly educated; catalysts for urban neighborhood and population revitalization; and carriers of international business skills and connections. These demonstrated qualities show the foreign born population to be important “soft exporting infrastructure.” Embracing the assets brought to a region (an EDD) by foreign-born residents is an important step in fully realizing the potential of this soft export infrastructure component.

#### 4.6 Trade Development Alliance of Greater Seattle

Seattle demonstrates leadership in regional exporting collaboration through the Trade Development Alliance of Greater Seattle, a collaboration between Seattle and the surrounding cities and ports to promote trade. The goal of the Trade Development Alliance of Greater Seattle is to promote the Seattle region as an international gateway and commercial center to both domestic and foreign companies.<sup>132</sup> The city-region utilizes its comparative geographic advantage to easily access foreign markets, while serving as a trade gateway for domestic companies.

##### Key Lessons

- Create a regional export alliance.
- Establish long run objectives.

This exporting model resulted in the Seattle metropolitan accounting for 76.9% of the state of Washington’s merchandise exports in 2010.<sup>133</sup> The city’s strategic location allows it to take advantage of FTAs and attract exporters who ship through the port to Asia. Seattle has an advanced manufacturing capability and infrastructure, a strong high-

<sup>132</sup> Trade Development Alliance of Greater Seattle. 2012. <http://seattletradealliance.com/about/about-us.php>

<sup>133</sup> International Trade Administration. “Seattle-Tacoma-Bellevue; WA.” 2012. <http://www.trade.gov/mas/ian/metroreports/Seattle.pdf>

technology sector, a diverse economic base, and a well-educated work force.<sup>134</sup>

To support Seattle-based companies are interested in exporting, the city hosts exporting symposiums and programs. Symposiums allow the owners of businesses who currently export or are interested in exporting identify overseas markets, learn how to take advantage of export financing, and about transporting options.<sup>135</sup> Programs such as seminars and conferences help train SMEs on the intricacies of exporting.<sup>136</sup> Through educating SMEs on the exporting process and exporting support programs, SMEs are more likely to export and expand into new markets.

The Port of Seattle website provides first time exporters with a “First Time Shipper Resource Guide” that provides companies who are looking to export with contact information of agencies that can assist with the export process. In addition, the guide provides contact information for freight forwarders, who act as agents when exporting.<sup>137</sup> Through this guide, the Port of Seattle makes its shipping services more accessible to exporters and importers, increasing exporting through shipping related services.

#### **4.7 Florida**

Florida ranks fourth in the U.S. in exporting, with \$64.8 billion of goods and over \$30 billion in services to over 200 countries.<sup>138</sup> Enterprise Florida, the state’s export promotion and economic development agency, aggressively promotes exporting. The Florida Export Directory, a website run by Enterprise Florida, provides a searchable database of Florida exporters. The directory enables foreign buyers to easily find companies that provide goods and services. Enterprise Florida also provides export counseling to companies through seven offices located throughout the state, in addition to conducting overseas trade missions, facilitating target sector trade grants, developing tailored export marketing plans, providing trade leads, and guiding export finance.<sup>139</sup>

The Florida Trade Partners Alliance was created as an initiative of Enterprise Florida. The alliance comprises a vertical alignment of federal support, state councils and business

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<sup>134</sup> City of Seattle. “The Greater Seattle Datasheet.” 2011. <http://seattle.gov/oir/datasheet/international.htm>

<sup>135</sup> King County Office of Business Relations and Economic Development. “Business Development.” 2004.

<http://www.greenwest.net/bred/ed/export/exportsymposium.htm#symposium>

<sup>136</sup> Trade Development Alliance of Greater Seattle. 2012. <http://seattletradealliance.com/about/about-us.php>

<sup>137</sup> Port of Seattle. “First Time Shipper Resource Guide.” 2012.

[http://www.portseattle.org/Cargo/SeaCargo/Documents/General\\_Shipping\\_Questions.pdf](http://www.portseattle.org/Cargo/SeaCargo/Documents/General_Shipping_Questions.pdf)

<sup>138</sup> Florida Export Directory website. Enterprise Florida, Inc. 2012. Retrieved on July 18, 2012.

<http://www.floridaexportdirectory.com/>

<sup>139</sup> Enterprise Florida. “Exporting Assistance.” 2012. Retrieved on July 18, 2012.

<http://www.eflorida.com/ContentSubpage.aspx?id=466>



organizations, nonprofits, and metropolitan organizations.<sup>140</sup> Each partner helps directly fund the efforts of the Alliance, enabling members of the alliance to provide and participate in more events, activities, and services to promote exporting than their normal budget allows.<sup>141</sup> Enterprise Florida’s aggressive approach to export promotion services and activities and its vertical alignment of support provides U.S. regional planners with a successful model for an export promotion agency.

Miami has established relationships with 25 “Sister Cities,” which results in expanded trade between the cities and increased exports.<sup>142</sup> According to a brief prepared by the National Governors Association (NGA) Center for Best Practices, the formation of Sister City relationships helps generate name recognition with potential trade partners and boost tourism export revenues.<sup>143</sup>

Miami-Dade County has established a series of workshops and webinars available to SMEs to help them increase their number of exports. These workshops enable SMEs to network, learn how to overcome exporting barriers, and provide them with access to practical exporting tools. The workshops provide SMEs with contacts for industry experts and agencies that can assist them with exporting. Construction of an intermodal center near the Miami International Airport and the repair of a rail link between the port and the intermodal rail yard are currently underway. Both of these advancements will increase international trade with increased capacity to transport products and commodities through the city.<sup>144</sup>

#### **4.8 Georgia—Port of Savannah-Atlanta Logistics Hub**

The Port of Savannah, along with the Hartsfield-Jackson Atlanta International Airport, locally-accessible Interstates, including I-75, and the 4,900 miles of rail that run through Georgia are all vital components of the Port of Savannah-Atlanta logistics hub.<sup>145</sup> The Georgia Ports Authority operates the port of Savannah, the fourth largest container port in the United

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<sup>140</sup> Bruce Katz and Emilia Istrate. “Boosting Exports, Delivering Jobs and Economic Growth. Brookings Institute. 2011. [http://www.brookings.edu/~media/research/files/papers/2011/1/26%20exports%20katz%20istrate/0126\\_export\\_s\\_katz\\_istrate.pdf](http://www.brookings.edu/~media/research/files/papers/2011/1/26%20exports%20katz%20istrate/0126_export_s_katz_istrate.pdf)

<sup>141</sup> Ibid.

<sup>142</sup> Department of Regulatory and Economic Resources, Miami-Dade County. “Our Sister Cities.” 2012. [http://www.miamidade.gov/oedit/sister\\_cities.asp](http://www.miamidade.gov/oedit/sister_cities.asp)

<sup>143</sup> National Governor’s Association Center for Best Practices. “How States Are Using Arts and Culture to Strengthen Their Global Trade Development.” 2003. <http://www.nga.org/files/live/sites/NGA/files/pdf/040103GLOBALTRADEDEV.pdf>

<sup>144</sup> Miami Intermodal Center. 2012. <http://www.micdot.com/index.html>

<sup>145</sup> Atlanta Business Chronicle, “Logistics Hub Fueling Planes, Trains, and Brains.” 2011. <http://www.bizjournals.com/atlanta/print-edition/2011/11/04/logistics-hub-fueling-planes-trains.html>

States.<sup>146</sup> The Georgia Ports Authority is planning the Savannah Harbor Expansion Project, which will allow access by larger ships taking advantage of the expanded Panama Canal in 2014.<sup>147</sup>

Georgia is home to Georgia Tech's Supply Chain and Logistics Institute, Atlanta Technical College's Logistics/Supply Chain career training program, and the Georgia Center of Innovation for Logistics.<sup>148</sup> The Center of Innovation for Logistics works to create a "tangible advantage by directly assisting companies to overcome challenges and capitalize on opportunities related to the movement of freight."<sup>149</sup> The Center provides access to targeted R&D, expert analysis of data and trends, and cross-sector connections.<sup>150</sup>

The Georgia Center of Innovation for Logistics has held yearly logistics summits since 2010. Past keynote speakers have included the Governor of Georgia and representatives from the Georgia Ports Authority, U.S. Department of Commerce, Volkswagen, Coca Cola, UPS, Norfolk Southern, and GE Energy.<sup>151</sup> Keynote presentations from past summits are available online, and the Georgia Center of Innovation for Logistics runs a YouTube channel dedicated to the summit,<sup>152</sup> where keynote speeches are available for viewing. At the summit, U.S. and Georgia logistics goals, concerns, and statistics are discussed. The summit focuses attention on Georgia, markets Georgia's logistics services, and attracts investment to the region.

