METRO PHOENIX
GLOBAL INVESTMENT PLAN

THE GLOBAL CITIES INITIATIVE, A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

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INTRODUCTION

Greater Phoenix joined the Brookings Global Cities Initiative (GCI) in 2013 to chart a course to build a more sustainable economy. An essential component of that goal is to improve the region's standing in the global marketplace and enhance the Phoenix metro's status as a location of choice for foreign direct investment, and as a trade leader.

The Metro Phoenix Global Investment Plan underscores the need for the region to address its challenges energetically and cohesively in order to realize its full foreign investment potential. An overreliance on consumption-based industries as a driver of the economy inspired the region's leaders to develop Velocity, a metropolitan business plan to transform Greater Phoenix's economy into one based on innovation and disruptive technology, and driven by growth in advanced industries and exports.

The analysis of regional data supplied by the Brookings Institution, coupled with interviews with foreign-owned enterprises in Greater Phoenix, has shaped the formulation of this Global Investment Plan. The strategies and tactics outlined in this plan aim to build on Greater Phoenix's strengths to improve the region's global image.

This plan complements the Greater Phoenix Export Plan, which was developed through GCI and launched in the spring of 2015. The development and advancement of the strategies and tactics within these two strategic plans are essential to enhancing the region's status as a trade leader and as a location of choice for foreign direct investment.

GOING GLOBAL

The Greater Phoenix metropolitan region has a rich history of economic booms and renewals from cyclical downturns. Throughout the economic surges of the past 50 years, the region experienced rapid population and economic growth. These strong growth periods propelled the region to a top 20 ranking in both population and GDP.[i]

However, despite its strong standing, metro Phoenix's economy struggled to recover from the Great Recession.[ii] This struggle was due in large part to an overreliance on population and consumption growth as drivers of the region's economy. The region was one of the last markets to recover, but has recently experienced employment growth rates above the national average.[iii] These growth rates are impressive, but a significant drop in per capita income post-recovery reveals that the region's low wage jobs are outpacing high wage jobs.[iv]

Regional leaders have acknowledged that the recovery has not been as quick or as strong as they would have liked. This acknowledgement has begun to shift the regional mindset as more leaders are realizing, "for the first time during the past 50 years, growth is not the driver for the Arizona economy."[v]

As a result, the region's business, civic and education leaders created Velocity, a metropolitan business plan designed to transform the Greater Phoenix region's economy into one driven by growth in advanced industries, a strong entrepreneurial ecosystem and growth in the region's export position.

When properly aligned with the region's plan to focus on advanced industries, foreign direct investment strategies will enhance the overall mission of Velocity. The benefits of this alignment are evident: better jobs, stronger firms and clusters, enhanced innovation, and greater economic stability.

"Throughout the economic surges of the past 50 years, the region experienced rapid population and economic growth."

GREATER PHOENIX, USA

KEY STATS

4.63M
Residents call Greater Phoenix Home
(JobsEQ)

12TH
Most Populous MSA in America

$211.14B
Regional GDP

73.6%
of State's Real GDP

$18.5B
Real Value of Exports (2015)

8.9%
of Metro GDP comes from Exports

14.8%
of Metro GDP comes from Advanced Industries

2.248M
Workforce (2016)

158,775
Advanced Industry Jobs (2015)

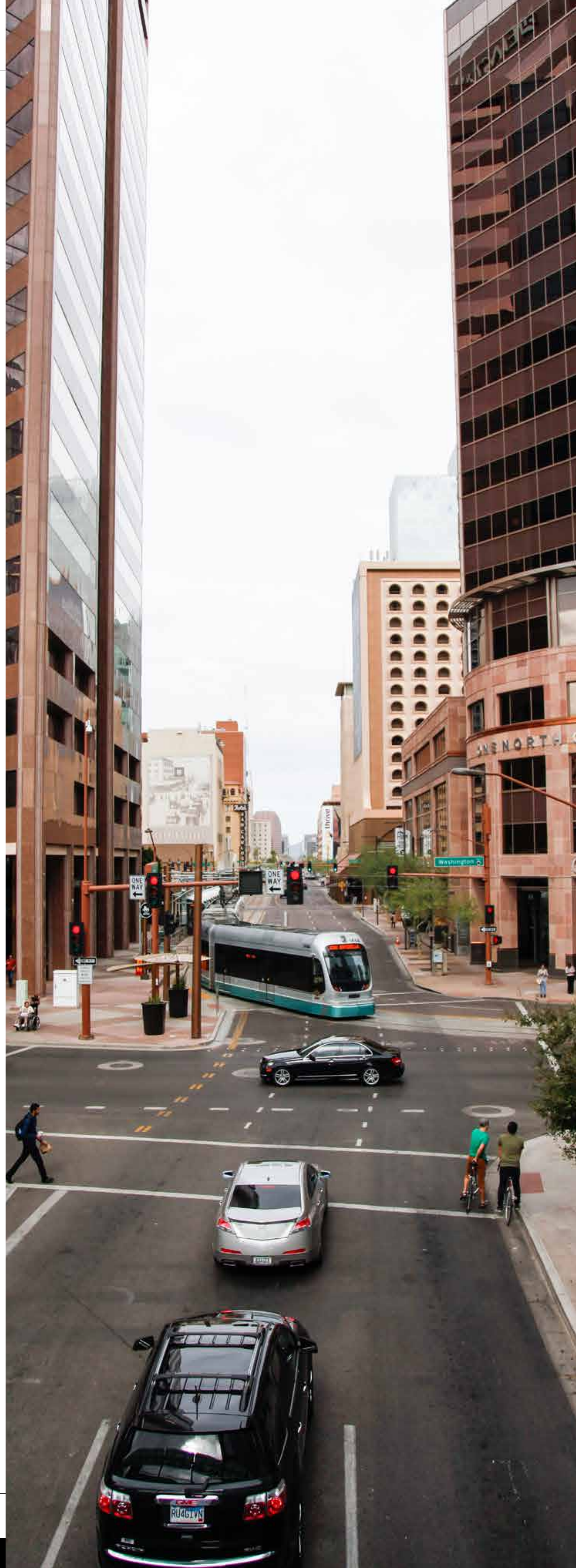
123,392
Total Export Supported Jobs (2014)

1,573
FOEs Operating in Greater Phoenix

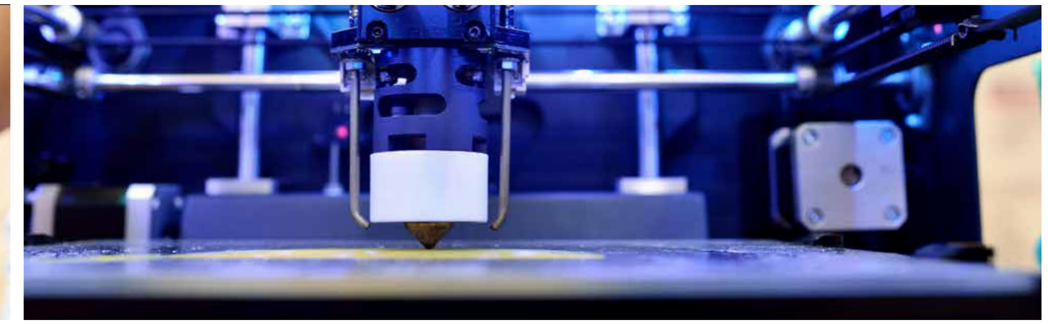
55,740
Jobs in FOEs

5,813
Advanced Industry Jobs in FOEs

3.7%
Regional Employment by FOEs



OVERVIEW



BETTER JOBS

Foreign direct investment (FDI) plays an important role in supporting high-wage jobs. Foreign firms operating in the United States pay an average of $17,000 more than the average for U.S. firms, even when controlling for industry.[vi] Foreign-owned firms also spend over twice as much on employee benefits as their American counterparts.[vii] Additionally, foreign firms are the global leaders in continuing education and employee training.[viii] Currently, the region has a significant number of foreign-owned firms, but these firms are primarily in lower-value added industries. In Greater Phoenix, service industry FDI accounts for 73.4 percent of all FDI, which is well above the national average of 57.3 percent.[ix] Focused international engagement with foreign exporters and advanced industry companies can infuse better jobs into the region and help align international efforts with local priorities.

