

STRATEGIES FOR GLOBALLY COMPETITIVE CITIES

Local Roles in Foreign Direct Investment and International Trade



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Executive Summary

If the recent recession has taught us anything, it's that we can no longer ignore the realities of the global economy or assume the U.S.'s supreme position in it. The fact of the matter is that the U.S. is a declining share of world's gross national product. Not only has our innovation capacity decreased over the past decade, but we rank last in making investments to improve this capacity.¹ We severely lag most of our competitors in exports as a percentage of gross domestic product.² We are also faced with the rapid growth of developing nations, such as China, India and Brazil.

So, what does this mean for U.S. communities? It means that the economic development calculus must change. In order to remain competitive and continue to improve the quality of life and well-being for all residents, local and regional leaders need to see that their greatest competition may not be with each other but with other cities around the world, that investments in core regional assets, such as education and infrastructure, are critical, that small businesses can be a vital source of economic growth, that institutions of higher education and students can enable powerful global connections and that foreign investors can be effective development partners. Although the challenges of a globalized economy may seem daunting, the opportunities are great. The solutions rest in the ability of city and regional leaders to enable a competitive business environment at home and to foster meaningful linkages with the rest of the world.

While the overwhelming majority of local leaders recognize the need to take action, many are not sure where to begin. The purpose of *Strategies for Globally Competitive Cities* is to provide local elected officials, practitioners and regional stakeholders with resources, practical strategies and promising practices. In particular, the guide focuses on foreign direct investment (FDI) and international trade — two areas in which local leaders can have a true impact in their roles as catalysts, conveners and connectors. Many of the most effective local actions related to FDI and trade require strategic rethinking of existing economic development efforts and leveraging collaborative relationships with regional and private sector stakeholders. These functions lie squarely within the work of local governments and their partners in cities of all sizes, not just those at the core of large metropolitan regions.

Much of the information in this guide was generated as a result of discussions and presentations during the National League of Cities' April 2011 *Leadership Academy on Local Economic Competitiveness in a Global Era*. The academy, hosted with the Trade Development Alliance of Greater Seattle and the U.S. Departments of Treasury and Commerce, brought together teams of local elected officials, staff and key stakeholders with experts from all levels of government, academic and business sectors to discuss critical opportunities and challenges of foreign direct investment and international trade and to showcase promising practices from cities and regions across the country.

¹ Robert D. Atkinson and Scott M. Andes. *The Atlantic Century II: Benchmarking EU & U.S. Innovation and Competitiveness* (Washington, D.C.: The Information Technology and Innovation Foundation, 2011).

² World Bank National Accounts Data and OECD National Accounts Data Files. Exports of Goods and Services (% of GDP) (Washington, D.C.: The World Bank, 2011) <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>.

The Leadership Academy highlighted critical areas of action for each FDI and trade. Specific action steps for developing an effective FDI strategy include:

- Identifying assets and key sectors;
- Creating regional awareness;
- Identifying investor leads;
- Facilitating and preparing; and
- Monitoring and providing aftercare.

In international trade, key local strategies include:

- Supporting small- and medium-sized businesses by identifying partners and resources, and creating channels for businesses to access these resources; and
- Supporting international students at local post-secondary education institutions through partnerships and programs that foster positive relationships between international students and the community.

As with most critical community issues, it is the work of cities and the innovations of those at the grassroots level, that drive change. Leaders are emerging in cities and towns across the country in places of all sizes. Many have come a long way in their view of global economic linkages, and are helping to create a local culture favorable to foreign investment and global trade. It is our hope that the strategies, resources and examples presented in this guide provide local officials the impetus needed to create local competitiveness through global linkages.

Introduction

We live in a globally connected world. Creating competitive cities requires that local leaders and local economic development strategies embrace this reality. Confronted with the economic challenges of the existing global climate, local leaders are shifting their thinking about economic development. Many once held negative perceptions about foreign investment in their communities or the option of trading with international partners. That opposition is now giving way to interest in welcoming international sources of growth to strengthen the long-term viability of local communities.

An overwhelming majority of city leaders (83%) feel that expanding trade opportunities and attracting foreign investment are important to the success of their local economy, according to a 2011 survey conducted by the National League of Cities. Yet, only slightly more than half (52%) report at least moderate involvement in trade activities, and even fewer, 30 percent, report being involved in foreign direct investment activities. Much of this disconnect can be attributed to local leaders not knowing how to link their communities to the global economy, and a lack of information available about their potential role in promoting these steps.

The purpose of this guide is to facilitate local leaders taking action to create stronger global linkages in their communities. In particular, the guide focuses on foreign direct investment (FDI) and international trade — two areas in which local leaders can have a true impact in their roles as catalysts, conveners and connectors. As will be reflected throughout this guide, many of the most effective local actions related to FDI and trade require strategic rethinking of existing economic development efforts and leveraging collaborative relationships with regional and private sector stakeholders. These functions lie squarely within the work of local governments and their partners.

“...many of the most effective local actions related to FDI and trade require strategic rethinking of existing economic development efforts and leveraging collaborative relationships with regional and private sector stakeholders.”

The sections below on FDI and international trade highlight the different roles and strategies that local governments in particular can play in each arena. In addition to strategies, this guide also provides resources and examples of effective local programs.

Regional Matters

Bill Stafford, president of the Trade Development Alliance (TDA) of Greater Seattle, one of the longest running and most respected regional international economic development programs in the country, stresses that cities that embark on strategies to increase foreign direct investment and trade, but still spend the majority of their time competing with neighboring cities, are missing a key element of success. “Competition is now worldwide in every industry, every sector and chances are, unless your city shows up on a globe, international audiences do not know who you are. Cities need to stop buying into the economic sideshow of regional competition, pool their resources and jointly market their region abroad” says Stafford. TDA’s model is one that serves as a one stop shop working with other local and regional organizations, including ports and universities, to have an international strategy. As successful as TDA is at working across boundaries and sectors, it’s still complicated. “You don’t have to merge everything but you better work together. Your common interest and key to any competitiveness strategy is to provide the platform for companies to compete, including education, infrastructure and quality of life.”

