



THE WTCA
TRADE AND
INVESTMENT
REPORT

2019

Navigating Uncertainty



WORLD TRADE CENTERS
ASSOCIATION



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From the WTCA

Now in our 50th year, the World Trade Centers Association (WTCA) has seen many changes. When our founder, Guy Tozzoli, incorporated our nonprofit association in 1969, global trade was still quite laborious. His idea was to create an organization of like-minded members who had one common goal—to make trade and investment possible and accessible. In short, to connect the business world.

Five decades on, the WTCA has grown to more than 325 members in nearly 100 countries. And although technology and communications have made it easier for companies and business to trade around the world, one variable is still critical: relationships. That has remained the core of our promise.

We started the WTCA Trade and Investment Report last year to mine the rich, diverse insights of our members. Intricately woven into the trade and investment ecosystems of their cities, our members have a view of what is happening on the ground, across the globe. Today, we find ourselves in the midst of a great deal of change to the institutions and agreements that we have relied on for global commerce for decades. National governments are realigning their outlook on trade and putting policy in place that reflects these changes in points of view. And while we are an apolitical organization, taken together, our members have a uniquely global and local view of the effects those changes could have—and already are having—on local businesses and economies.

Because our members are deeply involved in helping their local companies and municipalities find new opportunities abroad, they provide a meaningful vantage to think about how the far-reaching changes we hear about every day are affecting communities on a local level. Where last year's report took a close look at how cities are leading economic drivers in today's atmosphere of change, this year's illuminates

the major causes of uncertainty, the factors that make cities resilient, and strategies for navigating the new economic climate. This study is the culmination of original city-level data analysis, surveys, and interviews with business leaders from around the world, using the WTCA's network, which together represents more than 35 percent of global gross domestic product and 1.24 billion people.

What the report uncovered was that while uncertainty is seen as the new normal, with many concerned about slowing investment and escalating trade and geopolitical tensions, there are also opportunities for businesses involved in trade and investment. City-to-city diplomacy is taking on a more important role than ever, and small- and medium-size enterprises are proving agile and adaptable, and may even find ways to take advantage of this disruption.

The interviews and discussions with our members uncovered something we discussed in last year's report as well—that networks matter. Conversations between public and private sectors, cooperation on efforts such as attracting talent, and building shared visions for growth are all powerful tools in making cities resilient and creating opportunities for local businesses and cities to grow. It is also an area where our members live and breathe every day.

We hope you find this year's report insightful and useful. We are living in extraordinary times of peril and opportunity, and I know I speak for our entire association when I say that we are here to navigate this new normal together.

Sincerely,

SCOTT FERGUSON
Chief Executive Officer
World Trade Centers Association



SECTION I

Introduction

The world economy is becoming more volatile and growing at a slower pace. These changes have forced businesses to make risky, complex decisions which could add costs to their operations, make them less competitive, or even render them obsolete. Yet new opportunities are emerging for those able to navigate the shifting tides. The 2019 Trade and Investment Report, produced by FP Analytics in collaboration with the World Trade Centers Association (WTCA), illuminates the sources of this uncertainty, the distinctive traits that make cities resilient, and strategies for adapting to the new normal.

The data sample



This study is the result of original city-level data analysis, surveys, and interviews with business leaders from around the world, using the WTCA's network of more than 325 cities, representing more than 35 percent of global gross domestic product and 1.24 billion people.



325

cities around the world



35%

of global GDP



1.24

Billion people



\$244B

FDI inflows

83%

Polling of business leaders from around world found that 83% believe that global uncertainty will stay at current levels (30%) or get worse (53%).