STRONGER FIRMS, STRONGER CLUSTERS

When a foreign firm locates in a region, they bring institutional knowledge that can strengthen the local industry cluster. Foreign-owned enterprises (FOEs) can also have a significant impact on productivity. Nationally, foreign firms accounted for 12 percent of productivity growth between 1987 and 2007.[x] Through strategic greenfield investment and mergers and acquisitions (M&A), FOEs can link local clusters to global industry leaders, innovation and international supply chains. In metros with a strong location quotient–a measure of cluster strength–foreign employment in that industry cluster can be more than double the foreign share of all employment.[xi] Within metro Phoenix, the region's top historic clusters–aerospace and semiconductors–have foreign employment below the regional share of foreign employment.[xii] Therein lies the opportunity to strengthen and augment the current sectors with international companies and technologies. Regions with a significant number of profitable small and medium-sized businesses can see increased international interest in their rapidly expanding clusters, as these firms are attractive acquisition targets.

ENHANCED INNOVATION

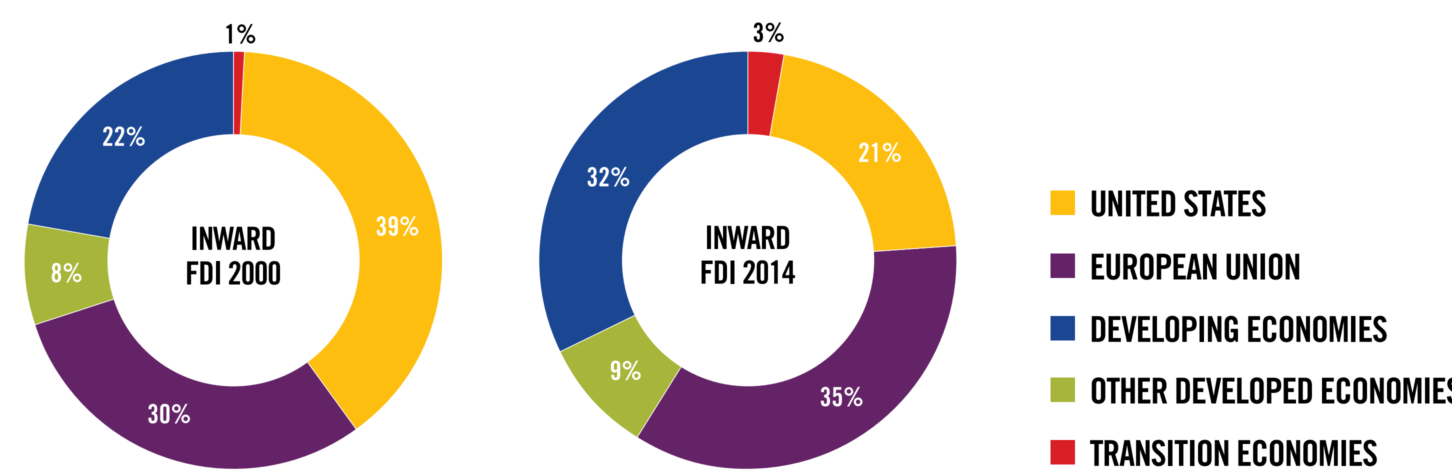
Although foreign-owned firms account for only five percent of all firms operating within the United States, they represent 19 percent of all corporate research and development.[xiii] In addition to the R&D these firms conduct within their establishments in the United States, foreign firms help connect local industry to knowledge generated outside the country. Although the United States is a significant contributor to global R&D, almost 74 percent of the world's R&D is conducted in other countries.[xiv] A strong foreign presence in a region's clusters enables a metro to tap into the knowledge generation that happens outside the United States. The ability of foreign firms to connect and enhance local cluster knowledge is a significant contributor to the imperative to go global.

ECONOMIC STABILITY

Globally connected metros with a diverse base of high-value jobs in science, technology, engineering and math (STEM) industries fared better than those without during the Great Recession.[xv] Despite slow global growth, these same STEM sectors continued to grow from 2013 to 2015.[xvi] Metros with diverse trade partners and an existing export base are likely to continue to see the export of goods, even during economic downturns.[xvii] Foreign firms operating in the United States have an outsized impact on exportation, accounting for over 20 percent of all U.S. goods exported.[xviii] These facts, in combination with the aforementioned components, serve to increase resiliency in a metropolitan area. Aligning FDI activities around Greater Phoenix's strongest STEM industry – sensor technologies – can strengthen the region's ability to withstand future economic downturns.

GLOBAL COMPETITION

There is much that metro Phoenix can gain from comprehensive foreign engagement that supports the larger metropolitan plan; however, the global complexities in foreign investment must be understood. According to the International Monetary Fund, 79 percent of global economic growth from 2013 to 2018 is predicted to happen outside the United States.[xix] The U.N. Conference on Trade and Development noted that the United States attracted only 21 percent of the total FDI flow in 2014, down from 39 percent in 2000.[xx] These trends will increase the competition in attracting foreign direct investment to the region. Because Greater Phoenix has historically relied on population growth and market consumption to drive FDI in non-base industry sectors, it will be at a disadvantage, as market size will no longer be a differentiating feature when massive Asian markets increase their purchasing power. The region must prioritize global engagement that enhances emerging technology clusters to remain competitive for foreign investment.



WHY NOW?

The regional mindset is changing. Regional leaders have accepted that an economy based on population and consumption growth is unsustainable. The specific strategies within Velocity include driving applied research and innovation; ensuring an industry-led, coordinated talent pipeline; increasing exports; and supporting the entrepreneurial ecosystem.

The first step in increasing the region's exports was the creation of the Greater Phoenix Export Plan, developed through the Global Cities Initiative, a joint project of the Brookings Institution and JPMorgan Chase. This effort led to the creation of the Metro Phoenix Export Alliance, which was established to achieve the region's export goals. A regional FDI plan is more than a continuation of the Global Cities Initiative, it is an effort to support the foundational efforts outlined in Velocity and to fulfill the need for a complete global engagement plan.

Over the past 20 years, various local, regional and state efforts have been undertaken to implement foreign investment strategies. These efforts represent a valuable step forward for attracting FDI and have generated some wins for individual cities and for the region. To increase the effectiveness and sustainability of these efforts, greater regional coordination is needed. Alignment of efforts amongst the region's cities and towns will ensure that the region is working collaboratively, resulting in long-lasting global ties that attract investment.

Historically, most foreign investment attraction efforts have been focused on the North American region, a strategy that tried to maximize limited available resources. Moving forward, prioritizing outreach in European and Asian markets will strengthen the region's FDI opportunities, as these markets represent enormous opportunities for Greater Phoenix's economy, particularly in advanced industries.

Part of the region's FDI history is the Greater Phoenix Economic Council's (GPEC) expansion into international attraction 10 years ago. These efforts led to the formation of the International Leadership Council (ILC), featuring regional business leaders with an interest in enhancing the region globally. These leaders worked with state and community partners to launch the Arizona Global Network (AGN), which was heavily focused on promoting the region's unique assets attractive to foreign investors: a talented and diverse workforce, a competitive business operating environment, a strong supply chain, and a prime geographic location with access to California and other Mountain West states.

While the AGN was short lived due to state budget cuts, the private sector leaders that supported the AGN continue to provide their leadership and guidance through ILC, which has helped increase international prospect activity from less than one percent in 2006 to nearly 20 percent of GPEC's current prospect activity. In the three years prior to the creation of AGN and ILC, only 17 of GPEC's prospects were international. By contrast, in 2016 alone, GPEC worked with 46 international prospects, of which seven made location decisions in the market. Through continued improvement to its FDI strategies and key partnership with the Global Cities Initiative, GPEC will be able to increase its effectiveness in supporting international investment into metro Phoenix.

The time is right to expand upon these past efforts to design and execute a comprehensive strategic international engagement plan that elevates the global relevancy of the Greater Phoenix region.

Market ASSESSMENT

GPEC conducted numerous interviews with local business, government and community leaders. These interviews, along with data from the Brookings Institution and the Maricopa Association of Governments, form the basis of the critical findings. Additional federal and proprietary data sources were used to fully understand local market conditions. The research highlighted that Greater Phoenix offers a business-friendly environment with a robust economy supported by thousands of mid-sized companies. The research also revealed that despite a strong industry base, changes can be made within the region to substantially improve the overall health of the economy.

The following are key findings based on the series of interviews and research collected.

