

# INTERNATIONAL CORNERSTONE FLORIDA

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## BUILDING A CROSSROADS ECONOMY

### SUMMARY



**FLORIDA CHAMBER**®  
*Foundation*

## ABOUT THE FLORIDA CHAMBER FOUNDATION

The Florida Chamber of Commerce Foundation is a research organization and problem-solver, working in partnership with state business leaders to advance and fund activities in public policy research and leadership development in order to promote a healthy Florida economy. Since its founding 30 years ago, the Chamber Foundation has been a critical voice for improved public education and a pro-business, pro-Florida business climate that allows Florida to grow and prosper.

The Foundation takes pride in a record of important studies that have provided an intellectual framework for state policy:

- ◆ *No More Excuses: What Business Must Do to Help Improve Florida's Schools* (1994)
- ◆ *Crossroads: Designing Florida's Tax Structure* (1990)
- ◆ *Cornerstone: Foundations for Economic Leadership* (1989)
- ◆ *Enterprise Florida: Growing the Future* (1989)
- ◆ *The Role of Privatization in Florida's Growth* (1986)

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### **SUMMARY**

**FLORIDA CHAMBER OF COMMERCE FOUNDATION, INC.**

*Research by*

**KPMG PEAT MARWICK LLP**

**FLORIDA CHAMBER**  
*Foundation*

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## ABOUT THIS REPORT

The Florida Chamber Foundation commissioned KPMG Peat Marwick to develop strategies that will make the most of international economic opportunities and position Florida as a major international competitor. It is an outgrowth of *Cornerstone: Foundations for Economic Leadership*, published in 1989, which provided the basis for domestic state policy initiatives.

The project team consisted of representatives of KPMG, and a volunteer leadership group of Florida business executives and economic development professionals. We believe that this report offers a framework for businesses and state policy makers to build a solid foundation for Florida's becoming a crossroads economy supported by knowledge-based and Florida-made industry and world class services.

Our purpose is to offer strategies to:

- Improve the ability of Florida firms to do international business
- Increase the number of Florida firms active in the international economy
- Promote exports of Florida made goods and services
- Increase the amount of foreign direct investment in the state
- Improve the state's image overseas as a place to do business.

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## ACKNOWLEDGEMENTS

The Florida Chamber of Commerce Foundation is pleased to acknowledge and thank the investors in the *International Cornerstone*. Gifts and grants from corporations, private foundations, and individual contributions support the Foundation's programs, publications, and operations. This partnership on behalf of a strong Florida economy gives us every reason to be proud!

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## **International Cornerstone Florida**

### **Summary**

#### **Towards A "Crossroads" Economy**

Florida is at a crossroads in its economic history. Its businesses are looking outside the borders of the state and the nation to expand their markets. Its public leaders are seeking to attract investments that will create high-skilled, high paying jobs for residents. And both are working together in a new and innovative partnership designed to position Florida for the future.

What we are talking about is a confluence of events that can make Florida the "crossroads" economy of the 21<sup>st</sup> century. Like other locations in earlier times—Venice, Amsterdam, Hong Kong and Singapore, to name just a few—Florida is uniquely situated to play a brokering role among the various regions of the world, bringing one region's goods into the marketplace of another and adding value along the way.

In some ways, the state is already a crossroads economy, serving as a major transshipper with Latin America. But its position today is more an accident of geography than the result of a strategic vision or coordinated plan. And while location may have been a sufficient advantage in the past, it will not be enough for the future. Instead, the state will have to focus on the international marketplace, pull its resources together and act in an integrated and cooperative fashion.

Recognizing this need, the Florida Chamber of Commerce Foundation undertook a new project—*International Cornerstone*—with the express purpose of developing strategies for the state to take advantage of international economic opportunities now and in years ahead. This project builds on the Foundation's 1989 study, *Cornerstone: Foundations for Economic Leadership*, which has already had a profound impact in making the state's economic development strategy more responsive to the private sector.

The Foundation selected KPMG Peat Marwick LLP as its management consultants to help achieve the project objectives:

- Assess international trade and foreign direct investment trends in the world, the nation and the state
- Evaluate Florida's strengths, weaknesses, opportunities and threats in the international economy
- Recommend strategies to strengthen the state's international competitiveness and suggest ways to improve in existing sectors of the economy

In this summary, the project team outlines our results at a high level, designed to be accessible and understandable to the state's business community, the legislative and executive branches of state government, county and city governments and the people of Florida. Additional information is detailed in the *International Cornerstone* comprehensive technical report, available at the Florida Chamber of Commerce.

If there is one message we want to get across, it is this: Florida can be a crossroads economy—and must, if we want to assure a high quality of life for our children and grandchildren. But it won't be easy. The state will have to change its internal mindset as well as its external perception. It will have to act as a single, focused entity, rather than a collection of cities, airports or seaports. It will have to prepare Florida's youth and adults for the jobs of a knowledge-based economy. And it will have to begin now.

## **International Cornerstone: Project Scope and Approach**

The global economy is more than just the buzzword of the 1990s. It is a whole new ball game, created by advances in technology that have eliminated traditional boundaries and created a wealth of possibilities for the world's nations, states and businesses.

Florida's private sector—from the high tech start-up to the Fortune 500 corporation—recognizes this shift and the need to position the state accordingly. That's why the Florida Chamber of Commerce Foundation, the research arm of the state Chamber of Commerce, commissioned the *International Cornerstone* project in August 1996.

The *International Cornerstone* is designed to develop strategies that will allow Florida to make the most of international economic opportunities and position the state as a major international competitor. It is a natural outgrowth of the *Cornerstone: Foundations for Economic Leadership*, published in 1989, which provided the basis for major state policy initiatives. That report's conclusions are still affecting the state's economic landscape, notably in the recent transfer of the state's economic development functions to Enterprise Florida, Inc., an innovative public-private partnership.

