



UPSTATE SC REGIONAL FOREIGN DIRECT INVESTMENT PLAN



UpstateSCAlliance

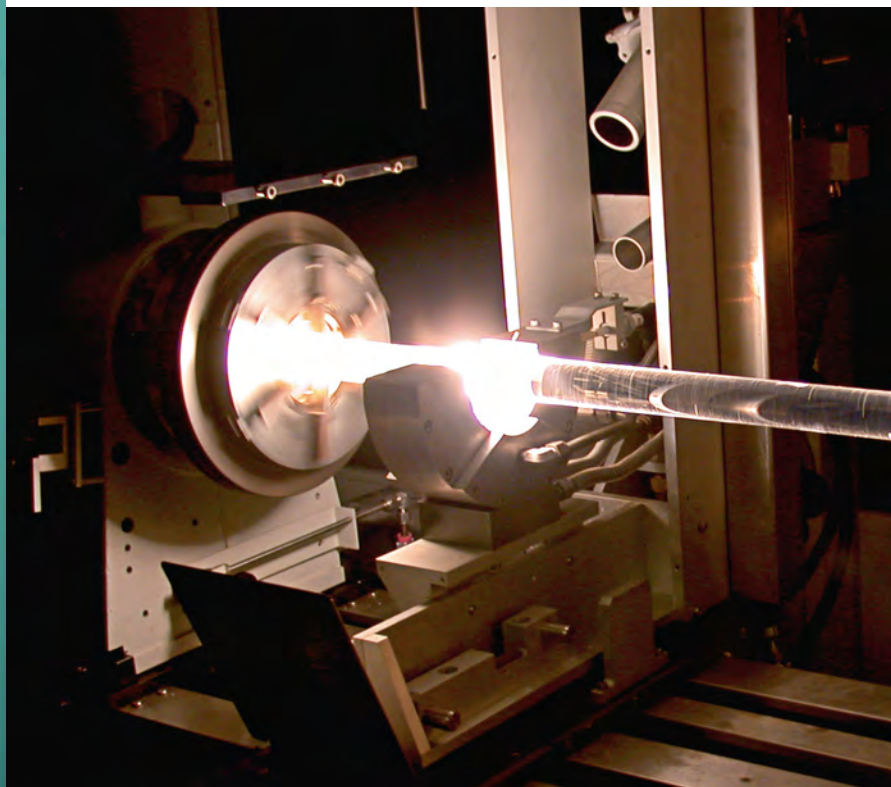


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*The Upstate region of South Carolina has a rich history of attracting foreign companies whose success in the region has stimulated higher wages, advanced technologies, and increased exports. Local stakeholders are working together to increase the global competitiveness of the region in the changing global economy. A continuation of the region's participation in the Global Cities Initiative, this regional plan for foreign direct investment (FDI) adds to the strategies laid out within the **Upstate SC Regional Export Plan** that launched in early 2015. The strategic initiatives included in the **Upstate SC Regional Foreign Direct Investment Plan** are a complimentary expansion and extension of the efforts already under way as laid out in the previous export plan. Both plans are designed to work in tandem to increase the region's global competitiveness.*



WHY FOREIGN INVESTMENT MATTERS

Over the last half century, the textile downturn drove home many hard lessons about the global economy, felt painfully in layoffs and closures throughout the Upstate SC region. Meanwhile, decades of focused efforts of the economic development community to recruit foreign companies into the region have incrementally opened doors and built bridges for this relatively small region to engage in the global economy. This long effort toward attracting international companies paved the way for the region's current successes and poised the region for future growth.

The benefits of foreign investment to the economy are extensive. In 2011 the average employee of a foreign-owned firm was paid \$77,000 compared to \$60,000 for domestic employees.¹ And, though foreign firms represent only 5 percent of U.S. employment, they account for 19 percent of corporate research and development spending and more than 20 percent of total U.S. exports.²

& acquisitions (M&A), and other business partnerships become more the norm for market entry and other world markets compete more intensely, the number of foreign firms building facilities in the U.S. from the ground up is decreasing.

These global changes must provide direction for future economic development strategic planning. An unintended consequence of the region's long focus on industrial recruitment is an economy that lags in services, technology, and research and development (R&D). To remain competitive, the Upstate can focus on developing and commercializing new materials and processes that can revolutionize products on a global scale. It can establish world-class professional services to support a globalizing manufacturing base. The region can strive to be known as a place that attracts and retains talent, visitors and small businesses. Local firms can increase their own global connectivity to capture their share of the 81 percent of global

FOREIGN-OWNED FIRMS REPRESENT



OF U.S. TOTAL EMPLOYMENT



OF CORPORATE RESEARCH & DEVELOPMENT SPENDING



OF TOTAL U.S. EXPORTS

While the Upstate and South Carolina are top locations for FDI, world business patterns are changing. Since the region first began recruiting foreign firms after World War II, superfast communications and big data levelled the global playing field and accelerated industrialization. Expanding middle classes in developing countries are one reason companies are moving toward multinational structures to quickly access market share or new technologies.³

The nature of foreign investment is also changing. As manufacturing becomes more technology dependent, industrial projects are bringing fewer jobs. Large projects, like BMW's and Toray's investments in Spartanburg, are few and far between, and an aging production workforce compounds the challenge of winning these projects in the U.S. As joint ventures (JV), mergers

economic growth to occur outside the U.S. through 2020 by learning to negotiate international contracts, communicate with cultural sensitivity, and comply with cross-border rules and regulations.⁴

The Upstate's existing global connectivity, growing automotive cluster, roots in advanced materials, cost and logistic advantages, responsive public/private partnerships, and strong collaboration between area colleges and universities position the region for exponential success in the global age. To move the region forward, its value proposition as a low cost/low wage manufacturing area can be updated to reflect new realities. New strategies can broaden current economic development efforts to maintain and build a platform for sustainable and diverse economic growth and global competitiveness.

1. Brookings analysis of U.S. Bureau of Economic Analysis (BEA) data

2. Brookings analysis of U.S. BEA data

3. Kharas, Homi, "The Emerging Middle Class in Developing Countries," Brookings, 2010

4. World Economic Outlook Database, International Monetary Fund, 2015

POSITIONING THE UPSTATE FOR GLOBAL OPPORTUNITIES

Strategically focusing on FDI recruitment and working to balance the region's industrial economy pulled a mostly agrarian and low-skilled/low-wage textile-based economy into the modern age. Following World War II, Upstate leaders helped shape state economic development policy to promote low-cost land and labor, strong infrastructure, pro-business government, and right-to-work laws. Led by Governor Ernest "Fritz" Hollings, the state re-organized the State Development Board to broaden the base of support for economic development efforts, reformed tax policies for infrastructure and site improvement financing, and established the state's technical college system and readySC, an enduring program that still tops the list of popular incentives for project relocations. With state support, the Upstate earned a reputation for innovation in economic development.

The SC Inland Port's growth and port deepening efforts continue to position the Upstate as a prime logistical gateway. And, the area's public/private partnerships have evolved, strengthening the region's ability to collaborate — evidenced by the region's involvement in the Global Cities Initiative.

