

## 4. OREGON INTERNATIONAL: BUILDING GLOBAL TRADE AND TIES

The overriding trend affecting the Oregon economy is dramatic growth of international trade and competition. Our future economic prosperity depends upon how well Oregon companies are able to make and sell products that compete in global markets, how successful we are at attracting international companies and visitors to Oregon, and how much we become an attraction and gateway for internationally bound products and people.

The globalization of business is now a fundamental fact of modern life. While international trade has increased throughout the post-war period, over the past 15 years it has grown to the point where few major companies are immune from foreign competition. Merchandise exports and imports represented less than 10 percent of the nation's GNP in the early 1970s. Today, they represent about 15 percent. As illustrated in Figure II-3, trade along the Pacific rim is growing impressively, moving from \$69 billion in 1978 to \$215 billion in 1987.

This growth in trade creates major challenges and opportunities for Oregon. The biggest challenge is that Oregon's companies face new competitors from countries operating with distinct advantages. One of these advantages is highly cooperative arrangements among business, government, and labor, and frequently cohesive policies on business and trade issues. Another advantage is access to lower cost labor and in some cases, cheaper capital. The nature of foreign competition varies from industry to industry. For example, many of Oregon's high technology firms confront sophisticated competition from Japan, a nation that is challenging the United States' dominance in advanced technology. Oregon's basic metals industry confronts competition from newly developing countries such as Brazil, which are able to employ low cost labor and electricity to competitive advantage. The forest products industry faces competition from other resource suppliers, and from mills throughout the world.

Global competition is not just a challenge to individual businesses and industries, it is a challenge to both the United States and Oregon *as economic*

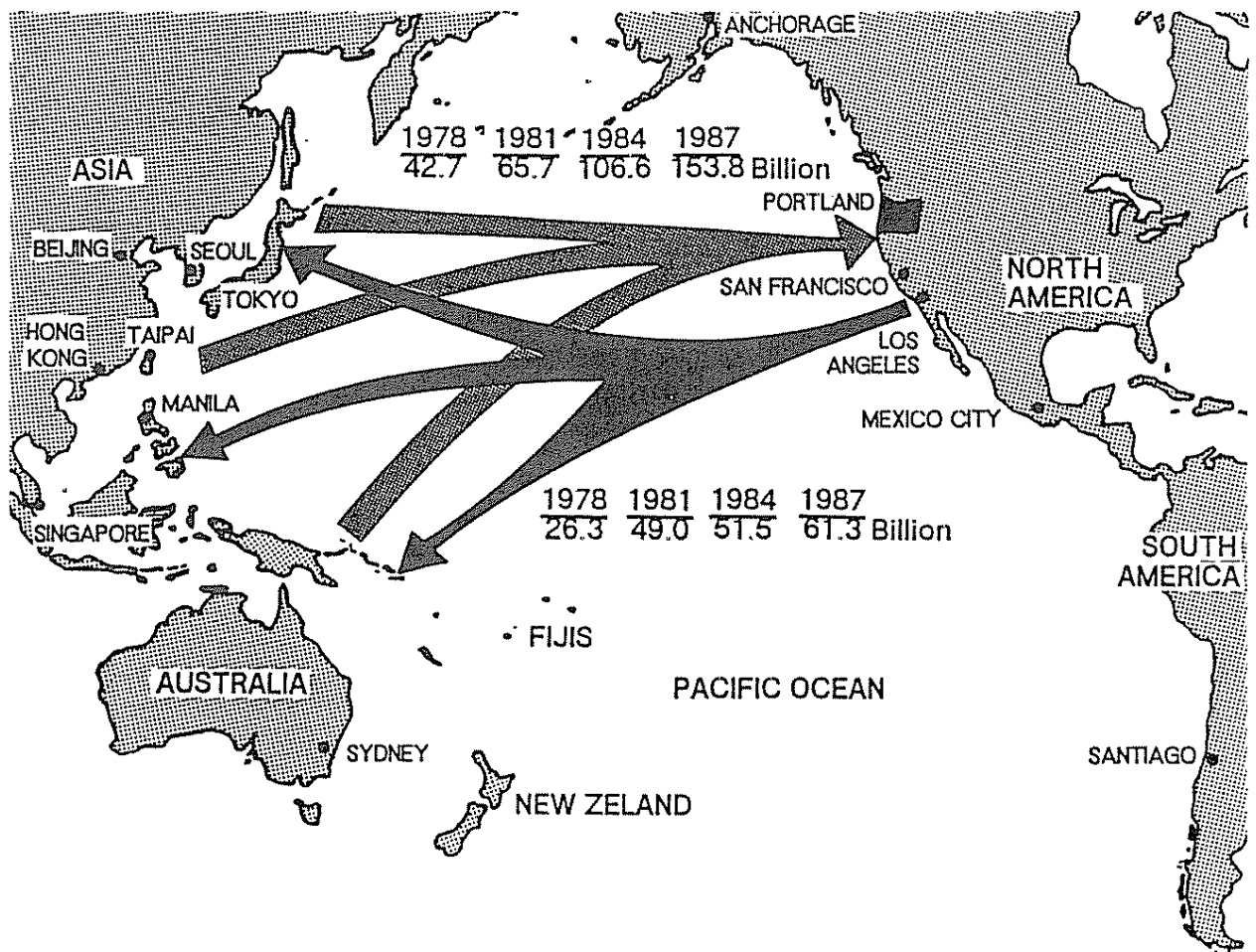
*systems*. Government and education play critical roles in setting the stage for business competitiveness through access to skilled labor, access to capital, adequacy of infrastructure, and access to ideas and technology. While individual businesses obviously need to factor international markets into their strategies, so too, must government.