Foreign Direct Investment

Foreign direct investments (FDI) are investments in communities by a foreign entity that create new businesses, provide capital for development projects, develop or expand production or manufacturing facilities or provide new ownership of an existing enterprise.³ In 2010, U.S. communities received \$228 billion in FDI, representing a 50 percent increase over 2009.⁴ In recent years, local FDI strategies have gained traction as domestic investments have slowed and credit has tightened. FDI has helped create new jobs, boost wages, increase exports, strengthen manufacturing and service industries, bring in new research and technology and raise productivity. FDI has also helped facilitate new economic activity in places that may not otherwise have attracted the necessary investment or capital for projects such as waterfront redevelopment, research facilities or a solar panel manufacturing plant.

For local officials and economic developers, FDI strategies represent a relatively new tool in the economic development toolbox. With vision, evidence supports the use of FDI strategies in communities of all sizes, industry compositions and geography.

As noted in the case studies presented in this guide, FDI attraction is highly contingent on relationship building. Occasionally, an FDI deal will happen quickly; however, this is the exception not the rule. Depending on the country, it may take years to build the relationships and trust that lead to economic results, making the long-term relationships that local officials build particularly important.

Top ranking sectors investing in North America, by estimated jobs⁵

1. Transport Equipment
2. Industrial Machinery & Equipment
3. Chemicals
4. Electronics
5. Information & Communications Technology
6. Electrical Equipment
7. Pharmaceuticals, Medical & Healthcare
8. Business Services
9. Food, Beverages & Tobacco
10. Metals

Top ranking origin countries investing in North America, by estimated jobs⁶

1. Germany
2. United Kingdom
3. Japan
4. South Korea
5. Canada
6. France
7. India
8. Netherlands
9. Sweden
10. Italy

³ Aaron Brickman, Deputy Executive Director of SelectUSA, U.S. Department of Commerce, Washington, D.C.

⁴ Kevin B. Barefoot and Marilyn Ibarra-Caton. *Direct Investment Positions for 2010 Country and Industry Detail* (Washington, D.C.: Bureau of Economic Analysis, U.S. Department of Commerce, July 2011) <http://www.bea.gov/international/ai1.htm#fdius>.

⁵ Data from IBM-PLI Global Investment Locations Database (GILD); included in a presentation on April 20, 2011 by David Zaharchuck, Senior Managing Consultant and Service Area Manager in IBM Global Business Services' Business Strategy Practice.

⁶ Ibid.

Conrad Lee, deputy mayor for the City of Bellevue, Wash., echoes the important role relationships can play in this process, “Building relationships is what’s important. Relationships are personal, and elected officials should be good at it. But what’s key is keeping and sustaining those relationships, because that is what is going to take you to the next level in order to accomplish your goals.” Sustained contact over time helps to build trust and keep your community on the minds of potential investors.

Other key themes for successful FDI highlight how this tool can support broader local economic development strategies.

For example, communities can use FDI to complement existing attraction efforts. Many of the action steps below, such as creating regional awareness and providing aftercare, are considered “best practices” for traditional attraction, but they add a fresh approach that will also help attract investment from foreign countries. Similarly, local leaders can align FDI with other efforts to connect to the global economy, such as a foreign trade zone. FDI strategies can also provide

support for homegrown sources of growth, such as small businesses. Local officials can help strengthen the local supply chain by connecting the foreign investor with small businesses and other service providers in the area. Foreign investment also has the potential to create linkages for existing local businesses with new economic and trading partners abroad and to attract additional businesses to the area.

With these themes and acknowledgments in mind, the remainder of the guidance on FDI deals specifically with situating your community to attract foreign investment, including:

- Identifying assets and key sectors;
- Creating regional awareness;
- Identifying investor leads;
- Facilitating and preparing; and
- Monitoring and providing aftercare.

1. Identify Assets and Key Sectors

The foundation of an effective local FDI strategy is a clear understanding and realistic assessment of strengths and weaknesses, including workforce skills, access to technology, physical infrastructure and quality of life. Similar to any economic development strategy, attracting FDI requires leveraging local and regional assets. Although the way you market your assets can be tailored later in the attraction process to meet the strategic needs of individual firms, it is important to base your overall strategy on accelerating those assets that already exist in your community instead of starting from



scratch. This allows you to support market forces and to provide clear parameters for the types of industries or businesses your city and region can support.

From the business perspective, building new capacity in a foreign country and selecting a location abroad can be very risky.⁷ A firm will usually only choose to do so in order to make strategic gains in market share, efficiencies or resources.⁸ The specific community assets most important to foreign firms to meet these goals will vary based on the industry, the individual investor and the stage the company is in the site-selection process.

Local officials should be proactive and prepared to interact with investors by focusing their FDI efforts on specific sectors and by understanding the needs and requirements of the sectors they wish to attract. When determining target industry sectors, communities should focus on industries whose strategic needs match local assets (location advantages), that have a tendency to invest in foreign capacity and in which the community has distinct strengths in the sector compared with other places competing for investment (competitive advantages).⁹ This approach may result in a large set of sectors, but to narrow the list, communities can identify those that already have a strong local presence. A local presence signifies to potential investors that the community likely has a supporting workforce, infrastructure, market access, technologies, suppliers and services for their industry.¹⁰

2. Create Regional Awareness

Developing and promoting awareness of regional assets through a community brand helps potential investors know what your community has to offer. Branding unites local and regional stakeholders around a competitive identity and helps to communicate a consistent message to the outside world. A strong community brand showcases local and regional assets, is based on the objectives and vision of economic development stakeholders and differentiates the community from others competing for inward investment. To attract FDI effectively, a brand should also focus on those specific business opportunities and assets in the region desirable to target sectors.

Regional branding has other FDI attraction benefits as well. First, local success in the global economy requires leveraging, strengthening and marketing the breadth of resources available in the region. It is unlikely that one community has the full capacity to provide all the resources needed to support business and economic activity.



⁷ *Attracting Foreign Direct Investment to Your Community* (Seattle, Wash.: Puget Sound Regional Council Prosperity Partnership, 2009).

⁸ *Handbook for Promoting Foreign Direct Investment in Medium-Sized, Low Budget Cities in Emerging Markets* (New York: Vale Columbia Center on Sustainable International Investment, Millennium Cities Initiative, Columbia University, 2009).

⁹ *Ibid.*

¹⁰ *Attracting Foreign Direct Investment to Your Community* (Seattle, Wash.: Puget Sound Regional Council Prosperity Partnership, 2009).

Additionally, name recognition matters. In many cases, investors may know of a region, not the individual cities within the region. Therefore, marketing your community alone may be to your detriment.

“...marketing your community alone may be to your detriment. When developing a regional brand, the central city may be featured most prominently since it likely has the strongest name recognition.”