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<sup>146</sup> Material Handling Industry of America. "Six of the Ten Top Logistics/Distribution/Shipping Hubs are Located in the South." Accessed July 18, 2012. <http://www.mhia.org/news/industry/10898/six-of-the-ten-top-logistics-distribution-shipping-hubs-are-located-in-the-south--according-to-business-facilities--2011-metro-rankings>

<sup>147</sup> National Association of Development Organizations. "Freight Transportation and Economic Development: Planning for the Panama Canal Expansion." 2012. Retrieved on July 27, 2012. <http://www.nado.org/wp-content/uploads/2012/03/panama.pdf>

<sup>148</sup> Material Handling Industry of America. "Six of the Ten Top Logistics/Distribution/Shipping Hubs are Located in the South." Accessed July 18, 2012. <http://www.mhia.org/news/industry/10898/six-of-the-ten-top-logistics-distribution-shipping-hubs-are-located-in-the-south--according-to-business-facilities--2011-metro-rankings>

<sup>149</sup> Georgia Center of Innovation for Logistics, "Georgia Center of Innovation for Logistics." 2012.

<sup>150</sup> Georgia Department of Economic Development, "Georgia Logistics: Industry Overview." 2011.

<sup>151</sup> Georgia Center of Innovation for Logistics, "Summit Archive." <http://www.georgialogistics.com/logistics-summit/presentations.aspx>

<sup>152</sup> Channel located at <http://www.youtube.com/georgialogistics>

## 5.0 Bi-National Collaborative Regional Strategies

Bi-national collaborative regional strategies can act as important vehicles to enhance trade and economic growth in cross-border regions. We provide a brief overview here of U.S.-Canada collaborative regional strategies and European bi- and multi-national collaborative regional strategies.

In our highly-abbreviated review of recent literature on border regions and related issues, it's noted that peripheral regions with small market size can benefit in accessing cross-border markets to enlarge their market. This is especially true when the neighboring market is larger than the internal one.<sup>153</sup> The strength and extent of trade activities between border regions reflect in large part market size, distance, urban centers, and economic complementarities. The size of cities and their distance from the borders strongly influence the intensity of cross-border interactions. It is observed that large urban centers near border regions tend to operate as hubs of all types of economic activities.<sup>154</sup>

In a seminal article on a typology for border regions, Topaloglou et al. identified five types of border regions in the enlarged European Union (EU) with the addition of the central and eastern European countries as members or candidates for membership in the EU since 1989.<sup>155</sup>

1. Highly-integrated border regions with advanced economic performance, and many cultural similarities and small size.
2. Border regions with agglomerated economies that need significant structural adjustments to cope with increased competition;
3. Highly-integrated border regions that show significant economic performance but experience cultural dissimilarities;
4. Border regions with high development potential associated with favorable geographic position, but suffer from low economic performance;
5. Border regions with low market potential and no prevailing positive characteristics.<sup>156</sup>

For U.S. EDDs and neighboring international regions, we suggest a typology of border and near-border EDDs. Border EDDs are contiguous to an international boundary. Near-border EDDs lack an immediate international border but are contiguous to a border EDD.

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<sup>153</sup> Lefteris Topaloglou, Dimitris Kallioras, Panos Manetos, and George Petrakos. "A Border Regions Typology in the Enlarged European Union." *Journal of Borderland Studies* Vol. 20. (2005): 71.

<sup>154</sup> Ibid.

<sup>155</sup> Ibid.

<sup>156</sup> Ibid, 84.

The Topaloglou model could be used in further classifying border and near-border EDDs. For determining the types of U.S.-Canadian border regions, it is expected that most would fall in either category 1 or category 4. Some may be in category 5. As our immediate research did not include EDDs bordering or proximate to Mexico, we refrain from making any observations in the absence of a sufficient knowledge base.

For U.S. EDDs located on the Canadian international boundary, sharing a common language, similar legal system, and harmonious border for some 200 years provides a deeply positive environment for extensive bi-national regional collaboration. Opportunities abound.

## **5.1 U.S.-Canada Collaborative Regional Strategies**

### **5.1.1 Pacific NorthWest Economic Region (PNWER) Strategies**

Founded in 1991, the Pacific NorthWest Economic Region (PNWER) is a statutory, cross border, public-private partnership chartered by five states (Oregon, Washington, Montana, Alaska, and Idaho) and five Canadian jurisdictions (British Columbia, Alberta, Saskatchewan, Northwest Territories, and the Yukon). Its primary goal is to share best practices and policy solutions to improve the regional economy. PNWER provides a forum for collaborative bi-national planning involving both the public and private sectors and offers leadership at the state/provincial level.

PNWER focuses on three key sectors of the bi-national Pacific Northwest regional economy: agriculture, the integrated auto industry, and energy, including renewable energy.

PNWER is working on developing solutions to implement the shared vision of the February 4, 2011 Declarations by Prime Minister Harper and President Obama. The two leaders announced the creation of the Canada-U.S. Regulatory Cooperation Council (RCC) to better align the two countries' regulatory approaches, where possible, and the bi-national Beyond the Borders Initiative focused on perimeter security.

### **5.1.2 The Greater Sault Region: Sault Ste Marie, Michigan and Sault Ste Marie, Ontario**

The Greater Sault Region provides a model of bi-national regional collaboration. The region is taking full advantage of the high-potential international gateway opportunities that are inherent in its location and instrumental to the future development of trade.

#### **Key Lesson**

- Use Sister City Agreements to enhance bi-national collaboration.

The Eastern Upper Peninsula EDD in Michigan is a border region and has worked with local EDCs and a university partner in pursuing bi-national regional collaboration. A Sister City Agreement between the city of Sault Ste. Marie, Michigan, USA

and the city of Sault Ste. Marie, Ontario, Canada will be signed August 16, 2012. This Sister City Agreement differs from most. For one thing, most such agreements reference sister cities (that is, plural cities) that are separated by thousands of miles. But in this case, the agreement will be signed by a pair of cities directly adjacent to each other that celebrates the Twin Saults as “Two Nations—One City.” The Sault model provides a useful model to cities in other border EDDs in developing bi-national ties. And other border EDDs may want to consider Sister Region Agreements with their nearby international neighbors.

Subsequent to the signing of the Sister City Agreement, the Terms of Reference will establish the Joint International Relations and Economic Growth (JIREG) Committee comprised of representation from the Sault Ste. Marie (Ontario) Economic Development Corporation, the Ontario North Economic Development Corporation (ONEDC) Committee, presidents of higher education institutions in the region, and other community leaders. The major thrusts and 10 bi-national strategic growth areas of the **Joint International Relations and Economic Growth Committee** are described in the table on the next page.

The text of the Sister City Agreement and Terms of Reference will be made public upon their signing. The purpose of the agreement is to promote economic, educational, and cultural exchanges, along with other co-operative ventures to enrich their citizens’ lives and enhance shared international understanding and appreciation.

A multi-modal logistics hub initiative in the Greater Sault Region under the leadership of the Sault Ste. Marie, Ontario EDC is underway. This initiative could lead to greatly expanded trade activities in the bi-national region. This multimodal logistics hub would receive containerized shipments from around the world with the infrastructure capacity to ship goods throughout the U.S, accessed by Interstates 75 and 69.<sup>157</sup>

U.S. Foreign Trade Zones (FTZs) and similar foreign programs can be used to complement local

#### Key Lesson

- Foreign Trade Zones can be used to complement other logistics hub infrastructure.

logistics hub infrastructure. Sault Ste. Marie, Michigan has a designated FTZ. Ontario (as well as the entire country of Canada) offers foreign trade zone-like programs. The U.S. FTZ program and counterpart Canadian programs ease costs associated with trade and are generally intended to promote exporting and participation in global markets.