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**Figure II-3. U.S.-Pacific Rim exports and imports.<sup>3</sup> Steadily rising.**



The growth of international business also creates tremendous opportunities for Oregon. Growth in trade, especially along the Pacific Rim presents an unusual opportunity. Oregon is distant from the major eastern U.S. and European markets. With the shift in U.S. trading partners from Europe to the Pacific Rim, Oregon's location becomes more central. The state is relatively close to major markets in both California and the Far East, and it is potentially a gateway for cargo and passengers moving between the Eastern U.S. and the Pacific Rim.

More significantly, Oregon has the potential to export more products abroad. Most notably, as the dollar has deteriorated against the yen, American products have

<sup>3</sup> U.S. Department of Commerce, *Survey of Current Business*, U.S. trade with nine nations: Korea, Japan, Australia, New Zealand, China, Hong Kong, Singapore, and Taiwan

become more attractive in Japan. Two of our basic product groups, agricultural commodities and finished wood products, could become increasingly attractive in the years ahead. In the case of forest products, only about 10 percent of Oregon's product is exported. This could rise substantially in the future through well organized marketing efforts by Oregon companies.

Finally, Oregon has the potential to recruit additional foreign companies to invest in facilities in Oregon. A number of prestigious international firms already have selected Oregon. By building a good economic climate, and marketing Oregon's advantages, we can recruit other firms in the future.

#### **4.1 AN INTERNATIONAL BUSINESS STRATEGY FOR OREGON**

Because of the potential growth in international business, the International Trade Committee was created to investigate how Oregon can best take advantage of international business opportunities, and to identify opportunities for State Government to support international business activity. The committee's definition of international trade broadly included exports, imports, and foreign investment. The strategy we adopt follows the line of the committee's recommendation.

##### **Vision**

Oregon's historic image as a trading outpost must give way to the reality of its potential as a crossroads for commerce along the Pacific Rim. To fully exploit our location, Oregonians in the future will think globally, produce products that compete internationally, and be hosts to the world.

We envision international business in Oregon growing substantially over the next two decades as Oregon companies sell an increasing share of their products abroad, and as foreign investment in Oregon grows. In particular, we envision the forest products industry exporting greater volumes of finished products worldwide, and a broad base of Oregon companies selling a substantial share of products in global markets. We expect foreign visitors, especially from other Pacific Rim countries, to increase substantially. As trade grows, we expect a more sophisticated service sector to support export business.