While the current study is not focused on building domestic competitiveness, the project team urges Florida's public officials and business community to keep sight of the lessons and vision of the original *Cornerstone*: to be globally competitive in today's world means to be competitive first at home. Similarly, the results of this study should not be viewed as separate from the state's domestic strength: increasingly, the two are closely intertwined.



For the purposes of this study, the Foundation wanted to determine:

- How Florida stacks up as an international player
- What kinds of opportunities there are—or will be—in the international economy
- What the state can do to take advantage of those opportunities

The project team, guided by a Chamber research task force comprised of Florida business executives and economic development professionals, took a two-pronged approach to this task. First, we looked outside the state to assess the international market and create a frame of reference to judge Florida's current efforts. This meant considering all the factors that determine who is selling what to whom—trade flows, investment flows and general economic trends—as well as projections for the future. Secondly, we looked at similar issues inside the state, such as what the Florida economy looks like, who is employed in what sectors, how much Florida trades and with whom, and where growth is projected.

The project team spent the last eight months finding the answers. Along the way, we:

- Interviewed more than 60 people in every part of the state and in every sector of the economy, from the mayors of cities to CEOs of Florida companies, foreign executives to economic development professionals, education leaders to transportation planners
- Conducted focus groups in four cities—Miami, Tampa, Jacksonville and Panama City—of representatives of small- and medium-sized Florida firms, with varying degrees of experience in the international economy
- Surveyed foreign business people in Florida's four largest international investors—United Kingdom, Japan, Germany and Canada—to determine their perceptions of the state as a business location
- Conducted a Strengths, Weaknesses, Opportunities and Threats ("SWOT") analysis of Florida's ability to compete internationally
- Researched statistical databases, publications from multinational development organizations, academic journals, private sector studies and surveys, and KPMG's own analysis
- Evaluated the results based on the experience of team members in conducting similar projects throughout the world

Every effort was made to make the study inclusive, both geographically and economically. Our intent was to orient our conclusions to the state as a whole, not to a particular business segment or city. We hope the results will be as relevant to the small manufacturer in Pensacola as the large multinational in Miami, and as useful to the Florida Chamber of Commerce Foundation as to Enterprise Florida, Inc. Because if the state is to achieve its potential as a true "crossroads" economy, we will all have to work in concert.

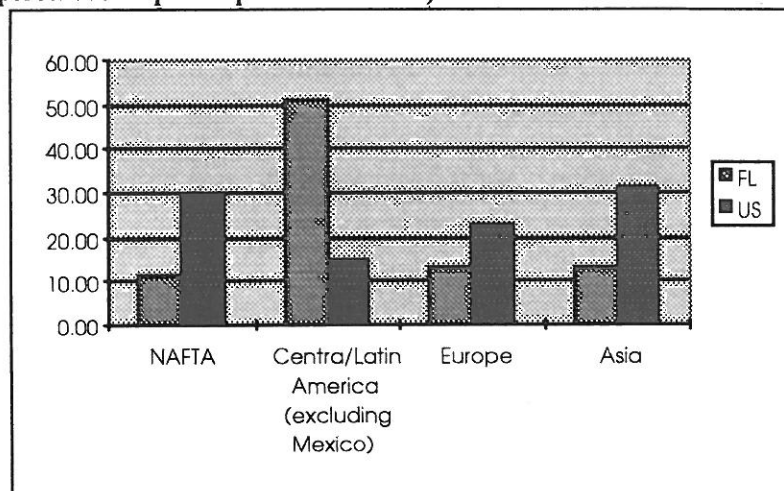
## **Florida's Economy: Success by Accident, not Design**

What did we find? Florida has built a solid foundation for becoming a crossroads economy—that is, a competitive international location for the trade of goods and services, supported by an emerging knowledge-based and “Florida-made” industry and by world class services. But to make the most of its potential as an international player, the state will have to become more strategic and focused in its approach.

### **Florida dominates US trade with Latin America, but is only in the middle of the pack for trade with Europe and Asia.**

As expected, Florida’s balance of export trade differs from the nation as a whole: as the chart indicates, the state’s exports are concentrated in Latin America, while US exports tend to be spread relatively evenly among the four major regions of the world.

**A Comparison of Florida’s and the US’s regional exports, 1995  
(in percent for top 50 export destinations)**



Source: US Department of Commerce, Bureau of the Census, Exporter Location Series, 1995.

The nation’s three top export destinations in 1995 were Canada, Japan and Mexico: exports to NAFTA neighbors made up roughly 30 percent of the total, while another 30 percent went to Asia and 20 percent to Europe. About half of Florida’s exports, on the other hand, were oriented to Latin America, with Brazil the leading destination. The state’s exports to the other regions amounted to approximately 10 percent each.

In other words, Florida is missing out on critical opportunities for international commerce. The state has virtually ignored Mexico, despite its proximity, and has not tapped Asia—the world’s fastest growing market—or the huge European market. Other

states show that geography is not an adequate excuse for this oversight. New York, for example, trades heavily with Asia, just as California trades with Europe.

It appears that the state's trade with Latin America is more an accident of location than the result of a well thought out strategy. On the other hand, it represents a significant asset that could be used as part of such a strategy.

**A significant portion of Florida's exports are transshipped.**

Total 1995 exports from Florida amounted to \$29.4 billion, including all merchandise exported through the Miami and Tampa Customs Districts. These goods were not necessarily manufactured in Florida, however; in fact, many may have been produced in other states or overseas and simply exported or transshipped through Florida ports or airports.