SOURCES: FP Analytics polling of WTCA members and business leaders April 8, 2019

AN ERA OF UNCERTAINTY: NAVIGATING THE NEW NORMAL

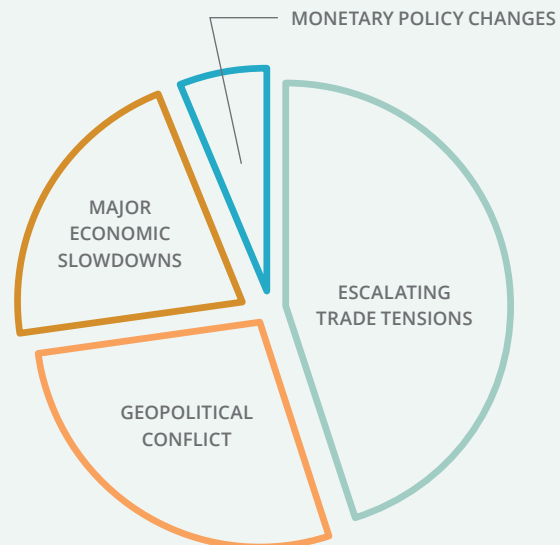
Economic uncertainty has been steadily rising throughout the world for the past two years, reaching a record high in 2019.¹ And it may well continue to rise. Polling found that 83 percent of world business leaders believe that global uncertainty will stay at current levels (30 percent) or get worse (53 percent) in the coming year.² Their projections echo those from the World Bank, the International Monetary Fund, and the United Nations Conference on Trade and Development, as well as private firms that predict slower growth rates due in part to increased uncertainty. The forecast is especially grim for developed economies, which are widely thought to have reached peak growth and projected to grow at roughly one-third the rate of emerging and developing economies.³

Several interconnected trends are causing this climate of turbulence. Among the business leaders surveyed, the most significant factors were escalating trade tensions (45 percent), geopolitical conflict (28 percent), and major economic slowdowns (21 percent).⁴ Together, they are making markets more volatile, threatening access to markets, and undermining long-standing trade and economic relationships, disrupting entire supply chains in markets throughout the world.

Three consistent themes emerged during interviews with global business leaders. The first is that our historical moment has been defined by disruptive political figures who see themselves as agents

CONTRIBUTING FACTORS

According to business leaders surveyed, the most significant factors contributing to the uncertainty and concerns regarding the global economic outlook include escalating trade tensions (45%), geopolitical conflict (28%), major economic slowdowns (21%), and monetary policy changes (6%).



of change, and who are willing to upend established economic ties and principles. Second, the world economy's future may be even more ominous than the trade and foreign direct investment numbers from global financial institutions would suggest. And finally, technology has become the X-factor in this uncertain climate, the most destabilizing force of change and the most fertile source of growth.

This new type of political leader has emerged in both developed and emerging economies, often supported by nationalists who are skeptical of the benefits of globalization and the institutions that have enabled it. These leaders have proved willing to challenge the status quo and even damage the economy to achieve their goals. During interviews WTCA members consistently brought up rising nationalism and the policies of reformist leaders from the Americas to Europe and Asia. As a case in point: The renegotiation of trade agreements and stoking of trade tensions, the abrupt withdrawal from multilateral agreements, and the questioning of long-held alliances have all contributed to the uncertain atmosphere.

These disturbances may actually be causing more damage to trade and investment than is currently predicted. Global trade grew 3 percent in 2018, but tariffs and other causes of uncertainty have already led the World Trade Organization to reduce its growth forecasts for 2019 from 3.7 percent to 2.6 percent.⁵ The reality could be worse, if these numbers are in fact artificially buoyed by companies trying to get ahead of impending tariffs and other barriers. WTCA members reported a surge in trade over the past year as businesses sought to lock in deals before Brexit, and before the trade tensions between the United States and China escalate further. As trade relationships are reconfigured, supply chains around the world are reeling. "People are stockpiling aluminum and steel before the tariffs hit," said Karen Gerwitz of WTC Denver. "So, their cash flows are then affected. We see it from the company level but are also seeing investment numbers change."