Ports, airports and other transportation systems will grow to facilitate exports and imports. However, within the coming decade, with the exception of specific niches targeted by ports, we do not visualize Oregon ports gaining market share on the West Coast beyond what is expected in Oregon's general growth. Pursuing a strategy of expanding market share as a transportation gateway, is not in and of itself, part of Oregon's international trade vision and strategy.

This vision assumes that the biggest opportunity relating to the globalization of markets is for businesses throughout Oregon -- large, medium and small -- to export their products to international markets, and for Oregon to attract foreign investment to build facilities which employ Oregonians.

### **Components of the Strategy To Achieve Our International Vision**

To improve Oregon's ability to compete for international trade and investments, the state needs to focus its resources on three objectives.

First, *Oregon's economic climate for business must be improved.* Improvements include building stronger partnerships, strengthening the work force, and cutting business costs. Second, *we must ensure access to foreign markets.* Through adequate infrastructure, through private and public influence to overcome trade barriers, and through introductory trade missions, we must provide Oregonians and Oregon products economical access to international markets. Third, *we must increase exchanges between Oregonians and the rest of the world.* Oregonians need to be prepared to interact with other people around the globe through education at all levels. The state needs to generate interactions by systematically developing a broad program of international business, education, and cultural exchanges.

Oregon's strategy is distinctive from other state's in its emphasis on person-to-person interactions to promote international trade in both the short and long term. Restricted by its relatively small population and limited financial resources, Oregon needs to define its niche. One of its greatest strengths is its human resources -- its people.

Oregon will try to distinguish itself as the state with the most systematically developed business, educational and cultural exchange programs, and the strongest programs in languages and international studies in its schools. From direct, personal interrelations, comes understanding, the sharing of ideas and experiences, and ultimately, strong business connections for trade, investment, and tourism.

## **4.2 IMPROVING INTERNATIONAL BUSINESS ASSISTANCE PROGRAMS**

Oregon has several agencies to help businesses identify international opportunities, including the International Trade Division of the Economic Development Department, the Department of Agriculture, the Department of Forestry, and the International Trade Institute. All of these now operate under the umbrella of the Oregon Trade and Marketing Center, a non-profit corporation authorized in the last legislative session. In addition, the Federal Department of Commerce provides assistance to companies seeking information about specific foreign markets.

What kinds of help do Oregon companies most need to develop international business opportunities? The conclusion of the International Trade Committee is *access to markets*. Oregon companies do not need dollar incentives to encourage their entry into new markets, nor do they want to rely upon government agencies to do their marketing for them. Oregon companies do need information about markets and the ability to get their goods into those markets. Ensuring access requires overcoming tariff and non-tariff market barriers and securing the appropriate contacts. It requires educating businesses about the tools to enter international markets. It requires putting those tools at the disposal of Oregon companies.

Based on these findings, the state's strategy for business assistance to Oregon companies calls for better focus and coordination of existing assistance rather than development of new assistance programs. The following elements are included:

Focus trade assistance on businesses that are small or new to export trade, acquainting them with international opportunities through education and introductory trade missions.

Ensure that Oregon businesses have access to information and referrals for importers, exporters, and investors through centralized information resources.

The Economic Development Department will seek to maintain foreign trade offices in Japan, Taiwan, and Korea to provide business assistance and develop foreign contacts. The department will seek to operate these offices in cooperation with other agencies, ports, and private sector organizations.

Ensure accessibility of high quality information and referrals (for importers, exporters, and investors) through centralized information resources.

Increase the state's ability to challenge market barriers by strengthening key government-to-government and other high level contacts both abroad and at the federal level.

Build upon the capabilities of Oregon's non-profit and private sector institutions to provide functional advice, information, and contacts.

Provide additional targeted marketing assistance when the need for that assistance is driven by a request from an industry group.

### **Implementation Steps for Export Assistance**

- The Governor's Office will seek funds to strengthen the Small Business

International Trade Program so companies throughout the state can increase their general knowledge of international opportunities. Particular outreach efforts will be made to businesses in regions outside of the Portland area.