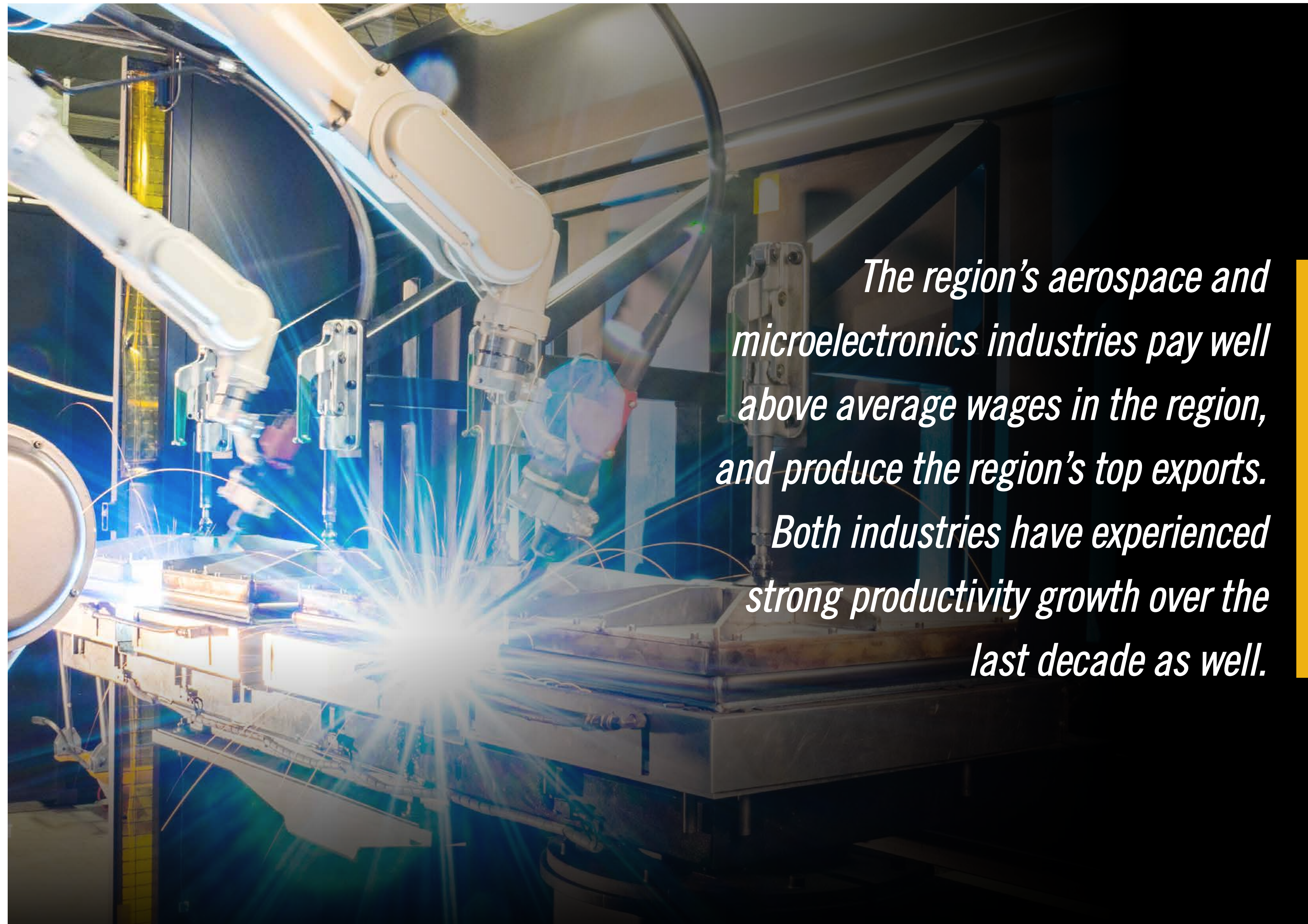
KEY FINDING 01

Historically, foreign direct investment into Greater Phoenix has not been aligned with the region's aerospace and microelectronics clusters.

Within Greater Phoenix, the top five industries that receive foreign investments are grocery stores, cleaning products, architecture and engineering, cement and concrete products, and restaurants. Employment in grocery stores represents nearly 15 percent of all employment by FOEs in the region. In terms of establishments, FOEs in the retail sector have 594 establishments in the region, compared to 170 international manufacturing facilities. Historically, the attractiveness of selling to the large population of the region induced foreign direct investment, resulting in nearly double the amount of service-related FDI in Greater Phoenix than the national average.

The region's manufacturing clusters are the heart of the Greater Phoenix economy. The region's aerospace and microelectronics industries pay well above average wages in the region, and produce the region's top exports.[xxi] Both industries have experienced strong productivity growth over the last decade as well. Despite their strong assets, they have underperformed in attracting FDI. Greater Phoenix does not rank in the top five U.S. metro's for foreign employment in either the aerospace or microelectronics industries.[xxii] Both industries have less than three percent employment in FOEs.[xxiii] Competitor markets for each industry have roughly triple the amount of FDI in their local cluster.[xxiv]

One possible theory for low levels of FDI in the microelectronics, semiconductor cluster, as stated by a Brookings Institution report on FDI, could be the dominance of Intel in the region.[xxv] Despite the overall low presence of foreign firms in aerospace and semiconductor clusters, many foreign firms in other industries interviewed still listed leaders such as Avnet, Boeing, Honeywell and Intel as part of the reason they chose Greater Phoenix. In this regard, the presence of industry leaders in the aerospace and sensor industries has helped attract advanced industry investments into Greater Phoenix.



KEY FINDING 02

The impending Internet of Things (IoT) revolution is creating new international investment opportunities for the region.

The semiconductor and sensor industry is evolving. This change is already being felt across the United States, with Intel beginning to adjust its global workforce as part of the giant's movement away from personal computers and into powering the cloud and billions of smart, connected computing devices.[xxvi] The region's modern economy–built on a foundation of semiconductor and aerospace and defense industries–is pivoting with the industry. University-driven research and entrepreneurial spirit are thriving, catalyzed by the region's manufacturing knowledge.

This innovation and research is driving an emerging high-tech cluster that integrates information technology and smart sensors into everyday life.[xxvii] Regionally, industry leaders, universities and collaborative research efforts are focused on cybersecurity, wearables, autonomous vehicles, and industrial automation. The region is also experiencing growth in data storage, security and analytics that comes with the proliferation of data from sensor-enabled devices. A rapidly developing cybersecurity cluster has driven expansion in the information sector over the last three years by 17 percent.[xxviii] The region's emerging cybersecurity cluster has begun to gain international notoriety with the decision of Kudelski Group to establish their U.S. headquarters in Greater Phoenix.

The region is also becoming a key center for autonomous vehicles and electric cars thanks to investments from Google, GM, Uber, Toyota and Local Motors.

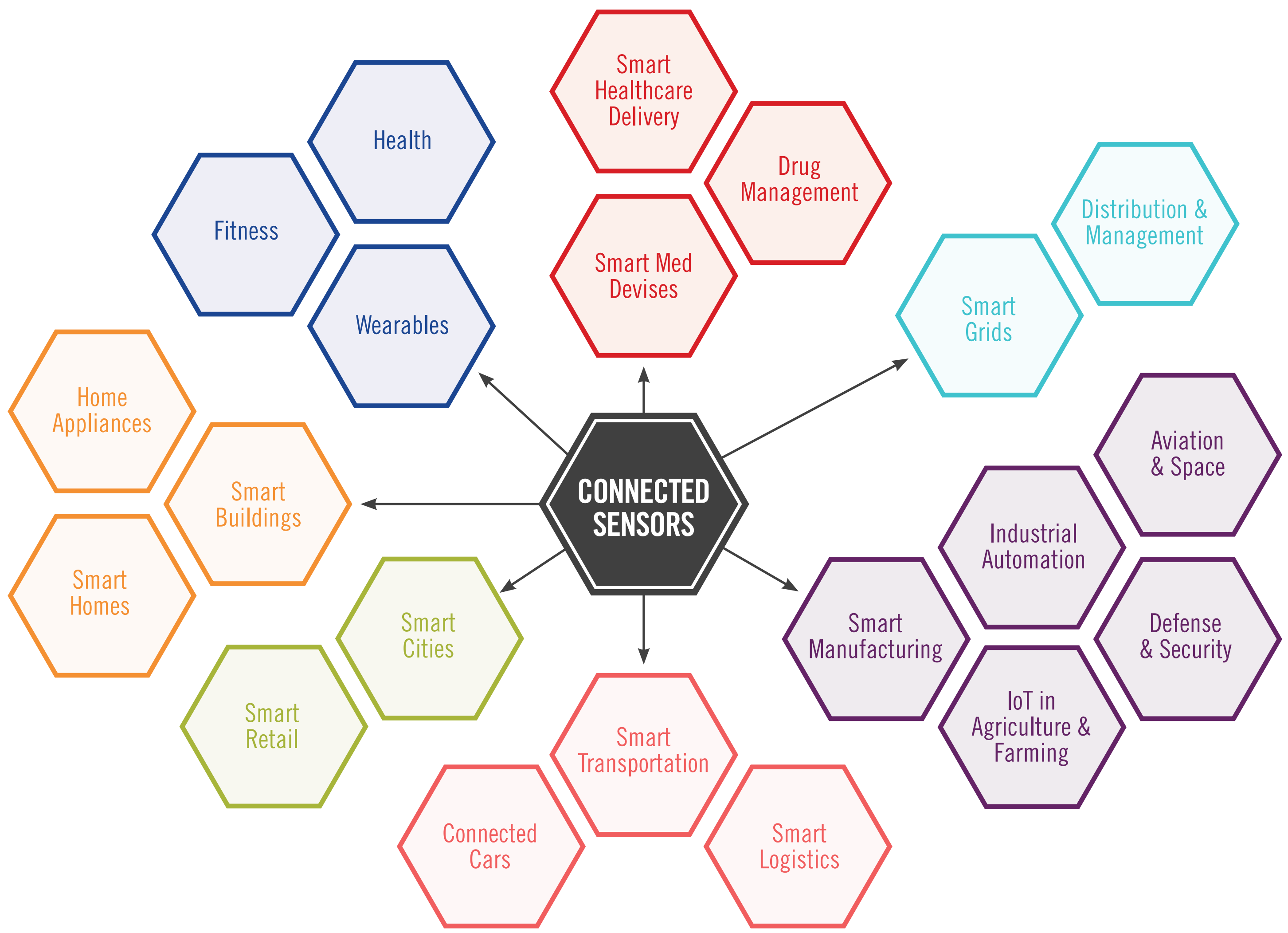
Significant work is being done to drive innovation to support these emerging technologies. Greater Phoenix business and community leaders are working with EWI to establish a nationally recognized advanced manufacturing center around automation and industrial robotics. Regional leadership is also committed to developing a seed fund to support local startups in IoT, wearables and other sensor-related industries. Existing companies in the region are coming together to create a sensor technology consortium that will strengthen collaboration between industry leaders.

