



**INTERNATIONAL INVESTMENT AND
ECONOMIC DEVELOPMENT IN VIRGINIA**

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PROPOSALS

- ***Focus on attracting foreign investment to the Commonwealth as the principal means of economic development.***
 - **For example, this includes targeting major research and development firms for Northern Virginia and assembly operations for rural Virginia.**
- ***Coordinate and cooperate with Virginia universities to work with thousands of foreign students to develop new leads and opportunities for direct investment in the Commonwealth.***
- ***Work with existing foreign firms already located in the Commonwealth to expand their operations.***
- **Better coordinate international activities of state and county development agencies.**
 - **Expand the number of overseas trade and investment offices.**
- **Establish an international office within the executive office of the governor to facilitate university coordination, cooperation between state and county economic development agencies, and oversight of foreign trade and investment activities.**

BACKGROUND

- Of the 12 southeastern states, Virginia ranks 9th in foreign ownership.¹
- In Virginia, *foreign investment* has produced 150,800 jobs, and *exports* have produced 300,000 jobs.
- Virginia has 811 firms with foreign affiliations.²
- Prior studies assessing the international activities of Virginia have focused on “rebranding” the state and have not received much legislative support.³
- The Virginia Economic Development Partnership (VEDP) is the principal government entity in the state that is responsible for economic development.⁴ Through the International Division,⁵ the focus is on export promotion and foreign direct investment (attracting foreign firms to relocate to the Commonwealth).
 - The VEDP has its own board of directors and coordinates with the Secretary of Commerce and Trade for the Commonwealth.
 - Other state entities involved with foreign commerce include among others the Virginia Port Authority and the Virginia Department of Agriculture and Consumer Services (International Marketing).⁶
 - The VEDP has only *three offices abroad* (Brussels, Tokyo, and Hong Kong). It recently closed those in Brazil and Korea. In comparison Florida has

¹ The Bureau of Economic Analysis determined that Virginia had a tax base (gross property and equipment) of \$18.5 billion in 2006. Florida, with \$30.3 billion, had the highest of the southeastern states.

² Virginia Firms with Foreign Affiliations 2007 (Virginia Economic Development Partnership) http://www.yesvirginia.org/pdf/foreign_affiliates.pdf

³ Virginia International Trade Alliance. <http://www.vitalforva.org/index.asp>. Task Force Report – Virginia’s Global Future (2007) http://www.vitalforva.org/documents/Executive_Summary.pdf

⁴ http://www.yesvirginia.org/about_us/default.aspx

⁵ <http://www.exportvirginia.org/>

⁶ <http://www.vdacs.virginia.gov/international/index.shtml>

fourteen offices, New York has nine offices, and North Carolina has six offices.⁷ The VEDP has no offices in India or in mainland China.

- The field of economic development has undergone a tidal shift, yet state organizations and strategies have not adjusted accordingly.
- Growth is not coming from the domestic economy. Attempts to attract other U.S. firms to relocate to Virginia are yesterday's news.
- Future growth is in the global marketplace.
 - Foreign firms and countries have significant liquidity. In the current global economic crisis, the optimum approach is to focus on attracting foreign investment first and export promotion second.
 - We cannot export our way out of the crisis. Foreign investment is one of our best hopes for job creation.
 - Given the rise of actual or perceived protectionist barriers in the United States, foreign firms will want to avoid these risks.⁸ Today's situation is similar to that in the 1980s, when Japanese and other foreign auto manufacturers began to locate throughout the southeastern United States.
 - As a result of the global economic crisis, there is now a shift of greater economic power to Washington, which is helping to create a true global city with unprecedented commercial significance. Foreign firms will want to be close to this nexus of global economic and business power.
 - A declining dollar is an additional incentive for foreign firms to establish operations in Virginia.
 - A new governor with significant global contacts with foreign political leaders and corporate executives can maximize the possibilities of success for the

⁷ "Trends in State International Business Development." (State International Development Organization, Survey 2008). <http://www.sidoamerica.org/> This data is not clear in distinguishing between trade offices, investment offices, contract offices or permanent offices.

⁸ The "Buy American" provisions in the new federal stimulus legislation are very controversial even though it requires the observance of international trade agreements. "[Buy American Rider Sparks Debate.](#)" *Washington Post* (January 29, 2009); "[Trade Wars: Will Protectionism Win out over Recovery.](#)" *Knowledge@Wharton* (February 18, 2009) http://knowledge.wharton.upenn.edu/printer_friendly.cfm?articleid=2165

Commonwealth. Close working ties with the new administration in Washington, especially its international officials, can ensure success.

- **If Virginia intends to “embrace globalization,” as Governor Kaine’s administration has proclaimed,⁹ the Commonwealth must *reorganize its domestic efforts and formulate new strategies*. It needs to take advantage of our *local assets* (universities and foreign students in the Commonwealth).**
 - **Globalization will be embraced by leveraging local assets. Embracing globalization increases local transactions, economic development and jobs.**
 - **Let’s utilize “*person-to-person*” marketing of opportunities between the Commonwealth and the huge foreign graduate student population, who are here for the most part to learn about trade and investment opportunities.**
 - **By establishing an office to better coordinate these activities of the Commonwealth and its counties, highlighting and raising the profile of Virginia’s international activities, will entail only a minimal expense.**
 - **Other organizational and strategic changes may be feasible, such as establishing a *Deputy Secretary of Commerce & Trade for Global Trade & Investment*, helping foreign firms in Virginia to expand, assisting Virginia firms to expand their already existing international contacts, and establishing more offices abroad.**
 - **There is a need to revitalize the VEDP by making it a truly *public-private partnership*. This requires meaningful private sector participation, which would include finding new ways for the private sector to more deeply support and cooperate with VEDP.**
- **Virginia was founded by a globally focused trading company, the Virginia Company of London. In the 21st century, Virginia’s future is with global trade and investment through a revitalized and aggressive policy of embracing globalization.**

⁹ This is Governor Kaine’s policy, as discussed by the Secretary of Commerce and Trade for the Commonwealth, Pat Gottschalk. “Virginia Embracing Globalization,” Virginia Lawyer (December 2007) http://www.vsb.org/docs/valawyer magazine/v11207_gottschalk.pdf