



GO GLOBAL

SAN DIEGO'S GLOBAL TRADE
AND INVESTMENT INITIATIVE



GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE







INTRODUCTION

THE SAN DIEGO REGION IS POISED TO STRENGTHEN ITS ECONOMY THROUGH INCREASED GLOBAL ECONOMIC ACTIVITY. This initiative to boost the region's global competitiveness acknowledges the important connections between foreign direct investment (FDI) and international exports and the mutually reinforcing roles they play in supporting regional economic development. Through a multi-year collaborative process, local partners received input from more than 400 local businesses and worked with the Brookings Institution to develop this global trade and investment initiative, which updates and supersedes the Global San Diego Export Plan released in 2014.

THE RATIONALE - THE IMPERATIVE FOR SAN DIEGO TO GO GLOBAL

IN AN INCREASINGLY INTEGRATED WORLD ECONOMY, more strategic global economic engagement will prove crucial to San Diego's sustained economic competitiveness. San Diego must leverage international exports and foreign direct investment (FDI) to create jobs, increase competitiveness, and boost the region's global identity. Achieving these objectives will require a strategic and collaborative approach drawing on the relative strengths of dedicated government, industry, and academic partners.

Given the region's size and geography, San Diego does not live up to its export potential. The benefits of exporting abroad are clear, however only a small fraction of companies, particularly small and medium-sized enterprises (SMEs), actually export. Despite San Diego being the 17th largest metro area by GDP and population in the United States, the region ranks 61st in export intensity (percent of GDP exported abroad). Ongoing urbanization and the growing middle class across the globe ensure that export markets will continue to grow. Similarly, global FDI has increased more than five-fold between 1991 and 2011 to over \$25 trillion, but San Diego ranks 49th among the 100 largest metros in the

share of employees in foreign-owned firms. Building upon these global trends, the rationale for San Diego taking a more deliberate approach to global engagement is compelling:

- ▶ **San Diego's economic time is now.** Since the end of the Great Recession, San Diego has regained all 84,300 jobs lost and added another 15,100 as of July 2014. Political and fiscal stability will support continued growth, but San Diego's ability to sustain long-term economic growth and job creation will depend on its ability to attract additional investment and promote exports in the region's key innovative industries.



- ▶ **The public/private partnerships are in place.** The process of developing the Export Plan, released in 2014, already brought key partners from government, business, community groups, and academia together and built their capacity to develop and implement collaborative globally-focused programs. The momentum built through this process presents an opportunity for our region to move quickly toward implementing a joint trade and investment initiative.
- ▶ **San Diego has a powerful story to tell, especially around innovation.** San Diego's near perfect weather, world-class tourist destinations, and military presence are important aspects of the San Diego region, but they are not the whole story. The San Diego region also produces some of the world's most technologically advanced products and serves as a premier destination for investments in innovation.

- ▶ **San Diego is well-positioned to benefit from "America's Pacific Century."** According to the Brookings Institution, 66 percent of the global middle class will be in Asia by 2030, with large concentrations in China and India. As the economic importance of the Pacific Rim continues to grow, San Diego must be able to leverage its geography to participate in and benefit from Asia's rapid growth in productivity, investable funds, and purchasing power.
- ▶ **San Diego's binational location is a competitive advantage.** San Diego is one of only a few binational cross-border regions in the world. Global trends are making Mexico, and Baja California in particular, an increasingly favorable location for manufacturing. Its proximity to San Diego is a clear competitive advantage for the region.



- ▶ **Foreign ownership often results in positive benefits for regional economies.** Foreign-owned enterprises (FOEs) tend to pay employees more, invest more in R&D, and export more than domestic companies, creating multiple benefits that reverberate through regional economies.
- ▶ **San Diego's global leadership in key industries is already attracting FDI.** FDI is already happening in San Diego, much of it driven by mergers and acquisitions (M&A) in the region's leading industries, such as life sciences, wireless communications, and defense technology.
- ▶ **FDI can fill key capital gaps in San Diego.** Despite having one of the world's most innovative economies, San Diego is challenged with the availability of the necessary capital to support the creation of start-ups and company expansions that drive job growth. Similarly, challenges with federal research funding has left the region's world-class research institutes under significant budget pressure. Foreign investment could provide the necessary resources to bridge these gaps.

- ▶ **Despite these advantages and opportunities, San Diego underperforms globally.** San Diego ranks 49th in the United States in terms of the percentage of jobs in foreign-owned firms and 61st in terms of export intensity, defined as the share of the region's GDP exported abroad. A region of San Diego's size and possessing its dynamic cross-border economy should do better.
- ▶ **Foreign firms will leave if San Diego is no longer a competitive location.** The benefits of FDI are greatly magnified when a company maintains and expands its presence in the region over the long term. Local companies under foreign ownership face considerable intra-company competition for resources and consolidation which represent both a threat and opportunity to San Diego's regional competitiveness.

San Diego's global trade and investment initiative has unified key groups around common goals and priorities. It has identified strategies to build upon the economic relationships between San Diego and its economic partner regions to encourage companies to go global. The plan also examines ways in which San Diego can boost its global brand, further positioning itself as a global hotspot for medical breakthroughs and technological advancement that will attract foreign capital, talent, and companies.

SAN DIEGO'S RESPONSE TO THE EVOLVING GLOBAL ECONOMY

ACKNOWLEDGING SAN DIEGO IS AT A CRUCIAL MOMENT, the region is increasingly working together to build a stronger global presence. San Diego's competitive advantage does not come only from its innovative industries and highly educated workforce, but also the region's understanding that it must collaborate to compete. This theme resonates with a number of key initiatives, especially those with global implications, such as the Global Cities Initiative.

San Diego's participation in the Global Cities Initiative (GCI) began in 2012 when the Brookings Institution selected San Diego as one of eight metro areas to participate in the Metropolitan Export Exchange program. GCI is a joint project of the Brookings Institution and JPMorgan Chase to increase metro areas' global fluency and economic engagement. The export program was developed to help regional leaders create and implement strategic action plans to increase exports, thus accelerating economic growth. The effort culminated locally in the release of the *Global San Diego Export Plan* in early 2014 and the formation of the Global Competitiveness Council to champion international efforts.

Following the release of the export plan, the Brookings Institution announced San Diego would

be part of the Metro Foreign Direct Investment (FDI) Pilot, the second phase of the Global Cities Initiative Exchange. This cohort of six metros, including Seattle, San Antonio, Minneapolis-St. Paul, Portland, Columbus, and San Diego represent the first U.S. regions to develop global trade and investment plans, including both exports and FDI.

The process in San Diego has been led by a core team with representatives from the San Diego Regional EDC, the City of San Diego, Biocom, Qualcomm Inc., University of California San Diego and the Governor's Office of Business and Economic Development.