Mirroring corporate trends, universities in the region are developing robotics labs to help integrate sensors, medicine and legacy manufacturing.[xxix] This push to support innovation strengthens the region's ability to be globally relevant in the evolution of the sensor industry. Greater Phoenix is also the headquarters for the Wearable Robotics Association, which hosts a yearly convention on wearable robotics that brings global industry leaders to the region.

FOOTNOTE

XXIX ASU, U of A, UAT

WHY FOCUS ON NEXT GENERATION OF SENSOR APPLICATIONS?



$154B by 2020 — Global Market Value for Smart Sensors

$8.9T — In Tech and Service Spending

50B — Objects, Building and Infrastructure

KEY FINDING 03

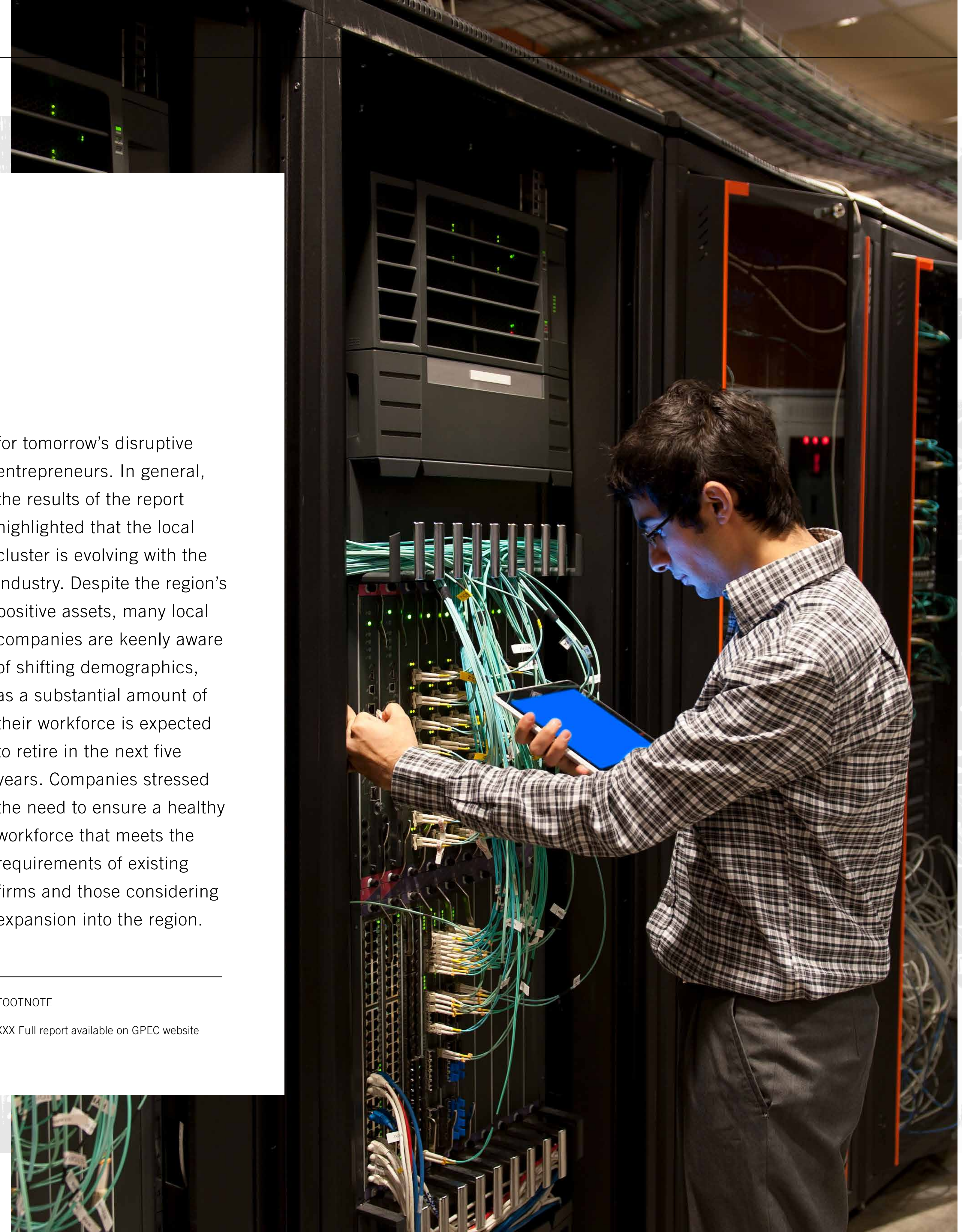
Greater Phoenix is well positioned to capitalize on the evolution and growth of sensor application industries.

According to a March 2016 report from the Greater Phoenix Economic Council, *The Microelectronics Cluster in Greater Phoenix*, the region's microelectronics supply chain is strong and diverse.[xxx] This cluster includes traditional manufacturers of microelectronic products like sensors and some of their industrial applications like search and detection. This supply chain not only meets the needs of companies in the market–nearly 75 percent of companies in Greater Phoenix primarily buy supplies from other Phoenix firms–but it also has the capacity to support additional cluster growth. Recent growth in the cluster, driven by a surge in small and mid-sized firms, indicates there is potential for export growth and acquisition opportunities if they are able to successfully scale in the market. For many small firms, the current local economic development tools available do not support expansion opportunities.

Many of the region's newest firms were founded by employees of the region's leading firms. This implies that large firms in the region are not only productive, but also a development ground for tomorrow's disruptive entrepreneurs. In general, the results of the report highlighted that the local cluster is evolving with the industry. Despite the region's positive assets, many local companies are keenly aware of shifting demographics, as a substantial amount of their workforce is expected to retire in the next five years. Companies stressed the need to ensure a healthy workforce that meets the requirements of existing firms and those considering expansion into the region.

FOOTNOTE

XXX Full report available on GPEC website



The microelectronics supply chain not only meets the needs of companies in the market–nearly 75 percent of companies in Greater Phoenix primarily buy supplies from other Phoenix firms–but it also has the capacity to support additional cluster growth.

KEY FINDING 04

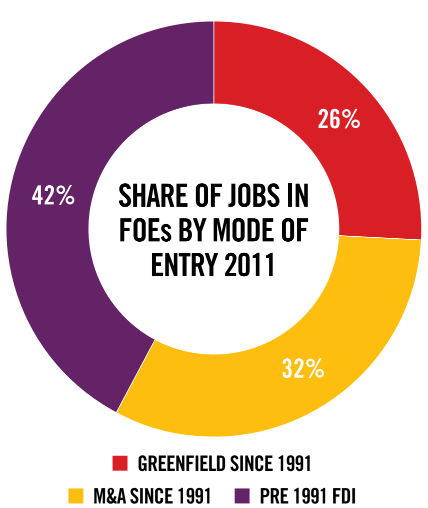
Due to demographics and the structure of the region's economy, foreign entry through mergers and acquisitions will continue to grow over the next five to 10 years.