Slumping foreign direct investment (FDI) flows could also be failing to accurately reflect the true state of global FDI. In 2018, global FDI fell by 19 percent, to the lowest level since 2009. Industrialized countries fared the worst, with FDI inflows falling by 40 percent.⁶ However, WTCA members working on the ground around the world noted that many investments are the relocation of existing oper-

PULLBACK IN FOREIGN DIRECT INVESTMENT

There has been a major pullback in foreign direct investment (FDI) across major markets resulting from both economic and geopolitical factors. Global FDI fell significantly in 2018, plummeting **19%** to the lowest level since 2009. Developed countries were hit the hardest, as FDI inflows fell **40%**.



SOURCE: United Nations Conference on Trade and Development (UNCTAD), "Investment Trends Monitor, No. 31," January 2019, https://unctad.org/en/PublicationsLibrary/diaeiainf2019d1_en.pdf



“Technology companies are having to adjust to unexpected data and privacy concerns, but if they are able to navigate that dynamic landscape, it can be to their competitive advantage and that can help the city be more competitive.”

— BRIGITTA MIRANDA-FREER
OF WTC MONTANA

ations to markets perceived to have lower risk or which are better positioned in the global economic environment. Cities are engaging in intensifying local competition for increasingly scarce and selective investment. In response to Brexit, “some companies are already redirecting their investment to different countries in Europe such as France, Germany, Belgium,” according to Frédérique Dieumegard of WTC Poitiers.

Overlaying all of these trends is technology: disrupting traditional industries, increasing efficiency, and opening new markets. As governments respond to these changes with new regulations, especially on the use of data, the variety of different rules across countries is making business more costly and complex. Regulations are hitting entrepreneurs and small- and medium-size enterprises the hardest. To grow, they need additional support to effectively navigate the changing policies and regulations shaping the digital economy. “Technology companies are having to adjust to unexpected data and privacy concerns,” said Brigitta Miranda-Freer of WTC Montana, “but if they are able to navigate that dynamic landscape, it can be to their competitive advantage and that can help the city be more competitive.”

While businesses are attempting to manage short-term impacts, broader economic shifts and disruptive political trends are restructuring the global economy and reinventing trading relationships. Though the road ahead is daunting, 69 percent of business leaders polled are cautiously optimistic about the coming year,⁷ and are heartened by better-than-expected local performance as well as data and case studies demonstrating how cities can adapt to change. According to Miranda-Freer, “when things are uncertain, it’s time to get even more proactive.”

SOURCES

1. Global Economic Policy Uncertainty Index, accessed May 2019, <http://www.policyuncertainty.com/index.html>.
2. FP Analytics polling of WTCA members and business leaders, April 8, 2019.
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5. Tom Miles, “WTO says global trade slowed in fourth quarter, cuts forecasts,” Reuters, April 2, 2019, <https://www.reuters.com/article/trade-wto/wto-says-global-trade-slowed-in-fourth-quarter-cuts-forecasts-idUSL8N21K2C3>.
6. United Nations Conference on Trade and Development (UNCTAD), “Investment Trends Monitor, No. 31,” January 2019, https://unctad.org/en/PublicationsLibrary/diaeiainf2019d1_en.pdf.
7. FP Analytics polling of WTCA members and business leaders, April 8, 2019.

SECTION II

What works?

CHARACTERISTICS OF RESILIENT CITIES

What makes a city economically resilient? An analysis of data from the past five years found that cities that outperform their countries during economic downturns have a consistent set of traits in common.⁸ Regardless of their location or size, these cities all have relatively diversified economies, strong service sectors, educated populations, high shares of foreign citizens, and robust transport infrastructure. And they have defied the odds by attracting investment under adverse circumstances: Their FDI as a percentage of GDP was twice as high on average as that of nonresilient cities.⁹ Data analysis and input from WTCA members illustrate what's working to help cities survive fluctuations in the economy and foster growth.

RESILIENT CITIES HAVE DIVERSIFIED ECONOMIES

A city's resilience increases as its economy diversifies. Among cities that faced national economic slowdowns over the past five years, the 25 percent most diversified on average slowed down 11 percent less than their respective countries, while those in the bottom 25 percent slowed down 4 percent more.^{10,11} Among WTCA members polled, the largest share (42 percent) called a diversified economy the most significant factor in a city's resilience, followed by local incentives to attract FDI (18 percent), a skilled workforce (16 percent), and the availability of trade services and support for small- and medium-size enterprises.

