

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 14, 2011
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 11-74
Update on the Greater Portland's Metro Export Initiative

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

None — information only.

SUMMARY

In response to President Obama's National Export Initiative – a challenge to the nation to double its exports in five years – the Brookings Institution (Brookings) established the Metropolitan Export Initiative (MEI). Through its research, Brookings found that U.S. metropolitan areas are leading national export growth and driving the nation's economic competitiveness. Portland, along with Syracuse, Minneapolis, and Los Angeles, were selected by Brookings through a competitive process to serve as pilot cities for the MEI. There are three primary deliverables of the Greater Portland MEI: 1) Market Assessment, 2) Export Plan, and 3) Policy Memo. A description and summary of findings and recommendations for each of these is covered in the remaining sections of this report.

While the Portland Development Commission (PDC) and the Mayor's Office are driving strategy development, key partners in the process include: Greater Portland Inc., Port of Portland, Business Oregon, Portland Business Alliance, Metro, Columbia River Economic Development Council, Portland State University, Oregon Export Council, and various local government economic development organizations.

The Board presentation will cover the following:

- Accomplishments to date,
- Key findings from the market assessment phase,
- Strategic partners involved in plan development and implementation,
- An overview of the proposed strategy and organizational implementation structure, and
- Key next steps and timelines.

BACKGROUND

The Portland Metropolitan Region's Export Moment

The Portland Metropolitan Region (Greater Portland) has an established national, and in some cases global, reputation when it comes to advanced urban planning and creating a more livable city for its citizens. The region is a pioneer in responsible land-use, multi-modal transportation, sustainable development, and innovative regional government. Greater Portland's reputation as an economic leader is less recognized, but this is changing as the region renews its focus on economic development and translating competitive advantages into economic growth.

The region is now focused on a metro economic development strategy designed to position Greater Portland as a leader in the 'next economy' through a focus on target industry clusters, innovation, and international trade. The dominant computer and electronics sector has attracted high level talent and drives innovation. With a thriving athletic and outdoor industry and a robust software development community, the region is highly attractive to the 'creative class.' At the same time, Portland is still a town that prides itself on making things, be it advanced manufacturing or hand-crafted bicycles. And with an eye to the future, Greater Portland is arguably the nation's clean energy hub, home to world leaders in wind, solar, energy storage, and green building.

We are a trading region. According to the Brookings report, "Export Nation," Greater Portland was one of only a few metro areas to double export value in the last decade, and was the second leading metro for exports as a percentage of the overall economy. Early signs are that exports will drive economic growth in the current decade as well. Trade in both manufacturing and non-manufacturing sectors accounts for 268,000 jobs in the metro region. The metro area is home to two thriving ports, Portland and Vancouver, which comprise the third largest port facility on the West Coast and serve as a gateway to world markets and a wellspring of trade expertise.

Even with all of these advantages, Portland was battered by the recent recession and has been largely unable to buck national trends in unemployment and overall growth. Deeper analysis reveals our strength as an export leader is largely driven by a relatively small number of major, globally-oriented firms that represent only a handful of industries. The export successes associated with these firms and industries contribute significantly to stabilizing the region's economy, but are not fully leveraged to translate into a broader level of economic performance among small to mid-size firms or the region as a whole.

With this in mind, our region sought out a partnership with the Brookings Institution on a MEI in Greater Portland that would maximize our regional advantages through development of a targeted export plan. Our export plan highlights the importance of industry competitiveness, innovation, and access to foreign markets in achieving economic growth and job creation. It aims to implement these strategies by identifying, through new research and analysis, the specific resources and support needed to sustain and broaden the region's position as a national export leader.

Greater Portland's export opportunity enjoys broad public and private support and enthusiasm in our metro region. At a time when the United States is seeking new ideas and strategies to meet the challenge of the National Export Initiative, Greater Portland is already positioning regional firms and economic development organizations to take advantage of emerging export opportunities. We are committed and aligned regionally around shared goals, and we know that we must make smart choices, leverage resources, and continuously seek opportunities to increase the economic impact

of our export strategy. Through our metro export strategy Greater Portland will be a national leader in delivering export-led economic growth.