When developing a regional brand, the central city may be featured most prominently since it likely has the strongest name recognition.

Lastly, a regional approach reflects a more stable investment environment. If a foreign delegation visits your region and receives different brochures, brands and messages representing each community, it can

negatively affect the confidence they have in your community as a place to do business, and dilute the message about available assets. Developers, business owners and other investors want to be assured that their investment in your community will have broad support among local and regional leaders and key partners. Regional organizations, local chambers and elected officials throughout the region influence the success of a business or economic development project. If they are not unified or are delivering different or even conflicting messages about the benefits of the region, the confidence of the investor will falter.¹¹

Once a brand is developed, creating awareness of the brand should operate at three levels:

- **Global.** Although an FDI strategy is built around target sectors and firms, it never hurts to make others aware of a community’s advantages. A key mechanism for global outreach is your city’s website, which should be easy to use, translated into several languages based on likely investment countries of origin and continually updated.
- **Sector.** The advantages of a community for the sector should be outlined and communicated through industry channels.
- **Firm.** Firms targeted as potential investors should be contacted directly with tailored information.¹²

At the sector and firm levels, you may consider providing additional outreach materials, such as print brochures and videos, tailored to showcase specific assets of interest, including a portfolio of investment opportunities.

3. Identify Investor Leads

Much FDI success can be attributed to proactive identification and pursuit of investor leads. Proactive lead generation helps ensure investments are the right “fit,” including those with strategic needs that can be met by the assets in your community, are in your target industries and support the overall economic goals of your community. The objective is to generate greater quality and quantity of business leads that otherwise would not have considered your location.



¹¹ Christiana McFarland and Katie Seeger. *The Role of Local Elected Officials in Economic Development: 10 Things You Should Know* (Washington, D.C.: Center for Research and Innovation, National League of Cities, 2010).

¹² *Attracting Foreign Direct Investment to Your Community* (Seattle, Wash.: Puget Sound Regional Council Prosperity Partnership, 2009).

City-County Region of Chattanooga, Tennessee

Population: 167,000

Ron Littlefield, Mayor, City of Chattanooga, Tenn.

Trevor Hamilton, Economic Development Director, Chattanooga Area Chamber of Commerce

Once a fading manufacturing town plagued by air pollution, Chattanooga, Tenn. has transformed itself into a place that is frequently ranked among the best places to live in the United States. That's quite a change from 1969 when the federal government designated Chattanooga the "dirtiest city in America," a dubious distinction reported to the nation by famous T.V. news anchor Walter Cronkite.

That moment of crisis galvanized Chattanoogaans to create a public-private partnership that pioneered local air pollution controls even before EPA came into existence. Within five years, Chattanooga met or exceeded all air quality standards and became one of the first eastern cities to win federal attainment status. Cleaning up the city's air quality was a defining community experience. In the 1980s, sustainable growth was a primary theme as citizens developed the public vision that resulted in Chattanooga's nationally acclaimed revitalization effort.



Today, Chattanooga has revitalized its downtown as a destination of choice for residents and tourists alike.

In addition to attractions like the Tennessee Aquarium and the Hunter Art Museum, the community offers signature amenities like the Walnut Street Walking Bridge and Tennessee Riverwalk, which stands at 11-miles with several extensions in the works. In addition to creating a nationally recognized quality of life, Chattanooga's revitalization has served as a foundation for job creation. As Mayor Littlefield put it, "People invest in places that inspire a passion for living."

The City of Chattanooga and Hamilton County put this philosophy to the test when they partnered in jointly purchasing and developing a remediated Brownfield that had once been used to manufacture ammunition by the U.S. Army. They re-branded the acreage as Enterprise South and tapped the Chattanooga Area Chamber of Commerce to market the 1,300 acre site for a major job creation project.

When Volkswagen began to search for a site to locate its new U.S. auto assembly facility, the Chattanooga team employed its time-proven team approach and succeeded in staying in the game as the company narrowed its options from nearly 300 communities to three finalists. Considered the dark-horse contender because a remediated brown field within a mid-sized city did not fit the standard automotive assembly profile, Chattanooga leveraged seamless public-private cooperation. The city, county, and state forged an agreement to proactively clear the site, while the Chattanooga Chamber developed an innovative marketing strategy to show how the community's story aligned with Volkswagen's corporate values and brand, including the company's commitment to environmental stewardship. "For Volkswagen, locating their plant on a former brown field was an expression of their commitment to the environment," said Trevor Hamilton, vice president of economic development for the Chattanooga Area Chamber of Commerce.

With Volkswagen serving as an anchor tenant, 18 automotive suppliers have located to the area with the expectation that more will follow. Volkswagen has also served as a catalyst for foreign direct investment both from the auto industry and other sectors. All but one of Volkswagen's suppliers are international companies, but there have also been significant investments by European companies in the energy and pharmaceutical sectors. In fact, internationally-owned businesses have invested \$4.5 billion in the greater Chattanooga region in the last 4 years.

Specific local strategies for proactive lead generation rely heavily on networking and relationship building. If you are targeting sectors that are international, you ought to be engaged in these activities, not only to identify leads, but also to ensure that your community is well-positioned when an investment opportunity arises. Strategies include:

- Establishing a panel of industry experts to help generate leads. These experts can tap their existing networks, lend credibility and expertise when potential investors have questions and help market the community to target sectors.
- Building business connections with economic development organizations in cities and countries abroad that have similar or complimentary industry targets. This can lead to mutually beneficial partnerships whereby each seeks opportunities and customers for the other and shares industry expertise.
- Attending trade shows to view leads in the industry and also to follow up on prior investor relationships. When traveling abroad, determine who the decision maker is for the potential investment. Be sure to meet with businesses, as well as government leaders.
- Connecting with your state agencies and providing them with your community's investment portfolio. Many states have offices abroad, are aware of investors interested in the state and can help match you with viable leads.
- Connecting with federal resources, namely SelectUSA, an initiative of the U.S. Department of Commerce to promote FDI to the United States. SelectUSA provides assistance to U.S. cities and states, at their request, to address federal "red tape" issues that may be hampering investment and to provide a one-stop Web portal for all information on federal programs and services available to companies that operate in the U.S. For more information, visit www.SelectUSA.gov.
- Performing due diligence when considering lead generating consultants. There are many consultants both here and abroad, some who are effective and some who are not. If the consultant is located abroad, contact the country's consulate in the U.S. to verify the legitimacy of the consultant (e.g., their listing on the country's chamber of commerce site, etc.). If the business is located in the U.S., be sure to check references, as they should have a track record of success.