The team compared this figure to the Exporter Location Series, a new database created by the US Department of Commerce. This database allocates exports to the physical location of the exporter and provides a clearer picture of the Florida reality. On this scale, Florida's exports for 1995 totaled \$18.6 billion. Assuming the rule of thumb that 88 percent of this figure can be attributed to manufacturers in the state, the export figure is closer to \$16.3 billion. However, the figure is most likely lower in a state like Florida, where there are a large number of wholesalers and other intermediaries and the manufacturing sector is relatively small. We therefore estimate that goods produced in-state and sold by an exporter located in-state are likely closer to \$15 billion.

That means almost half of the state's exports are transshipped, which gives Florida an excellent opportunity to add value to goods produced in other parts of the world. So far, however, the state has not made a concerted effort to maximize this opportunity.

**Additional demand for Florida's top export products will create more low-paying than high-paying jobs.**

The export of goods and services is closely linked to employment and wages. Increased demand for export products in foreign markets creates additional opportunities for jobs at home, both as a direct result of increased production and export activities, and as an indirect result of additional wealth held by new employees.

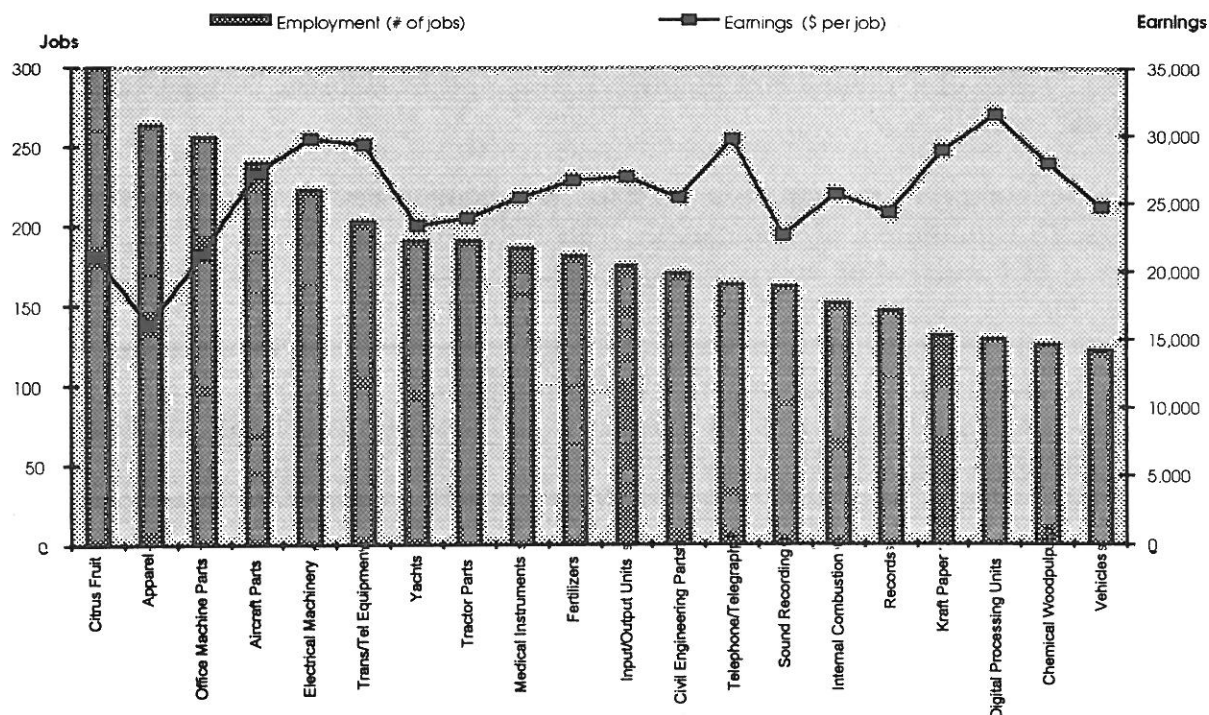
When the team compared Florida's top export sectors by additional jobs created to the average wage in those sectors, we found a disturbing imbalance: those sectors that are projected to gain the most jobs are not the ones that pay the highest wages. Although growing demand for citrus, apparel, office machines and electrical machinery and equipment would have the greatest impact on *employment*, the greatest impact on

payroll would be created by demand for digital processing units and telecommunications equipment.

In its international trade plans, then, the state needs to be concerned not just with the number of jobs created, but the quality of those jobs. The focus should be on those sectors that will create a relatively high number of jobs that pay wages above the state's average.

#### The Impact of Manufacturing Exports

Jobs and average earnings per job for each additional \$10 million of Florida Origin Exports

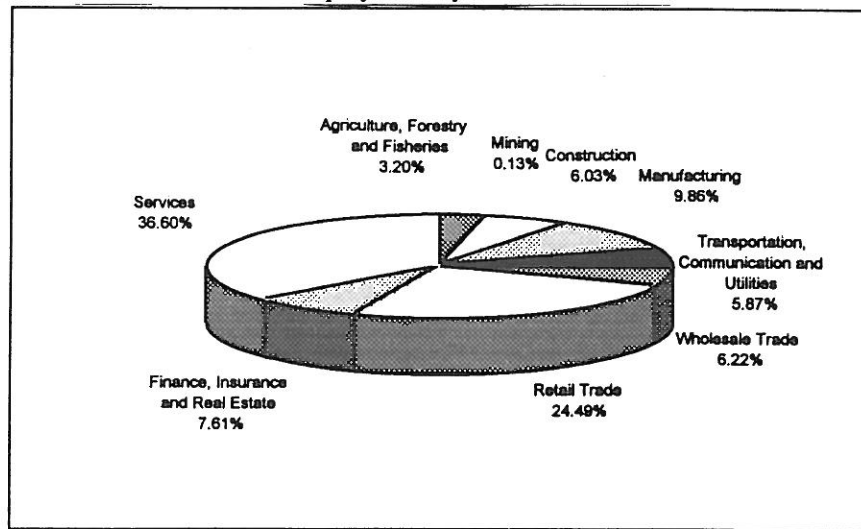


Source: US Department of Commerce, Bureau of Economic Analysis, RIMS II; Bureau of the Census, US Merchandise Trade Data; 1995.

