

INTERNATIONAL ENGAGEMENT

FEBRUARY 2024

5 OF 9 ISSUE BRIEFS

INTRODUCTION

Fostering international trade and foreign direct investment is highly dependent on building strong relationships. Understanding which regional or state assets can be of value to international investors, as well as how these assets can be marketed as part of a regional or statewide brand is a critical element of international engagement.

Both elements can benefit from greater alignment between the activities of states and Economic Development Districts (EDDs). Successful international engagement efforts are often the product of long-term and sustained relationships.

State-EDD Alignment in Export Promotion

Exports are a key component of the U.S. economy and can be an important driver for economic growth, higher wages, and resilient economies supporting the need for alignment between state and EDD plans and programs.

With 95 percent of all global consumers living outside the United States, state and EDD strategies to help companies reach these international consumers is critical to business growth. Export sales account for 11.2 percent of GDP and directly support almost nine million jobs.^{1,2}

About the Issue Brief Series

Alignment of state and EDD planning activities leading to collaborative program execution is an important way to increase the chances of regional and state economic success. Awareness alone is not enough; alignment is the critical next step in working together to solve a region's economic challenges. Misalignment of strategies can result in divergent priorities and uncoordinated efforts that may undercut program success or lead to duplicative activities.

Creating a culture and process centered on alignment supports coordinated economic strategies and investment which can help facilitate improved economic outcomes, sustained economic growth, and enhanced equity throughout the nation's economy.

This issue brief is one of a series of nine reports that will help inform efforts to increase alignment, collaboration, and co-investment between states and local EDDs, as well as their public and private stakeholders. The first issue brief provides an overview of all issue briefs along with an explanation of how case studies were identified.

The Center for Regional Economic Competitiveness specializes in providing practical, data-driven solutions so decisionmakers can create more equitable opportunities for their states and regions. We achieve this by helping regions build capacity and leverage their strategic assets with an emphasis on talent, innovation, and networking.

1. Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/B020RE1Q156NBEA>

2. U.S. Department of Commerce, International Trade Administration: <https://www.trade.gov/data-visualization/jobs-supported-us-exports>

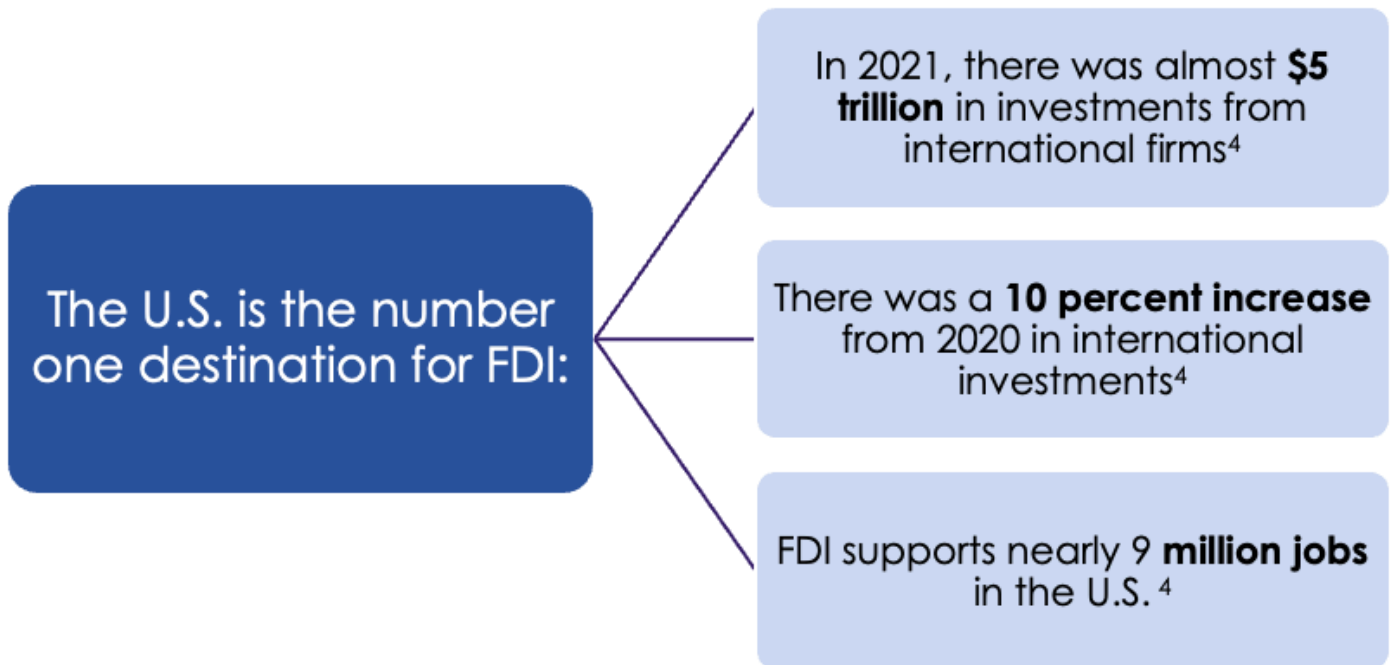
From a worker perspective, jobs related to exporting businesses pay an average of 18 to 20 percent higher than jobs offered by non-exporting firms. The indirect impact of exporting also helps to retain and create jobs in peripheral sectors such as banking, accounting, logistics, transportation, legal and other professional services.³