- The Economic Development Department, coordinating with the Small Business International Trade Program, will provide counseling services that help Oregon businesses make connections to enter international business.
- The Economic Development Department and the Department of Agriculture will organize participant-financed trade missions whose objective is to introduce inexperienced companies to an international market. The number of missions should be determined by the number of businesses interested and able to pay their way.
- The Governor's Office and the Economic Development Department will make a concerted effort to improve the State's international network of high level contacts. They will outline a strategy to approach the development of such a network and they will identify key countries, institutions, and individuals to approach.
- The Economic Development Department and the Department of Agriculture will improve the State's coordination with and linkage to federal programs and initiatives. In the process, they will strive to take better advantage of the capabilities of Oregon's congressional delegation.
- The Economic Development Department, working with industry representatives, will identify opportunities for industry-wide international marketing.
- The Economic Development Department and the Department of Agriculture will make a targeted effort to improve the State's international network of high level contacts.
- The Economic Development Department and the International Trade Institute, working with industry representatives, will identify opportunities for industry-wide international marketing. The Department of Agriculture will continue to provide marketing assistance to the agriculture industry.
- The Oregon Trade and Marketing Center should be encouraged to establish a centralized information switchboard and referral service.
- The Oregon Trade and Marketing Center should be encouraged to set up an informal mentoring system through which Oregon businesses can benefit

from the international experiences of other Oregon businesses.

- The Oregon Trade and Marketing Center should provide an international trade library, which will be available to businesses, as well as State agencies.
- The Economic Development Department and the Oregon Trade and Marketing Center will encourage private businesses to assume a more visible role in promoting Oregon and Oregon products in order to demonstrate business commitment and credibility. Demonstration of a government-business partnership is an especially important factor in relations with Pacific Rim nations.
- The International Trade Advisory Committee will be reconstituted to advise the Economic Development Department on industry needs in international trade assistance.

### **Improving Access: An Agenda for Foreign Investment**

Ensuring access to international markets is a concept applicable not only to Oregon's exporters, but also to interested foreign investors. Oregon will continue to encourage foreign investment in plant expansions and new facilities by providing interested investors with access to information about Oregon. Oregon will strive to create a climate in which foreign businesses feel welcome.

The Economic Development Department, through its foreign offices and its business recruitment program, receives a great many inquiries from foreign firms interested in the possibility of locating in Oregon. Most investors are interested in the Portland area. In these cases, they can be assisted by the Economic Development Department, the Portland Development Commission, or private utilities, banks, or real estate firms.

Outside of Portland, resources to support foreign investors are more limited. The responsibility to support potential investors falls primarily to the Economic Development Department, but recruiting is more effective where local communities have recruiting capabilities and take a share of the initiative. In order to promote more initiative at the local level, the department will work with local communities to build up their capabilities to nurture foreign investment.

Oregon's efforts to recruit both international and domestic businesses rely primarily on communicating Oregon's inherent advantages. While the State offers some incentives in the form of training assistance and infrastructure support, the State generally will not subsidize foreign or domestic investments. The State's strategy is to build an economic climate which existing and potential new businesses find attractive.

### **Implementation Steps for Foreign Investment**

- The Economic Development Department will continue to provide accurate, complete, and up-to-date information about Oregon and its opportunities to interested investors.
- The Economic Development Department will promote Oregon as a business location by marketing its natural advantages, but will not seek large giveaways and subsidies to encourage foreign (or domestic) investment in Oregon.
- The Economic Development Department will develop guidelines with which to qualify and prioritize interested investors. The agency will communicate these guidelines to others and improve coordination between the Economic Development Department, the state's ports and other state and local agencies.
- The Economic Development Department will earmark some portion of business development resources to recruiting targeted industries. These targets should be key industries that have been identified as having important spinoff benefits to, or synergies with, the rest of the Oregon economy. The agency will draw upon the targeted industry studies already developed by the Economic Development Department and the utility companies.

## **4.3 TRANSPORTING GOODS AND SERVICES TO INTERNATIONAL MARKETS**

The International Trade Committee was asked to investigate whether changes in transportation infrastructure, or in the management and regulation of that infrastructure, would strengthen Oregon's competitiveness in international markets. Changes appropriate in infrastructure depend on the basic strategy of the state. For example, a strategy of making Oregon a major gateway for commerce between the Pacific Rim and other points in the United States would require massive capital investments in port and rail facilities.