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<sup>157</sup> International Bridge Administration. Sault Ste. Marie International Bridge U.S. Plaza Bottleneck Congestion Report. June 2010.

## **Sault Ste. Marie Joint International Relations and Economic Growth Committee**

### *Major thrusts and 10 bi-national strategic growth areas*

- Study, promote, and foster international relations in the two Sault communities.
- Help stimulate economic growth in the greater Sault Ste. Marie Region made up of areas in Northern Ontario and the Eastern Upper Peninsula in Michigan.
- Act as a collaborative and coordinating entity for various international joint efforts undertaken by parallel organizations for the two Sault communities.
- Evaluate, assess, and promote, when feasible, the joint implementation of programs and projects in *10 strategic growth areas*, including:
  1. Trade,
  2. Manufacturing (value added steel & forest products),
  3. Multi-modal and transportation related services (logistics, air cargo, warehousing and distribution),
  4. Education,
  5. Health,
  6. Information Technology and e-Commerce,
  7. Energy and Environment,
  8. Bio-industry (bio-products, biotechnology, and biomass),
  9. Aviation (maintenance, repair, overhaul, assembly, and avionics),
  10. Tourism and retail development, and
  11. Other joint interests as determined by the JIREG Committee.

Border regions can also benefit from bi-national cooperation between higher education institutions. Lake Superior State University (LSSU) in Sault Ste. Marie, Michigan and Algoma University and the Sault College of Applied Arts and Technology in Sault Ste. Marie, Ontario provide a prime example of bi-national collaboration. The three schools participate in reciprocal tuition agreements that allow students to attend schools on the other side of the border and still pay resident-level fees. Algoma University and Sault College charge Michigan residents the same tuition fees as those charged to Ontario residents, while LSSU charges Ontario residents the same tuition fees as those charged to Michigan residents. The cross-border collaboration in the bi-national Greater Sault region provides model to U.S. EDD regional planners.

#### 5.1.3 The Blue Water Region: St. Clair (Michigan) and Lambton (Ontario) Counties

Some border regions have high potential for bi-national collaboration without having taken advantage of it. These regions may have taken preliminary steps toward bi-national collaboration, but have not yet achieved a mature, or robust, level of collaboration. The bi-national Blue Water Region of St. Clair County (Michigan, USA) and Lambton County (Ontario, Canada) exemplifies this preliminary stage of bi-national collaboration.

A bi-national team has discussed opportunities for developing and promoting joint export programs and resources as well as marketing the global gateway between the U.S. and Canada that support the combined bi-national region.

St. Clair County Community College in Port Huron, Michigan and Lambton College in Sarnia, Ontario share a conditional cooperative tuition agreement. If a specific program is not offered by one of the schools, students can enroll at the other school offering that specific program at resident tuition rates. As a result, Ontario students often attend St. Clair County Community College for its nursing program, and Michigan students often attend Lambton College for its technology programs. This bi-national cooperation could potentially be expanded.

#### 5.1.4 Canada-United States Trade Center

The Canada-United States Trade Center (CUSTC) was established at State University of New York (SUNY) Buffalo in 1989. The center works to develop the trade and investment corridor between Western New York and Southern Ontario. Research is conducted on the impact of the FTA on the region, the export potential of small manufacturing firms, cross-border trade in services, and regional FDI. The center publishes reports and case studies on

export-related topics, which can be useful for local and regional governments and companies in responding to current issues and policies.<sup>158</sup>

## **5.2 European Bi-National and Multi-National Collaborative Regional Strategies**

In supporting SME exporting, the European Commission Directorate-General for Enterprise and Industry compiled good cross-border cooperation practices associated with four different border regions.<sup>159</sup> Pointing out SMEs' self-limiting behavior in choosing not to export, this review of good practices emphasizes that this behavior often occurs at very small companies and those in the services and crafts sectors.

But there are a number of bi-national or multi-national initiatives to assist SMEs and address border issues. For example, the Munich Chamber of Crafts program 'Österreich Service' helps local German SMEs comply with Austrian regulations and provides its services across the border.

The EC review explained that "thinking beyond the borders means opening the doors to new customers, new suppliers, new technologies and new cooperation ventures: possibly the best support for the SME's future continuity. Border zones can and should breed more 'internationalisation apostles,'" or supporters of international interaction.<sup>160</sup> Indeed, the MSU CCED project team has seen clear evidence of such apostles in the Eastern Upper Peninsula Regional Planning and Development Commission work with its Ontario neighbors.

The European bi-national and multi-national collaborative regional strategies detailed in the European Commission report include the Marketplace Baltic Region, Transnational Network, Econet Platform, and the Competence network of Netherlands/North Rhine-Westphalia (INTERNED). These programs are summarized in Appendix G.

### 5.2.1 Öresund Region

Shared by Sweden and Denmark, the Öresund Region supports a cross-border partnership that promotes bi-national collaboration. A 10-mile long bridge spanning the Öresund Strait between the city of Malmö (Scania, Sweden) and the Danish capital of

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<sup>158</sup> Canada-United States Trade Center. University of Buffalo: The State University of New York. 2012. <http://www.custac.buffalo.edu/>

<sup>159</sup> European Commission Directorate-General for Enterprise and Industry. "Supporting the Internationalisation of SMEs: Good Practice Selection." 2008. [http://ec.europa.eu/enterprise/policies/sme/files/support\\_measures/internationalisation/internat\\_best\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/support_measures/internationalisation/internat_best_en.pdf)

<sup>160</sup> European Commission Directorate-General for Enterprise and Industry. "Supporting the Internationalisation of SMEs: Good Practice Selection." 2008. [http://ec.europa.eu/enterprise/policies/sme/files/support\\_measures/internationalisation/internat\\_best\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/support_measures/internationalisation/internat_best_en.pdf)



Copenhagen was completed in 2000. The bridge links the two countries and promotes cross-border trade and development. The Öresund Strait, one of the busiest waterways in the world, connects the Baltic Sea and the Atlantic Ocean.

Inhabited by 3.5 million people, the bi-national Öresund region is comprised of two developed counties and three rural counties. The region ranks third globally in biotechnological and medical research, which is not surprising given the region's reputation for its high technology fields.<sup>161</sup>

European Employment Services runs CrossBorder Öresund, a project designed to increase labor mobility and remove labor market barriers, with ten regional partners, including the Greater Copenhagen Trade Union Confederation and the Swedish Trade Union Confederation. Information on job opportunities, working conditions, and tax conditions are available through the European Employment Services website.<sup>162</sup>

The Öresund University and its partners work to develop the cross-border region into an internationally-competitive science region. The Öresund University is a collaboration of 14 universities in the region to create cross-border synergies and partnerships in research. An OECD report examined the efforts of the Öresund University and made recommendations on how to further develop the groundwork that the collaborative network began. The OECD recommended that the Öresund University reach out to SMEs and medium-to-low technology enterprises and work with local and regional governments to develop a regional focus.<sup>163</sup>

### 5.2.2 Germany-Korea Cluster Collaboration

Germany and Korea demonstrate global leadership in bi-national cluster collaboration. Bi-national cluster collaboration is the cooperation between complementary clusters in two countries. As early as 1986, Germany and Korea entered a cooperative learning agreement covering science, technology, and innovation R&D. Between 2006 and 2008, the Federal

#### **Key Lesson**

- Establish Bi-national Cluster Collaboration:  
*Cooperation between two clusters in two countries.*

Ministry for Research and Education conducted a research marketing initiative, which encouraged German researchers, research establishments, and innovation networks to collaborate on research and development projects and initiatives with their Korean counterparts. Pilot bi-national cluster collaboration was supported in the nanotechnology, energy, and laser technology