Exporting also adds to the knowledge and skills of a company across its operation. Doing business in a foreign market can transform a company's workforce by getting acquainted and becoming proficient with another culture and language, meeting new and diverse needs of customers, developing improvements to product lines and services, and making the company more adept so that it can compete in other markets.

Having a diverse, international base of customers can also help the resiliency of a firm. According to the International Trade Commission, U.S. manufacturing companies that export grew by 37 percent while non-exporting firms declined by 7 percent during the last recession.⁴

State-EDD Alignment in Attracting Foreign Direct Investment

International firms are particularly important to a region's growth as they demonstrate the area's global competitiveness. Investment occurs when new non-U.S. owned companies relocate to a region, expand their existing operations, or acquire and invest in U.S. firms. This foreign direct investment (FDI) is an external source of capital that reflects the confidence that a region offers a haven for new economic growth.⁵



3. U.S. Department of Commerce. (2008).

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

5. SelectUSA. (2022). "Foreign Direct Investment: United States." <https://www.trade.gov/sites/default/files/2022-09/FDIintheUS2022.pdf>

International firms often pay more and bring global linkages that lead to more offshore customers. Finally, they help maintain the United States' competitive advantage as the leader in innovation.⁶ Developing a proactive FDI strategy should therefore be a key component in any CEDS plan.

As illustrated in the case studies below, the most effective international engagement strategies leverage sustained collaborative relationships between state and regional stakeholders. Successfully attracting FDI and promoting international trade requires long-term relationship building and on-going engagement with international firms. These efforts require both statewide resources and regional knowledge.

Leveraging the contacts and connections of a state's trade office in conjunction with an EDD's deep regional knowledge can establish a powerful foundation through which a region can build relationships with international partners. Since many regional economies are highly connected to those of their states, marketing efforts can be more effective if they also incorporate the strengths and assets that the state has to offer.

6. SelectUSA (2022). "Foreign Direct Investment and Intellectual Property Innovation in the United States." <https://www.trade.gov/sites/default/files/2022-06/FDIandIPUSReport2022.pdf>

LESSON HIGHLIGHTS

ALIGNING INTERNATIONAL ENGAGEMENT

Alignment Lesson	Case Studies Demonstrating Alignment
<p>Lesson 5.1 - EDDs: Develop a trade and marketing strategy that leverages state resources and incentives. To be successful, EDDs must proactively develop a regional marketing plan to boost international engagement that complements state initiatives. Working with the state trade offices, EDDs can coordinate marketing activities that align with state priorities and regional economic goals.</p>	<p>When Volkswagen searched for a site to base its U.S. electrical vehicle manufacturing, the Chattanooga Area Chamber of Commerce developed a marketing strategy that, when combined with state and local incentives, convinced the company to choose the Chattanooga region as its manufacturing hub.</p>
<p>Lesson 5.2 - States: Partner with EDDs to enhance strategic planning and business-centered outreach. Like business development activities, partnering with EDDs can provide local intelligence to the state. EDDs often have unique on-the-ground knowledge of which businesses in their regions drive international engagement activities like exporting or foreign direct investment. Additionally, many EDDs have greater awareness of which smaller businesses in their regions are interested in implementing an international engagement strategy.</p>	<p>Pennsylvania’s Office of International Business Development (OIBD) has a long-standing partnership with the state’s EDDs on export promotion and foreign direct investment. According to stakeholders, this partnership is sustained by:</p> <ol style="list-style-type: none"> 1. a mutual focus on international engagement as a core economic development activity, 2. a coordinated ecosystem that connects businesses at the local level to global markets, 3. a high level of trust between EDDs and the state, and 4. shared responsibility in achieving a common economic development mission.
<p>Lesson 5.3 - States and EDDs: Identify assets and key sectors to attract international interest, market suitable sites, and leverage private and community partners to grow a global ecosystem. EDDs can help state leaders understand how regional assets and sectors can add value to international partners. State economic developers can contribute by identifying statewide assets that make a region more attractive to prospective investors, such as suitable sites. Once identified, collaborating across key clusters in partnership with private and community partners can lead to big wins for both region and state.</p>	<p>The Greater Minneapolis St. Paul Partnership and the Minnesota Trade Office have been intentional about complementing each other’s efforts and resources when it comes to international trade. Both emphasize the importance of coordination and communication amongst themselves and with private and community partners, which enables all parties to present a unified value proposition when pitching to prospective international businesses.</p>