Robust collaboration extends beyond the region's involvement with GCI. Published in June 2014 by a cross-border coalition of industry and academic

partners, “Jobs Without Borders: Employment, Industry Concentrations, and Comparative Advantage in the CaliBaja Region” describes the collective strength of the CaliBaja region. The region entered into another cross-border coalition when it joined the Counties of Orange, Los Angeles, and Ventura in the Advanced Manufacturing Partnership Southern California (AMP SoCal) coalition on an application for a designation through the federal Investing in Manufacturing Communities Partnership (IMCP) program. The U.S. Department of Commerce selected the AMP SoCal application as one of 12 regions across the country to win the initial designation and therefore gain access to millions of dollars in federal grants to accelerate growth

in manufacturing. Both of these initiatives serve to help the region better leverage its relative strengths that come from its position on the U.S.-Mexico border as well as its concentration of employment in advanced industries.

The region’s global trade and investment initiative builds upon this increasingly strong culture of collaboration to deepen its position as a global economic leader. Utilizing the findings from the market assessment, the San Diego region can extend these collaborative relationships to key markets around the globe.



KEY FINDINGS FROM THE MARKET ASSESSMENTS

THE DEVELOPMENT OF A STRONG global trade and investment strategy for the region requires a deep understanding of what drives the region's economy.

METHODOLOGY

Since San Diego's participation in GCI began in 2012, key partners have undertaken two robust market assessments, one focused on exports and the other on FDI. The combination of the market assessments includes deep analyses of export and investment data provided to the research partners by Brookings. The assessments included survey responses from more than 400 business leaders, including over 50 in-depth one-on-one company interviews. The research sought to uncover the strengths and weaknesses of the San Diego trade and investment economy and identify trends and patterns in the quantitative and qualitative data. The following summary of key findings serve as the baseline for the development of the regional trade and investment initiative.



KEY FINDINGS ON THE INTERSECTION OF INTERNATIONAL EXPORTS AND FDI

Research on exports and FDI shows that the two are interrelated and mutually reinforcing, and San Diego's assessment confirms this:

- ▶ The innovation-based industry clusters that produce San Diego's leading exported goods and services are also the drivers of FDI into the region. Reinforcing this relationship, FDI in these industry clusters has catalyzed international exports as parent companies open new markets for San Diego establishments.
- ▶ San Diego's highly-skilled workforce and world-class research capabilities serve as pillars of support for the industries that generate exports and attract FDI.
- ▶ Western Europe and East Asia, especially Japan and the United Kingdom, are both top sources of FDI and top destinations for exports from San Diego.
- ▶ The region's position on the border with Mexico is a competitive advantage for both exports and FDI, especially in advanced industries.
- ▶ Global economic engagement offers enormous growth potential. However, companies are not equipped with the information and resources to help them export their products or attract attention from foreign investors.
- ▶ The region does not deliver a clear story of its value proposition to global investors and customers.

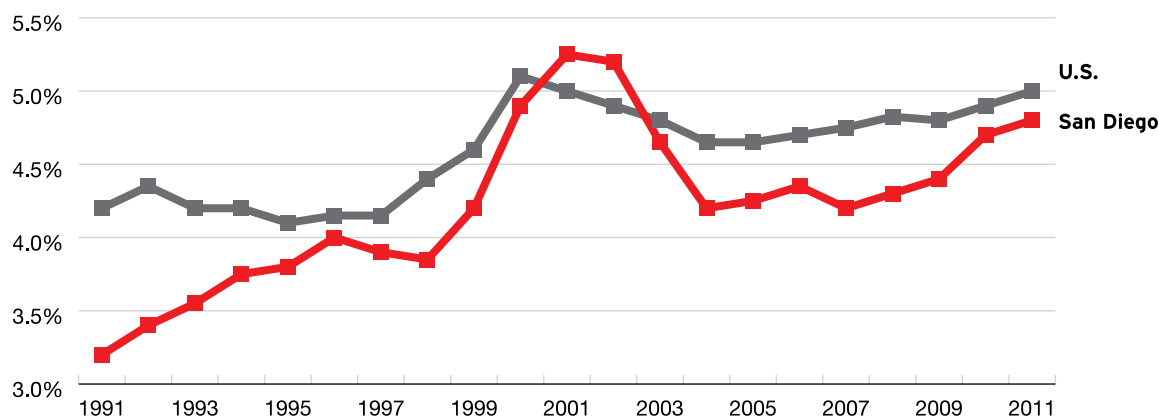
One broad finding from the market assessment revealed that business, political, and academic leaders in the San

Diego region are looking at international engagement through a new lens. They now place more importance on the broad-based civic infrastructure necessary to help the region and its companies increase their global fluency and leverage opportunities to go global. Where there once was the belief that one organization should be responsible for promoting cross-border activity or equipping companies to expand their international footprints, now all groups are integrating global engagement into their efforts, and there is general buy-in that the economic development dialogue must include the value of exporting and foreign investment.

\$ KEY FINDINGS FROM THE MARKET ASSESSMENT: FOREIGN DIRECT INVESTMENT

San Diego is underperforming on FDI. Although San Diego ranked 18th out of the 100 largest U.S. metro areas in total export value and export supported jobs, and ranked 17th in GDP and population size, in 2013, the region was only 49th in terms of the percentage of employees working in FOEs. Furthermore, except for a brief period in the early 2000s, San Diego's percentage of total employment from FOEs has lagged behind the percentage for the U.S., although the gap appears to be shrinking. This could be explained by San Diego's high concentration of FOEs in advanced industries, which suffered modestly during the Great Recession compared to the broader economy.

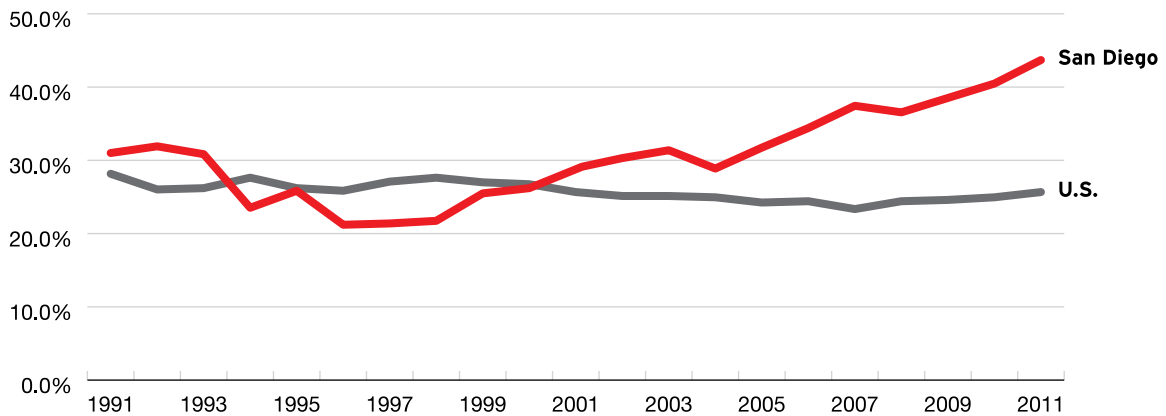
Percentage of Total Employment from FOEs



San Diego has a high concentration of FDI in advanced industries, with particular strength in life sciences.