<sup>161</sup> OECD. "The Öresund Science Region: A Cross-Border Partnership Between Denmark and Sweden." 2006. <http://www.oecd.org/dataoecd/55/50/37006070.pdf>

<sup>162</sup> European Employment Services. "EURES CrossBorder Öresund." European Commission. 2012. Retrieved on July 17, 2012. <http://oresundsinfo.org/en/about.aspx>

<sup>163</sup> OECD. "The Öresund Science Region."

clusters.<sup>164</sup> Germany and Korea have much in common: politically, they share a common experience of having been partitioned; economically, they both have a strong export orientation, and are faced with constant pressure to innovate to sustain growth and highly-paid jobs.<sup>165</sup>

Based on a 2009 Research Ministry survey, over 200 German SMEs have made business contacts in Korea. The German companies attributed their successful connections with Korean companies to the quality of their products. Connections with Korean companies were also facilitated by Korea's accessible networks.<sup>166</sup>

Korea ranks as the third most important Asian market for German companies. Among EU Member States, Germany has remained Korea's most important trade partner. Korea has initiated state-funded research and development (R&D) projects in many high-technology fields, such as biotechnology and nanotechnology, to prepare for the future economy. For German companies, Korea continues to rise in importance both as a trading partner and as a platform for accessing Asian markets.<sup>167</sup>

### 5.2.3 To Connect Business Program, North Rhine-Westphalia

To Connect Business will be launched in September, 2012 to replace the INTER-NED program. To Connect Business is managed by the Euregio organization, which works closely with partners from both Germany and the Netherlands to stimulate collaboration in the bi-national predominantly rural region. The program offers a website and newsletter distributed to some 1,300 subscribing partners and companies. Companies are recruited by a participating organization in one country to either invest in or sell their products in the other country, e.g., a North Rhine-Westphalia Chamber of Commerce committee recruits a Dutch company to invest in North Rhine-Westphalia, or vice versa. This project is guided by input from several

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<sup>164</sup> Federal Ministry of Education and Research. "Introduction of the Pilot Call for SME/Cluster Cooperation." Seminar held on November 23, 2010. 2012. [http://www.gstep.re.kr/eng/html/news/documents\\_list.asp?skey=&sword=&category=&size=10&page=2&no=545](http://www.gstep.re.kr/eng/html/news/documents_list.asp?skey=&sword=&category=&size=10&page=2&no=545) 20

<sup>165</sup> Gerd Meier zu Köcker, Liane Garnatz, and Helmut Kergel. "Cluster in Germany and Korea: Similarities and Differences." Ministry for Research and Education. 2009. [http://www.tci-network.org/media/asset\\_publics/resources/000/003/370/original/Clusters\\_in\\_Germany\\_and\\_Korea\\_-\\_Similarities\\_and\\_Differences.pdf](http://www.tci-network.org/media/asset_publics/resources/000/003/370/original/Clusters_in_Germany_and_Korea_-_Similarities_and_Differences.pdf)

<sup>166</sup> Ibid.

<sup>167</sup> Gerd Meier zu Köcker, Liane Garnatz, and Helmut Kergel. "Cluster in Germany and Korea: Similarities and Differences." Ministry for Research and Education. 2009. [http://www.tci-network.org/media/asset\\_publics/resources/000/003/370/original/Clusters\\_in\\_Germany\\_and\\_Korea\\_-\\_Similarities\\_and\\_Differences.pdf](http://www.tci-network.org/media/asset_publics/resources/000/003/370/original/Clusters_in_Germany_and_Korea_-_Similarities_and_Differences.pdf)

international committees at all levels and benefits from a corresponding vertical policy alignment.<sup>168</sup>

## 6.0 SME Market Drivers and Regional Environment Factors

The OECD analyzed research on the push effects of limited or stagnating domestic market on SMEs' internationalization behavior that is highly relevant to our research on regional exporting strategies.<sup>169</sup>

A regional, or sub-national, dimension was found whereby Spanish firms from different regions differed significantly in their export tendencies, with export propensity increasing in regions

### Key Lesson

- Establish and market a regional brand.

with less favorable domestic conditions, local incentives to export, and good export infrastructure. The Spanish study also identified the favorable country/region of origin image enjoyed by Spanish agricultural products as an additional stimulus for the internationalization of the firms investigated.

Recent evidence from Chile and Indonesia also suggests a greater tendency to export among firms from sectors characterized by high levels of export intensity and the presence of foreign buyers. The Indonesian finding on the importance of foreign buyers being present is significant. This finding reinforces the need to boost SMEs' role in global value chains through the facilitation of their integration into production/supply systems of foreign affiliates of larger firms.

This evidence reflects the relevance of both internal and external motivations in SME exporting. Growth-related factors seem particularly important as internal motivators among the SMEs investigated in the recent studies analyzed by OECD.

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<sup>168</sup> Hildegard Bongert-Boekhout, EU-Referat. CCED staff phone Interview. July 26, 2012.

<sup>169</sup> More discussion on the driving factors for SME internationalization can be found in: OECD. "SME and Entrepreneurship Outlook." 2005.

<http://www.camaras.org/publicado/europa/pdf/8505011E.pdf>

OECD. "Promoting Entrepreneurship and Innovative SMEs in a Global Economy." 2004.

<http://www.oecd.org/dataoecd/5/24/31919590.pdf>

OECD Working Party on SMEs and Entrepreneurship. "Top Barriers and Drivers to SME Internationalisation." 2009.

<http://www.oecd.org/dataoecd/16/26/43357832.pdf>

It is interesting to note that in their quest for international market-led growth, SMEs increasingly appear to seek access and integration into the lucrative supply chains of international players. This appears to mitigate some of the resource-related impediments associated with SME internationalization.

Where Danish, Dutch, Finnish, Norwegian and Swedish enterprises form a part of global value chains, these firms frequently gain business as a result of foreign sourcing (Statistics Denmark, 2008). An equally important internal motivation is the possession of critical resources, including knowledge resources and capabilities. Managers' internationalization knowledge and firms' innovation, technological, and relational capabilities seem most critical.

As social entities in addition to their economic purposes, SMEs are also motivated by external factors in their internationalization decisions, including networks, supply chain links, social ties, and their sector and region. The importance of a firm's sectoral and regional origin is key as well as the increasing relevance of network/social ties and immigrant links in SME internationalization. It is useful to question, then, whether and to what extent these drivers of SME internationalization behavior are factored into public programs and export support agencies.<sup>170</sup>

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<sup>170</sup> OECD Working Party on SMEs and Entrepreneurship, OECD. "Top Barriers and Drivers to SME Internationalisation." 2009. <http://www.oecd.org/dataoecd/16/26/43357832.pdf>

## 7.0 Conclusion and Recommendations

The objective of this paper was to review innovative practices in regional SME exporting strategies and FDI attraction both internationally and in the U.S. The German export model based on industry clusters and Singapore's logistics hub strategy provide particularly robust models of innovative regional strategies that boost SME exports and trade. Models of innovative regional exporting practices in the U.S. include the Brookings Institute's four Metropolitan Export Plans and the Trade Development Alliance of Greater Seattle. The MSU Center for Community and Economic Development's collaboration with the East Michigan Council of Governments (EMCOG) and the Eastern Upper Peninsula Regional Planning and Development Commission (EUPRPDC) has produced regional SME exporting strategies for a 14-county mixed urban-rural region and a 3-county predominantly rural region, respectively.

Bi-national collaboration, such as that described in the Greater Sault region that straddles the Michigan Eastern Upper Peninsula and the lower Algoma district of northern Ontario, can facilitate greater SME exporting and expanded trade in border regions. SME market drivers and regional factors, such as regional branding, can positively influence the motivation of SMEs to export. Information about innovative practices described here can be used by EDDs in the U.S. and (sub-state or sub-provincial) regions in other parts of the globe to develop their own regional SME exporting strategies and result in positive regional economic development.