LESSON 5.1 - EDDS

DEVELOP A TRADE AND MARKETING STRATEGY THAT LEVERAGES STATE RESOURCES AND INCENTIVES.

Volkswagen's 2008 decision to open a \$1 billion, 1,400-acre automotive assembly plant in Chattanooga, Tennessee provides a case study for state-local collaboration in FDI attraction. A mid-sized city with less than 200,000 residents seemed an unlikely location for large-scale automotive manufacturing investment. However, the close partnership between state, regional, and city stakeholders was instrumental in putting together a powerful marketing strategy and incentive package that drew Volkswagen to the Chattanooga region. As the case study below demonstrates, the partnership highlighted a comprehensive set of regional strengths, from workforce and supply networks to infrastructure and a business-friendly government, that greatly enhanced Chattanooga's value proposition.

CASE STUDY

Integrating Regional Strengths with State Incentives to Attract a Transformative Employer

Chattanooga Area Chamber of Commerce

In the 1960s, the federal government designated Chattanooga as the "dirtiest city in America" due to decades of pollutive industrial activity. This moment of crisis spurred stakeholders throughout the region to invest in their environment and quality of life, which became a part of a broader revitalization initiative that transformed the region into one of the best places to live in the United States. Additionally, the city's emphasis on achieving a high quality of life within the context of its industrial past has served as a foundation for regional job creation.

When Volkswagen began its search for a site to base an electrical vehicle manufacturing facility – a search that valued locations with a history of environmental stewardship – Chattanooga was an improbable option out of nearly 300 communities that recruited the German car manufacturer. Undaunted, the city, county, and state forged an agreement to proactively prepare a remediated brownfield as the site for Volkswagen's new facility, while Tennessee's Department of Economic Development put together a competitive incentive package. Critically, the Chattanooga Area Chamber of Commerce worked closely with state and local stakeholders to execute an effective marketing strategy that emphasized its skilled workforce, training pipeline, deep supplier network, and business-friendly government. The collaboration between the region and the state paid off six months later when Volkswagen chose to build its facility in Chattanooga.



Volkswagen's Chattanooga Plant

"Chattanooga and Tennessee made the rollout as seamlessly as possible, from providing a construction-ready site to hiring and training new workers to local and state leadership's proven commitment to assist us whenever possible. We couldn't have asked for better partners."

HINRICH WOEBCKEN,
Former President and
CEO of Volkswagen Group of America, Inc.

LESSON 5.2 - STATES

PARTNER WITH EDDS TO ENHANCE STRATEGIC PLANNING AND BUSINESS-CENTERED OUTREACH.

The State of Pennsylvania offers an example of how a state's international business development team developed a strong collaborative relationship with EDDs that has been in place for over 30 years. This partnership assists with export promotion by working from the local level to connect Pennsylvania's Office of International Business Development (OIBD) and international offices with local employers.

CASE STUDY

Framing State-EDD Collaboration Around Export Promotion and International Engagement⁷

Pennsylvania's Office of International Business Development

The Commonwealth of Pennsylvania's primary office for export promotion and foreign direct investment assistance is the Office of International Business Development (OIBD). Organized as a unit of the Pennsylvania Department of Community and Economic Development, OIBD staff has locations around the state to assist businesses. In addition, they have an established partnership with the state's seven EDDs - all working together on their shared mission of promoting economic development through export promotion and investment attraction.