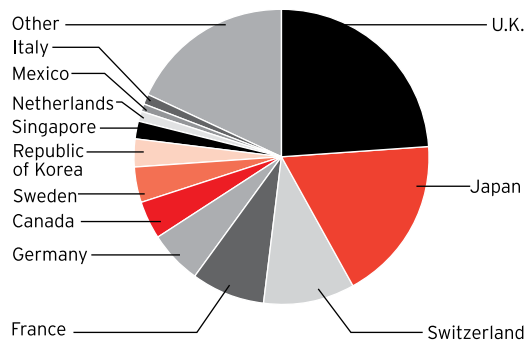
While the percentage of U.S. advanced industry FDI remained stagnant at around 25 percent between 1991 and 2011, the same metric increased to 44 percent for the San Diego region, accounting for approximately 22,000 of the total jobs in FOEs. Advanced industries—such as semiconductors, pharmaceuticals, precision instruments and aerospace—are high value-added clusters that create exportable products. Interviewees regularly identified San Diego's strength in life sciences as a key advantage for the region. Foreign investment in advanced industries, including life sciences, is indicative of San Diego's global leadership in innovation, often fueled by one of 88 research institutions in the region.

Employment in Advanced Industries as a Share of Total FDI Employment

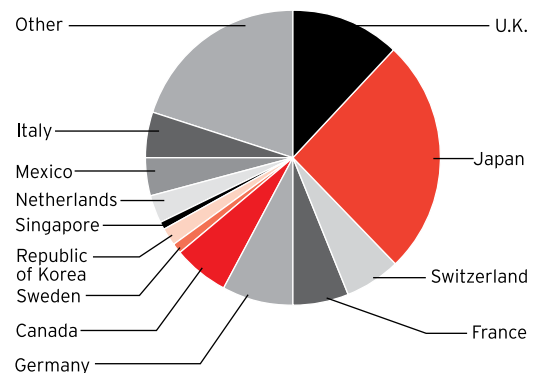


Western European and East Asian metros are the top sources of foreign investment in San Diego. Eighty percent of foreign-owned establishments (FOEs) come from just 12 countries, dominated by the United Kingdom and Japan. More than half of jobs in FOEs are in firms headquartered in 10 metros: Tokyo, London, Paris, Cambridge, Stockholm, Geneva, Basel, Seoul, Munich, and Oxford. Certain countries also invest heavily in key local industries. For example, the United Kingdom is particularly strong in precision instruments, aerospace, and ship building, while Japan is heavily invested in semiconductors, pharmaceuticals, and audio/visual equipment.

FDI Jobs in San Diego, 2011



FDI Establishments in San Diego, 2011



Mergers and acquisitions (M&A) and greenfield investments are key drivers of FDI in San Diego. Of the FDI jobs that came to San Diego between 1991 and 2011, 60 percent did so through M&A activity. This represents 72,615 jobs that transferred from domestic to foreign ownership. Post-acquisition, some companies continued to grow from the influx of new capital and access to foreign markets while others experienced staff reductions due to consolidation and closures. Others saw another change in ownership bringing the company back under domestic control. The data reflect a common theme of the company interviews. In that story, the San Diego operation often faces intense competition for resources with other U.S. locations as well as company outposts across the globe after the M&A

The dynamic along the U.S.-Mexico border reinforces San Diego's position as a powerhouse for advanced industries.

not more competitive than other domestic U.S. locations. Second, greenfield investment from small and medium sized businesses (SME) plays an increasingly important role in San Diego's competitiveness. Numerous interviews suggested that foreign SMEs are looking to establish a San Diego presence as a beach-head to their broader California and U.S. market interests. While greenfield investments that bring large operations with hundreds of employees are important, the average greenfield investment at time of entry was 27 employees. The future presence of foreign SMEs in San Diego is dependent upon access to capital and strategic partners in the region.

San Diego's high-quality and diverse workforce is consistently identified as a key differentiator for the region's global competitiveness. Interviewees touted San Diego's well-educated workforce as a key competitive edge for the region. The high concentration of FDI in advanced industries, which require a highly-skilled workforce, draws more skilled workers to the region, leading to a deeper talent pool to propel innovative companies forward and attract more investment. When comparing San Diego's top source markets for FDI with talent data, an interesting trend emerges where leading metro areas, such as Seoul, Stockholm, and Cambridge, also have a high percentage of residents with advanced STEM degrees.

According to the U.S. Census Bureau, more than one third of the region's population holds a bachelor's degree, while more than 13 percent hold an advanced degree. These figures are well above most U.S. peers and the U.S. average, and the region continues to attract new educated young residents. In terms of STEM educated degree holders, San Diego is one of the most concentrated metros in the United States, with nearly 40 percent of the region's degree holders having their first degree in a STEM field. In addition, Bureau of Labor Statistics figures show that approximately 8.5 percent of San Diego's workforce is concentrated in STEM-specific occupations, which is more than one-and-a-half times the U.S. average. Beyond educational attainment, the region's population is also internationally diverse. San Diego is one of the most internationally fluent in the U.S., as 21.8 percent of San Diego residents are multi-lingual and English proficient. Likewise, 23.7 percent of the population is foreign born, one of the highest shares in the United States.

The dynamic along the U.S.-Mexico border reinforces San Diego's position as a powerhouse for advanced industries. Forty-five percent of Tecate and Tijuana's jobs in FOEs are in advanced industries, especially in semiconductor devices, medical devices and electrical equipment. Many foreign firms in San Diego, such as Kyocera and Sony, maintain operations on both sides of the border to leverage their respective R&D and manufacturing expertise and advantages. Additionally, one-third work at companies reporting California as the location of their headquarters, reinforcing the symbiotic relationship that exists along the border. With increased interest in nearshoring manufacturing from China and other Asian markets to North America, Baja is a key asset for the greater San Diego region.

event. Many companies operating in San Diego must regularly prove to their foreign headquarters that the site should be the center of consolidation activity and additional investment rather than the victim of efforts to reduce costs and streamline operations. This competition creates important business retention and expansion opportunities that require the same strategic approach dedicated to attracting FDI in the first place.

Forty percent of new FDI jobs from 1991 to 2011, representing 29,470 jobs, came to San Diego through greenfield investment. Data analysis and interviews of greenfield investors have resulted in two key findings. First, despite a foreign company's significant investment, these facilities are at risk if the San Diego presence is

Alternative forms of FDI have potential, but current data does not point conclusively to a robust strategy to address local capital gaps. Venture capitalists and entrepreneurs agree that capital is limited when compared to start-up hubs, such as the Bay Area and Boston, despite what they identify as an equally innovative and driven start-up community. In fact, San Diego has the second highest number of patents per capita in the world, yet it ranks a distant eighth in terms of the amount of venture capital activity in the region. San Diego falls to 16th when biotech and medical devices are not included in venture capital activity statistics, indicating that other advanced industries are particularly starved for capital.