It's important to remember that not all leads are good leads. Although you may vet leads that you target directly, those that come to you through various other channels may not have gone through a thorough analysis process. In the case of investors directly approaching your community, they may have heard of your community through a friend, family member or colleague, but your community may not have the right assets to meet their needs, or their investment may not meet the overall economic development goals of your community. In order to be successful, the fit needs to work both ways.

4. Facilitate and Prepare

After perhaps many years of following up on leads and building relationships, your community may be on the "short list" for an investment. You can facilitate and help secure the investment for your community by understanding the international business environment and by being prepared with supportive resources and guidance to facilitate the deal.

- Build a local advisory committee that can be on hand to provide information and resources quickly if an investment deal is emerging. The committee can include real estate lawyers, bankers, regulators, environmental lawyers and anyone else who can answer technical questions about your community related to the potential investment. Make sure committee members are accessible to you while abroad and can answer questions within twenty-four hours. This shows that your community is capable, committed and serious. Businesses participating on the advisory council also benefit from the arrangement. If your community successfully facilitates a new investment, those on the advisory committee become “local government–recommended firms,” which carries weight with foreign investors and may help them land a new client.
- Meet the needs of potential investors by strategically using resources, such as clearing land, workforce training, establishing a foreign trade zone or even financial incentives. Realize, however, that just like any attraction decision, there are stages of the site–selection process, and it’s incumbent on you to understand what assets and incentives are valuable to the investor at a particular point in time. For example, don’t be quick to offer an incentives package when other, more basic factors, such as quality of life, may be of greater concern to the investor.
- Consider cultural differences. “Time is money” is not standard business practice in all cultures. Instead, many business and government officials value taking the time to cultivate relationships, even over years, as a way to build trust. Additionally, many countries require their businesses to go through extensive approval processes when engaged in international investment, which can take time.
- Serve as an ombudsman. Foreign firms often try to do business as they do in their own country or simply are not familiar with the intricacies of our system. You can help manage their expectations and understanding of the business requirements and environment in the U.S., your state and your community. Set up a one-stop shop, guide firms through permitting and zoning processes, and expedite them where possible. If visas are an issue, help foreign firms interface with the federal system. If they have concerns about the legal system, connect them with lawyers and accountants. If language is a barrier, translate materials and portfolios and provide someone who can communicate with them. Reach out through the community. The chances are that there is someone who speaks the language and is willing to be “on call” as needed.

By way of warning, some foreign companies rely heavily on existing personal relationships to provide the services needed to close a deal. For example, the business owner’s cousin is a residential real estate agent, and he wants this cousin to help manage the legal paperwork for your commercial development deal. Be cautious, and be sure to vet all parties involved in the project.

5. Monitor and Provide Aftercare

Your attention to the firm and the investment should not end once the deal is secured. Investment aftercare includes monitoring key performance measures and evaluating the success of the investment, including the value of the investment, the number of jobs created and other economic benefits to the community. Importantly, these successes should be reported regularly and shared with the public. Given that there may be some community opposition to FDI, highlighting successes and being transparent about failures can help facilitate dialogue and assist your community in embracing foreign investment as a viable source of growth.

Foreign Trade Zones

Foreign Trade Zones (FTZs) were created to facilitate international trade by reducing, avoiding or delaying U.S. customs tariffs. FTZs are a critical asset in attracting FDI. Foreign investors, particularly those in manufacturing or other industries that export goods, will want to locate within an FTZ. Local governments and organizations, such as ports or economic development organizations, can apply to create an FTZ in their communities.¹³ While there are a number of advantages to having an FTZ in your community, they may not suit every region's economic development goals. For more information, visit www.ia.ita.doc.gov/ftzpage/.

Providing aftercare also includes continued assistance to the business, such as a one-stop shop and constant communication with the investor. Continued assistance is important and worthwhile because it:

- Facilitates retention and the early and continued success of the investment. Providing avenues for open communication with the business allows you to identify and help solve problems before they become too overwhelming or unmanageable.
- Generates new leads more easily and quickly. You already have the attention of existing investors, and they are more likely to reinvest if they feel well-cared for. They will likely also spread the word about their experience in your community throughout their industry networks, potentially attracting others. Additionally, governments in the country of origin will be satisfied that you want to ensure that their businesses are successful and will continue to promote your location as a place to do business.
- Continues to leverage the investment for economic growth. By understanding the strategic needs of the business, there may be further opportunities to connect the investor with local businesses that can serve as suppliers. The investor may also attract foreign suppliers to the area, as well as export locally made goods.

Final Thoughts on FDI

In some communities, FDI efforts may be part of your local Economic Development or International Affairs Department. In others, regional organizations, chambers of commerce, public-private partnerships or city-county partnerships may lead the FDI strategy. It is certainly worth speaking with economic development officials and connecting with other partners and stakeholders outside local government to understand whether FDI efforts are already underway in your community or region. Regardless of the organizational form in your locale, developing capacity locally, building a multi-sectoral team dedicated to FDI and understanding your role in supporting FDI efforts will prove beneficial to linking your community to the global economy.

¹³ Frequently Asked Questions, U.S. Foreign-Trade Zones Board, ia.ita.doc.gov/ftzpage/info/ftzstart.html.

International Trade



As the U.S. climbs out of its recent recession, it is becoming increasingly apparent that growth cannot be driven by domestic consumption alone. While providing new goods and services for U.S. consumers will always be central to a thriving U.S. economy, for businesses to continue to grow (and in the process create jobs), they need to find new markets and customers. Exporting is becoming a more critical business strategy, with 70 percent of the world’s purchasing power outside U.S. borders, and global boundaries becoming less of an obstacle.¹⁴

There is ample evidence that U.S. exports are important to U.S. businesses. According to the U.S. Commercial Service, “on average, (businesses’) sales grow faster, more jobs are created and employees typically earn 13–18 percent more than in non-exporting firms. Companies that export are generally more resilient to economic fluctuations than those that do not.”¹⁵

Traditionally, people think of exports only relating to manufactured or agricultural goods. However, in the broadest terms, trade is simply an exchange of goods or services, including services that are likely performed in your cities and regions, such as university tuition, tourism services, management consulting and engineering.

“Exporting is becoming a more critical business strategy, with 70 percent of the world’s purchasing power outside U.S. borders, and global boundaries becoming less of an obstacle.”