#### Florida's economy is service-based, but not trade-oriented.

On the internal economy side, the team found that Florida is a highly service-intensive economy, far more so than the nation as a whole. In 1994, approximately 75 percent of Florida's total workforce was employed in services, compared to 68 percent for the nation overall. Manufacturing accounted for only 10 percent of the state's total employment, compared to a national average of 20 percent.

**Florida Economic Structure: Employment by Sector 1994**



Source: US Department of Commerce, Bureau of the Census, County Business Patterns, 1994

Unfortunately, the service sectors that are growing tend to create jobs that are low-skilled and low paying—health services, business services, hotels and restaurants—and do not actively support international trade. Meanwhile, those services that do support trade—legal services, communications, insurance, engineering and banking—are growing at a much slower rate. Our analysis showed that *active* trade support services such as these pay higher than the state's average wages, while *passive* trade support services, which make up the bulk of Florida's service sector, pay lower than average wages.

However, as Florida's service sector continues to grow—creating eight out of ten new jobs between 1994 and 2005—the majority of the new jobs will be in the passive trade support services. If the actual job market corresponds to the projections, the state can expect a negative impact on both citizens' income and the state's international competitiveness. Conversely, by beginning now to emphasize active trade support services, Florida can enhance its attractiveness as a business location and create better-paying jobs for its residents.

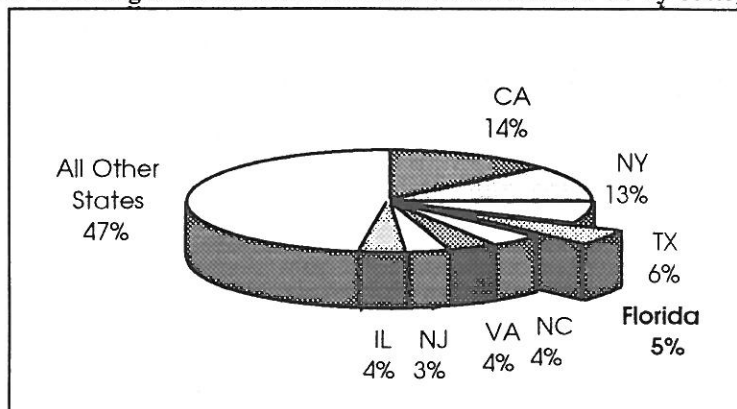
**Florida has been less successful in attracting foreign direct investment than other states.**

Foreign direct investment refers to a particular kind of investment—one in which a foreign entity exerts a significant and lasting influence, such as building a factory here. In other words, the foreign firm takes a stake in something tangible, as opposed to simply putting money in a US bank or buying shares on the New York Stock Exchange.



Florida is competing with other states and nations for such investments, which create jobs, bring in new skills and technologies, and contribute to the area's role as an international player. While Florida ranks fourth in the number of foreign transactions in the nation, the top two —California and New York—are way out in front, together accounting for over one-quarter of foreign direct investments.

**Number of Foreign Direct Investment Transactions in the US by State, 1994**



Source: US Department of Commerce, International Trade Administration, 1995

In terms of the reported *value* of those transactions, Florida's rank dropped to 26<sup>th</sup>. Its regional and national competitors—California, South Carolina, Texas, Tennessee, Alabama, North Carolina and Arizona—were all more successful in attracting direct foreign investment than Florida. Why? The project team's survey of southeastern states and foreign companies showed that almost half of all foreign firms in the state are service firms, while the nation's highest numbers of transactions and transaction values were recorded in the manufacturing sector.

In 1995, 45 percent of Florida's foreign-owned companies provided services, 35 percent were in sales and distribution and only 20 percent were manufacturers. Foreign-owned companies here were also the least active in importing and exporting of all the southeastern states. Almost half (46 percent) of Florida's foreign-owned companies reported no import or export activities, compared to less than one-third for the region. Finally, these companies have proportionately fewer workers on their payroll than their counterparts in other states. Florida thus ranked 32<sup>nd</sup> in employment by US affiliates, with just 3.9 percent of the total state workforce employed by foreign-owned companies.

### **International Competitiveness: Strengths and Weaknesses**

The project team identified 10 factors that determine Florida's ability to compete internationally: human resources, capital availability, transportation infrastructure,

business climate, industry sectors, trade advocacy, image, foreign market presence, foreign direct investment attraction, and trade information and advice.

Many of these factors are interrelated, not only to each other, but to the domestic economy. For example, an initiative designed to assist local manufacturers in the area of worker training will make those manufacturers more competitive internationally. Likewise, efforts to improve the business climate, such as facilitating the permitting process, will make a region more attractive to foreign investors.

Our conclusion is that any factor that improves the domestic economy will also improve the state's international competitiveness, while certain factors affect only the international picture. Here is what we found in each area, on the basis of the team's research, interviews and focus groups.

## **1. Human Resources**

We put Florida's people first, for good reason. In the new knowledge-based economy, human resources provide the competitive edge. People will determine the state's ability to attract and develop industries that create good, high-paying jobs, and will offer the services necessary to build a crossroads for international commerce.

Florida has the fourth largest population in the nation, and is drawing a large number of workers from other states: certain regions, such as central Florida, are experiencing an inflow of qualified younger workers attracted by the area's relatively high rate of growth. On the other hand, Florida's workforce has relatively low education levels, especially in terms of the scientific and technical capabilities required by knowledge-based industries.