Many San Diego-based venture capital firms actively seek out foreign investment to serve as limited partners in their funds and/or co-investors in their companies with varying levels of success. While they agree there is no shortage of world-class innovation happening in San Diego, venture capitalists cite the region's global identity, often associated with tourism rather than laboratories and machine shops, as a key reason why more foreign investors are not directing necessary capital to San Diego. At the same time, EB-5 investments, which could offer funding to support innovation, have been nearly entirely focused in lower-risk real estate projects. The recently founded San Diego Regional Investment Center hopes to expand the use of EB-5 investments into San Diego's innovation economy, but there is no clear path to better leverage this program. Similarly, San Diego does not yet fully understand the dynamics associated with another alternative form of foreign capital, sovereign wealth funds, which could provide companies with necessary resources to fuel research and commercialization, as well as major public infrastructure projects that could better connect San Diego to global markets.



KEY FINDINGS FROM THE MARKET ASSESSMENT: EXPORTS

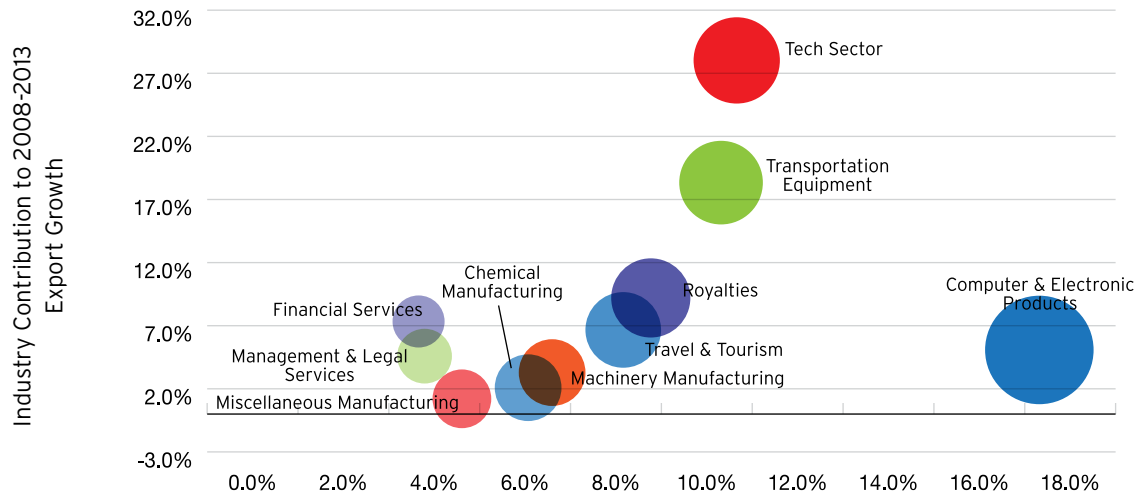
San Diego is underperforming on exports. Although San Diego ranked 18th of the 100 largest metro areas in total export value, export-supported jobs, GDP, and population size in 2013, the region was only 61st in terms of export intensity—total export value as a share of the region's GDP. While San Diego's export value and export intensity grew significantly from 2003 to 2013, the region's position among U.S. metro areas remained relatively stagnant. San Diego's real export value from 2008 to 2013 grew at an annualized rate of 2.6 percent, the same as the U.S. growth rate. While exports kept pace with the rest of the nation, San Diego's export intensity grew from 6.7 percent in 2003 to 9.3 percent in 2013, but its position among the largest 100 U.S. metros fell from 58th to 61st during that period. With this relative drop in export intensity, San Diego's competitiveness among other metropolitan areas is suffering, despite exports playing an increased role in the region's overall economy.

Advanced industries are driving both goods and services exports, as well as their growth. Both the region's fastest growing and largest export sectors are advanced industries, reinforcing San Diego's global leadership in innovation. The top five and top ten industries account for almost 57 percent and 85 percent of all exports, respectively.

Of the top 10 export industries, five are goods producers and account for more than \$8.6 billion of total exports. These goods industries are computer/electronic products, transportation equipment, machinery, chemical, and miscellaneous manufacturing. These industries are key components of San Diego's traded clusters, including information and communications technologies (ICT), aerospace, maritime, medical devices, biotechnology, and sports and active lifestyle.

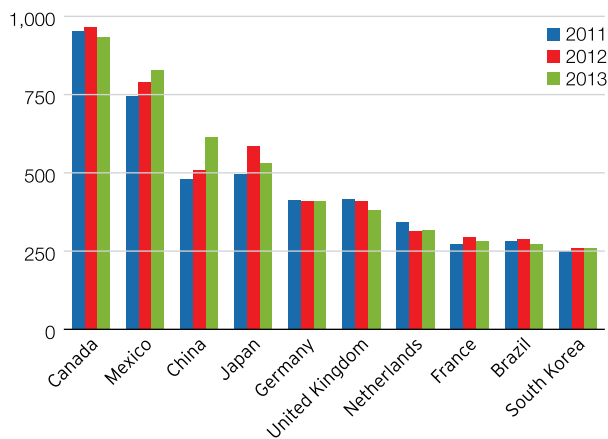
Services account for 45 percent of San Diego's exports. The leading services exports, which include the tech sector, royalties, and tourism, are valued at nearly \$5.3 billion. Research and development services account for 77 percent of the tech sector's export value and 85 percent of its growth from 2008–2013. In fact, R&D is the second largest export from San Diego, representing 8.4 percent of total exports. San Diego's relatively high concentration of service export activity in business services, tourism, and information offers the region a competitive advantage: these industries have continued to grow since the recession and have maintained their competitiveness relative to the national economy.

Industry Share of Exports (2013)



San Diego's top export markets include Canada, Mexico, Japan, China, and the United Kingdom. The top U.S. export markets for San Diego's largest goods export industries are Canada and Mexico, followed by China and Japan, then a handful of top European markets, Brazil, and South Korea. While localized data on services export markets does not exist, analysis of top U.S. services markets suggests that Canada and the United Kingdom in particular are more important markets for San Diego than suggested by goods export data. Of the top five export markets, only Japan and the United Kingdom are also in San Diego's top five markets for foreign investment.