Increasing the amount of international trade presents a unique policy challenge for local governments. Unlike other areas where local governments can take the lead, the primary role of local governments in increasing trade is as collaborator and facilitator.

This guide provides strategies in two different trade arenas — small- and medium-sized enterprises and education. These areas are particularly relevant for local governments because they are based on assets that most communities have — post-secondary education institutions and small businesses.

Small and Medium Enterprises (SMEs)

SMEs have consistently proven to be the drivers of jobs and innovation in the U.S. economy and are active participants in international trade — nearly three-quarters of exporters have fewer than 20 employees.¹⁶ However, SMEs face more barriers than their larger counterparts. While large corpora-

¹⁴ *A Basic Guide to Exporting*, 10th Edition, (Washington, D.C.: International Trade Administration, U.S. Department of Commerce, 2008).

¹⁵ *Winning the Future 2011: Connecting American Businesses to the World* (Washington, D.C.: U.S. Commercial Service, U.S. Department of Commerce, 2011).

tions have the experience and financial resources to navigate external markets, SMEs often lack knowledge about exporting in general, the potential of foreign markets, and the legal and logistical parameters involved. Additionally, without assistance, many SMEs are unable to make the large upfront financial commitment to begin exporting.

Recognizing these barriers, as well as the great potential of SMEs, federal, state and local governments have developed a number of services to help SMEs expand into foreign markets. Export assistance programs provide SMEs with guidance, training and market research to help them make informed decisions about the viability of an export strategy and to build the strategic capacities needed to enter a foreign market. SMEs most likely to benefit from these programs are stable with a proven product or service, are exporting on a small scale to one or two countries or are indirectly exporting as suppliers for larger companies who export a finished product.

Strategies to help SMEs increase their exports align nicely with local government economic development goals, as SMEs make up most of the businesses on Main Street.¹⁷ In many cases, local governments are already offering programs providing broad support to these businesses and can strengthen these programs by adding an exporting component.

To assist SMEs with exporting, it is important to identify partners, understand the resources they bring to the table, understand the needs of the business community and provide channels for businesses to access available resources.



1. Identify Partners and Resources

Diverse entities and levels of government are involved in export promotion. To serve as a helpful conduit for local businesses, it is necessary to understand and bridge the needs of an array of participants and stakeholders.

Regional. Begin by investigating programs currently being offered in your region. It may be possible to build a regional partnership and link to existing resources rather than trying to initiate new resources for your own community. Because trade is not often publically in

Export Resources

Export.gov: A U.S. Department of Commerce website that brings together United States Government resources to assist U.S. businesses in planning international sales strategies.

Export–Import Bank (www.exim.gov): The Export–Import Bank (Ex–Im Bank) provides financing products that enable SMEs to overcome some of the financial risk involved in exporting.

The Small Business Administration has a number of resources for SMEs interested in exporting. To learn more, visit www.sba.gov/content/explore-exporting.

U.S. Commercial Service (www.trade.gov/cs/, 1-800-USA-TRADE): U.S. Commercial Service trade professionals are located in over 100 U.S. cities and over 75 countries to help U.S. companies get started in exporting or increase sales to new global markets.

¹⁶ "Exporting is Good for Your Bottom Line," U.S. Trade Administration, U.S. Department of Commerce, <http://trade.gov/cs/factsheet.asp>.

¹⁷ James Brooks, "The Global Economic is Not Really that 'Foreign,'" *CitiesSpeak.Org* (blog), May 18, 2010, www.citiespeak.org.

San Antonio Export Leaders Program

The San Antonio Export Leaders Program is a six-month program designed to increase area small businesses' ability to export and expand to new markets. The program offers courses on strategy and capacity-building to small business owners. Program participants are also afforded the opportunity to go on a trade mission. Started in 2001, the program has served 110 San Antonio companies and has generated \$85 million in new trade over the past 10 years.¹⁸ The program is a partnership among the City of San Antonio, San Antonio Hispanic Chamber of Commerce, Asociacion de Empresarios Mexicanos, Greater San Antonio Chamber of Commerce, International Trade Center, San Antonio Free Trade Alliance, San Antonio Manufactures Association, University of the Incarnate Word, University of Texas at San Antonio, U.S. Department of Commerce and U.S. Small Business Administration.

the forefront of local economic development agendas, most cities are unaware of what others in the region are doing. There may, nevertheless, be a group that is connected to or organizing trade resources. This could be a separate public-private partnership, a regional council of governments, a city or county economic-development agency or a chamber of commerce. Trade activities may also be a joint effort between a local entity and a Small Business Development Center, U.S. Export Assistance Office (see the "Federal" section below) or state program. If there are no efforts being pursued in your region, you may be able to jump-start an effort by communicating to regional partners the importance of providing trade resources to area businesses.

Traditionally, competitive mindsets (i.e., *why should my city help another community's businesses?*) and politics pose obstacles to cooperation; however, if these barriers can be overcome, all parties are likely to benefit. Regional participation can bring increased resources, efficiency, capacity and clout to the effort. The potential benefits for each individual community include to a network of trade-related resources, such as trade missions abroad, export training for local businesses or trade shows in the area, as well as having the opportunity to promote area businesses, particularly companies that are growing and may be potential exporters.

State. Cities can reach out to their state economic development agencies, many of which already have separately organized efforts focused on global economic development. Just as with regional partners, a state government may be active in providing resources and opportunities but still be unaware of specific businesses with export potential in your community. By building a relationship between your city and state, you become an advocate and information conduit for your local businesses.

State governments offer a number of resources to help SMEs. For example, state-led trade missions are a way for companies to meet face-to-face with potential clients abroad. These trips are often led by a governor or ranking state or local officials and who can open doors to high-level meetings with decision-makers. In addition, state governments commonly offer trade support services, including training for businesses in how to export. Many conduct market research and may have representatives on the ground in key countries. They may also have relationships like Memoranda of Understanding with foreign governments, which may be an additional asset for local businesses seeking to enter a foreign market.

Federal. The federal government offers a number of resources to aid SMEs in exporting. To connect area businesses to these resources, the first step for many local governments is to identify the nearest U.S. Export

¹⁸ San Antonio Export Leaders Program, Greater San Antonio Chamber of Commerce, <http://www.sachamber.org/cwt/External/WCPages/WCEvents/EventDetail.aspx?EventID=1308>.