On behalf of the region, the Upstate SC Alliance applied through a competitive process and was accepted into the Exchange network of the Global Cities Initiative, a joint project of the Brookings Institution and JPMorgan Chase. Through this network, exchange members demonstrate their commitment to engage more intentionally in the global economy by establishing metro-to-metro relationships, sharing best practices, and developing customized action plans to promote greater global trade, investment, and overall economic competitiveness.



“For decades, business leaders have worked with civic leaders to shape an economic development strategy that is almost a foreign policy. For the Spartanburg-Greenville region, foreign investment has been a positive force, bringing benefits to local businesses, workers, and the community beyond the infusion of capital and job creation. The presence of foreign companies has unleashed and renewed entrepreneurship and innovation, stimulated learning, heightened awareness of world standards, and connected local companies to global networks.”

*Thriving Locally in the Global Economy, Rosabeth Moss Kanter,
Harvard Business Review, 2003*

The region's economic developers rely primarily on existing industry referrals and an aggressive program of relationship marketing to recruit industry. Built on a strong platform of local-regional-state collaboration and public/private partnerships, this strategy has been remarkably effective. Despite the disadvantages of the region's relative size, lack of tourism, and unfortunate statistical delineations (split into multiple MSAs), a long list of foreign-owned companies including BMW, Michelin, ZF, Toray and FujiFilm now call the Upstate home.

Efforts to positively position the region globally are ongoing. Clemson University has fulfilled a long quest to become a top 20 university and expanded its geographic reach and dedication to economic development via innovation campus locations around the region.

In 2015, local stakeholders convened to develop solutions to support the region's global competitiveness in foreign investment. Participants agreed that maintaining and increasing the region's competitive position will require a strategy as focused and coordinated as the one that pulled it from the depths of the textile downturn. To become a leading global region of the future will require tapping into the global reach of higher education and navigating the complex world of business partnerships. Innovation and exports are critical economic drivers; and public/private partnerships that developed over the past several decades to accomplish our FDI recruitment goals can work with new partners in order to shift the paradigm internally and to build a reputation externally as a region that excels at "Creating It" as much as "Making It."



MARKET ASSESSMENT

During the summer and fall of 2015, the Upstate conducted an in-depth market assessment to determine the current state of the region's environment for FDI. The assessment included a data-driven profile of the region, one-on-one interviews with foreign-owned companies, and a series of both large and small group discussions. The following provides a general overview of the region's performance and a summary of the key findings from the assessment.



KEY FINDINGS

1. While known for big wins, the Upstate's FDI also reflects national trends.
2. The region's manufacturing base and FDI success position it as a key hub in the global value chains of its target industries.
3. The region's underdeveloped service sector hinders its competitiveness as an international business location.
4. The emerging innovation ecosystem – an opportunity for advanced materials.
5. The most important firms are the ones we already have.
6. Attracting and retaining talent is increasingly important.

SHARE OF JOBS IN FOREIGN-OWNED ENTERPRISES (FOEs)

Upstate: **10.6%**

United States: **5.0%**

U.S. Large Metros: **5.5%**

Upstate Total Jobs in FOEs: **51,753**

AMONG THE LARGEST 100 METROPOLITAN AREAS:

- Greenville ranks **23rd** for share of jobs in FOEs at **6.1%**

AMONG ALL 366 METROPOLITAN AREAS:

- Spartanburg ranks **3rd** for share of jobs in FOEs at **18.0%** (behind Columbus, IN and Kokomo, IN)
- Anderson ranks **7th** for share of jobs in FOEs at **13.4%**
- Greenville ranks **67th** for share of jobs in FOEs at **6.1%**

AMONG THE COUNTRY'S 572 MICROPOLITAN AREAS:

- Gaffney ranks **11th** for share of jobs in FOEs at **23.6%**
- Greenwood ranks **22nd** for share of jobs in FOEs at **14.5%**
- Seneca ranks **37th** for share of jobs in FOEs at **11.7%**
- Union ranks **87th** for share of jobs in FOEs at **7.5%**

Source: Brookings, FDI in U.S. Metro Areas, 2014



KEY FINDING #1

While known for big wins, the Upstate's FDI also reflects national trends.

A manufacturing-intensive region, the Upstate punches above its weight in both export intensity and intensity of foreign employment thanks to a focused and dedicated economic strategy for international recruitment.

The Spartanburg MSA, a highlight among strong Upstate performers at both MSA and county levels, is 153rd among all metropolitan areas for population⁵ size yet ranks 12th for export intensity and 3rd for share of jobs in foreign-owned enterprises at 18 percent. More than twice the national average (more than 10 percent) of total jobs in the region are with foreign-owned enterprises (FOEs)⁶ and almost a quarter of the region's output is from exports.⁷ This is advantageous given that exports led post-recession recovery and were responsible for 27 percent of growth in U.S. gross domestic product (GDP) from 2009-2014.⁸

Foreign employment is predominately in manufacturing, dominated by the automotive sector but reflective of the region's other target industries: advanced materials, energy, aerospace, and biosciences.

As of 2015, the Upstate is now home to approximately 500 foreign-owned companies hailing from 35 different countries. And while larger firms get the most media

attention, smaller firms have led growth over the past three decades. Firms of 50 employees or less are not only a top category for FDI prospects, they are usually good candidates for export and competitiveness support.

The region has been cited as a case study by the International Economic Development Council (IEDC) for globalization and has achieved a strong reputation in key sectors and geographies, such as the southern German manufacturing sector. Engagement with Germany began with the region's textile machinery and maintenance and remains strong today through automotive industry connectivity. In 2015, 28 percent of the region's foreign-owned companies were from Germany, followed by Japan at 12 percent, the United Kingdom at 9 percent, France at 8 percent and Canada at 7 percent. Understanding the nature of the Upstate's deep ties to Germany will allow it to replicate the success in other markets.

As in other markets, M&A, JV, and strategic alliances are a major and growing source of foreign investment in the Upstate SC Region. Given the importance of international competition and having access to international markets, these business formations are increasingly a natural progression for Upstate companies. Local firms looking to expand globally also benefit from the extensive international networks that the region's economic developers have spent decades growing and nurturing through recruitment efforts.