Market Assessment

An in-depth *Market Assessment*, including data analysis and benchmarking, company surveys and one-on-one interviews, was conducted as a first phase. This information served as the foundation for the export plan. The key takeaways from this assessment are:

- **A Top U.S. Exporting Region:** among the 100 largest U.S. metros, Greater Portland ranks 2nd in export intensity, 12th in overall exports, and 2nd in export growth (100.9% from 2003 to 2008).
- **Dominated by One Industry:** the *computer and electronics products* industry dominates local exports (57% of total) and export growth (67.2% of total growth).
- **Company Commitment:** companies themselves must be very intentional about exporting, including on-going commitment of significant resources and time. While a few companies proactively target export opportunities, more often than not, the export opportunities are accidental or not part of a defined growth strategy.
- **Benefits of Exporting Outweigh the Many Hurdles:** companies face many hurdles in their efforts to export to new markets, such as, internal company culture, connecting to global partners, global marketing, tariffs, unfair trade, logistics, intellectual property and financing. Successful exporting companies claim the rewards far outweigh the risks and hassles related to overcoming these obstacles.
- **Lack of Awareness:** the Greater Portland economy is rich with small to mid-size firms that have limited awareness of global opportunities or local export services and programs.
- **Fragmented Export Services System:** while there is a good set of export service providers in Greater Portland to support, advise and direct companies through the exporting process, the 'system' has gaps, is fragmented and reactive in nature. Companies don't fully understand the export services roadmap or know who to go to for help. Key information/research is scattered among different agencies and export promotion is not integrated into the region's target industry strategies or business development efforts.
- **Clusters Not Being Leveraged:** Greater Portland is a top U.S. metro for innovation, skilled workforce, and certain industry clusters; however, local innovations/clusters aren't translating into an associated level of export activity.

Export Plan

Objectives

Through a heightened, intentional focus on regional economic growth, cluster development, trade and innovation, Greater Portland is working to secure and strengthen its long-term position as a competitive, sustainable, and globally integrated economic region. This export plan has four primary objectives that are designed to support this vision:

1. create and retain export related jobs;
2. promote a strong export culture among Greater Portland businesses and industries;
3. increase the number of local firms involved in regional exports and the number of markets they access; and
4. solidify and maintain Greater Portland's position as a top 10 U.S. export metro (jobs, value and growth).

Core Strategies

This plan proposes four core strategies designed to best drive attainment of the objectives:

1. support and leverage primary exporters;
2. catalyze under-exporters;
3. build a healthy export pipeline; and
4. We Build Green Cities – Globally.

Strategy 1: Support and Leverage Primary Exporters

The computer and electronic products industry (anchored locally by Intel and other semi-conductor companies) represents more than half of all Greater Portland exports and 2/3 of recent export growth. The strength and global reach of this local industry has established Greater Portland as one of the nation's leading export metros and provides the greatest opportunity to *move the dial* on regional exports, while also leveraging associated economic growth potential.

There are two primary components of this strategy:

- A. **Leverage the Supply Chain:** working with Intel, TriQuint and others in the industry, develop and implement a targeted recruitment strategy to attract operations of their key suppliers from throughout the world and an integration strategy to enable existing local companies to enter the industry value-chain. This would strengthen the relationship and coordination between these firms and their suppliers, while also increasing the regional economic and multiplier impacts as the industry grows.
- B. **Proactive Support:** provide focused, proactive, coordinated export and economic development support to the industry. Companies in the computer and electronics products industry are at the forefront of the global economy and do not require traditional export services support. Instead, efforts would be designed to best ensure Greater Portland continues to provide location advantages that allow these operations to thrive locally and grow their global reach. An account manager will be assigned to manage the client relationship with key firms in this industry on behalf of the region (could be existing contact). Issues and opportunities uncovered by the account manager will be raised to a regional *semi-conductor team* to support necessary activities and interventions related to existing operations and growth plans. This group will provide support and problem-solving in areas such as policy, infrastructure needs, workforce, and university research partnerships to best ensure our region allows these firms to thrive globally.

Strategy 2: Catalyze Under-Exporters

Under-exporters are firms that currently export and have high potential to move into new export markets, but have not aggressively pursued additional opportunities to grow through exports. During the interview process for this plan, many exporting firms stated that they are not intentional

or proactive around exports. Current exporters present one of the better opportunities to expand trade opportunities because they are already familiar with some of the hurdles, and benefits, related to global trade.