World Trade Centers from Algiers to Asunción to Accra emphasized that commodity-dependent economies are particularly vulnerable to



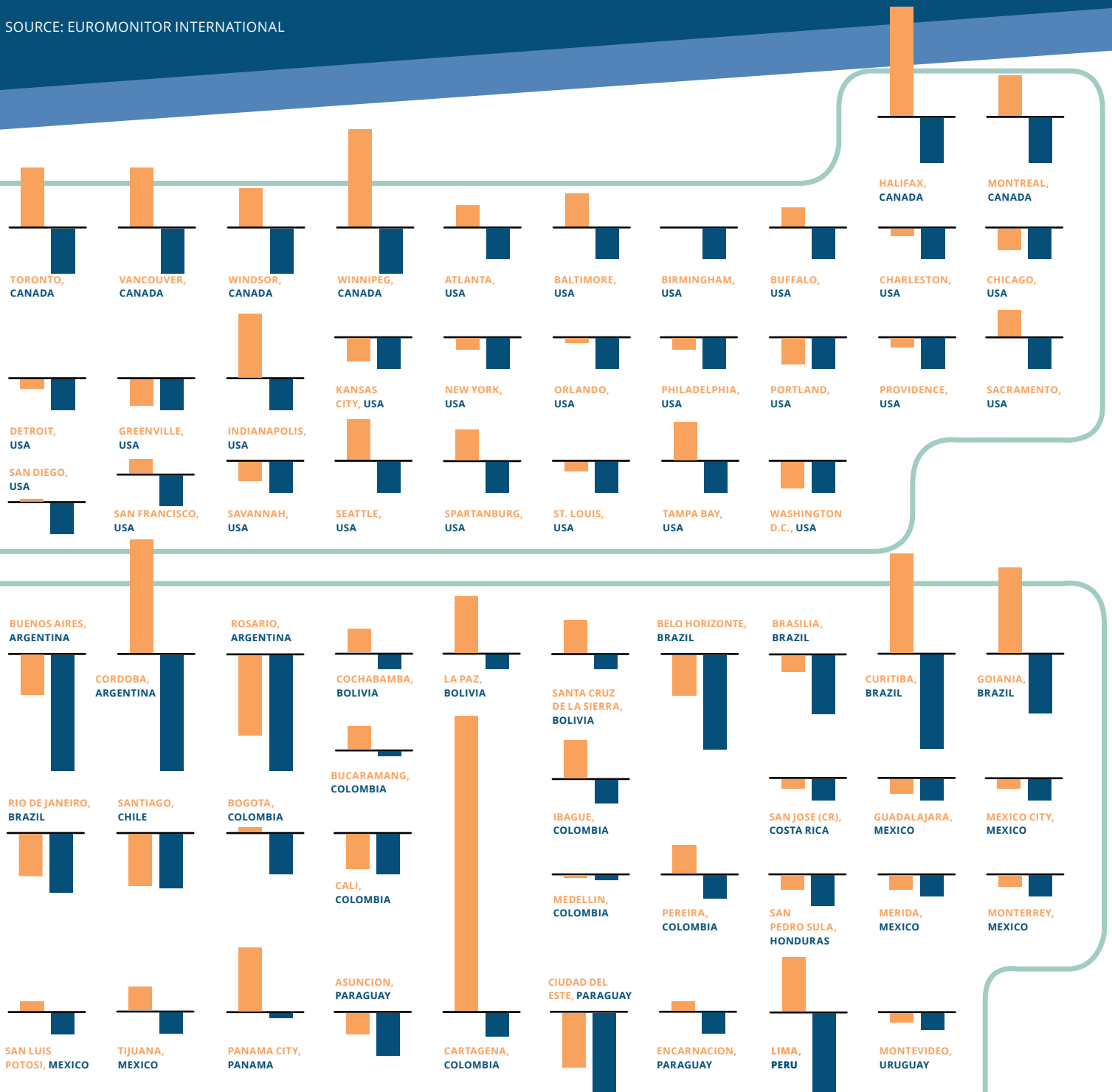
Commodity-dependent economies are particularly vulnerable to downturns.