Trade Development Alliance of Greater Seattle

The Trade Development Alliance of Greater Seattle (TDA) promotes the trade interests of the Seattle region in both domestic and foreign markets. Created in 1991, TDA is a regional public-private partnership made up of the Port of Seattle, Port of Tacoma, Port of Everett, Metropolitan King County Government, Snohomish County Government, Pierce County Government, City of Seattle, City of Everett, City of Bellevue, City of Tacoma, Greater Seattle Chamber of Commerce and union leadership. TDA was born out of the recognition that new local partnerships are necessary to retain the region's future competitiveness in a rapidly changing global economy.

Among the many activities TDA performs to promote Greater Seattle, it helps connect small- and medium-sized enterprises (SMEs) in the Seattle region with international markets. When a foreign delegation or related investment organization travels to the Greater Seattle region, TDA hosts an event for the delegation and invites area SMEs to attend. This gives TDA an opportunity to celebrate international visitors and market the Seattle region. It also provides an avenue for regional SMEs to build relationships and learn about a potential export market. In addition, TDA offers seminars and trainings to area businesses, often in partnership with other stakeholders, such as the Small Business Development Center and the state of Washington, to host classes for the region's SMEs on exporting strategies.

Assistance Centers (USEAC). There are 100 USEACs nationwide, typically located in major metropolitan areas. USEACs provide resources to U.S. businesses interested in exporting and are staffed by U.S. Department of Commerce trade specialists. In some cases, they have additional staff from the Small Business Administration and the Export-Import Bank. To find the nearest Export Assistance Office, visit www.export.gov.

Other resources available from the federal government include: trade missions, often led by high-ranking federal officials; both domestic and international trade shows; trainings and webinars; and more specialized fee-based services for businesses, including individualized research and strategies for entering foreign markets and meeting arrangements for businesses with foreign buyers.

2. *Connect with Businesses*

Once partners and resources are identified, it is important to connect local businesses to the trade opportunities available. To do this, you need to have an understanding of the businesses in your community, particularly those with exporting potential. However, this need not be a standalone activity. In general, one of the primary ways you can support local businesses is to create mechanisms to communicate with them about their needs and to share information.

There are a number of ways to promote communication, ranging from interviews with company CEOs, partnering with your local SBDC or holding roundtables with local business organizations like chambers of commerce and technology councils. By connecting with businesses and better understanding their needs, city leaders can:

- adjust local regulations to make sure that the policy environment encourages growth;
- pass along the information about area businesses interested in exporting to regional, state and federal stakeholders;
- make sure businesses interested in exporting are connected to available trainings, missions and assistance; and
- celebrate exporting success stories.

One way to keep businesses up-to-date on available resources is to make sure that the city website dedicated to small business assistance provides opportunities and events on exporting. For example, the City of Charlotte, N.C.'s small business website, www.charlottebusinessresources.com, is designed to inform small businesses of resources, including trade resources, available in the Charlotte area. On its "Export" page, this comprehensive website lists local, state and federal trade resources, such as the local U.S. Export Assistance Office, the North Carolina Department of Commerce International Trade Services and the Export-Import Bank.

Connecting with local businesses allows you to know who in the community already has some exporting success. Showcasing their exporting achievements in the media and other public forums raises the profile of these businesses and demonstrates your local government's support for area businesses. These celebrations also send positive messages to the public about the benefits of the global economy to local success.

Education



The U.S. higher education system is regarded as one of the best in the world. In fact, education and training are among the U.S. top-10 service exports.¹⁹ International students attending U.S. colleges and universities contributed \$18.78 billion to the U.S. economy during the 2009–2010 academic year.²⁰ Despite only small gains in the 2009–2010 school year (1.3 percent), since the 2005–2006 school year, there has been a 42 percent increase of international students enrolling in U.S. education institutions.²¹ While these numbers

include tuition and living expenses, they are considered conservative because they do not take into account the multiplier effects on the economy — for example, the money these students spend at local stores.

In addition to four-year universities, community colleges also draw foreign students. According to the American Association of Community Colleges, from 2007–2008, more than 86,000 foreign

“International students attending U.S. colleges and universities contributed \$18.78 billion to the U.S. economy during the 2009–2010 academic year.”

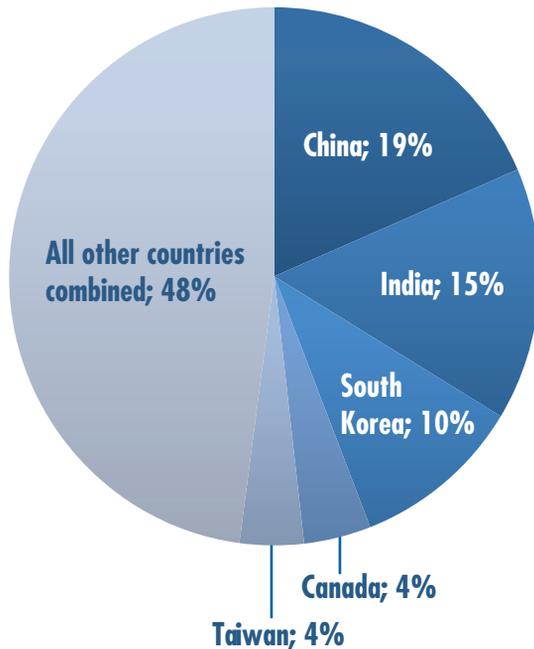
¹⁹ Francisco Sánchez, “No Better Export: Higher Education,” *The Chronicle of Higher Education*, April 3, 2011, <http://chronicle.com/article/No-Better-Export-Higher/126989/>.

²⁰ *The Economic Benefits of International Education to the United States: A Statistical Analysis, 2009–2010*, Association of International Educators, Washington, D.C., http://www.nafsa.org/_/File/_/eis2010/usa.pdf.

²¹ *Open Doors 2010 Fast Facts International Students in The U.S.*, Institute of International Education, New York, NY, <http://www.iie.org/en/Research-and-Publications/-/media/Files/Corporate/Open-Doors/Fast-Facts/Fast%20Facts%202010.aspx>.

Top Places of Origin of International Students in the U.S., 2009-2010 School Year²³

Total Number of Students: 690,923



is between native and foreign students, who have the opportunity to be exposed to other cultures, glimpse the global economy and build lifelong friendships. In addition to individual friendships, the community as a whole can dedicate efforts to building relationships with foreign students to ensure that they feel connected. The economic ramifications of reaching out to foreign students can be profound.