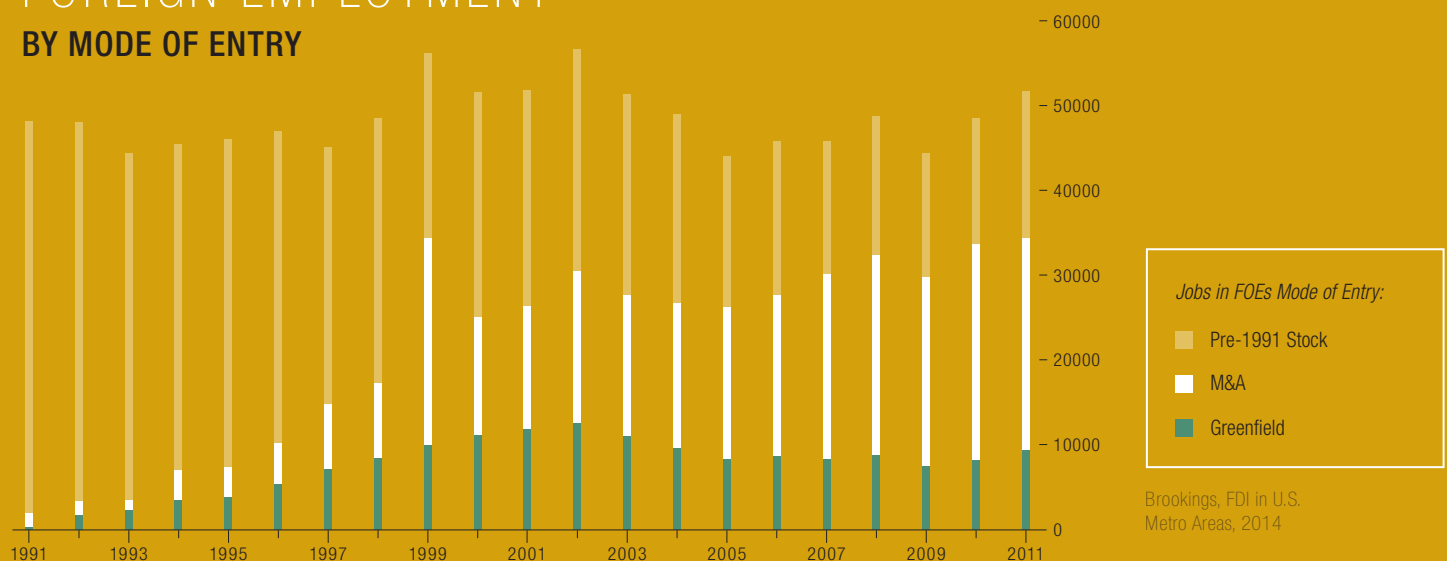
5. U.S. Census Bureau

6. Brookings, FDI in U.S. Metro Areas, 2014

7. Brookings, Export Monitor, 2015

8. Brookings analysis of U.S. Census/U.S. BEA data

UPSTATE SC FOREIGN EMPLOYMENT BY MODE OF ENTRY

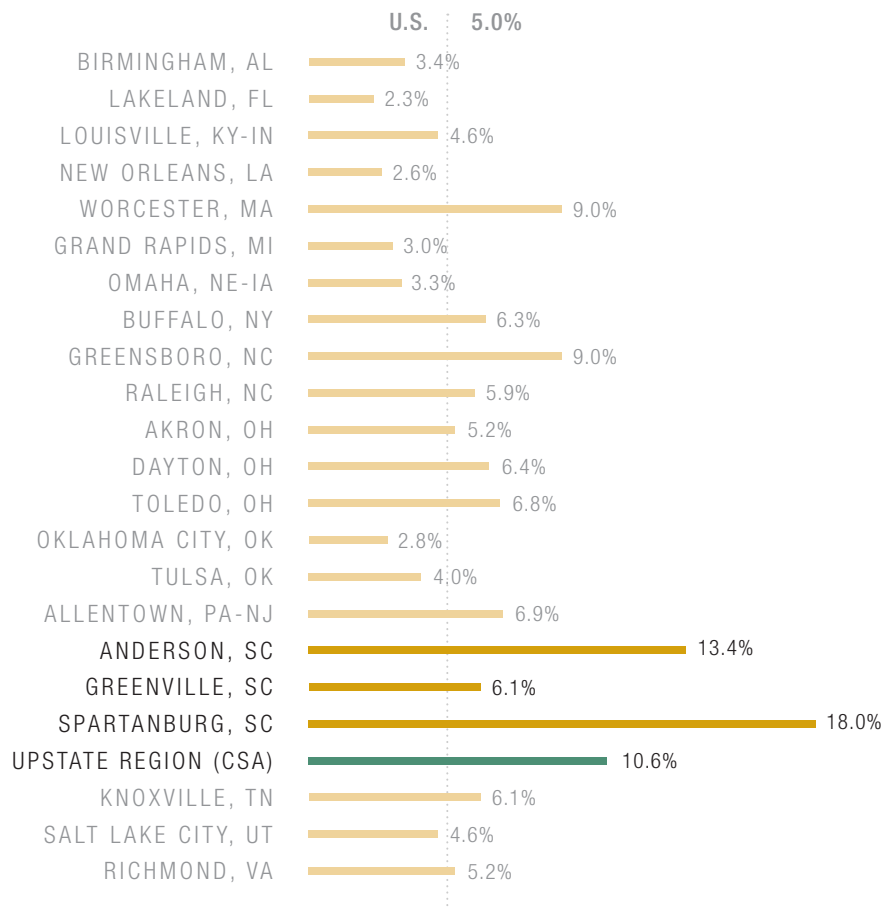




PEER METROS

Brookings, FDI in U.S. Metro Areas, 2014

FOREIGN SHARE OF DOMESTIC AREA EMPLOYMENT 2011



“ This is a one-of-a-kind opportunity for MAIREC, and we are very proud to be working so closely with the state, the county and all the stakeholders to make it happen. Being present in North America and servicing this market is a major milestone for our company, and we are glad to be able to bring our technology and know-how and combine it with the business-friendly and open environment of South Carolina. We fell in love with the state and its people as soon as we set out to find a location for the plant. ”

MAIREC President
Mikhail Khaimov



KEY FINDING #2

Collaboration is what companies are seeking, and where the Upstate excels.

The regional approach to building public/private partnerships to support economic development bolsters the region's capacity for servicing inquiries from companies, shapes policies that support local companies and competitiveness, and produces results. In South Carolina, economic development is a team sport, as recent project announcements indicate.

As the well documented case history on BMW's site location decision demonstrates, when a company considers the Upstate, all the organizations that play a part in their success are at the table, working together on a common goal. Partnerships forged at the deal table make it easier to work together on more complex policies and projects that affect the region as a

whole, like workforce training and infrastructure improvements which benefit existing industry as well as new recruits. Working together seamlessly and supportively as a team shows companies more about the character of individuals and of the region than can be expressed in marketing brochures or advertisements. When all is said and done, the supportive relationships that economic development teammates form with prospects is what ultimately wins projects.

The company recruitment process is currently quite collaborative between the county, region, and state economic developers and traditional deal-makers in law, utilities, and engineering. Now, expanding the economic development focus beyond recruitment to exports, innovation, and cluster strengthening generates new key team positions for colleges/universities, existing industry, non-profit organizations, and community players.

