



Memorandum

TO: HONORABLE CITY COUNCIL
COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Paul Krutko

SUBJECT: INTERNATIONAL ECONOMIC
PARTNERSHIPS

DATE: April 14, 2008

COUNCIL DISTRICT: CITYWIDE

RECOMMENDATION:

Accept staff's report on efforts to enhance San Jose's position in the global economy through International Economic Partnerships..

OUTCOME

The City's International Economic Strategy is aligned with the City's Economic Development Strategy to "Forge Connections with Innovative Regions Globally for Mutual Economic Benefit."

International Economic Partnerships will enhance San Jose's position globally and create expanded trade and investment opportunities.

BACKGROUND

On October 23, 2007, the Council approved several recommendations to expand International City/Regional Partnerships, including:

- (1) Pursue a select number of new relationships with international city-regions as appropriate for mutual economic benefit, taking the form of either informal working relationships or formal Economic Partnership Agreements.
- (2) Seek opportunities to strengthen economic and professional linkages with existing sister cities that are also high-tech centers, where applicable.

On April 9, 2007, the Council Community and Economic Development Committee accepted the Office of Economic Development's International Business Strategy Report. The Report highlighted the City's International Economic Partnership Agreements, Retention and Expansion

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of Foreign Businesses, Relationships with Foreign Consulates and Offices, and Support of the US Market Access Center and Incubators for Foreign Companies. The Report also described the meetings that were held with international business and government delegations.

ANALYSIS

International trade and investment is a vital component of California and San Jose's economy. San Jose companies have made investments worldwide to enhance their market competitiveness and many local businesses sell to a global customer base. California and San Jose is an attractive location for international companies, particularly information technology and other knowledge-based industries, seeking to expand business opportunities in the U.S. marketplace.

Highlighting the importance of trade to the state's economy, California merchandise exports totaled \$134 billion in 2007. Mexico and Canada, partners in the North American Free Trade Agreement, are the largest export marks, with \$18 billion and \$16 billion in exports respectively. Japan, China, Korea, Taiwan, Germany and the United Kingdom are among the other top export markets for California products. Computers and electronic products account for nearly one-third of the state's exports. The San Jose Metro Area (Santa Clara County) is among the top exporting cities in the nation, with 2006 exports surpassing \$28 billion. Computer and electronic products account for over \$19 billion in San Jose's exports. Japan, Korea, China, Taiwan, Singapore and Canada are the largest export markets for San Jose.

City-to-City Relationships

In addition to sister city affiliations, which date back to 1957, OED is developing economic development-focused relationships with a select number of international city/regions that are leaders in fostering entrepreneurship and innovation.

The initial focus has included:

Dublin

San Jose has enjoyed an active 22-year sister city partnership with Dublin, one of Europe's most dynamic and fastest-growing business centers. The relationship with Dublin is strengthened by the annual visit of the Dublin Lord Mayor and delegation, which includes councilors, city officials, university administrators and business representatives. A San Jose delegation visits Dublin biannually, including later this year.

Dublin is an important global center for software, semiconductor, telecommunications and biotechnology innovation. In 2007, San Jose State University and University College Dublin signed a bilateral university partnership that will link San Jose's BioCenter with UCD's NOVA Center and promote student and faculty exchanges. San Jose State University representatives,

including the Provost and Vice President for Academic Affairs, have participated on City economic and sister city delegations to Ireland and the United Kingdom, which have included meetings with universities. Through the city partnership, business meetings and seminars have been facilitated by the cities of San Jose and Dublin. The partnership with Dublin has also enhanced City contacts with business and governments with Dublin's partners in European Union organizations.

Cambridge/East England

A key center for higher education and entrepreneurship, East England is a five-county region of 5.5 million that borders north London. The City established a formal Economic Partnership Agreement with East England in 2005. Through the partnership, San Jose State University established a bilateral university agreement in 2007 with the University of Hertfordshire. The agreement enables students to pay tuition to their university, but to enroll as exchange students in San Jose or Hertfordshire. Highlighting the importance of international education, 29 University of Hertfordshire students have applied to San Jose State for the fall 2008 semester. The Airport and City have had several meetings with airlines and airports about air service between and San Jose and the United Kingdom, particularly the East England region. East England International, a national economic development agency based in Cambridge, is an important partner of the City's in implementing the Economic Partnership Agreement.