The way to address these deficiencies is through training. But current worker training programs are not targeted to high-wage, high-demand areas and are not considered effective. In addition, there is a lack of training for practical international skills in Florida, particularly outside its southern and central regions.

## **2. Capital Availability**

Businesses need capital to grow. The ability of firms in the state to gain access to private and public sector financing not only enables them to invest and compete domestically, but positions them to take advantage of international opportunities. As Florida's businesses are well aware, the different nature of international contracts and the diversity of payment arrangements in international trade require access to flexible sources of finance, as well as expert advice on payment options.

While a number of major international banks are located in southern and central Florida, the ratio of commercial and industrial loans to total loans in the state is low compared to other states. Many executives of small- and medium-sized companies reported that the state's banks are unwilling or unable to provide export finance, especially for small or irregular orders. And state government plays a limited role in financing companies in Florida, providing a small fraction of total business capital. For this reason, a Jacksonville business owner told us, he uses a Georgia bank for his international financing needs.

### **3. Transportation Infrastructure**

Transportation is a big issue in Florida—and an integral element in the development of a crossroads economy. As for any state, transportation infrastructure is a key determinant of foreign direct investment, especially for firms that buy their inputs or sell their products outside the state.

The elements of an efficient and modern transportation infrastructure are already in place in Florida. The state has 14 deep sea ports and several international airports, including one of the world's largest cargo airports. However, these elements are not adequately integrated, as reflected in the lack of intermodal facilities and problems with efficient road access to ports and airports.

The state will need to make significant investments in its infrastructure to keep up with the expected increases in trade and tourism. Just as important, there must be an integrated approach to these investments to assure a seamless, effective transportation system throughout the state.

### **4. Business Climate**

Business climate is the overall environment experienced by companies in a specific region. Ultimately, it reflects the ease of doing business in that region, which can act as a major selling point—or deterrent—for foreign investors.

Florida has many advantages, including its natural beauty and attractive climate, which make it a desirable place to live. These are major assets that can be used to enhance the area's economic strength by attracting qualified people, as well as outside investors. But business climate also covers the attitude of government toward business, and this is one area in which the private sector believes the state could do far better. In our focus groups, the majority of business participants said the state was adversarial, as reflected in high business taxes and costly, time-consuming permitting processes.



Our experience indicates that business attracts business: if businesses in one area are happy, other businesses will come in. By combining its high quality of life with a "business-friendly" environment, Florida could become a leading location for international business.

## **5. Industry Sectors**

In order to be competitive in the 21<sup>st</sup> century, Florida must expand its high technology, knowledge-intensive industries. The project team found that 20 percent of Florida's manufacturing output in 1994 could be defined as high technology—the same as the average of the Organization for Economic Cooperation and Development (OECD) member nations. The state is especially strong in the communications and electronic equipment and aerospace sectors.

However, Florida's traded sectors, which compete in out-of-state and international markets, are weak. There are still a lot of low- and medium-technology sectors in the state. This is a reflection of the state's economic structure, which is dominated by services that are not sold outside of the state, and therefore do not contribute to its international status.

## **6. Trade Advocacy**

Active promotion of trade interests at home and overseas can be used as a tool to further Florida's interests in trade negotiations, assist Florida's exporters overcome barriers to trade, and help attract foreign direct investment to the state. Recognizing the value of such advocacy, the nation's regions and states are taking a growing role in supporting their interests overseas.

In Florida, a number of groups have come together to represent the state's interests in the hemispheric trade integration process, and leading business and international trade organizations are preparing a position paper on the issue. But there is a lack of statewide organizations that represent the interests of specific industries, which means that manufacturers don't have an effective vehicle to represent them. And businesses do not perceive the state as being active in supporting and promoting the state's international trade interests.

## **7. Image**

Florida has always been known for cheap labor, abundant land and tourism. The first *Cornerstone* report said the state could no longer compete on this basis in the nation. And if that was true for the domestic market, it is even more so for the world of international commerce.

The large number of foreign visitors to Florida presents both an opportunity and a challenge to the state. On the one hand, the millions of international tourists are a captive audience, and the state has a unique opportunity to present a new, business-oriented image. On the other, our research indicated that Florida's international image is dominated by tourism, and little is known about the state as a place to do business.

Few people in the international market know about the state's economic assets, such as an emerging high technology sector. If the state is to move forward, it will have to build on the positive perceptions of the quality of life here to promote its strengths as a place to do business.

## **8. Foreign Market Presence**

Most states maintain offices in key countries to represent their interests, attract foreign direct investment and assist firms doing business overseas. Florida has eight offices in major industrial and developing nations, all of which were until recently directly owned and operated by the state. This is the traditional "bricks and mortar" approach to foreign representation, with separate offices established in single county locations.

Other states are finding a number of problems with this approach: specifically, it is costly, rigid and difficult to control. Many are experimenting with other strategies, such as contracting with private sector firms in specific countries for representation, using technology to create virtual regional networks of offices, or sharing offices with other states in specific markets.

Now Enterprise Florida has inherited the state's foreign offices. This shift presents an opportunity for Florida to consider moving to a more up-to-date approach—one that allows greater flexibility and increased geographic coverage at the same cost as previous efforts.

## **9. Foreign Direct Investment Attraction**

Florida's economic leaders have clearly understood that Florida is a "product" and that to attract foreign direct investment, the state must sell that product to potential investors overseas. The tools and techniques needed to accomplish this objective are no different than those used by successful companies. They require a detailed knowledge of the product and the potential buyer—and the ability to shape the product to meet the buyer's needs.

However, Florida and most states are using a single approach to attract foreign direct investment. They begin by determining attractive industries, and then try to attract

companies from those industries. As a result, all of the states wind up competing for the same companies, and each tries to outdo each other in terms of incentives.