Based on our research of innovative practices in regional SME exporting strategies and FDI attraction at a global scale, it is clear that the U.S. EDA should take substantive steps to support regional SME export strategies and FDI attraction. Such steps include requiring EDDs to include exporting strategies and FDI attraction initiatives in their comprehensive economic development strategies (CEDs). At this point, the major focus at the federal level is on the U.S. SBA STEP program and expanding export finance support through U.S. SBA programs and the U.S. Export Import Bank. But these are firm-centric programs, and they fail to provide a regional framework for innovative strategic initiatives targeted at increasing SME exporting and FDI attraction. The U.S. EDA should undertake the critical role of providing a regional context for federal firm-centric policies. Otherwise, the success of federal efforts will likely be piecemeal.

U.S. EDA should also support bi-national regional initiatives that can leverage complementary resources and create powerful regions based on seizing opportunities afforded by the precipitous rise of global trade and supply chain/logistics hub approaches.

Research for this paper was conducted in an extremely tight time frame. Clearly, additional research should be conducted to drill down more deeply and provide greater detail on identified regional exporting strategies and to track down those strategies that eluded our time-abbreviated search. Additional operational findings would reinforce the type of

translational analysis needed by regional planners to deepen their understanding of the key role of regional SME exporting initiatives in Comprehensive Economic Development Strategies. Armed with this knowledge, regional planners will be strategically positioned to achieve success in the hyper-competitive global economy.

## Appendix A: MSU CCED Regional Exporting Infrastructure Assessment

Michigan State University/Center for Community and Economic Development  
**Draft Regional Export Infrastructure Assessment for  
 Comprehensive Economic Development Strategies (CEDs)**

(Identify export-related assets in 6 major categories for Michigan-Ontario border/near-border regions)

Identification and development of existing infrastructure and assets in the region is an essential initial step for increasing export activity. With this identification of assets, community stakeholders and local policy planners will have a clearer picture of the region’s exporting capabilities. Ideally, the regions will fully leverage these assets to encourage SME export market entry or expansion.

**Michigan Regions**  
 (EUPRPDC & EMCOG)\*

**Ontario Regions**  
 (Sault Ste. Marie & Sarnia)

<b>1. Physical Assets</b>
Ports of Entry
Rail
Border Crossings » Bridges, Tunnels, and Ferries
Marine Ports
Interstates, State Highways, and Arterials
Airports
Multimodal Transfer Facilities
Bonded Warehouse Space
Broadband
Pipelines

<b>1. Physical Assets</b>
Ports of Entry
Rail
Border Crossings » Bridges, Tunnels, and Ferries
Marine Ports
Interstates, State Highways, and Arterials
Airports
Multimodal Transfer Facilities
Bonded Warehouse Space
Broadband
Pipelines

<b>2. Institutional Assets</b>
Export Assistance Centers
Foreign Trade Zones
U.S. Customs and Border Protection Offices
Alliances to Support Collaborative Exporting and FDI Initiatives

<b>2. Institutional Assets</b>
Export Assistance Centers
Foreign Trade Zones
Canada Border Services Agency Offices
Alliances to Support Collaborative Exporting and FDI Initiatives

<b>3. Knowledge Assets</b>
Awareness of Export Laws and procedures
Availability of Trade/Export Advice
Capacity of Economic Development Organizations

<b>3. Knowledge Assets</b>
Awareness of Export Laws and procedures
Availability of Trade/Export Advice
Capacity of Economic Development Organizations

<b>4. Capital Access and Assistance</b>
FDI Readiness
Financial Assistance
Loans/ Loan Guarantees
Capacity to Facilitate Currency Exchange

<b>4. Capital Access and Assistance</b>
FDI Readiness
Financial Assistance
Loans/ Loan Guarantees
Capacity to Facilitate Currency Exchange

<b>5. Networking Capacity</b>
Networks that Connect Local, Regional, and Statewide Entities

<b>5. Networking Capacity</b>
Networks that Connect Local, Regional, and Statewide Entities

<b>6. Cross-Cultural Knowledge Capacity</b>
Behaviors
Ethnic Identities, Traditions, and Festivals
Other Bi-national Collaborative Instruments

<b>6. Cross-Cultural Knowledge Capacity</b>
Behaviors
Ethnic Identities, Traditions, and Festivals
Other Bi-national Collaborative Instruments

\* EUPRPDC is the abbreviation for the Eastern Upper Peninsula Regional Planning and Development Commission that covers three counties: Chippewa, Luce, and Mackinac.

EMCOG is the abbreviation for the East Michigan Council of Governments that covers 14 counties around Saginaw Bay: Arenac, Bay, Clare, Gladwin, Gratiot, Huron, Iosco, Isabella, Midland, Ogemaw, Roscommon, Saginaw, Sanilac, and Tuscola.

**\*\* Cross-cultural Knowledge Capacity:** The purpose of this category is to assess the export readiness of enterprises and the community in terms of the need for understanding socio-cultural differences and customs. A greater understanding of socio-cultural differences between the home community and current and potential trading partners can enhance the development and quality of trade relationships and preclude or mitigate potential misunderstanding arising from those differences.



## Appendix B: Key Lessons

“Key Lessons” and the page in which they appear:

- Use ports, railroads, airports, and highways to increase exporting and elevate economies (page 13).
- Regional development banks provide SMEs with access to development loans (page 15).
- Cross-border, region-to-region SME exporting programs encourage export growth (page 15).
- Provide SMEs education on how to exploit comparative advantages (page 19).
- Use local higher education institutions’ capacity to train SMEs. (page 19).
- Establish international offices to promote FDI attraction and provide market access for SMEs (page 19).
- Connect exporting companies and potential exporters with federal agencies and industry associations that promote exporting (page 21).
- Market region to businesses and investors (page 23).
- Provide comprehensive, online resources to businesses and investors (page 23).
- Establish a free, one-stop assistance program for SMEs (page 24).
- Support SME Exports through trade missions and exhibitions (page 29).
- Coaching from export advisors, seminars, and workshops (page 29).
- Establish an Exporters Database where companies register to provide foreign buyers information on products (page 31).
- Leverage family and social ties and networks to access foreign markets (page 31).
- Create a social networking site to link citizens of isolated areas to emigrants in developed areas (page 31).
- Greater SME outreach through government programs (page 34).
- Matchmaking the best markets and partners for firms (page 34).
- Provide foreign language training (page 34).
- Develop regional export plans that can be incorporated into broader economic development strategies (page 36).
- Survey local businesses to identify concerns and opportunities (page 37).
- Create a regional export alliance (page 39).
- Establish long run objectives (page 39).
- Use Sister City Agreements to enhance bi-national collaboration (page 44)
- Foreign Trade Zones can be used to complement other logistics hub infrastructure (page 46).
- Establish Bi-national Cluster Collaboration: *Cooperation between two clusters in two countries* (page 49).
- Establish and market a regional brand (page 51).

## **Appendix C: Leading German Industry Clusters**

Based on *Germany's Leading-Edge Clusters*

1. Medical Technology clusters
  - a. Imaging diagnostics
  - b. Intelligent sensors
  - c. Therapy systems
  - d. Ophthalmology
  - e. Pharmaceuticals
  - f. Biotechnology
2. Biomass and Bioeconomy clusters
3. Logistics clusters which focus on protecting the environment and secure supply
4. Organic Electronics
  - a. Transparent solar cells on windows
  - b. Entire value added chain is covered from research into new materials and the design of components to the marketing of applications.
  - c. InnovationLab which is responsible for the management of the cluster.
5. Intelligent Technical Systems
  - a. ICT presents companies in mechanical engineering and the electrical and automotive supply industries with new possibilities for future markets.
  - b. Symbiosis of informatics and engineering sciences
6. Air Traffic
  - a. Making flights more ecologically conscious and economical
  - b. Use of fuel cells and extension of expertise to cover new aircraft types.
7. Carbon Composite Plastic Technology
  - a. Lightweight polymers for mass production
8. Applied Microsystems Technology
  - a. Development of energy-efficient Microsystems
9. Solar Power Cluster
  - a. Reducing the cost of manufacturing solar modules and increasing their efficacy

## Appendix D: List of U.S. Free Trade Agreement Partner Countries

The United States has established FTAs with 18 countries. These include:

- Australia
- Bahrain
- Canada
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- El Salvador
- Guatemala
- Honduras
- Israel
- Jordan
- Korea
- Mexico
- Morocco
- Nicaragua
- Oman
- Peru
- Singapore

President Obama signed a free trade agreement with Panama on October 21, 2011, but the agreement has not been implemented.