Top 10 Export Markets, Largest San Diego Goods Export Industries By Export Value (\$000,000s)



Top 10 U.S. Services Export Markets (\$000,000s)

Canada	63,281
United Kingdom	60,269
Japan	46,270
China	37,761
Ireland	31,740
Mexico	29,855
Germany	27,529
Switzerland	27,372
Brazil	26,640
South Korea	20,904

San Diego's exports are shifting toward the Pacific Rim. Between 2008 and 2013, U.S. export growth was overwhelmingly concentrated in four regions: Southeast Asia, the Middle East, Latin America and East Asia. Only nine major international trading partners, all from these regions, experienced export growth above the U.S. global average. During this period, exports to the U.K. and Germany fell by more than 15 percent, while San Diego-focused trading partners like Mexico, South Korea, and China all outpaced the global average growth rate of 19 percent. Trade to China grew by more than 74 percent during this period.

Looking specifically at industries in which San Diego has a competitive advantage, there is a similar trend toward Asian markets. From 2008 to 2013, U.S. transportation equipment exports to China nearly tripled, and transportation equipment exports to South Korea grew by more than 40 percent. Chemicals exports during that period also experienced explosive growth in the Asian market. Given San Diego's concentration in these growing industrial and geographic markets, this quantitative analysis combined with findings from interviews support a focus on Pacific-centered trade.

The lack of available information on exporting hinders company efforts to go global. The vast majority of survey respondents identified the lack of knowledge on how to get started with exporting or the availability of resources to support efforts to go global as the most prevalent barriers to exporting. Despite the benefits of increased sales, growth, and profits associated with exporting, many export-ready companies remain ambivalent to, if not unaware of, opportunities to enter foreign markets. Acquiring the necessary knowledge, professional talent, and foreign partners requires extensive networking or support from export assistance providers and/or in-house company capacity and resources to pursue and manage global opportunities. Interviewees cited their professional networks and business associations as the primary source for export market information, often noting how their networks were pivotal to their initial entry into exporting. Export assistance providers offer services targeted at reducing the risk, costs, and challenges of entering foreign markets. However, many were unaware that such services exist.

San Diego's infrastructure can be a severe bottleneck for global companies. Interviews with exporters and would-be exporters revealed the key relationship between infrastructure and export success. They listed infrastructure as a barrier to exporting, second only to the lack of available information and resources. Companies identified two of the most important infrastructure types needing improvement as the airport and the port, indicating that the modernization of both would help companies better access global markets. Additionally, research conducted by the San Diego Association of Governments (SANDAG) demonstrated that border wait times cost the region \$6 billion in annual economic activity and the equivalent of 51,000 full-time jobs.

Both the region's fastest growing and largest export sectors are in advanced industries, reinforcing San Diego's global leadership in innovation.

GO GLOBAL - GOAL, OBJECTIVES AND STRATEGIES

GOAL

With a keen understanding of San Diego's current situation and a collective desire to improve the region's global position, key stakeholders have organized themselves around one unifying goal:

Maximize San Diego's economic competitiveness and prosperity through increased global engagement.

OBJECTIVES

Based on key findings from the market assessment, the San Diego global trade and investment initiative has three primary objectives to support the goal of maximizing the region's global competitiveness:

- 1 Drive job growth through expanding FDI and international exports.
- 2 Deepen economic ties between the San Diego region and strategic markets.
- 3 Enhance our regional identity to increase the region's global fluency and competitiveness.

STRATEGIES

Derived in direct response to the key findings of the market assessment, the following strategies and tactics convert broad objectives into actionable approaches.

STRATEGY 1 CATALYZE GROWTH OF ADVANCED INDUSTRIES

The San Diego region will build upon its leadership in advanced industries to catalyze increased global engagement. This strategy calls for strengthening relationships with other metro areas around the world with similar expertise in the innovative clusters, especially life sciences and wireless communications, that are at the heart of San Diego's economy. Through a targeted challenge grant program, as well as in-bound and out-bound travel to priority metro markets, the region will attract investment and deepen interest in the innovative products and services developed and manufactured in CaliBaja.

➤ **TACTIC 1: Award MetroConnect Prize**

- Institute a MetroConnect Prize challenge grant program to strengthen ties to other innovation-intensive metros, starting with Seoul, Cambridge, and Stockholm. The program will provide funding—through a competitive process—to export-ready SMEs in advanced industries to secure customized services, such as market research and matchmaking, and complete activities, including travel to industry-recognized partnering events happening in key metro areas, that will cata-



lyze further global engagement among the selected companies. These three global metros are top 10 economic partners for the San Diego region, and their interests in San Diego focus on advanced industries, particularly wireless communications and biotechnology.

➤ **TACTIC 2: Host Discover Global San Diego**

- Bring foreign investors and buyers to San Diego to learn about the region's innovations and industries. Based on the International Trade Administration's model for "Discover Global Markets," this annual or biannual program will highlight opportunities for foreign businesses, funds and governments to invest in San Diego businesses and expose them to products or services developed and produced in San Diego that would be ripe for import. The program would also include tours of both sides of the U.S.-Mexico border.

➤ **TACTIC 3: Focus on Delivering Coordinated, High Impact Trade Missions**

- Leverage Team San Diego, consisting of representatives of San Diego's Core Team, leading trade organizations, businesses, elected officials, and bi-national partners to lead three well-coordinated, high-impact trade missions per year to high-opportunity markets. These trade missions will focus on advanced industries and leverage both the Brookings Institution and National Geographic "World Smart Cities" relationships.

STRATEGY 2 DRIVE INNOVATION THROUGH TALENT - STRENGTHEN THE WORKFORCE OF TODAY, DEEPEN THE WORKFORCE OF THE FUTURE

Understanding the key relationship between human capital, production, innovation, and investment, the region will work to ensure a robust pipeline of talent for the workforce of the future while ensuring companies have access to the workforce of today that will power their growth. This strategy aims to attract, retain, and produce employees and entrepreneurs that will fuel

economic activity and promote global interest in San Diego.

➤ **TACTIC 1: Inform and Inspire Students**

- Host four Link2 Industry events each year, highlighting career paths in San Diego's innovation clusters, focusing initially on wireless communications and life sciences. These forums, which feature industry leaders discussing career pathways with students, will start at colleges and universities, and partners will consider how to expand this series to better reach ethnic population centers throughout San Diego where residents are globally connected but under-represented in advanced industries. In the same vein, the region will seek opportunities to expand the success of the Qualcomm Thinkabit Lab to other STEM-related industries to expose students to the fundamentals of coding and engineering.

➤ **TACTIC 2: Implement a Global Identity Campaign**

- Develop a robust online presence that highlights the benefits and opportunities of living and working in the San Diego region. An important early step will be convening a grassroots network of local innovators and civic leaders who will share the story of San Diego's strengths on social media with the #GoSan-Diego campaign. Partners will also include San Diego's ethnic populations, who have strong ties to San Diego's top export and investment markets, in the network. Members of this network and regional partners will be able to direct prospective employees, entrepreneurs and investors to an interactive landing page that delivers the San Diego story.