First, some of these students may stay in your community and become future citizens, leaders, innovators and business owners. Furthermore, these students likely have active relationships with family and friends in their country of origin. By setting an inclusive tone and providing opportunities to make foreign students feel welcome, you create soft linkages between your city and a foreign country — relationships that may be leveraged in more formal relationships in the future.

Second, the majority of foreign students return to their native countries after their experience in the U.S. Students who return to their home countries become first-hand promoters of your community. If their experience is negative, your reputation will be damaged. However, if their experience is positive, they can play an important role in recruiting the next class of foreign students. Additionally, former students, as they progress in their careers in their native countries, may rise to upper levels of academia, business or government. Maintaining these contacts may open doors to future trade and foreign investment relationships.

students attended U.S. community colleges.²² A number of factors make community colleges appealing to foreign students, including English language courses, the focus on career-applicable skills, smaller class sizes, lower costs and class credits that are often transferrable to four-year institutions.

For many U.S. communities with post-secondary education institutions, this trend highlights a real economic asset. Apart from the obvious benefits of additional tax revenue (sales, housing, etc.), foreign students offer a number of trickle-down effects that may be helpful to future economic development efforts. Education as an export, however, is much different than other goods and services. Success is heavily dependent on the experience of the foreign students in your university and community. If your university or community treats a foreign student like a commodity, chances for future economic ties with a foreign government or region could diminish.

1. Build Relationships with Foreign Students

The presence of foreign students in a community creates opportunities to build relationships. The most obvious opportunity for relationship building

²² Profiles of U.S. Community Colleges: A Guide for International Students (Washington, D.C.: American Association of Community Colleges, 2009).

²³ Open Doors 2010 Fast Facts International Students in The U.S., Institute of International Education, New York, NY, http://www.iie.org/en/Research-and-Publications/~/_/media/Files/Corporate/Open-Doors/Fast-Facts/Fast%20Facts%202010.aspx.

2. Partner with Higher Education

Most communities already have standing relationships with local institutions of higher education. Communicate with your university about what it is doing to attract and educate foreign students. If they are not already actively engaged, the city can help by connecting them to resources. For example, the U.S. Department of Commerce, as it does with other export industries, offers a number of services to connect domestic institutions with foreign students, including trade missions, market research, promotion and trainings. For more information, visit www.export.gov/industry/education. Additionally, the U.S. State Department, through its Bureau of Education and Cultural Affairs, also offers services to assist U.S. education institutions. For more information, visit www.educationusa.state.gov.

Foundation for International Understanding through Students (FIUTS) and the University of Washington

Founded in 1948 at the University of Washington, the Foundation for International Understanding through Students (FIUTS) is an example of an organization dedicated to building connections between foreign students and local communities. Through a number of different education and culture programs, FIUTS helps develop relationships and mutual understanding between international students and local community members. For example, the FIUTS Homestay program matches new international students with community volunteers who host the students for their first week in the area. This program helps students transition into their new environment and provides an opportunity to build friendships that often last longer than a student's stay in the US. For more information visit, www.fiuts.washington.edu.

If your community's institutes of higher education are actively engaged in recruiting foreign students, make sure that your local and regional materials created for foreign audiences (see FDI section) highlight the school as an asset. Additionally, as local elected officials and economic development staff participate in trade/study missions, they can emphasize the opportunities available to foreign students at local universities.

If your school has a community of foreign students, discuss how the community can support the university in making the students feel at home. For example, over holiday breaks, when most universities and dorms close, foreign students are often in a quandary because they are either unable to travel to far-distant families or do not celebrate certain holidays. The city can help connect the university with community groups and local non-profits that can provide housing or host families, so students have a place to stay. Local officials can also show their appreciation of foreign students by hosting lunches or holding recognition ceremonies to celebrate foreign students in the community.

Additional Education Resources

Institute for International Education (www.iie.org): Produces an annual "Open Doors" report tracking the number of students at U.S. universities by state.

National Association of International Educators (NAFSA) (www.nafsa.org): Produces annually "The Economic Benefits of International Education to the United States: A Statistical Analysis," listing the number of students, institutions and economic impacts by congressional district.

Final Thoughts on International Trade

Before embarking on any new international trade effort, it is important to think strategically about trade and how it aligns with and supports other economic goals in your community. In most cases, these activities represent additions to strategies already being implemented; for example, small business development programs and university partnerships. As with FDI, it is paramount to promote positive and transparent messages about trade and to educate the local community about how the city's trade efforts support the overall economic well-being of the community.

Tips for Global Relations and Missions

Traveling abroad on a trade or study mission provides an opportunity to showcase local companies, universities or travel destinations that lie within your region. Based on her experience on trade missions, Tacoma, Wash., Mayor Marilyn Strickland stresses to local officials that “every city in American does some things really well” and when traveling abroad, she advises to “stay focused and pick your strengths.” For example, while traveling in Asia, Mayor Strickland promoted a few of Tacoma’s local strengths, including Tacoma’s high-quality private schools, successful aerospace companies and a local candy manufacturer already exporting in foreign markets.

- When selecting a “sister city” or other city to visit, find a community that has similar industries and assets, not necessarily one that matches based on population size. Look to your state government, local businesses or universities to identify foreign countries and cities that may already have a relationship with your city. This relationship can include cultural exchange, but should always have an economic component.
- Building global relationships for economic development can be overwhelming, so stay focused on local strengths and what your community does well. For example, when representing your community abroad, bring information about local products of interest and talk about your local assets (e.g. the school system). You can even bring an informational video (available in multiple languages) that showcases your community’s assets or investment portfolio.
- Local elected officials can be an asset on trade missions. Mayors and council members are well respected abroad and can often open doors to meetings that economic development staff cannot arrange on their own. The presence of high-ranking local officials also signifies that your community is serious about building a relationship.
- Establish personal connections with the people you meet and treat them as friends. Track what’s going on in their community and respond accordingly; for example, congratulating them on an international event.
- Most people you meet abroad will not judge your lack of knowledge about cultural etiquette or proper protocol, but it is a sign of respect if you do learn local customs, and your efforts will be appreciated... and try the food, even if it doesn’t seem appealing!
- Bring gifts for your hosts that reflect the local culture in your community (e.g., handcrafted wares).
- Exchange business cards that translate your information into the local language on the reverse.
- Traveling abroad does not end with the trip. Invite your hosts to send a delegation to your community, follow-up with thank you notes, correspond with your contacts and update them regularly.