The United States is also in negotiations of a regional, Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement with the objective of shaping a high-standard, broad-based regional pact.<sup>171</sup>

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<sup>171</sup> Office of the United States Trade Representative. "Free Trade Agreements." 2012. <http://www.ustr.gov/trade-agreements/free-trade-agreements/>

## Appendix E: Brookings Metropolitan Export Strategies Matrix

	<b>Minneapolis-St. Paul</b>	<b>Greater Portland (Oregon)</b>	<b>CenterState New York (Syracuse)</b>	<b>Los Angeles Region</b>
<b>Stated Goal</b>	Develop an export plan designed to increase the region's potential as a global economic engine; double exports in 5 years; expand reach of export (particularly among small businesses); increase global orientation.	Double exports in five years; create and retain export jobs; maintain standing as leading export region; diversify export industries; increase number of companies and markets; create strong local export culture; create global reputation as a trade region.	Create jobs through increased export activity; improve regional competitiveness in the global marketplace; ensure long-term economic sustainability and growth; attract and retain talent and new wealth to the region; double exports over the next 5 years.	Organize local and regional export support organizations into a more effective and responsive export network that addresses the national goal of doubling U.S. exports in 5 years; increase quality employment through higher value SME export growth; more globally-fluent and business-oriented culture among LA region SMEs.
<b>Data Collection Methods</b>	Interviews cited. No other information on data collection methods.	Data benchmarking against 20 peer cities, survey of 268 local companies, and more than 40 one-on-one interviews with local companies and export service providers.	A total of 21 one-on-one interviews with medium and large businesses and regional export service providers; a region-wide survey of 144 businesses and service providers; and an analysis of detailed export data provided by the Brookings Institution and the U.S. Chamber of Commerce.	Data benchmarking, one-on-one interviews with companies and local export service providers.
<b>Export Initiatives Coordinated By</b>	Network of export service providers: Universities, Chambers of Commerce, Local EDOs, private consultants, finance and legal advisors, logistics experts.	Greater Portland Metro Export Initiatives working group: Portland Development Commission; Metro Regional Government; Port of Portland; Portland State University; Columbia River Economic Development Council; Portland Business Alliance.	<b>CenterState Export Council:</b> regional council of executives from the region's top exporters.	<b>LA Regional Export Council:</b> Board of directors of expert service providers in the region; exec director, researcher/coordinator; private sector advisory board.
<b>Leadership Establishment Strategy</b>	Connect Companies to Global Opportunities through Unified Export Team.			Establish the Los Angeles Regional Export Council (LARExC)
<b>Global Marketing Strategy</b>	Promote Global Advantages, Starting with Health and Wellness. Sell MSP (Minneapolis-Saint Paul) to the World	"We Build Green Cities" brand and market Greater Portland's Global Edge		Market LA Region to the World
<b>Top Exporter Strategy</b>		Leverage Primary Exporters in Computers and Electronics.	Increase Export Activities of the Region's Top Exporters	
<b>SME Exporter Strategy</b>	Target the Intersection of Local Products and Global Demand.	Improve Pipeline for Small Business	Build SME Export Capacity.	

## Appendix E: Brookings Metropolitan Export Strategies Matrix (cont.)

Potential Growth Strategy		Catalyze Under-exporters in Manufacturing.	Expand Exports of the Region's Key Service Providers.	Target High Opportunity Market Segments
<b>Policy Issues</b>	Sustained support for export service provider capacity; delays in release of export data on a local level; improvements in Federal Regulatory Approvals; reform of current Visa policies; pursuit of additional free-trade agreements; continued support of STEP grants.	Funding for export-led growth; metro-level export tracking data; freight strategy to support export growth; effective land use and tax structure; movement of people and ideas; alignment of performance measures.	Support on ground overseas; become effective team player; reduce export regulatory barriers; encourage alignment among federal and state governments and with local support; improve quality and consistency of data; address immigration; Visa issues and International tourism.	Move beyond promotion, operate as an export team, boost export financing, keep US goods moving.
<b>New-to-Export Assistance Recommendations</b>	Export consulting, training, and mentoring services involving University of Minnesota, Minnesota Trade Office, and US Commercial Service. This includes one-on-one consultation and market assessment and guidance.	Establish peer-to-peer export mentoring program to align under-exporters with proactive export companies.	"Tag-a-long" program to link strong exporters with growing SMEs; one-stop, streamlined export assistance service; build export awareness through marketing.	Linking new exporters to old in one-on-one programs; "Los Angeles Region Exports" website that is one-stop, regional resource for export assistance.
<b>Targets</b>	Manufacturing and service companies that demonstrate a high potential to either begin export or add export markets.	Selected mid- to large-size under-exporters	Medium-to-Large Enterprises, SMEs	High-opportunity market segments, export-ready companies.
<b>Industry Development</b>	<b>Manufacturing</b> (machinery; computer and electronic products; medical instruments; chemicals; and plastics) and <b>services</b> (business, professional and technical; travel and tourism; royalties; transportation; and financial).	Primary exporters (computer and electronic product manufacturing) and under-exporters such as selected mid-to-large advanced manufacturers.	Education; Health and Medical Services; Tourism.	12 of the already-highest exporting industries (77% of LA region's exports, 90% of its export growth).
<b>Marketing strategies</b>	Spreading coordinated message of MSP branding in every way possible - citizen and business advocates, trade missions, conferences in target sectors, advertising, social media.	"We Build Green Cities" brand and market - targets clean tech. Additionally, coordinated tourism and education brands.	Initial strategy focused on Canada (specifically Ottawa, Montreal and Toronto)	Program and theme that builds on the elements of diversity, creativity, innovation, and focuses on global connectivity and industry strengths.
<b>Current Export Difficulties</b>	Local export assistance available, but not a seamless system. Only 44% of current exporting businesses report having used available resources, but those who did found them extremely useful.	Companies cite limited knowledge of foreign export opportunities; connections to global partners; global marketing; logistics; regulatory compliance; financing; unfair trade practices as difficulties.	Lack of knowledge on exporting generally. Lack of knowledge on foreign market; lack of cultural/language experience; fear of theft of intellectual property among service firms.	Customs and compliance; distributors; intellectual property protection; lack of financing; language barriers.

## Appendix F:

### Draft

#### Potential Global Initiatives and Regional SME Exporting Strategies for the East Michigan Council of Governments (EMCOG) and Eastern Upper Peninsula Regional Planning & Development Commission (EUPRPDC)

#### Potential Global Initiatives and Regional SME Exporting Strategies

The following 10 strategic objectives are intended to create a coherent regional framework to support and increase SME exporting at a global scale in the partners' regions. Specific actions are also suggested to achieve these objectives. The scope of the suggested actions is not exhaustive, Future discussions with local EDCs/EDOs and other stakeholders are expected to elicit new insights and identification of specific actions to achieve regional objectives. Additional strategic objectives may also be identified and others removed. The major thrust here is to stimulate robust discussion of viable local and regional SME export strategies to revitalize local and regional economies and create new jobs.