STRATEGY ③

REALIZE CALIBAJA'S POTENTIAL THROUGH CONNECTIONS WITH PRIORITY AND EMERGING MARKETS

This strategy aims to deepen connections and partnerships in the CaliBaja region and in markets where San Diego has existing and rapidly emerging trade and investment opportunities. The strategy outlines a set of tactics based on “Where We Need to Be: Access Counts” and “Where We Are From: Capitalize on CaliBaja.” A first priority will be to build relationships with the key metropolitan regions within select markets with significant potential. A second and equally important priority is to position CaliBaja as the premier location where companies can do research, development, commercialization, manufacturing, and exporting.

WHERE WE NEED TO BE: ACCESS COUNTS

➤ **TACTIC 1: Establish Two Additional Foreign Offices in San Diego**

- Advocate for international partners to establish two additional foreign offices in San Diego by late 2016 to strengthen the trade and investment relationships with other key markets. Foreign offices could include those of career consulates, incubators, accelerators, or foreign trade associations. The region will focus its advocacy efforts on the top trade and investment markets identified in the market assessments.

➤ **TACTIC 2: Install a San Diego Presence in Priority Markets**

- Determine the feasibility of setting up trade offices representing state and local interests and supporting two-way economic exchange in top trade and investment markets, such as Mexico, Japan, the United Kingdom, Korea, and France. Using the existing market analysis as a baseline, regional stakeholders will be able to identify what opportunities exist to

deepen San Diego's presence on the ground in key markets. Just as the Bay Area Council funds the state of California's office in China, business and civic leaders in San Diego will determine what financial resources, if any, they will contribute to the establishment and operation of foreign offices.

➤ **TACTIC 3: Create Market Profiles with Support from the U.S. Commercial Service and SelectUSA**

- Produce market profiles for San Diego as well as its top 10 investment and export markets. The market guides will provide information that Foreign Service Officers will share in their respective international markets, highlighting opportunities to import products and services from San Diego or invest in companies and projects. Similarly, market guides could be provided to potential exporters to equip them with relevant resources, a list of potential importers or distributors by market, and buyer needs from around the world. This collaboration between local partners and the International Trade Administration is particularly important in major emerging markets, such as India and China. These markets will witness the majority of the growth of the global middle class and require that businesses have a consistent market presence and deep knowledge of cultural and business practices.

➤ **TACTIC 4: Activate Alumni Networks in Key Metro Markets**

- Hold alumni events in conjunction with San Diego trade and economic missions to priority markets, especially in Pacific Rim countries that send students and researchers to San Diego's universities and research institutions. The events will serve as opportunities to update attendees on the latest innovations happening in San Diego and position San Diego as a ripe market for investment.

➤ **TACTIC 5: Attract Alternative Forms of FDI.**

- Determine the viability of using alternative forms of FDI, such as EB-5 and sovereign

wealth funds, to fill San Diego's capital gaps, especially for start-ups, company expansions, infrastructure projects, and research institutions. Initially, the region will target foreign markets with a particular interest in San Diego products or innovation, such as a country focused on rapidly improving healthcare outcomes. If this option proves viable, regional partners will prepare a list of priority projects for investment.

WHERE WE ARE FROM: CAPITALIZE ON CALIBAJA

► **TACTIC 1: Showcase San Diego and Baja as One Region**

- Highlight the strengths of CaliBaja through a targeted series of events, workshops, and publications. Quarterly cross-border export and FDI focused forums and tours for local businesses and civic leaders will serve two benefits: 1) help them better promote the binational advantage to their peers and 2) encourage them to think about the binational advantage for their own manufacturing and production needs. Additionally, regional partners will publish and disseminate a monthly spotlight of one company doing international businesses on both sides of the border. This will support increasing awareness of the benefits of the binational region.

► **TACTIC 2: Strengthen Economic Development Communication and Coordination**

- Institute quarterly meetings between economic development staff on both sides of the border, alternating between Tijuana and San Diego so both teams can best articulate the benefits of the cross-border dynamic. Both sides of the border will better achieve their collective goals through stronger communication, including improved coordination of projects and trade show participation, sharing of data related to exports, and engagement on efforts with binational impacts.

► **TACTIC 3: Expand the Link2 Industry Program to Mexico**

- Hold at least one Link2 Industry forum annually for students in Baja highlighting career opportunities in advanced industries on both sides of the border.

► **TACTIC 4: Expand the MetroConnect Prize to Mexico**

- Provide opportunities for Baja-based companies to apply to receive funds and support through the MetroConnect Prize.

STRATEGY ④

MAINSTREAM GLOBAL ACTIVITY AS A KEY COMPONENT OF REGIONAL BUSINESS RETENTION AND EXPANSION EFFORTS

The region will develop and implement a dedicated economic development effort focused on retaining and expanding global companies. Understanding company expansions are responsible for a large portion of job growth in the region and FOEs regularly face the threat of consolidation, this strategy focuses on working directly with companies, elected officials, business organizations, and research institutions. This deliberate approach to business retention and expansion will help protect and enhance investments in the region while promoting opportunities for companies to grow through access to foreign markets.

► **TACTIC 1: Strengthen Business Retention and Expansion for Global Companies**

- Execute a company-centric business retention and expansion initiative around exporters and foreign-owned firms in advanced industries. An M&A rapid response protocol will provide formal welcome and follow-up after each foreign and domestic acquisition. It will contribute to a broader initiative to empower local leadership of FOEs to position the San Diego footprint as a strong candidate for further investment. One of the initial programs will be to hold a minimum of 25 company meetings annually to connect corporate leadership with export assistance resources.

➤ **TACTIC 2: Educate Regional Leadership on International Business Opportunities and Risks**

- Host a series of events and forums to inform regional business, political, and civic leadership about FDI and exporting. An annual or biannual marquee event beginning with a summit in 2015 will regularly bring together experts to share information and serve as the launching pad for regional programs and initiatives. Quarterly roundtables for business and political leadership with exporters and FOEs will help regional leadership learn about these companies and the issues they face.

➤ **TACTIC 3: Connect Export and Investment-Ready Companies to Available Resources**

- Produce export and investment roadmaps in 2015 for both would-be exporters and investors. This will serve two purposes. First, it will raise awareness of the multitude of resources available, including market research, financing, etc. Second, it will demystify the process of going global and aid in the navigation of the various programs companies can tap into. An ancillary benefit of the roadmap will be the ability to identify gaps in programs and resources that could be filled through new programs and models. Workshops and regular one-on-one company meetings will serve to connect corporate leadership with the export assistance resources laid out in the road map.

➤ **TACTIC 4: Build a Proactive Protocol Network of Civic and Business Organizations**

- Institute a robust international affairs or protocol network in the San Diego region. This function will better equip the region to handle foreign delegations. However, not all delegations are created equal, and regional partners will use a process for identifying low-priority and high-priority delegations. The region will need to collaborate to ensure there is a consistent protocol in place for handling high-priority delegations and pursuing opportunities with them appropriately.