The partnership between the EDDs and the OIBD has been in place for over 30 years. The EDDs operate as partners in the Regional Export Network (REN) and serve as a core part of the OIBD's team to attract foreign direct investment (FDI) and promote exports. Not only is international engagement a core part of a well-crafted CEDS, but the Pennsylvania Local Development District Act of 1994 solidified it as part of the EDD mission.

The Pennsylvania REN partners help local companies export by providing training, technical assistance, and market research. They serve as the liaison at the local level connecting the OIBD and their international offices to the local company.

A recent CEDS from the Northwestern Pennsylvania Regional Planning and Development Commission (Northwest Commission) noted four strategic goals including entrepreneurship development, business expansion and retention, workforce development, and infrastructure development. Key goals in the CEDS included developing cargo services, strengthening the local airport's regional capacity, and meeting the needs of local businesses. The CEDS also noted the lack of commercial ready real estate available to attract new investment and included strategies to address this gap. This focus on air cargo access and development-ready sites are two common interests as regions seek to drive an increase in exports.

The success of Pennsylvania's state-EDD collaboration rests on several factors:

- **Focus on international engagement** as a core part of a broader economic development strategy.
- **Coordinated ecosystem** that connects businesses at the local level to global markets.
- **High level of trust** between EDDs and the state
- **Shared responsibility** in achieving a common state-regional economic development mission.

This increased coordination allowed staff to focus on their strengths - which resulted in a stronger service delivery model for their businesses.

7. National League of Cities. (2011). "Strategies for Globally Competitive Cities." [http://www.klc.org/UserFiles/strategies-for-globally-competitive-cities-gid-sep11\[1\]\(1\).pdf](http://www.klc.org/UserFiles/strategies-for-globally-competitive-cities-gid-sep111.pdf)

LESSON 5.3 - STATES AND EDDS

IDENTIFY ASSETS AND KEY SECTORS TO ATTRACT INTERNATIONAL INTEREST, MARKET SUITABLE SITES, AND LEVERAGE PRIVATE AND COMMUNITY PARTNERS TO GROW A GLOBAL ECOSYSTEM.

Although state and regional alignment can be enhanced through the CEDS process, the value of this coordination can be applied to relationships beyond the state-EDD connection to other regional organizations. A regional partnership in Minnesota provides a good example of how a close working relationship between state trade officials and regional leaders became the cornerstone of a successful FDI attraction strategy.

The Greater Minneapolis-Saint Paul Partnership (Greater MSP) is a public-private partnership comprised of private sector entities, universities, cities, counties, and non-profit organizations. Greater MSP is not an EDD but has a strategic plan that includes a goal to accelerate the global competitiveness of the 15-county regional economy. As a regional organization, Greater MSP has worked closely with the Minnesota Trade Office (an office within the state's economic development agency) to use FDI attraction as a tool for regional job creation. While Greater MSP is not an EDD but rather a regional organization, this regional-state partnership provides an important example for EDDs and other regional organizations.

CASE STUDY

Leveraging the State Trade Office to Enhance FDI Attraction

Greater Minneapolis Saint-Paul Partnership and the Minnesota Trade Office

Greater MSP's plan specifically highlights the significant role business retention and expansion policies play in attracting new investment as a key component for job creation. Moreover, the plan calls for the development of supply chain resiliency strategies that identify supplier gaps. The plan also positions the region to attract foreign-based suppliers. The forward-looking strategy will help drive post-pandemic economic recovery and resilience-building.

The strong partnership between Greater MSP, the State of Minnesota's Department of Employment & Economic Development (DEED), and the Minnesota Trade Office (MTO), an office within DEED, provides the framework for collaborative business retention and expansion strategies. The partnership emphasizes the coordination and communication between organizations to achieve their goals with each entity playing a vital role - from gathering information, identifying new leads, outreach, marketing, and more.

The MTO, which is an office within DEED, leads the region's efforts to attract foreign direct investment. The MTO regularly hosts foreign delegations, leads international trade missions, and works closely with federal agencies to identify foreign direct investment leads and opportunities. These activities have opened doors for Greater MSP and other regional stakeholders such as organizing high-level meetings with decisionmakers at international firms, assisting small businesses in the region in accessing international markets, and providing valuable market research that further informs strategic planning around international engagement.



This report was prepared by the Center for Regional Economic Competitiveness using Federal funds under award ED21HDQ3070060 from the Economic Development Administration, U.S. Department of Commerce. The statements, findings, conclusions, and recommendations are those of the author(s) and do not necessarily reflect the views of the Economic Development Administration or the U.S. Department of Commerce.