



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: January 31, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Metropolitan Export Initiative

Recommendation: Receive and File

Previous Directives: None

Prepared by: Catherine A Polasky, Director Economic Policy and Development Kristin Guild, Manager of Business Development 612-673-5168 Approved by: Charles T. Lutz, Interim CPED Director _____ Catherine A. Polasky, Director Economic Policy and Development _____ Presenter in Committee: Cathy Polasky and Kristin Guild

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: Not applicable
- City Goals: Jobs & Economic Vitality
- Sustainability Targets: Not applicable
- Comprehensive Plan: consistent with goals identified for Economic Development
- Zoning Code: Not applicable
- Living Wage/Business Subsidy: Not applicable

Supporting Information

As the economic hub of the region, Minneapolis has long been a key player in regional efforts to maintain economic competitiveness, from active involvement with the employer-led Itasca Project, to the recent development of a Metropolitan Business Plan with the Brookings Institution. The Metropolitan Business Plan defines a set of strategies to spur economic growth at the regional level, including establishing a regional economic development entity, defining economic clusters for focused growth, creating the thinc.green manufacturing initiative, supporting compact transit-oriented development, and accelerating innovation.

In early 2011, shortly after the Metropolitan Business Plan was completed, a new opportunity arose that had not been identified in the plan, but which has significant potential to spur Minneapolis job growth: increasing exports. A panel of Federal cabinet

officials visited Minneapolis in February 2011 to launch the National Export Initiative and introduce an audience of nearly 400 to the array of Federal resources available to finance and insure export orders as well as to efforts under way to coordinate and streamline Federal agencies involved in export support and promotion.

While exports sustain jobs for US workers (\$181,000 in exports = 1 US job) and 87% of worldwide economic growth in this century is expected to occur outside the US, only 1% of US firms currently export their products and of these, 58% export to only one country. Many of these are accidental exporters, simply responding to online orders rather than strategically targeting international markets with strong potential demand for their products or consciously incorporating a global orientation into business plans and product development. The National Export Initiative seeks to grow US jobs and stabilize the US economy by dramatically increasing export volumes – doubling exports between 2010 and 2015.

CPED Economic Development staff saw tremendous potential for Minneapolis companies to grow and add jobs through increasing exports. We began right away to incorporate information about export resources into business visits as a way to leverage non-City resources to support Minneapolis business growth.

The Brookings Institution also saw the National Export Initiative as an important tool for metro area economic development, and one that will require conscious, strategic local engagement to truly be effective. Brookings gathered export data at the metro level for the first time <http://www.brookings.edu/metro/MetroExports.aspx> (export data are typically reported at the national or state level) and invited a number of leaders from metros and states, including Minneapolis, to a best practices roundtable in February 2011. At that roundtable, Brookings staff announced that they were launching a Metropolitan Export Initiative to complement the National Export Initiative and that they would solicit four pilot metros to develop a regional export growth strategy.

CPED staff believed that engaging Brookings and regional leaders in defining a strategy to expand exports in the Minneapolis-Saint Paul metro would more effectively leverage Federal and state tools. Therefore, we actively pursued selection as a pilot area for the Brookings Metropolitan Export Initiative, soliciting the new director of the Minnesota Trade Office to lead the application process, and engaging as part of the initiative's core team along with the Trade Office when selected. Other pilot metros selected are Los Angeles, California, Portland, Oregon, and Syracuse, New York.

For the past several months, a steering committee comprised of leaders of organizations engaged with implementing the Metropolitan Business Plan along with export service providers (list below) has worked with Brookings to assess our market and define strategies to diversify and strengthen the region's economy through exports. Export expansion is now considered a sixth implementation plank of the Metropolitan Business Plan.