Finland (Oulu/Espoo/Helsinki)

An important Nordic technology center, particularly in wireless technology, Finland is a key economic partner for San Jose. The city of Oulu has established the Global Clusters Program to facilitate and financially support their most promising technology companies to expand operations in San Jose. To date, two Oulu companies have established their U.S. operations in San Jose, with over 20 companies enrolled in the program in Oulu, with the eventual goal of locating in San Jose. The US Market Access Center has assisted 11 Oulu software, IT hardware and biotechnology clients in the past year, and six other technology companies in the Helsinki/Espoo region. The Oulu mayor led a business led a business delegation to San Jose in October 2007 for meetings with the City and area businesses. The Oulu initiative, which government officials in Finland plan to expand to other regions of Finland, includes the San Jose business incubators, and Global Connexus, San Jose business consultants that worked with partners in Oulu to create the program.

Pune

A sister city since 1992, Pune has emerged as one of India's most important technology centers. Pune is India's eighth largest city, but also enhanced by its close proximity to Mumbai, the nation's commercial center. Pune is recognized as India's center for higher education, and San Jose State University has participated in student recruitment fairs in Pune. The opportunity for enhanced economic ties with Pune is enhanced by current two-way investment linkages. OED is

making preliminary plans for a first-ever economic development mission to Pune and other regions of India. A mission would develop the foundation for building ties with Pune and Indian businesses, universities and government organizations.

Support of US Market Access Center and Business Incubators for Foreign Companies

The Redevelopment Agency pays the lease payments for four business incubators, including the US Market Access Center, the nation's lone business incubator to aid foreign-owned companies establish operations in the U.S. Since its establishment in 1996, the US Market Access Center (formerly known as the International Business Incubator), has assisted businesses from over 40 countries establish operations in San Jose. The Office of Economic Development works closely with the US Market Access Center staff on initiatives to attract foreign businesses to San Jose and helps to make introductions of foreign government and business incubator delegations. To expand economic ties with our sister city of Okayama, the president of the US Market Access participated on the delegation that recently visited Okayama and met with incubator managers to discuss future collaboration with Okayama business incubators. The executive director of the BioCenter participated on a City economic development mission to England and Ireland in 2006. As previously stated, the business incubators are a primary focus of collaboration when meetings are held with foreign business and government delegations.

Retention/Expansion of Foreign Businesses

Foreign-owned businesses contribute significantly to San Jose's economy and employment base. Large multi-national companies such as Hitachi, Sony and Siemens are among the largest employers in San Jose. Globalization of the world economy has intensified expansion into the U.S. by smaller and medium-size firms. The weak U.S. dollar has led to increased investments by international firms, particularly in Europe.

The US Market Access Center, which is funded by the RDA, was created in 1996 specifically to assist foreign-owned businesses expand to the U.S. OED and RDA staff helps foreign-owned companies locating to San Jose. In May 2007, for example, OED and Agency staff was among the presenters to an inbound delegation of India's leading software companies. Compare InfoBase Ltd., a leading software company in New Delhi, established an office in San Jose following the presentation. OED works closely with foreign embassies and consulates, and international economic development agencies to facilitate inward investment.

Relationships with Foreign Consulates and Government Offices

OED maintains ongoing relationships with foreign consulates and government economic development agencies. More than 70 nations have consular offices in the Bay Area with

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accredited diplomats or honorary consuls. Additional nations are represented with consulates in Southern California.

Several foreign governments have established economic offices in the San Jose region to establish linkages with businesses and government, and to expand trade and investment with Silicon Valley. Ireland, Northern Ireland, Great Britain, Scotland, Malaysia, Japan, Finland and Estonia are among the nations that maintain economic development offices in the San Jose region. Business delegations and other visits to San Jose are often generated by these international offices, including the November 2007 visit by the Estonian prime minister. Business expansions to San Jose also result from the presence of the international government agencies. Scotland maintains suites in their offices for Scottish companies, and the Japan External Trade Organization provides space for 12 Japanese companies within the US Market Access Center.

PUBLIC OUTREACH/INTEREST

The Office of Economic Development has worked with several organizations in San Jose international regions to implement the international economic partnerships.

COST IMPLICATIONS

The Office of Economic Development has funds in the department's base budget for international business development.

CEQA

Not a project.



Paul Krutko
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