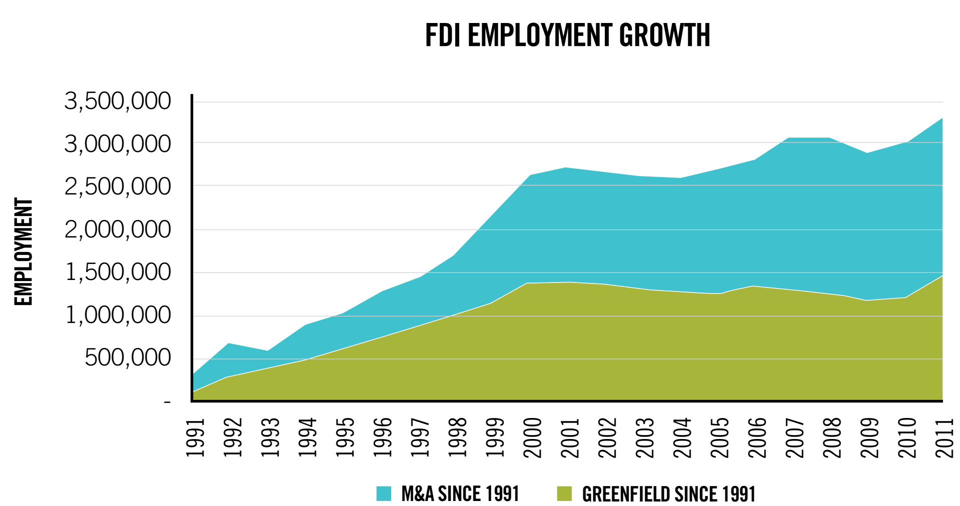
The vast majority of foreign firms enter the U.S. market through mergers, acquisitions or joint ventures. Mergers and acquisitions have accounted for 85 percent of all FDI nationally since the early 1990s.[xxxi] In 2014, greenfield investment totaled $16.6 billion in the United States and M&A-based investment totaled $224.7 billion.[xxxii] Because $2.8 billion of the $16.6 billion was used in the expansion of existing assets, true greenfield projects accounted for about five percent of all FDI in the United States in 2014.[xxxiii]

As a region, Greater Phoenix has had an above national average amount of FDI from M&A since 1991.[xxxiv] This trend is unlikely to reverse in the foreseeable future, particularly since the economy has stabilized post-recession and many baby boomer entrepreneurs are looking into succession planning options, including acquisition.[xxxv] Many local M&A practitioners observed an uptick in the number of businesses contacting them about succession planning. The national demographic pattern will continue to drive M&A-based FDI over the next five to 10 years.

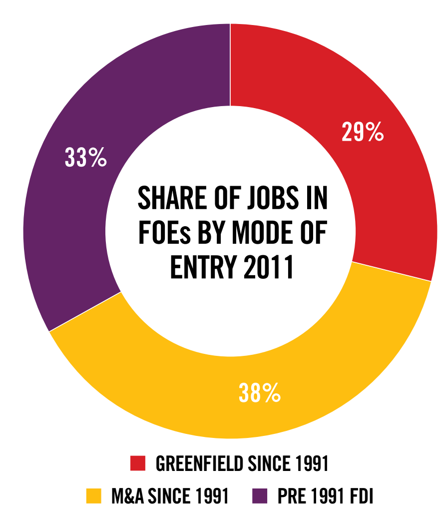
In addition to mirroring national demographic trends, Greater Phoenix is primarily a middle market. Analysis of the National Establishment Time Series data revealed that companies with revenues less than $50 million account for over 85 percent of all businesses.[xxxvi] Anecdotally, this finding was confirmed by local service providers, who observed that Greater Phoenix has a significantly larger number of small and medium-sized companies than metros of equal size. These middle market firms with strong and stable revenues, mature supply chain relations, and some export capability are extremely attractive acquisition targets. Mergers and acquisitions can also be driven by a desire to acquire highly disruptive or innovative technologies. If the region's plan to improve innovation is implemented successfully, Greater Phoenix can expect increased knowledge-based acquisition. This triple combination of demographics, market structure and a drive to innovate should increase the amount of M&A-based FDI coming into the region over the next 10 years.

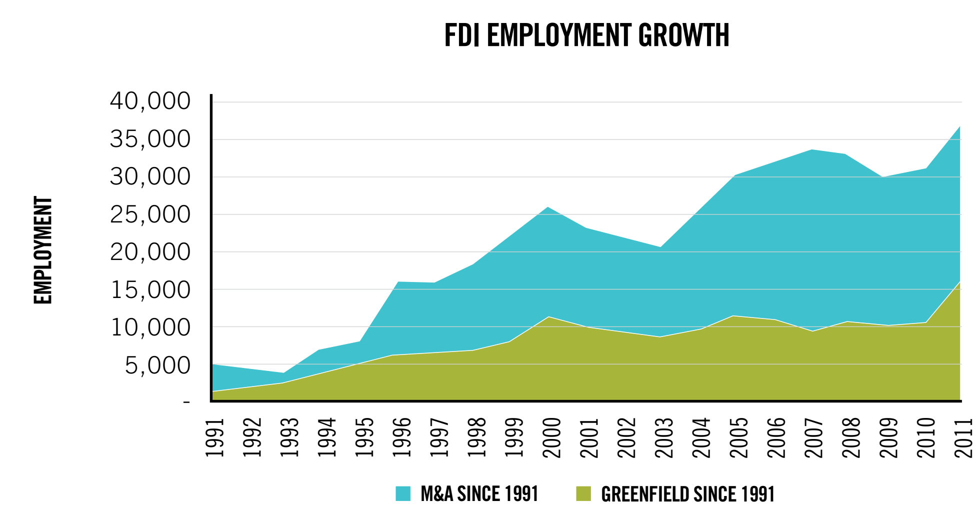
UNITED STATES





GREATER PHOENIX





$425M
Spent by Arizona State University for research
(2014)

35M
Customers accessible within a 1-day truck haul

300K+
Students enrolled in higher learning institutions in the region
(Fall 2015)

KEY FINDING 05

Small expansions are becoming a larger portion of domestic and international investment into Greater Phoenix.

The United States is capturing a smaller share of global FDI, dropping from 39 percent in 2000 to 21 percent in 2015.[xxxvii] Not only is the country experiencing lower levels of FDI, the structure of foreign and domestic investments have also changed.

Domestically, between 2000 and 2012, firm expansions and relocations exceeding $1 million in capital expense or job totals above 50 were down 50 percent.[xxxviii] The highly publicized, large, export-intensive manufacturing projects with more than 500 employees represent only one percent of U.S. FOEs.[xxxix] In reality, greenfield investments tend to be small or mid-sized during their initial expansion. These companies have significant potential to increase their footprint over a five year period.

Expansion of existing FOEs accounted for more than double the amount of greenfield employment from 2001 to 2011.[xl] This trend in greenfield investment is compounded by the fact that most FDI is through mergers and acquisitions. Although large corporate mergers make great headlines, the bulk of FDI from M&A is also in the 50 employee range with less than $5 million in capital investment.

A look at GPEC's project portfolio reinforces this trend regionally. Over the last five years, GPEC has assisted more than 170 domestic and international organizations with expansion into the region. More than half of these projects were less than $5 million in capital expenses, and in the last five years, only 13 projects have had capital expenses above $50 million, with the largest project at $250 million.

KEY FINDING 06

Many companies who initially consider Greater Phoenix for its low costs, business-friendly environment and market size, are drawn to the region for the exceptional quality of life.

International companies look for regions with strong supply chains, customer access, trade relationships, a qualified and diverse workforce, and research opportunities. Greater Phoenix is one of the best logistical and transportation hubs nationally, and is the strongest hub in the western region.[xli] In addition to the business-friendly environment, many companies ultimately land in Greater Phoenix to access its consumer market, which has historically been a key factor explaining the past organic FDI in the region.

For many of the multinational corporations interviewed during this assessment, access to west coast ports, an affordable lifestyle with quality housing, an inclusive culture, ample leisure activities and relatively light traffic were some of the main reasons for choosing the Greater Phoenix region. The in-market interviews highlight that although expansions are fundamentally a business decision, the higher quality of life is often a deciding factor between top locations.

KEY FINDING 07

Many international companies feel highly courted entering the market, but seek additional connectivity after arriving.