The committee concluded that the fundamental goal of public ports and airports with respect to international trade must continue to be serving Oregon producers rather than aggressively pursuing a gateway strategy. The arguments are well developed in the International Trade Committee's report. Based on this goal the most important area of improvement in the short run is to improve container shipping services. Actions needed to pursue improved container services will not require major capital investments in the near future. They will require better



steamship service at Portland, better transcontinental rail service, and development of Oregon as a regional distribution hub for the northwestern states.

In the long term, major capital investments will be required to keep Oregon ports competitive. In some cases these investments are beyond the financial capabilities of individual port districts. State assistance may be required.

In addition, the lower Columbia River is a resource that is not being fully exploited. The first step toward better use of that resource is to develop a joint marketing plan involving the ports of Portland, Astoria, St. Helens, the State and possibly the ports on the Washington side of the river.

Airports and telecommunications networks also play a vital role in achieving and maintaining a high level of contact between Oregonians and their trading partners. In a modern economy the exchange of ideas and the exchange of people precede exchanges of goods and services. Direct flights to Pacific Rim nations have proved valuable in developing trade and should be increased. Fiber optic networks and other telecommunications breakthroughs should allow Oregon to capitalize on its favorable time zone relationships to both Japan and Europe.

### **An Agenda for International Trade Transportation Infrastructure**

The fundamental goal of public ports and airports with respect to international trade must be to serve Oregon producers, both importers and exporters, by providing the best possible access to international markets. The strategy of making Oregon more of a gateway for trade between Pacific Rim nations and the U.S. Midwest and East Coast should be pursued incrementally, primarily to benefit overseas marketing of Oregon products.

- The Port of Portland should continue to improve container service in order to attain cargo balance and obtain better rates and service for Oregon shippers.
- The state's deep draft ports must be kept financially healthy, with the landside infrastructure necessary to support their operations. This includes highway and rail access and the maintenance and dredging of channels.
- The Columbia-Snake River System should be recognized as a resource of major importance to Oregon trade. As a first step toward more effective use of that system, participants such as the Ports of Portland, St. Helens, Astoria and Tongue Point, and perhaps the Washington state ports as well, should create a cooperative marketing and development plan.

### **Specific State Actions**

- The Department of Transportation will establish a rail marketing program to work with the railroads to improve service to Oregon.
  - Develop public-private partnerships with ports, shippers and railroads to market Oregon's intermodal capabilities.
  - Ensure that rail service to Astoria and Coos Bay is preserved.
  - Assist Southern Pacific in gaining access to Port of Portland Terminal 6 in order to improve Portland as an intermodal center.
- The Economic Development Department will assist in the assessment of needed channel depths at Coos Bay and in the Columbia River, and, to the extent possible, assist with the local share of dredging costs. (The local cost of deepening the Coos Bay channel could run as high as \$4 million. The local share of dredging the Columbia to 45 feet could cost as much as \$15 million.)
- The Oregon Department of Transportation will develop safe, convenient 55 mph routes between Coos Bay and I-5 and between Astoria and Portland.
- The Division of State Lands will identify key submerged lands that are necessary for terminal development and should provide a mechanism to ensure their availability for future development.
- The Oregon Department of Transportation will work with the trucking industry and the Federal Highway Administration to allow more efficient trucking combinations such as turnpike doubles.
- The Economic Development Department will develop a report addressing the potential need for increased financial assistance for port development over the next decade, and address alternative funding arrangements. (Port development costs could easily reach the \$50 million to \$100 million range during the next decade. Present State assistance can provide only about \$1 million per year for all ports.)
- The Economic Development Department, the Ports Advisory Committee, and the Oregon Department of Transportation will sponsor a conference with all the relevant port districts to facilitate the development of a marketing plan for the lower Columbia River.

- The Oregon Department of Transportation and the Public Utility Commission should identify changes in transportation and communications regulatory practices that would improve Oregon's position in international trade.