Local resiliency

Over the past 5 years, 166 WTCA cities demonstrated economic resiliency in the face of a national GDP deceleration.

Bars represent annual changes in GDP growth rates.

SOURCE: EUROMONITOR INTERNATIONAL



Traits of resilient cities

Resilient cities,ⁱ defined as those that outperform their countries during economic downturns, possess a consistent set of characteristics:



FACILITATED MOVEMENT

44%

growth in airline passengers, double the pace of nonresilient citiesⁱⁱ



4.7%

growth in public transportation passengers, compared to **0.4%** in nonresilient citiesⁱⁱⁱ



FDI MAGNETS



Attracted

2X

the FDI as a percentage of GDP compared with nonresilient cities^{iv}

FOREIGN CITIZENS



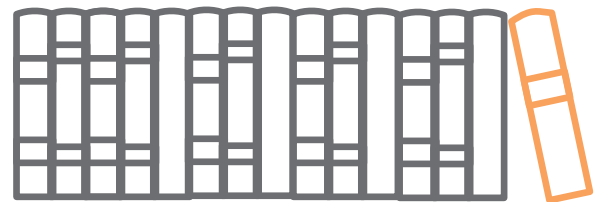
1.27X

the foreign citizens (11% of the city's population on average)^v

EDUCATED POPULATIONS

8.6%

Over a quarter of their populations have a college education or higher, **8.6%** higher than nonresilient cities^{vi}



STRONG SERVICE SECTORS



3.3%

growth in services as a share of GDP, more than double the pace of nonresilient cities^{vii}



DIVERSIFIED ECONOMIES



-11%

+4%



The top 25 percent most economically diversified cities on average decelerated **11 percent** less than their respective countries, while those in the bottom quarter decelerated **4 percent** more.^{viii, ix}

downturns, price swings, tariffs, and retaliatory trade tactics—making it crucial for them to diversify. Ahmed Tibaoui said that Algiers could serve as an object lesson: “When the oil and gas sector became ill, Algeria became ill, accelerating local efforts to diversify. While previously the economy was dependent on oil revenues from the private sector, the private sector today is driving growth—responsible for 70 percent of employment—and is investing in a range of business, from real estate to renewable energy.”

RESILIENT CITIES HAVE STRONG SERVICE SECTORS

Cities that have focused their economies on services and higher-tech sectors have also proved strong during periods of economic decline. Resilient cities have made a faster transition from an industrial to a knowledge-based economy, which requires less labor and capital. In resilient cities, services’ share of their GDP grew at double the pace of nonresilient cities on average, and they had a higher share of services overall. During the same period, the share of industrials (such as manufacturing, mining, and utilities) in their GDP shrunk by 8 percent—more than 50 percent faster than in nonresilient cities.¹²

“If you look at San Diego and places across the country that are doing reasonably well and growing international connectivity, those are almost all based on a services economy,” said Nikia Clarke of WTC San Diego. “The transition toward services has been really important.” This pattern has proved consistent beyond the United States. In the majority of resilient cities around the world, the service sector generated at least 79 percent of their gross value added and jobs over the past five years.¹³ Services have become their primary source of economic growth.