A sample of firms interviewed during the market assessment were part of regional business retention and expansion (BR&E) programs, however other smaller firms and those that entered through M&A were often left outside the scope of the region's BR&E program. These small firms are often lower on the visitation list due to capacity and resource constraints. As of today, there is no comprehensive system in place to capture firms that enter the region through mergers, acquisitions, or joint ventures. Because the bulk of FDI enters the region through M&A, most of the region's international firms are not part of the regional BR&E unless they reach out to the cities. However, interviewed firms did not consider reaching out to city or economic development agencies when they had challenges or opportunities. Many companies only reach out to peer organizations when they are facing competitiveness issues. Companies who enter through M&A and become part of the BR&E program will ultimately see the value of working with economic development practitioners when they have operational challenges.

A successful market entry and operational set-up depends on many factors. The process is generally more difficult for international companies. Navigating labor laws, licensing practices and U.S. regulations can be a challenge for any company, but more so for companies expanding into the United States for the first time. All firms interviewed suggested that additional services to help new companies transition smoothly into the market could be beneficial. The services they suggested include support for: engaging with banking institutions; connecting to human resources and workforce resource groups; navigating tax and compliance regulations for employment and benefits programs; and, access to a temporary work space while establishing a permanent location.

KEY FINDING 08

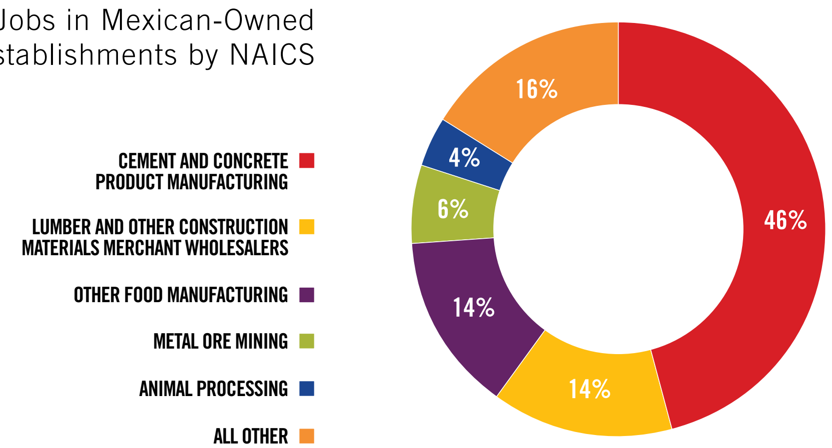
Canada and Mexico are essential partners for both trade relations and long-term investment opportunities; Europe and Asia are essential for near-term FDI strategy.

Mexico is a critically important trading partner. Merchandise exports to Mexico from Greater Phoenix exceeded $4 billion, representing 30 percent of all merchandise exports from the region in 2015. However, it is not a top 10 source of FDI for the United States. Across the United States, less than 80,000 people are employed in Mexican-owned companies.[xlii] Nearly 75 percent of all Mexican FDI in the United States is concentrated in the manufacturing sector, with an additional 11 percent in wholesale trade. The Greater Phoenix region benefits from strong trade routes to and from Mexico, in particular with Sonora. However, even for Greater Phoenix, Mexico has been a small source of FDI.[xliii] Historically, investments by Mexican-owned firms have been focused in the construction and mining sectors. Mexican-owned firms employ only 1,793 in Greater Phoenix. Nevertheless, Mexico, and Sonora in particular, can play a key role in attracting FDI to the region. A growing number of companies have operations in Greater Phoenix in order to oversee and support their manufacturing facilities in Mexico.

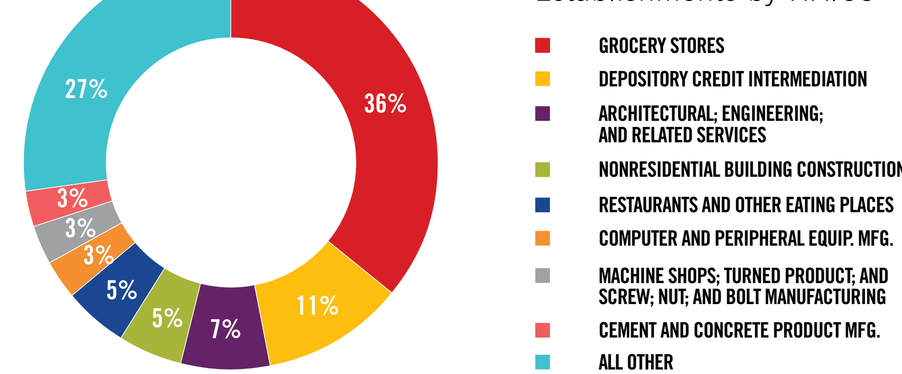
This operational pattern is seen primarily across large manufacturing based industries, where standard manufacturing is done in Mexico, and higher value advanced manufacturing, engineering, design and R&D is done in Greater Phoenix. This established pattern has led to Arizona and Sonora, Mexico becoming the fourth largest aerospace supply chain in the world and the largest in North America.[xliv] The business strategy that drives this aerospace supply chain is applicable to other manufacturing and research intensive industries like sensors and autonomous vehicles. However, from a direct FDI standpoint, Mexico is not likely to become a significant source of FDI in the region's target sectors. There is a unique opportunity to build a global brand identity around Northern Mexico and Greater Phoenix, particularly as it relates to the aerospace and autonomous vehicle supply chains.

In 2014, Canadian firms invested $21 billion dollars in the United States, the country's fourth largest source of FDI.[xlv] Nearly a quarter of all employment in Canadian firms in the United States is in the manufacturing, finance and insurance, and information sectors.[xlvi] Within Greater Phoenix, nearly 16,000 individuals are employed at Canadian-owned firms.[xlvii] However, the bulk of current employment by Canadian-owned firms is in the retail sector (40 percent), with manufacturing (15 percent), and finance and insurance (13 percent) rounding out the top three.[xlviii] In Greater Phoenix, more than half of all Canadian FDI comes from the Toronto region, with an additional 36 percent coming from Montreal and Calgary. This is consistent with national trends, as over half of all FDI from Canada comes from the Toronto area, followed by Montreal and Calgary. All other areas of Canada account for less than nine percent of FDI. In order to take advantage of Canadian investment, Greater Phoenix must reposition its attraction efforts aligned with advanced industries.

Jobs in Mexican-Owned Establishments by NAICS



Jobs in Canadian-Owned Establishments by NAICS



TOP COUNTRIES FOR FDI INTO PHX METRO

10,900 *Jobs*
19.5% *Percent of all FDI Jobs in Region*

7,500 *Jobs*
13.4% *Percent of all FDI Jobs in Region*

7,000 *Jobs*
12.6% *Percent of all FDI Jobs in Region*

5,900 *Jobs*
10.5% *Percent of all FDI Jobs in Region*

3,900 *Jobs*
7.1% *Percent of all FDI Jobs in Region*

GOAL

Greater Phoenix will become a recognized global leader in the next generation of sensor application technology through intentional and collaborative initiatives that enhance the region's legacy and emerging assets, global readiness, trade, international investment levels, and competitiveness.

OBJECTIVES

1. Achieve international recognition for Greater Phoenix, USA, built upon its advanced, next generation sensor cluster, in key European, Asian and North American markets by 2027.

2. Enhance the region's sensor application cluster through foundational efforts to foster innovation, expand export capabilities, promote collaboration opportunities and maintain the region's business-friendly climate.

3. Outpace the national average growth rate for new foreign-owned establishments and foreign firm employment by 2027.

4. Provide a full service concierge attraction and aftercare program to all international assisted locates, regardless of mode of entry.

5. Fully fund foreign direct investment attraction, aftercare, and branding and promotion activities.

Greater Phoenix is well positioned to become a test bed for disruptive, emerging technologies

STRATEGIES

STRATEGY 01
Enhance the global competitiveness of the region's emerging industry clusters, starting with smart sensor applications.

PROPOSED TACTICS

- Create opportunities for collaboration between existing firms, universities and startups by supporting the implementation of the Velocity plan.
- Conduct and publish regular research on competitive issues in the local sensor industry, including industry trends, supply chain and market opportunities.
- Support regional efforts to attract applied research and commercialization centers, beginning with smart sensors, the Internet of Things, and related industries
- Work with partner organizations to modernize and streamline the region's economic development toolkit in order to attract high-wage jobs, capital investment, improve the competitiveness of firms in the market and support high-growth disruptive firms.
- Develop a regional workforce platform that meets the current and future demands of sensor companies operating within Greater Phoenix to improve the number of student pathways for career technical education, two-year technical degrees/ certificates and four-year degrees, especially for the minority populations.