An enhancement to the current approach would be to start from the other end, by assessing the state's competitive advantages, producing an inventory of the strengths it can offer any industry, and then targeting the industries that need these particular characteristics. By picking out industries where there is already a good match, Florida is more likely to be successful in its efforts, and more likely to reduce its reliance on costly incentives.

## **10. Trade Information and Advice**

Florida must provide both trade information and advice to assure its competitiveness. First, it must make available timely, accurate and reliable information to companies that are active in foreign trade or who would like to be. Second, it must offer advice and counsel to companies that lack the skills to be active in foreign trade.

An extensive infrastructure for providing such resources already exists in Florida, but it is fragmented among the various components. As a result, there is a duplication of effort, which makes it difficult for customers to access the information and advice they need. Our focus groups indicated that there is a wide range of requirements, and the advice being provided doesn't seem to take those requirements into consideration.

Integrating the efforts of the various organizations providing trade assistance and information would make the system more responsive to the private sector's needs. It could also increase efficiency, as each component specializes in its core activity as part of a more comprehensive whole.

### **A New Model: Florida's Crossroads Economy**

What does all this mean? The project team concluded that there are three major areas where the state can improve its international competitiveness:

- Exporting Florida-made goods and services
- Attracting more foreign direct investment, as well as the right kinds of investment
- Enhancing the state's image overseas

If it does these things, Florida can change its role from that of a "gateway" to become a true "crossroads" economy. Rather than a two-directional mechanism, where goods

flow in and out, a crossroads allows goods and services to come from all directions—and often, to stay there.

We have a vision of a crossroads where everything flows through this economy, as in Venice or Amsterdam, in earlier times. Trade will flow from Asia and Europe to Florida, from Florida to Latin America and vice versa. And while that trade is flowing through, the state's businesses will provide services for those goods: international financing, insurance, warehousing, value-added manufacturing, and the other services trade requires.

Of course, it won't just be goods that are moving through the state, but new ideas, new skills, different ways of doing things, and people with diverse perspectives. All will be passing through Florida as a crossroads of international commerce, creating a critical mass for further growth.

That's what Florida has the potential to become, and that's the framework for the following recommendations. Considered as a whole, their purpose is to:

- Improve the ability of Florida firms to do international business
- Increase the number of Florida firms active in the international economy
- Promote exports of Florida made goods and services
- Increase the amount of foreign direct investment in the state
- Improve the state's image overseas as a place to do business

Ultimately, this strategy will create an increase in international trade, more jobs and a higher average wage.

In developing the recommendations, the project team considered existing initiatives within Florida and the organizations responsible for them. Our recommendations are intended to be inclusive, to address the concerns and interests of the state's small, medium and large enterprises—in manufacturing, tourism or other services—as well as the state's diverse geographic regions. They provide specific strategies and actions to:

- Improve and expand trade assistance services
- Establish regional business-to-business trade linkages
- Strengthen Florida's trade advocacy
- Restructure Florida's foreign market presence
- Focus Florida's foreign direct investment attraction strategy
- Build an internationally competitive workforce

No matter how solid our recommendations, they will not be worth much unless they are implemented. We have therefore outlined a summary of the organizations and actions required for successful implementation, as well as the potential impact and benefits for Florida.

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## **1. Improve and Expand Trade Assistance Services**

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A range of factors can limit exports of Florida-made goods and services. For example, some companies are not aware of foreign market opportunities or their own export potential; others are aware of opportunities, but need the skills and experience to take advantage of them; or current exporters lack the necessary foreign market information or support necessary to realize their full potential.

Both current and potential exporters therefore need specialized information and dedicated assistance to help them enter and succeed in foreign markets. The aim is to expand the number of Florida companies with the ability to export their goods and services, and to provide a higher quality of assistance and service to those already involved in exporting.

### ***Recommendations***

**Provide Florida firms with locally available trade assistance tailored to their individual goals and requirements.**

**Provide firms with accurate and reliable foreign market information from a central source.**

### ***Implementation***

Regional and local economic developers should be trained by Enterprise Florida to identify and screen local companies for export potential. The same individuals should also be trained by Enterprise Florida to become 'trade advisors,' who would work in the field with companies to develop market entry plans using centrally available data and technical advice.

Enterprise Florida would be the central resource and distribution system for trade information, promotion and transaction support in Florida. Florida's foreign representatives, managed by Enterprise Florida, would play a key role by providing up-to-date market information and transaction support.

The state should also take steps to decentralize assistance services to local providers, in order to involve more companies in international trade. A "hub-and-spokes" model, with a central headquarters and local service providers, would greatly expand the level of service available to communities at a relatively low cost.



### ***Potential Impacts and Benefits***

Implementation of these recommendations should help to convey the understanding that companies can learn to trade successfully, given a quality level of instruction, practical guidance and decision making tools. The recommendations will also serve to:

- Expand the base of Florida companies engaged in international trade.
- Promote exports of Florida made goods and services.
- Increase international business skills throughout Florida.
- Generate export- related jobs and revenue throughout Florida.
- Consolidate existing trade information and advice services.

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## **2. Establish Regional Business-to-Business Trade Linkages**

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Many communities in Florida lack an adequate organization or forum that represents and promotes the region's international trade interests. In some communities, several initiatives exist, but they duplicate efforts and contribute to the fragmentation of international trade efforts.

In many regions there is a lack of focus about international objectives and strengths, and there is little cooperation on international trade issues between and within regions. The project team also found that businesses believe that their interests are not being considered and are reluctant to participate.