RESILIENT CITIES HAVE EDUCATED AND GLOBAL LABOR FORCES

A city’s resilience has much to do with the education of its working population. The number of people with college-level or more advanced education was 8.6 percent higher in resilient than in nonresilient cities.¹⁴ WTC representatives supported this finding, many of whom called an educated and skilled workforce essential for attracting foreign investment. To create a labor pool that will attract companies,

SOURCES: “Traits of Resilient Cities,” previous page

- i. Resilient cities are defined as those that decelerated less than their respective country or continued to grow in the face of a country-level downturn in at least one year of the last five years. Of the 234 cities for which data was available, 166 were found to be resilient cities and 59 nonresilient. Nine cities were located in countries that did not have a deceleration and/or had the same deceleration as the country during each of the five years and thus were not included in this specific analysis.
- ii. FP Analytics Analysis: Sample covers 202 cities over 2014-2018 with data sourced from Euromonitor International
- iii. FP Analytics Analysis: Sample covers 64 cities over 2014-2018 for which data were available from Euromonitor International
- iv. FP Analytics Analysis: Sample covers 214 cities over 2014-2018 for which data were available from Euromonitor International and fDi Markets.
- v. FP Analytics Analysis: Sample covers 126 cities over 2014-2018 for which data were available from Euromonitor International
- vi. FP Analytics Analysis: Sample covers 75 cities over 2014-2018 for which data were available from Euromonitor International.
- vii. FP Analytics Analysis: Sample covers 82 cities over 2014-2018 for which data were available from Euromonitor International.
- viii. Over the last 5 years, nonresilient cities have also become more concentrated, seeing their HHI values rise by 1.2% on average, 3 times as much as resilient cities who experienced virtually no change in their concentration.
- ix. Sample covers 174 instances over 2014-2018 where a city faced a decline in national GDP growth. Data sourced from Euromonitor International.



WORLD TRADE CENTER

Twente

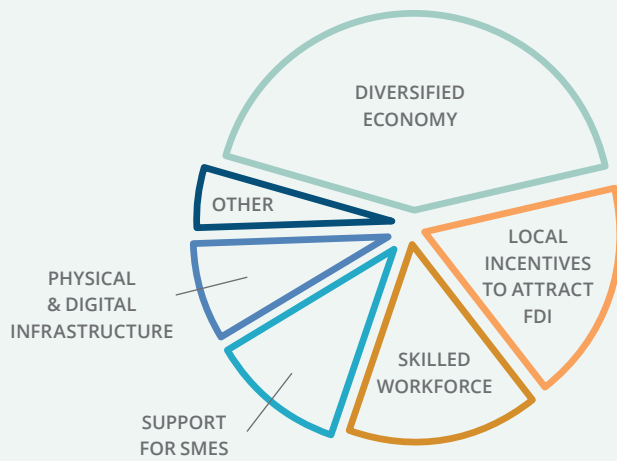
TWENTE'S EXPAT CENTER ATTRACTING AND RETAINING NEEDED TALENT

Twente, a Dutch former machine-building and textile region, is transforming into a hub for high-tech systems and smart materials with a strong technical university. Its aging and shrinking population needs more technically skilled workers, and so the government is hoping to retain university graduates and attract the workers and skill sets it needs from abroad. WTC Twente is working with the region's universities and vocational schools to attract and keep the young, skilled workers from Asia, Latin America, and elsewhere who have moved to the region to study engineering and develop other technical skills, but often leave upon graduation. Twente's Expat Center is helping foreign workers settle in the region through a range of services, including Dutch language courses, visas and work permits, housing, and support for families, as well as social events, in the hopes of attracting talented workers and their families to integrate into the community for the long term.



FACTORS CONTRIBUTING TO RESILIENCY

The largest share (42%) of polled WTCA members found a diversified economy to be the most significant factor contributing to resiliency, followed by local incentives to attract FDI (18%), a skilled workforce (16%), the availability of trade services and support for SMEs (11%), developed physical & digital infrastructure (8%), and other (5%).



cities such as Philadelphia are working with local academic institutions to train workers in the skill sets required for growing industries that are aligned with the strengths and development strategy of the city or region.