STRATEGY 02
Launch a full service concierge platform, integrating attraction and aftercare for all new international companies and cluster anchor companies.

PROPOSED TACTICS

- Continue to promote the region's international companies in manufacturing and logistics, aerospace, software and mission critical, while actively seeking opportunities to attract sensor and sensor enabled technology firms.
- Create a meaningful global identity to use in targeted media campaigns to build national and international awareness around the value of doing business in and living in Greater Phoenix.
- Organize and support workshops in European and North American markets with targeted multipliers and prospective clients.
- Collaborate with partners such as SelectUSA and the U.S. Department Commerce to increase visibility of the Greater Phoenix region with prospective foreign investors.
- Create a launchpad that serves to introduce potential companies to the dynamics of the market, industry leaders and community resources.
- Expand GPEC's concierge service model to provide high level support to international locates to ensure a successful transition to the market, including introduction to city economic developers to ensure alignment with city-led BR&E programs.
- Update and maintain the GPEC International Toolkit for new international companies.[xlix]
- Develop data-driven company profiles of international sensor companies operating in Greater Phoenix.

FOOTNOTE

xlix Toolkit contains an overview of taxes, healthcare, credit, and permits in the region.

STRATEGY 03

Promote a global partnership program that connects parties interested in joint ventures, acquisitions, or investment opportunities.

PROPOSED TACTICS

- Develop an engagement protocol and request for information program for service providers and cities to facilitate connecting customers to companies interested in developing global business partnerships.
- Create a resource for regional service providers to use during M&A transactions, outlining protocols and value-added services that municipal, regional and state economic development organizations can provide to stakeholders.
- Using available databases, create an outreach list of small and mid-market companies, private equity or venture capital backed companies, that are part of a global supply chain and have the potential to become M&A targets.
- Facilitate collaboration between local companies and foreign companies and connect them with business advisory services that provide peer-to-peer mentors.
- Engage in outreach to capital markets and sovereign wealth funds to support privatization and public-private partnership opportunities.

STRATEGY 04

Enhance collaboration within and outside metro Phoenix to capitalize on the region's connection to the CANAMEX trade corridor in order to support emerging sensor technology companies and other advanced manufacturers.

PROPOSED TACTICS

- Create market-specific collateral highlighting Greater Phoenix market advantages related to technology development, commercialization and production.
- Partner with the Mexican Consul General in Phoenix, Arizona-Sonora, and other organizations, to develop a binational data research platform to capture reshoring, onshoring, or investment opportunities of international companies seeking to enter the North American market.
- Develop collateral materials for targeted sectors that highlight the benefits of doing business in the Arizona-Sonora mega region and partner with SelectUSA to promote them in selected global markets through the single location promotion program.
- Conduct regular trade missions to promote Greater Phoenix as a gateway for Canadian manufacturing, engineering and sensor application companies seeking to expand in the Southwest and northern Mexico.
- Lead and support business visits with regional and municipal elected officials to Canada and Mexico, aimed at expanding multiplier networks and targeted corporate outreach.

IMPLEMENTATION

The Greater Phoenix Global Investment Plan will require region-wide engagement to be successfully implemented. The Greater Phoenix Economic Council (GPEC) will serve as the champion for the new regional FDI plan in coordination with partner organizations, and public and private community leaders. GPEC's Economic Development Director Team, a team of the economic development directors from GPEC's member communities, will play a pivotal role in leading and coordinating the strategies of this plan. These plan ambassadors will encourage participation among their networks through the new Greater Phoenix Global Partnership program. The first year of implementation will focus on:

1. Forming a strategic partnership with regional stakeholders, including the Maricopa Association of Governments, which will provide data and analytics support for a number of FDI tactics.

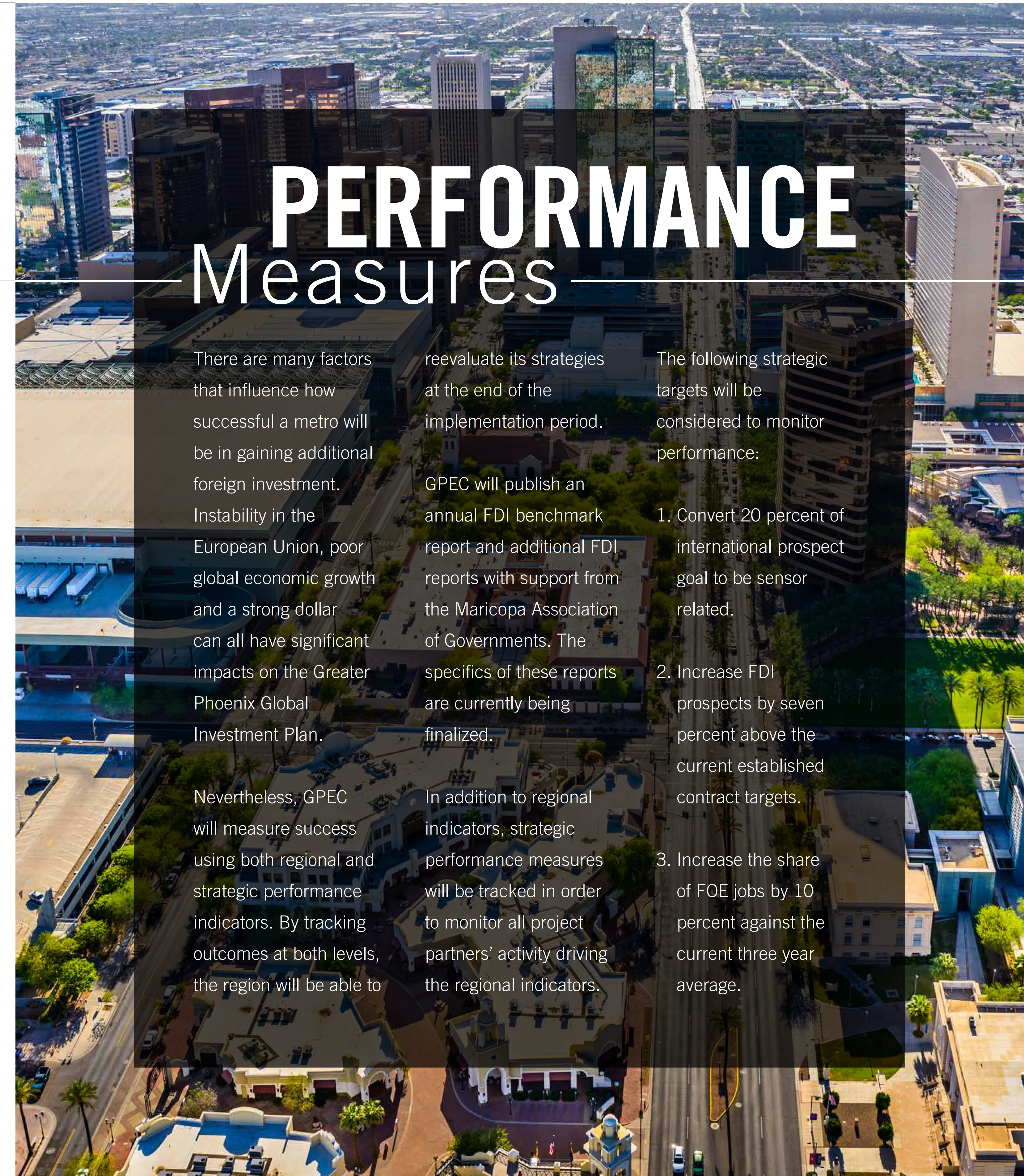
2. Seeking additional private sector partners within the sensor industry to help guide the formulation of a new branding campaign.

3. Developing business cases, market intelligence and collateral materials promoting Greater Phoenix's sensor technology cluster's capabilities and advantages.

4. Initiating a fundraising campaign to boost resources and staff dedicated to support the implementation of the plan, including a branding and international marketing campaign over the next three years.

After an initial three year period, the region will assess the effectiveness of the strategies and tactics outlined in this plan and revise them as needed.

The International Leadership Council will continue to guide and monitor the overall direction and implementation of the FDI strategies. The council will support the goals and objectives set forth in the Greater Phoenix Global Investment Plan by providing guidance on how to increase public support and financial resources to increase programmatic impacts.



PERFORMANCE Measures

There are many factors that influence how successful a metro will be in gaining additional foreign investment. Instability in the European Union, poor global economic growth and a strong dollar can all have significant impacts on the Greater Phoenix Global Investment Plan.

Nevertheless, GPEC will measure success using both regional and strategic performance indicators. By tracking outcomes at both levels, the region will be able to reevaluate its strategies at the end of the implementation period.