### ***Recommendation***

**Promote the establishment of regional networks and export alliances of business leaders and decision makers who work together to identify common goals, overcome obstacles and increase their competitive advantages in global markets.**

### ***Implementation***

International business linkages or networks, comprised of leaders in strategic industries, should work together to establish an agenda for promoting international trade on a regional basis. The initiative for forming these linkages should come from elected leaders, and should be strongly supported by the Florida Chamber of Commerce, Enterprise Florida and local economic development organizations.

The membership of the linkages should be comprised of representatives of all sectors within the region that contribute to, or have a direct interest in, the region's international trade. This includes companies as well as trade-related organizations in areas such as transportation and banking. Business networks from communities might be teamed up in statewide alliances.

It is crucial that the business linkages are driven by the needs and activities of internationally-active businesses. Businesses often have a clearer understanding of the factors that influence their particular trade performance than do elected officials, academics or professional economic developers. However, the businesses should be able to count on elected officials and economic development organizations to support the activities of the trade linkages.

### ***Potential Impacts and Benefits***

These business-to-business trade linkages will provide Florida companies with an effective framework in which to discuss their international activities and develop solutions to problems that affect their international success. Implementing these recommendations will:

- Generate consensus about international trade goals and how to achieve them.
- Identify major obstacles faced by firms and work toward overcoming them.
- Increase regional cooperation to promote international trade.
- Reduce fragmentation and duplication of international trade initiatives.
- Increase international competitiveness of Florida companies and exports of Florida goods and services.
- Raise trade related employment and income.

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### **3. Strengthen Florida's Trade Advocacy**

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Florida lacks state level organizations that represent the international business interests of the state's industries or companies. Although some industries, like agriculture, have actively promoted their trade interests at the state and federal levels, firms from most industries lack any effective vehicle or mechanism for promoting their interests.

At the same time, Florida has a direct and significant interests in specific areas of US foreign and trade policy, and should ensure that the state presents a unified position that is taken into account on the federal level. Obvious areas where Florida should play a leading advocacy role include Western Hemispheric trade integration and US policy toward Cuba.

International trade is increasingly being shaped by multilateral negotiations and regional arrangements. Other states, such as Georgia, Pennsylvania, Texas, New York, and California have a long term and well-known commitment to advancing their states' interests in international arenas. Florida must take action at the state level to advocate aggressively for beneficial trade policy as part of the state's economic development strategy.

### ***Recommendations***

**Create consensus building institutions and processes that can serve as instruments to define and promote Florida's international interests.**

**Ensure that Florida's interests in the international economy are understood and represented in US foreign and economic policy, as well as in US government bilateral and multilateral negotiations.**

**Build a mechanism to identify and overcome trade barriers to Florida firms in specific foreign markets.**

### ***Implementation***

Companies and economic organizations should agree on an agenda of trade issues, including barriers to trade, threatened interests and opportunities, possibly through the business-to-business trade linkages. These issues should be communicated to partner organizations, such as the Florida Chamber of Commerce, Enterprise Florida or industry associations, which would help to create a strategy for representation or resolution.

Once a specific problem or opportunity has been researched and defined by the appropriate partner organization, it would be presented to the Governor's office or the proper state agency for negotiation, support or communication to the appropriate federal agency. This may involve the creation of a specialized office at the state government level to assist in the resolution of trade problems faced by Florida firms.

### ***Potential Impacts and Benefits***

Implementing these recommendations would produce the following benefits for Florida:

- Increase Florida's ability to influence US trade negotiations and policy
- Provide a mechanism for Florida firms to report foreign trade barriers
- Increase the foreign market share of Florida made goods and services
- Generate export-related jobs and revenue throughout Florida

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## **4. Restructure Florida's Foreign Market Presence**

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Most states are becoming increasingly dissatisfied with the traditional approach to foreign market representation, which involves maintaining offices in individual countries, with little oversight or control over their activities. This approach, which offers limited geographic coverage and lacks flexibility, is no longer meeting the state's international needs.



Florida would do better to be more innovative in establishing a foreign market presence. Following the lead of other states, it should consider new models of foreign representation.

### ***Recommendations***

**Expand geographic coverage and flexibility of Florida's foreign market presence while controlling costs.**

**Provide high levels of trade promotion and deal making support to Florida companies in strategic markets.**

**Create a focused mechanism for identifying and targeting potential foreign direct investment opportunities in foreign countries.**

### ***Implementation***

These recommendations will require a transition to new approaches within strategically important regions. Enterprise Florida should take the lead in designing and implementing changes to Florida's foreign market presence, as well as using a form of representation that is most suited to the specific characteristics of each key market region.

Given the importance of foreign market presence for Florida trade and investment, decisions regarding the location, structure and staffing of foreign representation should be made in consultation with other organizations that have a direct interest in Florida's foreign market presence.

Enterprise Florida should ensure that the state's foreign market presence has the following characteristics:

- Offices are placed in a location that allows for maximum geographic coverage
- Proactive target marketing approaches are used, such as customer profiling, direct mail, telemarketing and sales calls when needed
- Performance and costs are tracked and evaluated to achieve continuous improvements
- Staff is trained in a functional specialization such as marketing, sales or distribution
- Staff has working knowledge of Florida and its economy, as well as familiarity with the local culture and language in the foreign market
- Staff are encouraged to be innovative and proactive through incentive packages

### ***Potential Impacts and Benefits***

By implementing these recommendations, the state can improve international awareness of Florida as a business location. Specifically, it will:

- Improve the quality of trade assistance and support services to Florida companies
- Introduce private sector practices to Florida's foreign representation
- Expand the regional coverage of Florida's trade and investment activities
- Promote exports of Florida-made goods and services
- Enable a proactive, targeted foreign direct investment attraction strategy
- Create a unified and business-oriented image of Florida overseas

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### **5. Focus Foreign Direct Investment Attraction Strategy**

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Foreign direct investment means new capital, new jobs, new ways to do business and new technology. Naturally, competition for this prize is intense. Florida is no exception in its efforts to attract foreign direct investment. However, it has been less successful than many other states in terms of foreign direct investment transaction values, the number of jobs created by foreign investors, and the number of foreign R&D facilities attracted.