#### I. Assess the regional export infrastructure

*Identification and targeting the use of regional export infrastructure assets represents a fundamental first step to increase SME exports. With this assessment in hand, community stakeholders and local planners will have a clearer picture of the assets and gaps in the region's export capacity. Ideally, regions will fully leverage their existing assets to encourage SME export market entry/expansion and take steps to cure identified weaknesses.*

#### Physical Assets

Transportation	Logistics
Ports of Entry	Intermodal Transfer Facilities
Rail	Bonded Warehouse Space
Border Crossings	Bridges and Tunnels
Marine Ports	
Roads	Interstates, State Roads, and Arterials
Airports	
Broadband	

#### Institutional Assets

Trade Assistance Centers
Foreign Trade Zones
Port Authorities
Customs Offices
Alliances to Support Collaborative Exporting and FDI Initiatives

## Knowledge Assets

<b>Awareness of Export Laws and Procedures</b> <b>Availability of Expert Advice from brokers, attorneys, consultants, etc.</b> <b>Capacity of Economic Development Organizations</b> <b>Currency Markets and Exchanges</b>
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## Capital Access and Assistance

<b>FDI Readiness</b> <b>Investment Capital</b> <b>Financial Assistance</b> <b>Loans/Loan Guarantees</b> <b>Capacity to Facilitate Currency Exchanges</b>
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## Networking Capacity

<b>Networking that connects local, regional, and statewide entities</b>
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## Socio-cultural awareness\*

<b>Awareness of Differences</b>	<b>Receptivity to Different Practices</b>
<b>Behaviors</b>	
<b>Values &amp; Attitudes</b>	<b>Ethnic Identities, Traditions and Festivals</b>
<b>"Sister-City" Agreements</b>	

\* **Socio-cultural awareness:** The purpose of this category is to assess the export readiness of enterprises and the community in terms of the need for understanding socio-cultural differences and customs. A greater understanding of socio-cultural differences between the home community and current and potential trading partners can enhance the development and quality of trade relationships and preclude or mitigate potential conflicts arising from those differences.

## II. Create and retain export related jobs

- A. Use existing informal networks of exporting expertise to maintain the location advantages that brought companies to or nurtured companies in the EMCOG and EUPRPDC regions.
- B. Define relationships with local, state, and federal SME export service providers (see Appendix 2) that work effectively and economically for EDD and stakeholders.

- C. Create or support creation of a regional export website in cooperation with local EDCs and export assistance service providers.
  - 1. Provides a roadmap of export service providers.
    - a. Information on/links to funding opportunities, agencies, services, and programs.
    - b. Use the company export readiness assessment (see Appendix 3).
  - 2. Link to Michigan Economic Development Corporation (MEDC) State Trade and Export Program (STEP) to reimburse SMEs for export-related activities (up to \$25,000).
    - a. Overseas trade mission participation
    - b. Overseas trade show participation
    - c. Foreign market sales trips
    - d. Subscription to U.S. Department of Commerce services
    - e. Foreign language translation services for export
- D. Facilitate or support trainings and provide export materials to local economic development professionals to support SME export assistance/referrals.
  - 1. Participate in export-related workshops or training programs.
  - 2. Participate in international trade shows or scoping missions.

### **III. Leverage higher education resources to assist in regional planning and SME exporting**

- A. EUPRPDC: Lake Superior State University
  - 1. Collaborate with LSSU, MEDC STEP, and Sault Ste. Marie, Ontario Economic Development Corporation in creating an export assistance center.
- B. EMCOG: Saginaw Valley State University (SVSU), Delta College, Mid-Michigan Community College, and Central Michigan University.
  - 1. Collaborate with Delta College SBTDC and SVSU in providing SME export assistance.
  - 2. Collaborate with Mid-Michigan Community College and appropriate local EDC(s) in development of plastics-related cluster entity.
- C. Support or facilitate the development of university/college capacity to provide services to SMEs in navigating export assistance system.
  - 1. Potential use of undergrad/grad student market researchers to provide:
    - a. Specific foreign market research
    - b. Financial information
    - c. Regulation and Policy information
    - d. Product market research

### **IV. Mainstream exports**

- A. Promote and highlight exporting in Comprehensive Economic Development Strategies (CEDs).
- B. Make exports an important indicator of regional economic performance and growth through the analysis of data such as:
  - 1. Total foreign sales
  - 2. Total foreign goods/services sold
  - 3. Output per export job
  - 4. Share of local businesses that export



5. International visits
6. Number of foreign students
7. Employees in export companies
8. Exports as a percentage of regional GDP
9. Amount of FDI

**V. Identify supply chain integration opportunities and upgrade/modernize existing trade transportation infrastructure to support and increase exporting**

- A. Identify specific freight transportation/logistics needs and improvements. (See Appendix 4 for Strategic Freight Planning Process for Multimodal Transport Chain Performance graphic)
  1. Obtain stakeholder input to identify essential improvements<sup>172</sup>.
  2. Identify multimodal transportation components that support supply chain development (regional ports, airports, rail and other resources).
  3. Identify potential multi-modal opportunities that could be applied to enhance commodity and product movement effectiveness.
  4. Collaborate with MDOT/MDARD and access MDOT resources, programs, and assessments to inform/support regional/local economic development.
  5. Work with international partners to assess infrastructural opportunities and challenges in border regions.<sup>173</sup>
- B. EMCOG
  1. Develop collaborative relationship with the Blue Water Region to facilitate Canadian trade.
  2. Investigate multimodal transportation hub and supply chain potential for airport facilities.
- C. EUPRPDC
  1. Collaborate with Sault Ste. Marie, Ontario EDC and Sault Ste. Marie, Michigan EDC to identify multi-modal opportunities.
  2. Chippewa County International Airport potential for multimodal transport hub.
    - a. Consultant recommended \$20 million investment for fully-functioning cargo airport.
    - b. Adjacent to I-75 and access to Canadian railways.

**VI. Develop global mind-set and promote multi-cultural awareness in region**

- A. Increase awareness of cultural differences to promote understanding between trading partners.
  1. Understand differences in introductions, use of names, body language, relationships, presentations, negotiating, and entertaining.
- B. Increase multilingual competence in communication by promoting the study of foreign languages.

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<sup>172</sup> National Association of Development Organizations (NADO) and the Research Foundation Center for Transportation Advancement and Regional Development. "Freight Transportation and Economic Development: Planning for the Panama Canal Expansion". Feb 2012.

<sup>173</sup> Freight Transportation and Economic Development: Planning for the Panama Canal Expansion". Feb 2012.

- C. Implement immigrant attraction and retention initiatives.
  - 1. Create immigrant-stakeholder advisory network to provide input in H1-B visa issues and support immigrant communities in economic development initiatives.
- D. Develop Sister City/Sister Region relationships with the express purpose of advancing international trade.

**VII. Develop and promote a regional identity on a global scale**

- A. Promote regional products and clusters.
  - 1. Encourage sales of products currently available for export.
  - 2. Start or increase international advertising.
- B. EUPRPDC: Collaborate with Lake Superior State University School of International Business on marketing of regional products.
  - 1. Develop a website highlighting products manufactured in the region
  - 2. Product research conducted by LSSU students
  - 3. Use MSU IBC GlobalEDGE resources.
- C. Develop a branding technique for products originating from each region.
  - 1. Model after USDA or Pure Michigan branding techniques.
    - a. Develop brand identity
    - b. Develop marketing plan and materials
    - c. Promote bi-national and regional vision
  - 2. Market the bi-national “Twin Saults” Region
- D. Market the brand internationally and strategically to key global target niche markets.
  - 1. Utilize trade missions, conferences, and business advocates.
  - 2. Consistent use of the region-specific brand across all media (traditional, web, social) will enhance public awareness of the region.

**VIII. Revitalize or obtain U.S. Foreign Trade Zone (FTZ) designation**

- A. Inform companies moving goods at border crossings (Port Huron and Sault Ste. Marie) that they might benefit from efficient U.S. Customs Port of Entry service and duties exemptions (See Appendix 5 for details and benefits of FTZs).
- B. Increase awareness of underused FTZs in Sault Ste. Marie and Port Huron.
  - 1. Include FTZ access and benefits in CEDS emphasizing attraction of potential exporters.
  - 2. FTZ access could be factor in SMEs choosing a new location.
- C. Research Oscoda-Wurtsmith Airport a potential FTZ candidate.

**IX. Create a strong foreign direct investment (FDI) strategy to attract innovative firms that fill gaps in key manufacturing clusters**

*[The manufacturing sector attracts more FDI than any other economic sector. Michigan’s FDI-supported manufacturing employment ranks 10<sup>th</sup> in the U.S. in terms of the number of jobs at foreign-owned companies.]*

- A. Identify and enhance clusters and develop a talent pool through higher education collaboration.