“ We were truly impressed with the level of collaboration among all of the local economic development agencies in terms of coalescing around a common goal of encouraging us to commit to Greenville and in providing all of the assistance we needed to make our vision a reality. ”

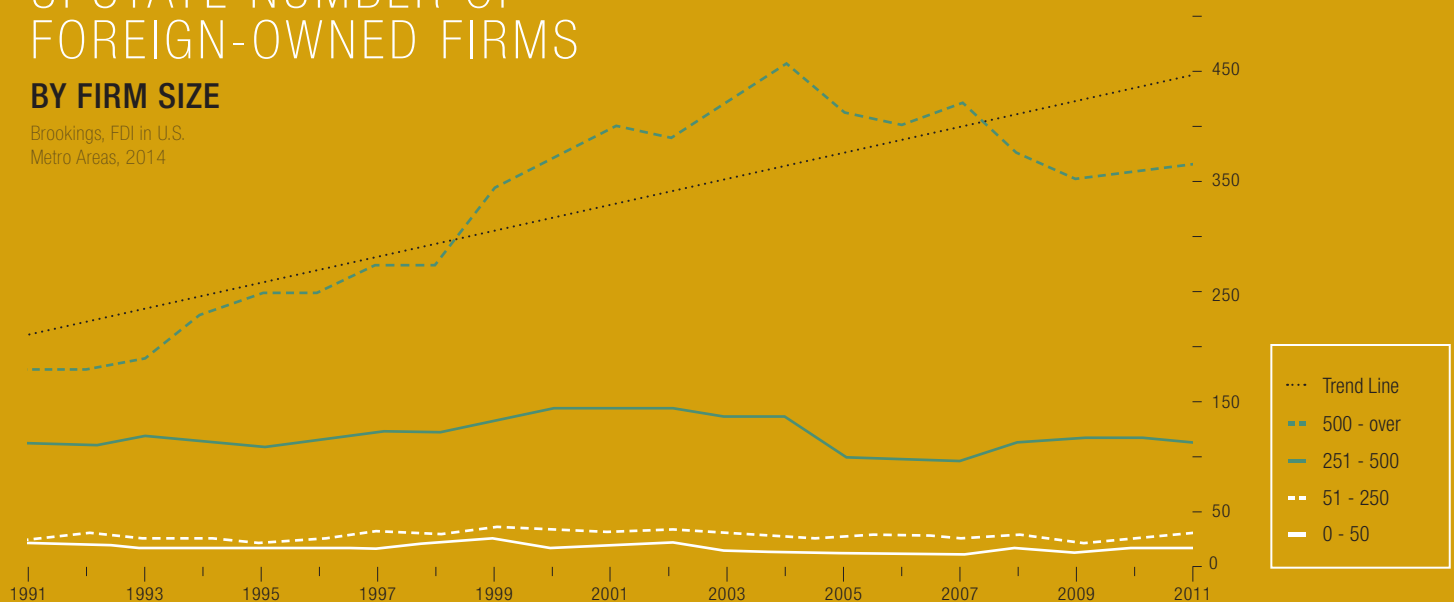
CareCam's Vice President of Operations,
Dave Sobolak



UPSTATE NUMBER OF FOREIGN-OWNED FIRMS

BY FIRM SIZE

Brookings, FDI in U.S.
Metro Areas, 2014





KEY FINDING #3

The region's manufacturing base and FDI success position it as a key hub in the global value chains of its target industries.

As the region evolved over the past 25 years, the emergence of global value chains (GVCs) has changed traditional patterns of world trade. Products are no longer completed from start to finish in a single location. Pieces are imported, added to or finished and sent elsewhere for the next component or process – an arrangement driving specialization at each step of the process. The most frequently cited example for this type of production is Boeing's Dreamliner which relies on a large network of global suppliers. The World Trade Organization describes the trend as "Made in the World."

This "trade in tasks," is a defining characteristic of the Upstate's manufacturing economy – heavy in industrial components and inputs, comprised of many foreign subsidiaries, few of which actually produce a finished consumer product. As the *Upstate SC Regional Export Plan* and FDI interviews indicated, many Upstate firms both import and export and trade with sister and parent company groups as they work together to produce finished products.

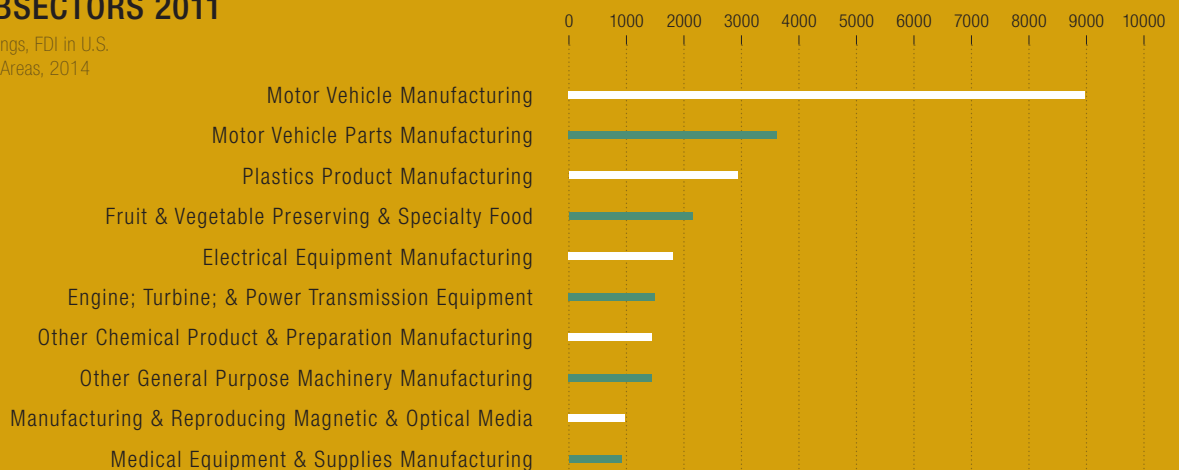
The specialization companies undertake drives innovation and efficiencies. As demonstrated locally by BMW, whose suppliers are increasingly involved in product development, relationships that began through just-in-time deliveries are evolving into shared interdependency as companies solve problems together and implement solutions to improve production timelines. Additionally, as companies work to specialize and differentiate themselves in the global marketplace, many opt to outsource areas such as logistics, human resources, and IT. This, in turn, drives a greater need for professional services, especially those oriented internationally.

As a region, the Upstate can react to the trends driving its key industries (advanced materials, aerospace, automotive, biosciences, and energy) and better understand how they affect the global geographic footprint of each industry. Not by coincidence, today's most dynamic trading regions worldwide are those that are linked by GVCs. Geographies that are important to the industry are necessarily top priority geographies for regional networking, trade and FDI development. Locally, GVCs amplify the necessity for companies to collaborate, innovate, specialize, and differentiate in order to maintain and increase their global connectivity and market share.






UPSTATE FOREIGN EMPLOYMENT

IN MANUFACTURING SUBSECTORS 2011






Brookings, FDI in U.S. Metro Areas, 2014



TOP FDI INDUSTRIES













	<i>Motor Vehicles</i>
	<i>Motor Vehicle Parts</i>
	<i>Plastic Products</i>
	<i>Fruit & Veg. Preserving, Specialty Foods</i>
	<i>Electrical Equipment</i>

TOP EXPORT INDUSTRIES

	<i>Motor Vehicles</i>
	<i>Motor Vehicle Parts</i>
	<i>Engine & Power Equipment</i>
	<i>Fabrics</i>
	<i>Resins & Synthetic Rubbers</i>

Brookings, FDI in U.S. Metro Areas, 2014 & Export Nation, 2015

UPSTATE INTERNATIONAL ESTABLISHMENTS BY COUNTRY

26.5%		<i>Germany</i>	4.10%		<i>Belgium</i>
10.77%		<i>Japan</i>	3.93%		<i>Netherlands</i>
9.40%		<i>United Kingdom</i>	3.93%		<i>Switzerland</i>
7.35%		<i>France</i>	3.25%		<i>Sweden</i>
7.01%		<i>Canada</i>	3.25%		<i>Ireland</i>
5.30%		<i>Italy</i>	2.39%		<i>Mexico</i>