➤ **TACTIC 5: Reinforce Research Institutions Leading Innovation**

- Articulate the crucial role of the research institutions by engaging them more proactively in San Diego's broader global business interests and conducting an economic impact analysis in 2015. Partners can also highlight the importance of the research institutions though introducing local elected leadership to them so officials better understand the issues and opportunities they face, and can advocate for research funding accordingly. This will also help better position research institutions to become recipients of foreign investment should opportunities arise.

Key stakeholders have organized themselves around one unifying goal: maximize San Diego's economic competitiveness and prosperity through increased global engagement.



STRATEGY ⑤ MAXIMIZE INFRASTRUCTURE ASSETS

The region needs modern and efficient infrastructure to best position San Diego for global economic connectivity. This strategy aims to maximize the extent to which the region's infrastructure assets are resources for both importers and exporters, many of whom are FEOs, since inefficiencies related to two-way movement of goods and people may cause companies to consider expansion or relocation elsewhere.

➤ TACTIC 1: *Modernize Key Infrastructure Assets*

- Complete projects and plans to improve the region's three ports of entry by land, sea and air. Finalize the Airport Development Master Plan, which will guide future development at San Diego International Airport until it reaches its maximum capacity. Adopt a long-range plan for the Port of San Diego that will maximize cargo and cruise ship capacity. Enhance rail service in the region to expand capacity for freight and passenger trains. Integrate state-of-the-art technology at the region's land ports of entry to improve border wait times and improve the flow of commercial and passenger traffic.

➤ TACTIC 2: *Increase Exports Through the Port of San Diego*

- Conduct meetings with each of the cities in San Diego County as well as county government to explain the export opportunities with the Port of San Diego by the end of 2015. Leverage these meetings and relationships with each jurisdiction's respective economic development staff to reach out to prospective exporters, especially those currently exporting container and break-bulk cargo through other sea ports on the West Coast. Participate with relevant trade development organizations and agencies to offer educational programs and case management assistance to SMEs to facilitate export potential.

➤ TACTIC 3: *Retain and Attract International Flight Routes to Key Markets*

- Secure three additional international routes by 2018 providing further access to key markets in Asia, Europe, and South America. While current routes provide direct access to Canada, Japan, the United Kingdom, and Mexico, additional routes will further promote economic activity between San Diego and priority markets.

PERFORMANCE MEASUREMENT

DETERMINING THE SUCCESS OF THE GLOBAL TRADE AND INVESTMENT INITIATIVE will require ongoing measurement of metrics that assess performance relative to the core objectives and strategies outlined in the plan. While the initiative aims to make progress on high-level indicators such as unemployment, jobs created, and total export and FDI value, those tend to be subject to macroeconomic forces that are beyond regional control. To address this issue, the region will emphasize activity-level metrics, which partners can control. The region will track progress on each tactic, as demonstrated below.

Example Performance metrics:

- ▶ Catalyze Growth in Advanced Industries
 - Host Discover Global San Diego summit
 - Number of challenge grants awarded
 - Qualitative feedback through first person case studies of businesses receiving MetroConnect Prize support
 - Total value of funds and ancillary services provided through MetroConnect Prize
 - Incremental increase in export sales and foreign investment as a result of the MetroConnect Prize
 - Diversification of export industries

The same approach will be taken with each of the other strategies, and will be detailed in the forthcoming implementation plan.

In addition, the region will track impact metrics, which partners can influence but are also affected by other factors. The below chart details targets that the region aims to hit as a result of plan implementation. Together, these will help the region determine its progress in implementing the plan and the level to which it is affecting global economic engagement.

METRIC	BASELINE	DATE	TARGET	DATE
San Diego metro area export value (\$ Billion)	18.4	2013	>24	2020
San Diego metro area export value (rank among metros)	18	2013	Top 15	2020
San Diego export share of GDP (percentage)	9.3%	2013	>12%	2020
San Diego export share of GDP (rank among metros)	61	2013	Top 50	2020
Total export-supported jobs (number)	110,840	2013	>135,000	2020
Referrals of companies ready to export or export more (number)	N/A	2014	50 per year	2014-2020
Total employment in foreign-owned enterprises (number)	48,730	2011	>65,000	2020
Employment in advanced industries as a percentage of total employment in FOEs	44	2011	>55	2020

Note: Baseline amounts based on data provided by the Brookings Institution

While the percentage of U.S. advanced industry FDI remained stagnant at around 25 percent between 1991 and 2011, the same metric increased to 44 percent in the San Diego region, accounting for approximately 22,000 of the total jobs in FOEs.



IMPLEMENTATION PLAN SUMMARY

THE SUCCESSFUL IMPLEMENTATION OF THE GLOBAL TRADE AND INVESTMENT INITIATIVE requires coordinated and collaborative efforts involving cross-sector partners from both the U.S. and Mexican parts of CaliBaja. The Global Competitiveness Council (GCC), a group of c-level business, academic, government, and civic partners, will:

- Oversee implementation of the initiative goals and objectives
- Help generate public support and financial resources for the broad initiative
- Issue periodic trade and investment policy recommendations on behalf of the region.

The San Diego Regional Economic Development Corporation (EDC) will take the lead on convening and staffing the GCC and associated committees on an as-determined regular basis. EDC will work with GCC members to ensure its membership reflects regional and industry balance across the binational metro area. While the roster may evolve, the GCC will initially include representatives from local, state and federal government, major infrastructure assets, trade associations, area colleges and universities, and companies dedicated to deepening San Diego's global reach.

EDC will also serve as the lead program manager for implementation of the initiative, and it will coordinate implementation of the various activities outlined in the plan with regional business, civic and academic partners. At the initial meetings of the GCC, EDC will work with the

partners to identify a lead organization(s) and those that will play a supporting role for each of the tactics outlined in the plan. When appropriate, EDC will enter into MOUs with partners to delineate roles and responsibilities as projects arise or require specific leadership.

The success of this initiative will not be marked by the launch of a new organization or program, but rather the mainstream emphasis on global engagement across all facets of the San Diego business and civic communities. With that said, project management, marketing and administrative support will require initial funding beyond what is already provided. Organizations involved in this initiative will provide in-kind staff support and EDC, with the guidance of the GCC, will lead efforts to attract private and public sector dollars to support execution activity.

POLICY MEMO SUMMARY

IMPROVING SAN DIEGO'S GLOBAL ENGAGEMENT requires civic and business leaders to work together to advocate at the local, state and federal levels for policy priorities and recommendations that will leverage the region's strengths in the global marketplace. The San Diego region has identified a series of priorities and recommendations to support the efforts of the Global Trade and Investment Initiative. This document is a summary of those priorities and will evolve over time, especially as new situations and issues arise:

SUPPORT THE GROWTH OF A WORLD-CLASS WORKFORCE

Many innovation economy employees and entrepreneurs are immigrants to the United States, and a good number of them first came to San Diego and the United States as college and university students. As such, the region supports immigration policies that support foreign students' ability to stay in the United States after graduation. Similarly, the federal government should expand visa programs for foreign-educated STEM professionals and entrepreneurs that will further innovation.