- B. Identify FDI support offered by federal programs and regional economic development entities (SelectUSA).
  - 1. SelectUSA: searchable guide of federal programs and services available to businesses operating in the United States—including grants, loans, loan guarantees, and tax incentives

48.

**X. Build and maintain strong bi-national collaborative relationships with border and near-border regions**

A. EUPRPDC

- 1. Accelerate collaboration in Sault Ste. Marie region
  - a. Host annual, bi-national regional discussions to identify trade and economic development opportunities, challenges, and solutions.
  - b. Create a shared web page for the bi-national Sault Ste. Marie region

B. EMCOG

- 1. Collaborate with St. Clair County Economic Development Alliance and other adjacent local/regional organizations to identify trade opportunities and challenges and solutions in bi-national economic development.

**Appendix G: Summaries of European Community  
Bi-national Regional Collaboration Efforts**

*This appendix excerpted from the European Commission Directorate-General for Enterprise and Industry publication titled “Supporting the Internationalisation of SMEs: Good Practice Selection.”*

**Contents**

Marketplace Baltic Region

Transnational Network—Skilled crafts in the Greater Region

Econet platform: Business cooperation for Austrian, Czech, and Slovak SMEs within the Vienna–Brno–Bratislava triangle

Competence network Netherlands/North Rhine-Westphalia INTER-NED

## **Marketplace Baltic Region**

In order to promote and facilitate trade in the Baltic Sea region, a trade focal point was created to provide information on Swedish markets and trade rules and facilitated business enquiries.

The Swedish government assigned the Swedish Trade Council to establish the Marketplace Baltic Region to promote and facilitate regional trade. The Association of Swedish Chambers of Commerce and Industry was in turn subcontracted to assist in facilitating Swedish imports from the Baltic Sea region.

The Association of Swedish Chambers of Commerce and Industry set up a cost-free help desk to provide qualified advice, market information and answer direct questions related to Swedish import rules and procedures. In addition, the help desk facilitated business enquires either via direct matchmaking (if possible), providing lists of Swedish importers, or via a tailor-made database — Chamber Trade — where traders could register and post business proposals as well as search for potential trade partners.

The second pillar of the Marketplace Baltic Region, which was managed by the Swedish Trade Council, provided support to Swedish SMEs that wanted to establish a business presence in the Baltic Sea region. This was executed by providing business advice as well as hands-on assistance by the Council's regional offices in the partner countries.

### **Target group**

SMEs in Estonia, Kaliningrad, Latvia, Lithuania, Poland, Russia, Sweden, and Ukraine.

### **Results expected or achieved**

The help desk distributes approximately 400 contact lists of Swedish importers, answers approximately 80 detailed business inquires and 70 less-detailed business inquires per year.

### **Additional information**

[www.chambertrade.com](http://www.chambertrade.com)

[www.balticsea.swedishtrade.se/english/index.asp](http://www.balticsea.swedishtrade.se/english/index.asp)

## **Transnational Network—Skilled Crafts in the Greater Region (Germany, France, Luxembourg, and Belgium)**

The goal of this program is the development of cross-border activities of SMEs in the skilled craft sector through information, support, network activities, and accompanying skilled craft enterprises in cross-border markets. The Greater Region: Saar–Lorraine–Luxembourg–Wallonia–Rhineland Palatinate that include the border regions of Luxembourg, Germany, France, and Belgium.

The geographical location of the Greater Region involves German, Luxembourgish, Belgian and French regions, and is adjacent to two other important border regions: one comprising Maastricht in the Netherlands, North Rhine-Westphalia, and the province of Liege, the other including Alsace, Baden-Wurttemberg, and Basel (Switzerland).

This large variety represents a competition-specific and commercial challenge to skilled craft businesses. Entrepreneurs have to adapt to administrative, legal, technical, linguistic and cultural difficulties, which form part of the individual trades of the craft sector.

By using a comprehensive approach, this project draws on modern communications technologies to develop an information and advice network. For this purpose a CD-ROM and a website for skilled crafts in the Greater Region have been designed. They include the procedures, regulations, and application forms that skilled craft businesses should be aware of in their specific trades to gain access to the cross-border markets listed above.

### **Main areas**

- Developing a common diagnostic method for chambers of skilled crafts to provide businesses with information, based on network-related, individual advice;
- Implementing awareness campaigns through theme-related exchange forums;
- Making use of an accompanying system for surveying companies with cross-border experiences (structural surveys and comparative cyclical surveys);
- Structured and summary presentations of thematic information related to skilled crafts in the Greater Region.

### **Target group**

SMEs of the skilled craft sector in the five regions of the Greater Region, totaling 156,975 enterprises: 4,258 in Luxembourg, 11,155 in Saarland (Germany), 47,027 in Rhineland-Palatinate (Germany), 27,535 in Lorraine (France) and 67,000 in Wallonia (Belgium).

**Additional information:** [www.cicm-irh.eu](http://www.cicm-irh.eu); [www.artisanat-gr.eu](http://www.artisanat-gr.eu); [www.handwerk-gr.eu](http://www.handwerk-gr.eu)

## **Econet Platform: Business Cooperation for Austrian, Czech, and Slovak SMEs within the Vienna–Brno–Bratislava triangle**

The aim of the Austria-Slovakia and Austria-Czech Republic program is to improve SME opportunities in the border regions by providing information, consulting, training, cross-border networking, and cooperation. The areas include Vienna and Lower Austria (Austria), South Moravia and Brno (Czech Republic), and Bratislava and Trnava (Slovakia).

Econet platform is an interregional project in Austria, the Czech Republic, and Slovakia to foster innovation and competitiveness in the area through intensive business cooperation.

### **Type of measures**

- Business clubs in Austria, the Czech Republic, and Slovakia.
- Internet cooperation platform ([www.econet-platform.at](http://www.econet-platform.at))
- Seminars on business environment and practices in the region
- Consulting for SMEs and business studies
- Consultation days with the commercial counselors of Austria, the Czech Republic, and Slovakia
- Presentation of the enterprise on the website ([www.econet-platform.at](http://www.econet-platform.at))

### **Target group**

SMEs in the Austrian–Czech–Slovak border regions; especially:

- Innovative SMEs and start-ups in the areas of production, industrial services and research in new technologies
- Commercial enterprises and exporters/importers
- Consultants

### **Results expected or achieved**

More than 1,800 registered members, more than 3,900 participants in business clubs, seminars, consultation days and cooperation meetings. All activities are subject to evaluation by the firms by means of questionnaires.

### **Additional information:**

[www.advantageaustria.org](http://www.advantageaustria.org);

[www.econet-platform.at](http://www.econet-platform.at)

## **Competence Network Netherlands/North Rhine-Westphalia INTER-NED**

Comprehensive information and advice for German and Dutch SMEs are provided to support cross-border foreign trade business relations.

The project connects about 20 chambers, business development organizations, technology centers, and universities on both sides of the border. It bundles their specialized knowledge to expand business contacts.

Several instruments have been developed to support SME foreign trade activities in the cross-border zones of Germany and the Netherlands:

- Online platform with comprehensive bilingual information of several organizations for SMEs
- Information conferences
- Training for the consultants of partner organizations
- Bilingual newsletter with business information of the neighboring country for SMEs
- Consulting center for questions concerning Dutch or German businesses where companies get answers free of charge.

### **Main advantages include:**

- Updated and professional information on the website
- Information conferences related to practice
- Elimination of the need for consultants thanks to the service offered by the website
- One-stop shop to inform companies comprehensively and for the institutions involved.

### **Target group**

German and Dutch SMEs and freelancers.

### **Results expected or achieved**

- About 800 professional articles have been published on the online platform
- Increasing number of qualified visits to the website (about 110,000 in 2006)
- Constant increasing number of consulting inquiries to the central contact point (about 360 in 2006); also some 100 inquiries to the project partners.
- Very good participation of the SMEs in 25 information conferences.
- 100 enquiries to the project partners.

### **Additional information**

[www.inter-ned.info](http://www.inter-ned.info)