Anderson, Indiana

Population: 60,000

Linda Dawson, director of economic and community development, City of Anderson

Thirty years ago, Anderson's economy was defined by a major General Motors operation. At one point, the company accounted for 27,000 high-paying jobs and 8 million square feet of operating space. However, over the last 20 years, General Motors relocated south and overseas piece by piece until the company had completely uprooted, and the Anderson unemployment rate was left at 30 percent.

With such a significant upheaval, Anderson made a deliberate decision to reinvent itself. City leaders committed to a five-year global attraction campaign as a focal point of the city's economic development strategy. With very little in the way of dedicated financial resources, \$40,000 per year to be exact, there were a few specific strategies Anderson used to carry out its goal of attracting a new major international employer.

City leaders emphasized selling the idea of foreign sources of economic growth to businesses and the community. By using local media and other marketing techniques, Anderson showcased other cities that implemented successful global attraction strategies. In addition to support from local businesses, the city needed to gain international attention as well. City leaders attended trade shows, made site visits to foreign businesses and governments and established relationships with overseas investors as a means for building the city's presence in the global marketplace.

"But simply showing up was not the key to success," said Linda Dawson, director of economic and community development of Anderson. "Being accompanied by a mayor or deputy mayor is seen as prestigious and is highly respected by companies. A visit from an elected official will reciprocate more attention from higher-up business executives," she said. What's more, a city mayor who knows the proper business etiquette and protocol, such as a business card or gift exchange, will go a long way with relationship building, which is a key ingredient to successful overseas business deals.

A significant misconception that many cities seem to have is that being a small town precludes any type of global economic activity. Dawson does not agree. "Just because you are not located on a beach, in a beautiful mountainous region or a town of several hundred thousand does not mean that you cannot participate in the global economy, because Anderson, Indiana, is none of that and has accomplished much in a very short period of time," she said. More specifically, now in the fifth year of the five-year global attraction strategy, accomplishments include three visits from a Chinese delegation, a new student exchange program and three visits to China that have resulted in negotiations for a \$150 million deal with a Chinese firm that will create 160 new jobs. Anderson is one of two cities involved in this competition.

Conclusion

City leaders are increasingly embracing global economic linkages as viable sources of local economic growth. Many, however, are unsure how to connect their communities and businesses to international partners, markets and investors. This guide highlights the different roles and strategies that local governments in particular can play in FDI and international trade.

Local leaders and economic developers can make a strong impact on FDI efforts, given the close connection between FDI and existing attraction strategies. Specific action steps for developing an effective FDI strategy include:

- Identifying assets and key sectors;
- Creating regional awareness;
- Identifying investor leads;
- Facilitating and preparing; and
- Monitoring and providing aftercare.

In international trade, on the other hand, the primary role of local leaders is to serve as collaborator and information conduit. These become critical responsibilities, particularly when supporting small- and medium-sized enterprises (SMEs). Assisting SMEs requires identifying partners, understanding the resources they bring to the table, understanding the needs of your business community and connecting businesses to available resources. Education also drives international trade, and effective local strategies focus on building relationships with foreign students and partnering with universities.

As with most critical community issues, it is the work of cities and the innovations of those at the grass-roots level, that drive change. Places like Chattanooga, Tenn. and Anderson, Ind., illustrate that leaders are emerging in cities and towns across the country in places of all sizes. City and regional leaders have come a long way in their view of global economic linkages, and many are helping to create a local culture favorable to foreign investment and global trade. It is our hope that the strategies, resources and examples presented here provide other local officials the impetus needed to create local competitiveness through global linkages.

About This Publication

ABOUT THE NATIONAL LEAGUE OF CITIES

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more than 1,600 member cities and the 49 state municipal leagues, representing 19,000 cities and towns and more than 218 million Americans.

Through its Center for Research and Innovation, NLC provides research and analysis on key topics and trends important to cities, creative solutions to improve quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues, and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.

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The participants and speakers of the Leadership Academy contributed greatly to the content of this guide. The academy, hosted with the Trade Development Alliance of Greater Seattle and the U.S. Departments of Treasury and Commerce, brought together teams of more than 100 U.S. city and regional leaders and key economic stakeholders with experts from all levels of government, academic and business sectors to discuss critical opportunities and challenges of FDI and international trade, to showcase promising practices from cities and regions across the country and to interact directly with a delegation of Chinese mayors and businesses.

Academy presenters included:

- Craig Allen, deputy assistant secretary for Asia, U.S. Department of Commerce, International Trade Administration, Washington, D.C.
- Ralph Becker, mayor, Salt Lake City
- Jonathan Bensky, director of South Asia – US Business Services, Pacific Northwest Advisors, Seattle
- Rebecca Blank, under secretary for economic affairs, U.S. Commerce Department, Washington, D.C.
- Thomas Boydell, economic development manager, Bellevue, Wash.
- Desley Brooks, vice mayor, Oakland, Calif.
- Mark Calhoun, senior managing director, International Trade Division, Washington State Department of Commerce, Seattle
- Leland Cheung, councilor, Cambridge, Mass.
- John Creighton, commissioner, Port of Seattle
- Linda Dawson, executive director, economic and community development, City of Anderson, Ind.
- Jorge Fernandez, vice president for global commerce, Metro Atlanta Chamber, Atlanta
- Mark Funkhouser, mayor, Kansas City, Mo.
- Tu Guangshao, vice mayor, Shanghai, China
- Wang Guozhong, vice mayor, Wuxi City, Jiangsu Province, China
- Trevor Hamilton, vice president of economic development, Chattanooga (Tenn.) Area Chamber of Commerce
- Stephen Hanson, vice provost for global affairs, University of Washington, Seattle
- Yue Huafeng, executive deputy mayor, Xi'an City, Shaanxi Province, China
- Zou Jiayi, director general, Chinese Ministry of Finance
- Suresh Kumar, assistant secretary for trade promotion and director general of the U.S. & Foreign Commercial Service, U.S. Department of Commerce International Trade Administration, Washington, D.C.
- Marisa Lago, assistant secretary, U.S. Treasury Department, Washington, D.C.
- Conrad Lee, deputy mayor, Bellevue, Wash.
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- Marléna Sessions, chief executive officer, Workforce Development Council of Seattle-King County, Seattle
- William Stafford, president, Trade Development Alliance of Greater Seattle, Seattle
- Marilyn Strickland, mayor, City of Tacoma, Wash.
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- Ma Zhengqi, standing vice mayor, Chongqing City, China

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