Linda Conlin of WTC Philadelphia said a skilled workforce is just as important as business incentives, if not more, and that her city “is focused on developing a talent pool that will help attract and sustain businesses of the future.” Philadelphia’s millennial population is growing, and the city is working with the private sector and its many universities to encourage more tech-skilled workers to stay in the city after graduation. “We really have a thriving tech industry,” said Conlin, “so a lot of emphasis has been on attracting and retaining that kind of talent so that we have the pipeline and the workforce for companies, both for companies here as well as the companies that we hope to attract.”

On average, foreign citizens made up 11.6 percent of resilient cities’ populations, more than a quarter higher than those of nonresilient cities.¹⁵ Many cities are setting up and expanding programs to integrate immigrants, which are seen as essential to attracting and retaining needed talent. Mariette Mulaire of WTC Winnipeg put it simply and directly: “Immigration is what keeps our economy going. ... We count on immigration. No immigration, no growth.” The globally minded, internationally connected, and multilingual foreign citizens in Winnipeg are considered a cornerstone of the city’s economy.

RESILIENT CITIES FACILITATE MOVEMENT

As business steadily becomes more globalized, the most resilient cities are the most connected ones. Over the past five years, the annual number of airport passengers grew by 44 percent in resilient cities, double the pace of nonresilient cities.¹⁶ WTCA members affirmed

“

“... A lot of emphasis has been on attracting and retaining that kind of [skilled] talent so that we have the pipeline and the workforce for companies, both for companies here as well as the companies that we hope to attract.”

— LINDA CONLIN
OF WTC PHILADELPHIA



WORLD TRADE CENTER

Moscow

SMART CITY MOSCOW

Moscow is prioritizing infrastructure investment projects and is supporting the rollout of smart technologies, which are considered to be key factors for long-term sustainability and efficient urban development. According to Aleksei Savrasov from WTC Moscow, "The city's current strategy is based on three technologies: artificial intelligence for automated, data-based decision-making, blockchain technology for paperless contracts, and big data for targeted services." Further, the local government has invested in a Smart City Lab¹⁸ with 100 manufacturers and training programs, to integrate city services more efficiently through innovation in transport and mobility, smart buildings, public utilities, and public security. Last year Moscow created a smart technology district¹⁹ where it will test, assess, and deploy new technologies to make the city more efficient and better able to adapt to change.



that airports played a crucial role in the economic vitality of their cities and surrounding regions, particularly in landlocked areas. WTC Las Vegas has long seen the benefits of accessible air transportation and is now working to make more businesses aware of flight routes to and from the city. “Airlines are used for tourists and business travelers, but the bellies of those planes can carry cargo as well,” said Cheryl Smith from WTC Las Vegas. “We are looking at those airline routes and how that mode of transportation can move people and goods to support our export events—both for businesses coming here and our local businesses reaching other markets. Those airline routes are significantly important.”

Likewise, the number of public-transit passengers grew by 4.7 percent in resilient cities over the past five years, compared with just 0.4 percent in nonresilient cities.¹⁷ In São Paulo, local start-ups have taken up the mantle of traditional transit systems, contributing to economic growth and job creation as they make intercity travel more efficient. “For me, the new economy will depend on transformative technology companies such as those in the mobility space,” said Luciano Montenegro de Menezes from WTC Curitiba and Lisbon. “The scooters, which are all over São Paulo, and ride-sharing companies are an example. While the technology is in many countries, local companies are developing their own solutions and growing fast. In Brazil, the local scooter company is four months old and already has 1,200 employees!”

RESILIENT CITIES ARE FDI MAGNETS

In the past five years, resilient cities attracted FDI at twice the rate of nonresilient cities as a share of GDP.²⁰ As cities scramble for diminishing foreign investment, WTCA members emphasized that their cities’ strategies focus on attracting greenfield and follow-on investment, which can strengthen local economies and make them more adaptable. While FDI is important for all cities, it is particularly vital in emerging markets.

“Where there’s uncertainty, the perceived risk is higher, and those that are risk-averse may question moving into emerging markets,” pointed out Jane Reindorf-Attoh from WTC Accra. “When we think of Africa and development, we need FDI, and as part of that need companies that have innovative technologies to come and set up manufacturing plants, and partner with local companies to expand the local markets.”