This strategy will target a defined and limited set (~10) of high potential regional firms in the advanced manufacturing cluster with proactive outreach and comprehensive services designed to open up exports to one additional market (country). Support will include:

- account management support to connect company needs to available export services;
- peer-to-peer export mentoring to align successful exporters with hesitant exporters and leverage foreign assets such as existing trade connections, facilities or resources; and
- industry-specific analysis and export promotion trade missions to the most promising markets.

The desired result would be improved company performance and long-term sustainability, direct growth in regional exports, and the potential for even more export growth as the 'culture of exports' in the industry and region evolves.

Strategy 3: Build a Healthy Export Pipeline

This strategy focuses on developing a larger, more sustainable pipeline of 'export ready' New-to-Export companies in Greater Portland. The region has a high proportion of small to mid-size firms, the vast majority of which do not export and/or have a lack awareness related to available export services. These firms represent a significant opportunity to grow exports and foster a more globally-oriented region. The proactive targets for these efforts will be firms in identified industry clusters in the region; however, this strategy is also designed to uncover businesses from all sectors that will emerge through broader export promotion efforts. The task is to identify firms with high potential to export and encourage them to take advantage of a coordinated regional export services ecosystem to sell products and services abroad.

This strategy requires the region to better coordinate existing export services, fill service gaps, ensure target companies are aware of all available resources, move companies through the export services system in a logical and tailored manner, and improve market intelligence related to products and foreign countries. This would ultimately involve connecting companies to new, high potential markets through networking, market analysis, and targeted trade missions. The key components of this strategy are:

- **Promote an export culture:** through marketing, storytelling, and events celebrating company and regional export success stories to raise regional awareness of export opportunities and services.
- **Mainstream exports and conduct proactive 'sales outreach':** make exports a core component of regional economic development efforts and reporting, on par with business attraction and retention; train economic developers on the benefits of exporting, available export services, and how to identify firms with high export potential.
- **Develop a seamless system:** develop an easy to access export services system that ties together existing, but fragmented, providers into a seamless regional exports team. Using technology develop an export 'roadmap' that guides firms and partners to the next logical

step in the process, from early 'Export 101' training seminars to planning a country visit or connecting to a potential foreign distributor.

- **Provide intensive support:** identify firms with a high potential to export and provide them with access to company specific market analysis and extensive export mentoring through an export accelerator or boot camp.

Strategy 4: 'We Build Green Cities' – Globally

This strategy takes successful Greater Portland innovations in clean tech and packages them as export solutions to global challenges. It is explicitly designed to capitalize on Greater Portland's global reputation and expertise in building sustainable, livable cities through clean technology adoption, sustainable energy generation, advanced urban design, and transportation.

The core of this strategy is intense and proactive marketing to package and sell the 'Portland Story' internationally around a set of industries and companies with high export potential. The industries involved in the clean tech cluster currently represent some of the largest and fastest growing export industries in the region, including: advanced manufacturing, transportation equipment, and professional and technical services (e.g., engineering, architecture, consulting). This strategy would also include travel and tourism, building on the 'we build green cities' branding effort to attract international conventions, meetings and tourists to the region for clean tech conferences and tours.

A website has been created to help communicate the We Build Green Cities export strategy:
www.WeBuildGreenCities.com

Policy Memo

The development of a policy memo is currently in progress. Initial federal policy recommendations identified through a working group include:

1. Match federal funding to MEI strategies:
 - Refocus U.S. Economic Development Agency grants to regions with Comprehensive Economic Development Strategies with articulated export strategies;
 - Dedicated State Trade & Export Promotion and Market Development Cooperator Program grants for regions with MEI strategies;
 - Ex-Im mechanism to overcome lending obstacles at commercial banks; and
 - Maximum support for Foreign Commercial Services overseas and U.S. Export Assistance Centers in MEI regions.
2. Improve access to federal export data.
3. Aggressive posture on trade barriers: the Federal Government already is a strong advocate, but general perception is that the playing field is not even (intellectual property, clean tech subsidies) – discourages companies from new markets.
4. Visa policy: we support any measures to streamline the B1/B2 visa process.
5. National freight strategy:

- need a national focus on urban freight and the last mile transportation infrastructure;
and
- support the National Transportation Bill and its provisions for freight corridors.

Key Next Steps

- Export plan road show to boards/commissions – Dec. 2011 through Jan. 2012
- Finalize detailed export strategy, implementation plan & policy memo – Jan. 2012
- National and local public roll-out of Greater Portland Metro Export Plan – Feb. 2012

ATTACHMENTS

None