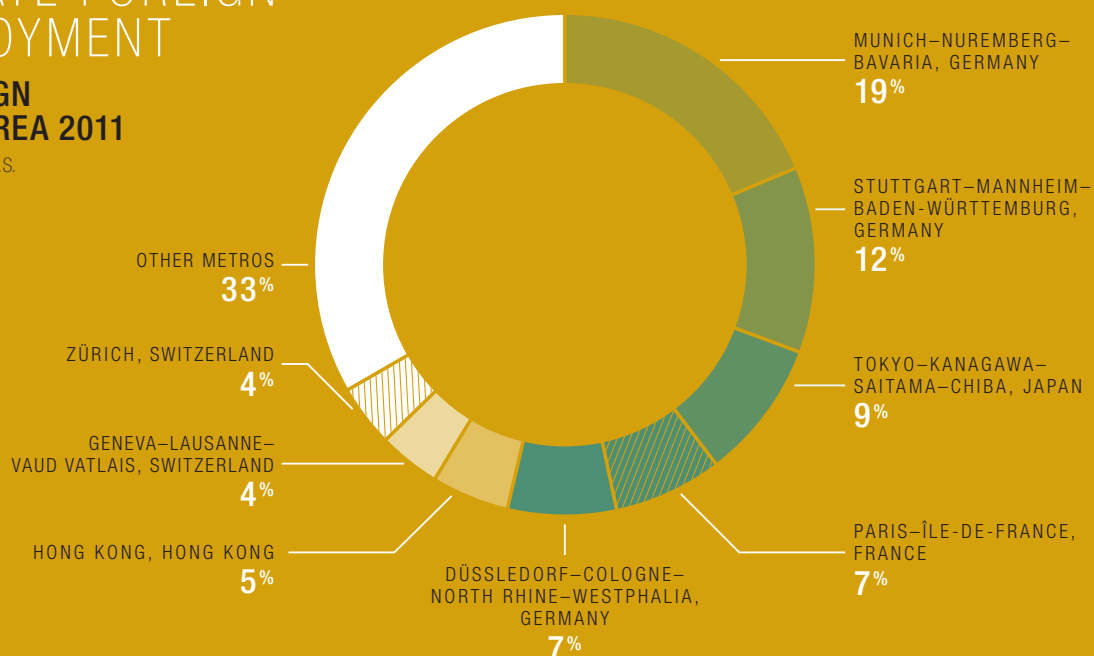
Upstate SC Alliance, 2015

*Some companies are joint ventures. Companies with business segments that have more than one location in the same county are counted once.

UPSTATE FOREIGN EMPLOYMENT

BY FOREIGN METRO AREA 2011

Brookings, FDI in U.S.
Metro Areas, 2014





KEY FINDING #4

The region's underdeveloped service sector hinders its competitiveness as an international business location.

Technologically advanced, world-class services – particularly those that will increase international business efficiencies – are critical to the ongoing competitiveness of Upstate manufacturing companies (exporters and non-exporters) and the economy as a whole.

As Sealed Air's recent headquarters relocation to Charlotte demonstrated, the value that site selectors place on the size and health of a community's professional services sector is not only for services directly used by the company, but also as an attraction draw for trailing spouses. Currently, leads for service-oriented and technology companies that don't require industrial facilities or hire in large numbers often don't fit the mold for traditional incentives. Service companies are ideal prospects for city economic developers in the more metropolitan areas, and are an opportunity for the Upstate.

Close proximity to nearby service-oriented metros, Atlanta and Charlotte, has always been considered advantageous to recruitment. However, the proximity of competition also constrains local service sector growth. Currently, manufacturing,

wholesale trade, and transportation industries in the Upstate are going out of the region at a much higher rate to purchase the majority of their needed services than the same industries in neighboring Atlanta or Charlotte. For some services, access through Atlanta or Charlotte may always be more efficient, but for others local access could mean cost and time savings.

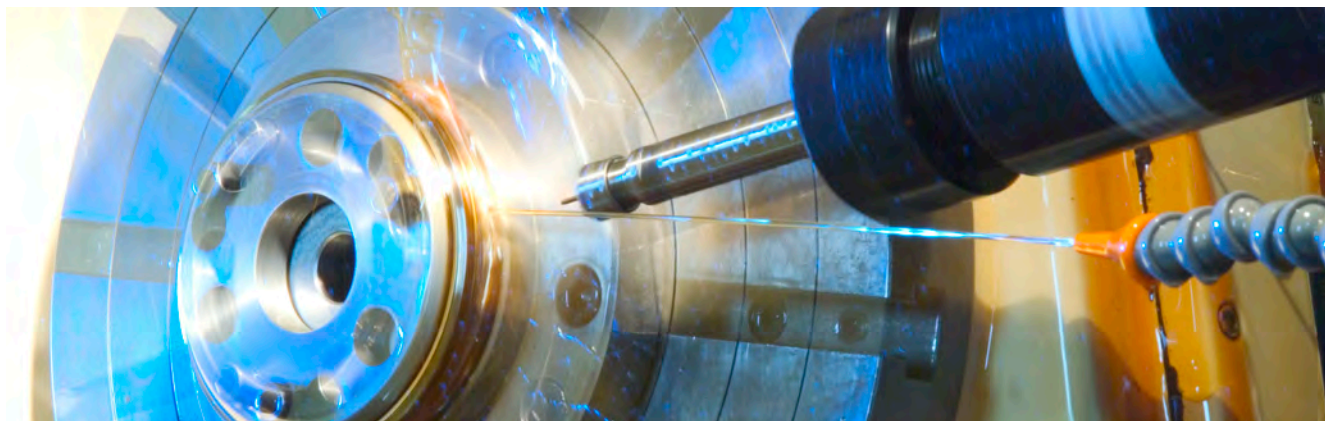
Engineering is historically a strong service industry within the region and suggests a possible model for attracting other services. Forbes magazine ranks the Greenville MSA 6th for Innovation Capacity based on its concentration of engineers. Local engineering firms benefit directly from the manufacturing dominated economy and reciprocally contribute to the competitiveness of the manufacturing companies through process and design improvements. Engineering and manufacturing have a deeply symbiotic relationship.

As GVCs drive specialization, services such as international money transactions, software and security, intellectual property (IP) and trade support, international hiring and firing, and supply chain and logistics are becoming more important to local manufacturers – making the Upstate a prime market opportunity for other industrial-oriented service companies, as it is now for engineering firms. And as the Upstate market expands, it can become increasingly attractive to companies currently serving the market from Atlanta or Charlotte.

OUT OF REGION PROF. & BUSINESS SERVICE PURCHASES UPSTATE ATLANTA CHARLOTTE

<i>Management of Companies & Enterprises</i>	85.7%	44.7%	42.4%
<i>Management, Scientific, & Technical Consulting Services</i>	55.8%	8.2%	14.9%
<i>Legal Services</i>	60.8%	7.4%	35.2%
<i>Other Professional, Scientific, & Technical Services</i>	53.7%	4.7%	12.9%
<i>Computer Systems Design, & Related Services</i>	71.4%	19.7%	25.8%
<i>Accounting, Tax Preparation, Bookkeeping, & Payroll Services</i>	48.0%	3.3%	24.8%
<i>Specialized Design Services</i>	69.0%	14.5%	30.7%

EMSI, for Manufacturing, Wholesale Trade, and Transportation Industries



KEY FINDING #5

The emerging innovation ecosystem – an opportunity for advanced materials.