GPEC will publish an annual FDI benchmark report and additional FDI reports with support from the Maricopa Association of Governments. The specifics of these reports are currently being finalized.

In addition to regional indicators, strategic performance measures will be tracked in order to monitor all project partners' activity driving the regional indicators.

The following strategic targets will be considered to monitor performance:

1. Convert 20 percent of international prospect goal to be sensor related.

2. Increase FDI prospects by seven percent above the current established contract targets.

3. Increase the share of FOE jobs by 10 percent against the current three year average.

Summary of Key POLICY PROPOSALS

Case studies on Milwaukee 7, Columbus 2020, Right Place and Techtown in Michigan, and Virginia, South Carolina and Florida have shown significant value in pursuing a variety of strategies to attract FDI, including targeted marketing and business development campaigns, trade missions, networking through existing international business communities, in addition to the use of modernized economic development tools.

The heart of this modernization is supporting and promoting policies that improve the competitiveness of the region and of companies in Greater Phoenix. Policy changes should focus on making existing tools easier to use. In order to enhance the competitive landscape of Greater Phoenix, GPEC will collaborate with state and regional partners to support smart policy, global alignment and regional capabilities.

The top four priority areas are:

1. Gaining additional funding to support long-term strategic initiatives that generate positive impacts on exports and FDI.

2. Enabling of public financing tools for public infrastructure improvement projects and for stimulating private sector investment.

3. Funding for effective Arizona job training and workforce programs necessary to remain competitive in the global economy.

4. Improving existing economic development tools to ensure that they are usable and valuable for advanced industry operations and technology firms focused on research and development.

Policy changes cannot happen in a vacuum; the policy recommendations will require GPEC and its partners to align policymakers and key leaders on the value in creating a vibrant economic base.

Marketing and COMMUNICATIONS

The successful implementation of the Metro Phoenix Global Investment Plan will depend largely on developing a sustained and coordinated marketing and communications plan. This initiative will position the region in key domestic and international markets through the development of a consistent, globally relevant identity.

To ensure the implementation achieves the goals of the plan, GPEC has developed the following marketing and communications approach to launch and support the plan through the first three-year implementation period.

1. Launch the Metro Phoenix Global Investment Plan at an event with top public and private leadership, to be covered by major local media outlets.

2. Launch the global messaging campaign for the Greater Phoenix region.

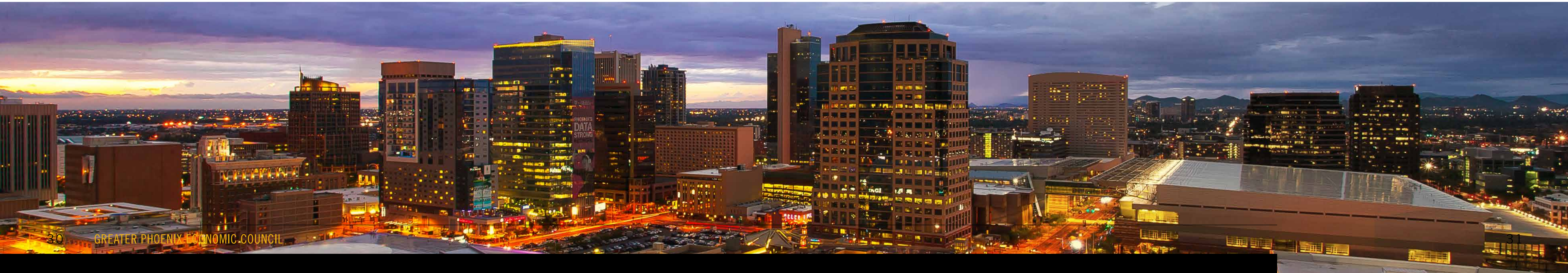
3. Focus on industry-specific story placements in targeted international outlets.

4. Organize and promote inbound and outbound international media tours.

5. Support a premier international industry conference.

GPEC and the broader business community recognize that in order to have a successful marketing campaign the region must support existing firms.

Through collaboration with regional and state entities, the region's brand, strategies and resource development will be properly aligned, driving additional investments.



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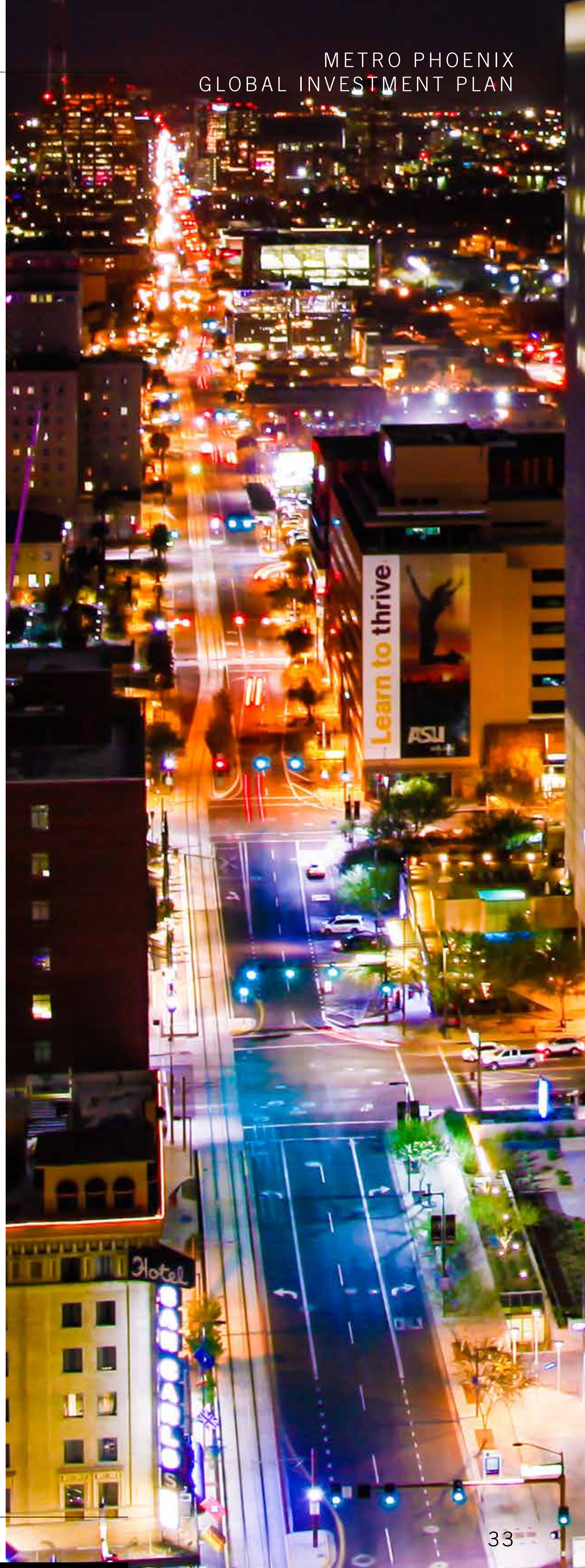
LIST OF ACRONYMS AND DEFINITIONS

BRE	Business Retention and Expansion
CANAMEX	Canada and Mexico
EDO	Economic Development Organization
FDI	Foreign Direct Investment
FOE	Foreign Owned Enterprises
Foreign Owned	Firms that's parent company is headquartered outside the United States, and companies that have a majority ownership outside the United States.
GDP	Gross Domestic Product
GPEC	Greater Phoenix Economic Council
M&A	Mergers and Acquisition
Midsized firms	Those firms with annual sales less than or equal to $50 million.
NAFTA	North American Free Trade Agreement
PE	Private Equity
P3	Private-Public Partnership
R&D	Research and Development
Small firms	Those with less than $5 million in annual sales.
TAD	Tax Allocation District
TIF	Tax Increment Finance
VC	Venture Capital



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Greater Phoenix
ECONOMIC COUNCIL

GLOBAL CITIES INITIATIVE
A Joint Project of Brookings and JPMorgan Chase

ABOUT THE GLOBAL CITIES INITIATIVE

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The Global Cities Initiative is a joint project of the Brookings Institution and JPMorgan Chase designed to help metropolitan leaders advance and grow their regional economies by strengthening international connections and competitiveness on key economic indicators such as advanced manufacturing, exports, foreign direct investment, and traded sectors. GCI activities include producing data and research to guide decisions, fostering practice and policy innovations, and facilitating a peer-learning network. The Global Cities Initiative is chaired by Richard M. Daley, former mayor of Chicago and senior advisor to JPMorgan Chase. It is directed by Amy Liu, vice president and director of the Brookings Metropolitan Policy Program.

For more information, see http://www.brookings.edu/projects/global-cities.aspx or www.jpmorganchase.com/globalcities.

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