MSP Metropolitan Export Initiative steering committee:

- BioBusiness Alliance of Minnesota/LifeScience Alley
- Center for International Business Education and Research (CIBER) at the Carlson School of Management, University of Minnesota
- Cities of Minneapolis and Saint Paul

- Enterprise Minnesota
- Greater MSP Regional Economic Development Partnership
- Midwest Global Trade Association
- Minnesota Chamber of Commerce
- Minnesota Department of Agriculture
- Minnesota High Tech Association
- Minnesota Department of Employment and Economic Development
- Minnesota Trade Office
- Office of Governor Mark Dayton
- Regional Council of Mayors (including active participation from Minneapolis, Saint Paul and Edina Mayors)
- Small Business Administration
- US Commercial Service
- Urban Land Institute

The committee has defined three core objectives:

1. Increase and sustain regional jobs by doubling metro export dollar volumes from 2012 to 2017
2. Expand export reach, particularly among small businesses
 - a) increase the number of exporting companies; and
 - b) increase the number of markets (countries) to which local companies export.
3. Increase global orientation and fluency in MSP
Exports are one important component of a broader objective to position the region competitively for the next era of global trade.

The committee is currently working with the Brookings Institution to finalize the plan and define lead parties for implementation steps. A formal launch is expected in March.

The City's role in implementation will be precisely what we began a year ago with the launch of the National Export Initiative – to link Minneapolis companies to export service providers and information about trade missions, workshops and other market opportunities through the relationships we establish with business visits. In 2011, Economic Development staff visited 316 businesses, and we expect to visit at least that many again in 2012. Some of these businesses are small local retailers or service providers, focused on a neighborhood or metro market area. These, we don't ask about exporting. At least half of the businesses we visit, however, are manufacturers and professional service providers, and we now ask them whether they are selling internationally. Often they are, but to just one or two markets and exports are not a part of their growth strategy. We alert these businesses to resources for obtaining market data, vetting international partners and obtaining export order financing and insurance. We also actively seek to establish potential connections between Minneapolis firms, linking a firm interested in Turkey, for example, with others we know who have done business there.

By developing a regional export plan, not only are we more knowledgeable about State and Federal resources and international market opportunities, but we have effectively

engaged leading regional business groups in understanding and actively promulgating the export message, and we have facilitated better coordination between State and Federal export service providers.

Some early outcomes of our work connecting Minneapolis firms with export opportunities during this planning phase include:

Accent Signage (biodegradable and ADA-compliant indoor signage): We connected CEO Reuven Rahamin with trade officers in the U.S. Commercial Service and Minnesota Trade Office to expand his exports into several new countries, resulting in immediate new hires in his Bryn Mawr facility.

The Collaborative Design Group (architectural design): One of seven firms represented on the September 2011 Sister City business-to-business trip to Harbin, China, this design firm is pursuing historic design work opportunities with the government of Harbin. Cathy Polasky led the delegation to Harbin. The Mayor signed a letter of support on behalf of the Collaborative Design Group.

Dash and Thomson (IT installation and education): This North Loop firm is planning to expand their work in Europe and Asia, a strategy triggered by participation in early export seminars hosted by the City in conjunction with the National Export Initiative and the current MSP Export Initiative.

Dero (manufactures bike racks and bike commuting tracking systems): Dero participated in a Sister City trip to Sweden earlier this year, resulting in new business connections and sales opportunities.

EarthClean (biodegradable fire retardant manufacturer): We connected CEO Doug Ruth to the Governor's Trade Mission to South Korea and Japan in October, resulting in a \$4.3m contract in South Korea, and a demonstration contract with the Tokyo fire department.

Pedia Pals (designs and manufactures pediatric medical supplies and equipment): Seward Neighborhood-based Pedia Pals, with guidance from the Small Business Administration's e200 SBA Emerging Entrepreneur program, just signed a joint venture agreement with the Turkish medical equipment manufacturer, MONEMedical. They expect to use this relationship to expand throughout Europe and the East. A February 2012 Sister City delegation to Ibaraki, Japan, funded by a grant from Sister Cities International, will introduce Japanese distributors and hospital buyers to PediaPals products.

Windrider International (sailboat manufacturer): Windrider relocated in 2011 from Pine City to Minneapolis, tapping City staff for assistance in identifying a Minneapolis site and City financing for equipment. We put owner Dean Sanberg in touch with the US Commercial Service to help him vet potential partners and assess international markets. Dean is working with the Commercial Service to identify possible partners in Chile and to represent his company at a boat show in Dubai to break into the Middle East market. Dean is also planning to insure the payments for an order from Mexico through the federal Export-Import Bank.