Stronger collaboration between Clemson University, innovating companies like Milliken, Michelin and Sealed Air and the region's small and medium-sized enterprises (SMEs) in the material sciences, automotive, and biosciences industries will drive high-value exports and attract capital - all while building the region's global reputation for innovation.

While the region has lagged behind other markets in developing its R&D sector, it has made strides over recent years to close the gap. SmartState endowed chairs have been established; angel networks are growing; entrepreneurship organizations like NEXT, InnoVision, and The Iron Yard are gaining recognition; and Clemson University instituted a strong applied research focus and established several world-class innovation campuses focused on automotive research, advanced materials, and biomedical engineering. Partnerships like Greenville Hospital System's clinical university model indicate the emergence of what is becoming a strong innovation ecosystem.

Yet, linkages are fledgling between these assets, local private industry, and economic developers. This is particularly true of the materials sciences/advanced materials sector, a significant innovation opportunity that often flies under the radar. As Clemson's largest portfolio of available technologies for commercialization, advanced materials provide opportunities for foreign investment and value-add exports, having potential to drive competitiveness in the region's target industries. However, cohesion within the sector is a challenge, due to complexities within multiple scientific disciplines.

Using Purdue University's cluster definition, the advanced materials sector in the Upstate employs 38,883 which is 77 percent above the national average and growing (1 percent growth from 2014-2015).⁹ The sector, made up of plastics,

chemicals and metals, has 818 establishments including several major foreign companies including FujiFilm, Bosch, and AVX. Advanced textiles, which are not included in the Purdue definition, employ 5,572 which is 580 percent above the national average and is growing (2 percent growth 2014-2015).¹⁰ Despite the textile decline, 88 establishments including Invista, Milliken & Co., and Glen Raven have globalized and now produce chemicals, plastics, composites, and coatings.

The region is home to many large companies that are investing heavily in R&D, such as Milliken, Michelin, Sealed Air, and TTI. These companies may have technologies that can be spun out or commercialized in partnership with other local SMEs, as evidenced by the fact that 67 percent of U.S. companies own technology assets that they fail to exploit.¹¹ About US \$100 billion is tied up in such idle innovations within the IP portfolios of big companies.¹²

With backing and connections from larger firms, SMEs can attract investors who may otherwise be unaware of opportunities or are risk-averse to investing in smaller companies. Partnerships with local international companies may also attract new capital from abroad. Partnerships and alliances can overcome many challenges by utilizing assets, facilities, expertise and networks already in place within the region. Yet, while collaboration seems to be the trend in innovation, a very real initial hurdle to innovation partnerships and alliances is access to legal services, especially among SMEs.

Interestingly, several companies indicated in market assessment interviews that they share solutions and innovations frequently with their colleagues across the multinational company's network. Solving universal problems wins bragging rights and attracts positive attention from management. The region's international manufacturers are a vital component within its innovation ecosystem. As early adopters, these companies can catapult successful solutions across their global footprint – an obvious benefit for technology exports.

9. Economic Modeling Specialists Int. (EMSI)

10. EMSI

11. Douglas Graham and Thomas T. Backman, Ideation, 2004

12. World Intellectual Property Organization



KEY FINDING #6

The most important firms are the ones we already have.

The impact of companies like Michelin (which put the region on the map for more than textiles) and BMW (which demonstrated that it could handle high-tech, high-value advanced manufacturing) on the region can't be overstated. Existing firms continue to be the most valuable advocates for the region. Their positive experiences, as evidenced by expansions, drive local employment gains while selling the value of an Upstate location decision to the rest of the world.

From 2010-2014, foreign companies accounted for 28 percent of new projects announced and 42 percent of expansions announced in the Upstate.¹³ Over the past five years, expansions drove job growth, accounting for 52 to 54 percent of announced jobs annually.¹⁴ Given that industry testimonials form the core of the region's marketing strategies abroad, peer-to-peer recommendations remain essential to future recruitment success. Any dissatisfaction within the existing industry community has the potential to harm the region's reputation abroad, and external threats are looming. For instance, local automotive suppliers face increasing pressure to globalize and take on more risk as OEMs chase efficiency targets. The continued success of these firms is critical to the Upstate's cluster strength, value proposition, and economic future and they benefit from competitiveness support.

Maintaining connections with existing companies is the responsibility of economic development associations at local levels. However, the resources available for these efforts vary. In some larger counties, due to the volume of companies, business retention and expansion (BRE) specialists focus on companies with which the county has a FILOT agreement, leaving the remainder untouched. The *Upstate SC Regional Export Plan* encouraged a reevaluation of BRE staffing levels, and while progress is underway, gaps remain and additional resources may be needed.

Furthermore, today's site consultants heavily weight company interviews conducted during qualifying site visits. The region's economic development success depends on local industry providing favorable reviews of an area's dedication to helping its businesses succeed. These interviews are usually picked by the site consultant, who is just as likely to choose a satisfied company as an unsatisfied one.

Interviews conducted during the market assessment also revealed concerns over the community engagement of foreign firms. One reason is the practice within companies of rotating leadership in and out on a tight frequency, as many do at

subsidiary locations. These two or three year turnovers leave less time for community relationships to form, and the process re-starts when a new plant manager arrives. Despite challenges, both companies and communities are at a disadvantage when company leaders are not engaged.

Finally, the fact that FDI is coming from a more diverse set of countries and that companies are sometimes less engaged in local communities, underscores the importance of maintaining a welcoming environment, culturally and politically, for foreign nationals. While the Upstate is considered a top location for FDI, it has historically had low immigrant population rates compared to other regions. While European company expectations and needs are fairly well understood, local professionals are less familiar with non-European expectations. Experience with recent non-European projects across the state indicates a stronger aftercare program may be necessary to bridge the gap between company expectations and perceived support organization obligations.



13. Upstate SC Alliance

14. Upstate SC Alliance



KEY FINDING #7

Attracting and retaining talent is increasingly important.

Ironically, the Upstate's natural beauty, quality of life, great schools and dynamic cultural environment are hardly ever mentioned in industrial recruitment discussions, though talent and workforce is most often the top driver in FDI location decisions.

South Carolina's workforce development programs have long been the model for success in the United States, especially the technical college system and the nationally recognized state workforce training programs, readySC and Apprenticeship Carolina. Upstate counties are being certified as ACT Work Ready Communities, and

was a record year for attraction and expansion with 6,471 new jobs announced.¹⁶ A study conducted in 2014 for Spartanburg, Cherokee and Union counties, indicates that although companies are for the most part able to fill jobs locally, 100 percent of employers were not satisfied with the ease or cost of filling vacancies. Some reported recruitment costs as high as \$11,000.¹⁷

Meanwhile, many larger cities face their own workforce shortages and are working hard to attract the Upstate's best and brightest at the time they are most needed in the region. Counteracting that force will complement the region's existing workforce development efforts. Furthermore, as recruitment efforts have proven time and time again, once prospects visit the Upstate region, they are usually sold. It is likely that the same will hold true for talent.