### **Specific Port Actions**

- The Port of Portland should continue to pursue port of first call container service from an ocean carrier.
- The Port of Portland should provide services and facilities to exploit Portland's advantages as a regional distribution center.
- The Port of Portland should continue to develop Portland International Airport as an international hub for the Far East.
- Ports should ensure that adequate lands are set aside for terminal development and for dredge spoil sites in the land use process.
- Ports should consider increased use of free trade zones and other services to attract importers and improve trade flow balance.
- Ports of Astoria and Coos Bay should pursue market niches that give them a more diversified cargo base.

### **Private Actions**

- There will have to be more private funding of ports and terminals. This suggests a system to encourage privatization of some terminal operations.
- Shippers conferences should be formed to obtain better rates and service. Specifically, Oregon shippers should pursue better container availability.

## **4.4 CREATING A GLOBAL CULTURE**

Oregon's international trade strategy is distinctive in its emphasis on person-to-person interactions to promote international trade in both the short and the long term. As more Oregonians meet face to face with foreign visitors and as more Oregonians venture abroad, Oregon's participation in the global community becomes real. Time and time again the International Trade Committee heard that it is direct, personal interrelations that lead to understanding, the sharing of ideas and experiences, and often to business connections.

Much progress has been made. In recent years, increasing numbers of foreigner visitors have come to Oregon, whether on exchange programs, business trips, or vacations. In addition, educators are emphasizing the importance of international awareness and cultural understanding as skills basic to effective functioning in today's world. Oregon has hosted a growing number of cultural and educational exchanges. There are 37 sister-city programs throughout the state.

The universities have strengthened their international programs. Pacific University has launched an Intercultural Institute which will focus on East Asia; and Tokyo University is building a U.S. campus adjacent to Willamette University. Oregon is a leader in primary school immersion programs, and it is second in the United States for the number of Japanese language programs offered in the public schools (Hawaii is first). Ninety-two percent of Oregon's high schools offer at least one foreign language.

Much remains ahead if Oregon is to truly distinguish itself as a place where the people are unusually knowledgeable about world cultures. School curriculum will need to be reviewed to incorporate studies in world cultures (only one international course is required in Oregon to receive a high school diploma) and languages (only 9.2 percent of students at Oregon universities study a foreign language). In addition the state will need to systematically develop business, educational, and cultural exchange programs. Particular attention should be given to Pacific Rim nations. In addition, conferences and symposiums on international issues need to be encouraged throughout the state.

We should also take advantage of Oregon's natural beauty and quality of life in order to make foreigners more aware of Oregon. Increasing the number and scope of interactions between Oregonians and the people of other nations is an important step toward increasing trade. The state should give a high priority to international awareness and to exchanges that bring Oregonians face to face with people of other nations.

To achieve this broad goal of strengthening global awareness among Oregonians, some organization must help coordinate the many individual efforts, and identify strategic steps to promote an international culture. The newly created Oregon Trade and Marketing Center could fulfill this purpose. As a non-profit entity, OTMC is positioned to take the lead in drawing public, private, and non-profit institutions together to internationalize Oregon. OTMC is encouraged to make the building of an international culture in Oregon a major part of its mission.

### **Actions to Implement Strategy**

- The Oregon Trade and Marketing Center is encouraged to play a leadership role in cultivating an international culture in Oregon. As part of that

responsibility, it should:

- Identify key cultural and business exchange programs to provide assistance and funding.
- Sponsor and support conferences on international issues.
- Identify key opportunities for institutes or education programs which would strengthen Oregonians understanding of international cultures.
- Broadly promote international awareness throughout the state.
- The Governor's Office and State Government in general will exploit opportunities to promote international awareness.
- Under the leadership of OEPP, the State will review language and foreign cultural education at all levels, and encourage development of language and foreign culture education.
- Current efforts to internationalize the curriculum in Oregon's schools and to prepare teachers to employ that curriculum should continue. Teaching of foreign languages and exposure to foreign cultures must be a high priority throughout Oregon's schools from primary grades through colleges and universities. Serious consideration should be given to establishing foreign language requirements.
- Oregon leaders should encourage the creation of institutes, centers, or other such policy forums which explore international business and cultural issues.
- A public information office should be established with the goal of keeping the general public aware of international trade, international events, and available resources.