If Florida is to live up to its potential as a crossroads economy, the state will have to build on its current foreign direct investment attraction strategy. Like consumer goods businesses, it must define its strengths, match these with the needs of particular industries and target its efforts to the most likely prospects.

#### ***Recommendations***

**Target and attract potential foreign investors whose requirements clearly match Florida's competitive advantages.**

**Target and attract foreign companies to invest in Florida-based projects and facilities that will lead to higher quality jobs and contribute to raising the average wage in the state.**

#### ***Implementation***

Enterprise Florida should begin by preparing a detailed inventory of Florida's capabilities and strengths, and by identifying sectors that Florida is in a strong position to attract. Enterprise Florida should conduct a statistical trend analysis of companies in these sectors to create detailed profiles of companies most likely to make significant investments.

Attraction efforts should be focused on companies in strategic industries with site selection criteria that match Florida's competitive advantages, as well as those that will increase the production in Florida of products that are currently transshipped. Promotional messages and attraction packages should be tailored to the factors that most strongly influence their decision, and Florida's foreign representatives should conduct proactive target marketing campaigns.

Local economic development organizations in Florida can contribute by providing area-specific knowledge, for use in Enterprise Florida's inventory of the state's capabilities and strengths. Local economic development organizations can also provide contacts to existing foreign investors, who can provide the best feedback on the state as an investment location. Specific success stories can be used by Florida as part of a promotional campaign to attract other foreign investors.

### ***Potential Impacts and Benefits***

Implementing these recommendations could help Florida:

- Build on its existing strengths and advantages
- Increase employment and income in the state
- Raise the average wage per worker
- Attract investment in high-technology, high-growth industries
- Reduce reliance on incentives to attract foreign direct investment

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## **6. Build an Internationally Competitive Workforce**

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Florida's workforce does not compare favorably to that of other states in terms of the levels of education and skills required to design and manufacture high technology products. International expertise is also in relatively short supply, with high quality international commerce support services limited to specific regions in the state. Even in those regions, the overall availability and quality of services do not meet the requirements of a leading international crossroads.

To truly become a community of international excellence, the state must provide more training for the state's workers, especially in science and technology. Just as important, communities and citizens throughout Florida must develop a greater understanding of the commercial and cultural characteristics of other countries and regions in the world.

### ***Recommendations***

**Train Florida's workers in the skills required by an advanced economy.**

**Create a workforce that has the skills needed to compete in the international economy today and in the future.**

**Educate future generations in a way that will transform Florida into a crossroads community of international excellence.**

### ***Implementation***

Enterprise Florida's Jobs and Education Partnership should work with local economic development and educational organizations to promote and establish dual-apprenticeship programs throughout Florida. The aim should be for employers and schools throughout the state to collaborate in providing high quality vocational training—that is, training which meets the needs of employers and raises the skill levels and qualifications of the Florida workforce.

Colleges and universities throughout the state should provide greater availability of practical training for international positions, and raise awareness of the career opportunities associated with the international economy. Finally, statewide initiatives at all levels of education should place strong emphasis on the international abilities needed to create a community of international excellence. Schooling at all levels should include requirements that build citizen understanding of international commerce. A first step is to do an assessment of current requirements and relevant coursework, including foreign language.

### ***Potential Impacts and Benefits***

Education is the ticket to the future. By increasing and improving the state's education and training programs, Florida can:

- Prepare workers with the skills demanded by employers
- Provide employers with a pool of talented workers
- Increase the level of international skills
- Apply skills in the production and sale of internationally competitive Florida made goods
- Attract foreign businesses with the high level of international commerce services available in Florida
- Create future generations of Floridians who can compete successfully in the global economy

## **Next Steps: A Decision Crossroads**

Florida is at a crossroads in its economic history. The state faces some serious decisions as it approaches the 21<sup>st</sup> century, and the choices it makes today will largely determine its prosperity in the future. Will the state:

- Continue to lose market share to the competition—or defend and diversify its foreign market share?
- Accept low-wage job growth—or create higher skilled, higher wage jobs?
- Allow its manufacturing base to diminish—or increase opportunities for growth in knowledge-based industry?
- Compete for investment through cheap labor and land—or train “next generation” human resources?
- Stick with its vacation image—or build on tourism to promote the state as “business-friendly”?

This report outlines the steps required to make Florida the world's next crossroads economy. But the plan is just the first step. To make a difference for the future, all of the state's players—public officials, private sector leaders, economic developers, Enterprise Florida, cities and regions—will have to work together toward a common vision. We are convinced that collaboration will not only benefit the entire state, but all of its geographic and economic components as well.

The state of Florida has already taken steps and committed itself to that common vision with the creation of Enterprise Florida, Inc., a new paradigm in statewide economic development in the United States. During the preparation of the *International Cornerstone* report, Enterprise Florida was in its infancy. It had only recently selected its leadership, and was engaged in organizational efforts, initial outreach and collaborative ventures with regional economic development officials, and redefining its approach to international trade. The organization has embraced a strategy of accountability -- setting clear objectives and measurements for success.

It is clear that Enterprise Florida must be given time to develop a track record, and Florida needs to move forward with a vision for development of a collaborative approach to economic development and international trade expansion. Over time, the Florida Chamber task force believes that this approach should give the state the focus and flexibility it needs to respond to the rapidly changing world economy.



If you would like copies of this report or more information about *International Cornerstone Florida: Building a Crossroads Economy*, please contact the:

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