“...82 percent of executives responding to the Skills gap survey indicate they believe the skills gap will impact their ability to meet customer demand, and 78 percent believe it will impact their ability to implement new technologies and increase productivity. In addition, executives indicate the skills gap also impacts the ability to provide effective customer service (69 percent), the ability to innovate and develop new products (62 percent), and the ability to expand internationally (48 percent).”

Craig Giffi et al. *“The skills gap in U.S. manufacturing, 2015 and beyond”*
Deloitte

K-12 educators and industry leaders collaborate in the classroom, working directly with students on projects found in advanced manufacturing. For example, Sage Automotive Interiors partners with Dr. Phinnize J. Fisher Middle School on a mentorship program that previously included a project to design a car interior for the driver of tomorrow. In addition, the Center for Manufacturing Innovation, a collaboration between Greenville Technical College and Clemson University, is slated to open in 2016 and will serve as a showcase, training ground, and research and innovation laboratory for manufacturing.

While positive workforce strategies are in place, skilled workers continue to near retirement and the region's ability to provide a qualified workforce is challenged. As the latest report and the quote above from Deloitte indicate, the skills gap is still widening.

Of the region's 85,000 production workers in 2015, 21 percent are 55 or older and almost 50 percent are 45 or older.¹⁵ Compounding the pressure from an aging workforce, 2015



15. EMSI

16. Upstate SC Alliance

17. Rick Quinn,
“The Upstate Job Scene:
Where Perception Does
Not Equal Reality,”
Spartanburg Community
College and Duke Energy
Foundation



MOVING THE UPSTATE SC REGION FORWARD

Recognizing that the Upstate's future prosperity and competitiveness depends on its global engagement, the region will build on its FDI recruitment strengths, expertise in advanced manufacturing and world-class industry clusters, strong business climate, and quality of life to establish a distinctive regional identity as a leading location for international business, trade and investment.

GOAL

Elevate the Upstate's global competitiveness to strengthen its economy and empower its communities, companies, and citizens to seize opportunities in the global economy.

OBJECTIVES

Within the next five years, existing efforts to attract international companies will be extended to include the following strategies and tactics. The region will:

1. Expand its base of world-class, community engaged, and internationally oriented professional services sector firms that have the capacity to support industrial growth and global connectivity.
2. Be recognized globally as a hot spot for material science innovations, with highly collaborative companies and research universities, working together to produce more high-value exports and attracting more foreign firms.
3. Increase its value and attraction as a hub in the global value chains of its target industries by growing the number of collaborative, competitive, globalized, and specialized companies in industry clusters.
4. Earn a reputation as one of the most desirable and welcoming communities in the southeastern United States to live, work, create, and play.



STRATEGIES & TACTICS

1. COLLABORATE UPSTATE

A Unified Region in a Global Economy

Capitalize on the region's strengths in collaboration and establish new partnerships and expand the reach and impact of attraction efforts. Develop foreign economic policies and leadership to advance trade, investment, and talent attraction.



- Create a task force of service providers with international M&A/JV/business formation experience to support efforts to respond to foreign company inquiries and support the efforts of local firms to acquire or establish partnerships abroad.
- Through existing leadership programs, provide foreign envoy training, to include: updates on the region's strengths and assets and familiarization with the roles, responsibilities, and expertise of local, regional and state team members.
- Conduct a series of "Doing Business in the Upstate" seminars in key geographies such as southern Germany, the UK's Liverpool/Manchester region, and other regions to which Upstate companies are already strongly connected through global value chains.
- Establish layered market development partnerships with universities and trade organizations to strengthen local clusters and pave the way for FDI attraction through joint programs and peer exchanges, research and company collaborations, and trade.

2. DRIVE THE NEXT GLOBAL CLUSTER

Advanced Materials

Build a global reputation for innovation by aligning the Upstate's innovation ecosystem and marketing its high value and universal assets in advanced materials innovations abroad.



- Develop a technology exchange platform to market technologies, foster collaborations, and attract FDI. Form a consortium of industry, university, economic development, commercialization/entrepreneurial, and service organizations to lead the initiative.
- Develop an IP Collaboration Toolkit to reduce the fears and risks associated with innovation collaborations, especially for smaller companies. The toolkit will be modeled after one developed by sister state, Queensland, Australia (launched in 2015).
- Support cluster development by working with the consortium to understand the needs and capabilities of local companies and the ecosystem, and facilitate connections between companies and potential foreign investors or partners.
- Market the R&D capabilities of the Upstate's advanced materials cluster abroad, including Clemson University assets such as available technologies, Advanced Materials Research Laboratory (AMRL), computing capabilities, and electron microscopy facility.

3. BOOST COMPANY COMPETITIVENESS

BRE and Aftercare

Support local economic development efforts to boost the health of the region's existing industries and connect them to local resources by bolstering business retention and expansion (BRE) efforts.



- Encourage investment in BRE organizations to support visits to companies in more industry sectors. In coordination with local economic development associations, communicate the critical nature of BRE activities.
- Develop training workshops and toolkits on competitiveness topics for BRE professionals and local companies to help with international business challenges including industry trends, IP, sourcing, distribution, preparing for M&A, and exit strategies.
- Collaborate with SC Automotive Council, local, and state partners to institute an outreach assistance program for automotive suppliers to help them globalize through trade or investment as they navigate the changing automotive GVC landscape.
- Establish a "Welcome Network" to engage new internationals locating in the region and facilitate business and family peer relationships. Network may include members of Upstate International, chambers of commerce, or cultural organizations.
- Work with Upstate International to develop introductory welcome kits for international companies that include regional resources and contacts to establish early relationships with support networks.

4. DIVERSIFY THE UPSTATE

Soft Landings for Smaller International Firms

Grow the region's service sector by attracting international service and technology prospects, particularly targeting industrial services and professional service companies for branch locations.



- Collaborate with local colleges and universities and the SC Department of Commerce to develop, align, and market research assets, test environments, landing pads, and accelerators to international prospects.
- Develop local support systems led by city economic development organizations to help international companies mitigate start-up concerns including language experts, legal and administrative support, shared facilities, introductions, and cluster connections.
- Market the region as a location with the production know-how to support the launch of new technologies/processes, focusing on markets where industry and research links can be deepened and strengthened, such as automotive GVC hubs like southern Germany.
- Assist local economic developers to promote the region as an ideal branch office location for professional service providers that are already servicing customers in the market from nearby out-of-market locations.

5. UPSTATE 360

Attract Talent with a Showcase of Regional Strengths

Focus on using new technologies and partnerships to brand the Upstate domestically as an area at the forefront of the globalizing southeastern region.



- Leverage its economic strengths, momentum of growing interest in 18-hour cities, and the region's burgeoning tourism industry and formalize a value proposition to shape the region's external identity and attract talent.
- Collaborate with local partners including chambers of commerce, economic developers, Ten at the Top, and industry stakeholders to develop a talent attraction app to demonstrate the draw of the region through video, interactive data, and storytelling.
- Market the app to local industries and employment services firms for their recruitment use and collaborate on outreach to target geographies that may capture specific needed skill sets, such as mechanical skills to match with manufacturing skill gaps.
- Collaborate with local colleges and universities to use the app to engage student populations, helping them connect to opportunities in the Upstate for internships, jobs, and volunteer opportunities while sharing the story of the region's unique assets.
- Beyond domestic talent attraction and retention, the app platform can be adapted as a training and reference tool for a new class of foreign envoys (as described earlier), to support tourist attraction, for international student recruitment, and other efforts.