The workforce of the future rests on the region's and the nation's ability to educate the next generation of business and civic leaders. In funding for education, all levels of government should prioritize STEM-related fields and skills so that students build an interest in manufacturing, production and innovation early in their careers. Similarly, engaging more local students

in STEM will help create pathways out of poverty and address a growing skills gap in the region. Additionally, international engagement should be a critical element of school curriculums. This will help build the region's global fluency and interest.

INVEST IN INFRASTRUCTURE

Businesses identified San Diego's infrastructure assets among the key barriers to global engagement. To ensure San Diego's regional infrastructure catalyzes and supports global economic activity, rather than hinder it, policies which dedicate funding to expanding and improving infrastructure should be established.

The first step in this process is prioritizing infrastructure projects that help move goods and people around the world, namely the U.S.-Mexico border crossing, the Port of San Diego, and San Diego International Airport. Business and civic organizations have two crucial



roles to play: first, to advocate for the most effective improvements and second, to build broad-based community and business support for these massive multi-year projects.

Full funding for inspection services and customs at all ports of entry can reduce wait times and increase international activity, especially at the San Ysidro and Otay Mesa border crossings and the airport. Further promotion of trusted trader and traveler programs will promote further international travel and reduce wait times. Expanded use of technology will improve the efficiency of the region's borders, and further funding for commercial crossings will further promote economic activity across CaliBaja.

Government can further support infrastructure investments by facilitating the development of public-private partnerships (PPPs) that are cost-effective for government and potential vehicles through which partners can attract foreign investment for infrastructure projects. PPPs will complement the other infrastructure funding sources, such as TIGER grants, and should be fully funded each year, if not expanded, to meet growing infrastructure needs. California should continue to leverage the I-Bank as a tool for infrastructure financing, and the region will advocate for the federal government to put in place a similar program. Similarly, as federal policy makers consider taking action on the repatriation of profits, they should consider removing penalties and fees for funds used for infrastructure and job creation activities.

FUND GOVERNMENT GLOBAL ENGAGEMENT

Loan guarantee programs, such as Export-Import Bank, should be regularly funded by the federal government. The State of California can further leverage this tool by restoring the California Export Finance Office to provide SMEs and their creditors with the confidence to go global. While working capital loan guarantees are an important tool, they also present some challenges, especially for community banks and credit unions with a would-be exporting SME as a client. Governments should examine other types of financing programs to bridge this gap. Strengthening the State Trade and Export Program (STEP) and securing Regional Export Accelerator Challenge (REACH) grants for the San Diego region will also be crucial.

The U.S. and Foreign Commercial Service, including SelectUSA, will be a key partner on all aspects of this initiative. Ensuring this agency is fully funded will be crucial to promoting global engagement, particularly in emerging and developing markets. The region will advocate for funding to support an additional trade and investment officer representing the Department of Commerce in San Diego, while also pushing for resources to bring key delegations to the region. Similarly, sufficient funding should be provided for additional summits and conferences put on by the U.S. Commercial Service targeting priority industries and markets for San Diego.

COMMUNICATIONS AND MARKETING - TELLING THE SAN DIEGO STORY

THE MARKET ASSESSMENTS BEHIND THIS GLOBAL TRADE AND INVESTMENT INITIATIVE revealed that San Diego's story of innovation and advanced industries does not permeate the foreign markets that matter to San Diego. In the same vein, local companies, particularly would-be exporters, are not aware of the benefits of going global or the resources available to help them reach global markets interested

in their products and services. Complementing the strategies and tactics in this initiative, this marketing and communications section outlines how the region will disseminate the San Diego message both locally and abroad.



SPREAD THE WORD TO LOCAL COMPANIES

Local companies need access to information and resources so that they can go global. Exporters can also be champions for the region, spreading the story of San Diego's innovation, workforce, and binational nature to their peers around the globe. Firms can be the region's best ambassadors, and regional leaders will equip them with the information to tell San Diego's compelling story by:

- ▶ Including links on the websites of local governments, industry associations and cultural business groups to a landing page containing export and investment resources;
- ▶ Working with local media partners to regularly showcase the benefits of global engagement through the stories of successful exporters, FOEs and companies straddling the U.S.-Mexico border based in San Diego;
- ▶ Utilizing social media to highlight the strengths of San Diego with the #GoSanDiego campaign;
- ▶ Presenting export and investment information and resources at meetings hosted to by regional industry and business associations; and
- ▶ Encouraging business and cultural groups to include success stories of San Diego-based global companies in their regular newsletters.

ENGAGE ELECTED OFFICIALS

Elected officials will be responsible for developing policies and funding programs that will help the region reach its global engagement potential. Regional business leaders must work to ensure elected officials are properly informed about foreign exports and investment by:

- ▶ Conducting business roundtables with exporters and FOEs for elected officials;
- ▶ Preparing talking points on the benefits of global engagement, available resources, and important next steps identified in the plan;
- ▶ Touring elected officials around exporting companies and FOEs; and
- ▶ Positioning elected officials to meet with national media about the strengths of San Diego.

San Diego has a powerful story to tell, especially around innovation.

DISSEMINATE THE MESSAGE TO GLOBAL INVESTORS AND BUYERS

The San Diego story needs to reach the key foreign markets identified in the plan such that investors and buyers view CaliBaja with interest and excitement. Currently, San Diego is overlooked as investors consider other global metro areas as target markets. The region can change this dynamic by:

- ▶ Bringing business writers for foreign media outlets to San Diego and for tours and fact finding at innovative companies throughout the region;
- ▶ Engaging foreign media in target markets and local media in strategic partnerships through which they exchange business stories of company engagement between San Diego and their respective region;
- ▶ Preparing companies attending relevant trade-shows with San Diego market talking points.
- ▶ Converting leisure travelers to business travelers by depicting the story of San Diego innovation at relevant ports of entry; and
- ▶ Inviting key business and political leadership from priority markets to San Diego to participate in the Discover Global San Diego series. ■

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ABOUT THE GLOBAL CITIES INITIATIVE

The Global Cities Initiative is a joint project of the Brookings Institution and JPMorgan Chase to help business and civic leaders grow their metropolitan economies by strengthening international connections and competitiveness. GCI activities include producing data and research to guide decisions, fostering practice and policy innovations, and facilitating a peer learning network. For more information, see <http://www.brookings.edu/projects/global-cities.aspx> or www.jpmorganchase.com/globalcities.

Visit www.goglobalsd.org for more information about this initiative.



This report was developed by the San Diego Regional Economic Development Corporation through the collaboration of political, business, and civic leaders of the San Diego Region. The conclusions and recommendations of this report are solely those of its authors and do not reflect the views of the Brookings Institution or JPMorgan Chase.

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