TAKING THE NEXT STEPS TOGETHER



IMPLEMENTATION

To implement the plan goals, the Upstate SC Alliance will work in partnership with local, state and federal economic development organizations, private businesses, universities, and public institutions. The Upstate SC Alliance will convene a council of investors and partnering organizations to oversee the implementation of the plan goals, issue FDI policy recommendations on behalf of the region, and generate public and, where necessary, financial support for the plan.

The plan goals will be implemented over a five-year timeline, during which the majority of initial funding for the strategies laid out in the plan will be pulled from general funds at the Upstate SC Alliance and its economic development partners as the strategies are adopted into overall plans of work and strategic plans.

Under the oversight of the council, funding through grants and sponsorships will be solicited for the technology exchange platform, talent attraction application, and any other tactics requiring outsourced talent and/or resources. Staffing additions to existing organizations will be possible either through grants or additional public/private partnership investments.



MEASURING SUCCESS

Success of the plan will be measured using a combination of metrics designed to track not only foreign investment, but more general economic progress and globalization efforts. In addition to general economic growth, prosperity, and inclusion metrics, success will be measured by:

- Existing foreign-owned industry satisfaction surveys to assess economic development efforts and collaborative environment for international business
- Global Value Chain company case studies
- Number of new service sector companies, both international and domestic
- New foreign companies locating in the region and expansions at existing companies
- Jobs in foreign companies and percentage of foreign employment (FDI intensity)
- New R&D firms and, specifically, Advanced Materials industry R&D collaborations, royalties/licensing exports, and new companies – both international and domestic
- Number of international M&A, joint venture or strategic alliance inquiries in the pipeline
- In-migration statistics – family in-migration comparisons
- National and global media mentions

These metrics will be compiled into a dashboard for the region to track progress and will be regularly updated under the direction of the council.



POLICY RECOMMENDATIONS

The following policy recommendations are derived from the Market Assessment and subsequent discussions with both steering committee members and smaller focus groups. They are examples of what will be an ongoing effort by the council to address strategic concerns in the public arena. In addition to encouraging consistent support of globalization efforts on behalf of local, state and federal elected officials, the Upstate Regional FDI Plan recommends:

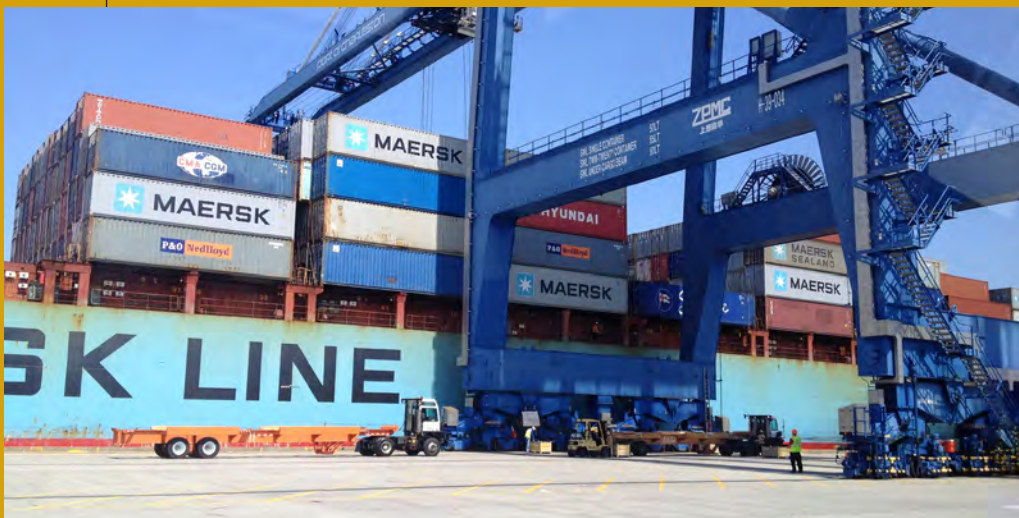
Invest in Infrastructure - Local, state, and federal policies to improve infrastructure (including state roads and federal interstate highways, GSP International Airport, SC Inland Port facility, Charleston Port facilities, and railroads) are critical to attracting investment and supporting trade. A comprehensive statewide transportation strategy is needed.

Incentivize Global Competitiveness - Local and state incentives to encourage the recruitment of high-wage and high-technology jobs support the region's diversification and growth. Smaller and service oriented firms may have fewer jobs, but tend to be high-wage and high-skill. Incentives to encourage R&D investment are also important to the Upstate's competitiveness.

Federal Global Engagement Benefits - SelectUSA, the U.S. Commercial Service, State Trade and Export Promotion Grant Program (STEP), and U.S. Foreign Service are all important to the Upstate region. SelectUSA's relationships with foreign companies interested in doing business in the U.S. are a true benefit and should continue, as are STEP grants which are possible through Small Business Administration funding and benefit local firms as they engage globally.

Level the Global Playing Field – In support of a level playing field, predictable rules, low tariffs, and negotiation and fair implementation of free trade agreements are important to the Upstate's position in the global economy and its future competitiveness. Free trade agreements are critical, as is the country's ability and inclination to enforce trade rules.

Lay Out the Welcome Mat - Local, state and federal policies that position the Upstate as a friendly place for international travelers, businesses, and residents are key to successful FDI attraction. Immigration regulations must allow Upstate companies to thrive and international residents to enjoy a welcoming environment.



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This report was developed by the Upstate SC Alliance through the collaboration of political, business, and civic leaders of the Upstate SC region. The conclusions and recommendations of this report are solely those of its authors and do not reflect the views of the Brookings Institution or JPMorgan Chase. The Brookings Institution is a private non-profit organization. Its mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations for policymakers and the public. Brookings recognizes that the value it provides is in its absolute commitment to quality, independence and impact, and makes all final determinations of its own scholarly activities in the Global Cities Initiative, including the research agenda and products.

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ABOUT UPSTATE SC ALLIANCE

Formed in 2000, the Upstate SC Alliance is a public/private regional economic development organization designed to market the dynamic, commerce-rich northwestern corner of South Carolina. It conducts more than 30 marketing missions and events around the world on an annual basis. In 2015, the Alliance participated in tradeshow, conferences and business development missions to the United Kingdom, Spain, Germany, Canada, Mexico and the Nordic countries. The Alliance also hosted companies and government officials from throughout Europe, Asia, Central and South America and Australia. The Alliance works hand in hand with the South Carolina Department of Commerce and local economic development organizations to execute these initiatives. To learn more about the Upstate SC Alliance and how you or your company can be involved, go to www.upstateSCalliance.com.

ABOUT THE GLOBAL CITIES INITIATIVE

The Global Cities Initiative is a joint project of the Brookings Institution and JPMorgan Chase designed to help metropolitan leaders advance and grow their regional economies by strengthening international connections and competitiveness. GCI activities include producing data and research to guide decisions, fostering practice and policy innovations, and facilitating a peer-learning network for dissemination and replication. For more information, visit <http://www.brookings.edu/about/projects/global-cities> or www.jpmorganchase.com/globalcities.



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