SOURCES

8. Resilient cities are defined as those which decelerated less than their respective country or continued to grow in the face of a country-level downturn in at least one year of the last five years. Of the 234 cities for which data was available, 166 were found to be resilient cities and 59 nonresilient. Nine cities were located in countries that did not have a deceleration and/or had the same deceleration as the country during each of the five years and thus were not included in this specific analysis.
9. FP Analytics Analysis, based on a sample of 214 cities from 2014-2018 for which data were available from Euromonitor International and fDi Markets.
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11. Sample covers 174 instances over 2014-2018 where a city faced a decline in national GDP growth. Data sourced from Euromonitor International.
12. Sample covers 82 cities over 2014-2018 for which data were available from Euromonitor International; resilient cities are defined as those that decelerated less than their respective countries or even grew in the face of national downturns at least once over 2014-2018.
13. Sample covers 52 cities over 2014-2018 for which data were available from Euromonitor International.
14. FP Analytics Analysis: Sample covers 75 cities over 2014-2018 for which data were available from Euromonitor International.
15. FP Analytics Analysis: Sample covers 126 cities over 2014-2018 for which data were available from Euromonitor International.
16. FP Analytics Analysis: Sample covers 202 cities over 2014-2018, with data sourced from Euromonitor International.
17. FP Analytics Analysis: Sample covers 64 cities over 2014-2018 for which data were available from Euromonitor International.
18. Sedov Artem, “Moscow Smart City Lab, Russian Federation,” https://www.unece.org/fileadmin/DAM/hlm/prgm/urbandevt/Measuring_Progress_Achieving_Smarter_Cities_Presentations/Sedov.pdf.
19. Eric Baldwin, “Moscow Launches New Smart City District as a Living Lab,” Arch Daily, December 13, 2018, <https://www.archdaily.com/907694/moscow-launches-new-smart-city-district-as-a-living-lab>.
20. FP Analytics Analysis, based on a sample of 214 cities from 2014-2018 for which data were available from Euromonitor International and fDi Markets.
21. FP Analytics; based on data from 2014 to 2018 from Euromonitor; Canada’s GDP data sourced from the International Monetary Fund. The resilience comparisons reflects data for 2015.



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Vancouver

VANCOUVER'S FOCUS ON RESILIENCE REAPING REWARDS

Vancouver is a leader among resilient cities, having outperformed Canada economically for three out of the last five years. Vancouver:

- ▶ Is in the top 25 percent of resilient cities in terms of economic diversification,
- ▶ Has a net migration rate 2 times the resilient-city average,
- ▶ Attracted FDI per capita 1.5 times the resilient-city average,
- ▶ And has a highly educated labor force, with 36 percent of the population holding tertiary degrees, 1.25 times higher than the average for resilient cities.²¹

"In Vancouver and in British Columbia, we very proactively decided to diversify our economy despite our strength in natural resources, to diversify away from that, which has been toward tech," said Austin Nairn at WTC Vancouver. "And immigration has always been a big part of our fabric ... and we have benefited from it. From an FDI standpoint, we've seen a greater number of international students and companies seeking to set up operations in Vancouver as well—from Amazon to WeWork—and they're doing phenomenally well."



SECTION III

How cities are leading

Facing global economic uncertainty, cities are working proactively to maintain economic and political ties through city-to-city diplomacy, identifying ways to capitalize on the disruption, and cultivating local economic ecosystems focused on innovation to attract and retain investment.

CITY-TO-CITY DIPLOMACY MORE IMPORTANT THAN EVER

City leaders are engaging in direct diplomacy for a variety of reasons: to deepen economic ties, demonstrate credibility, and instill confidence in old and new trading partners. Mayors, local government officials, business leaders, and local stakeholders are increasingly meeting with each other directly, in order to cut through political rhetoric and identify where their business interests still align. This city-to-city and inter-regional diplomacy is playing a crucial role in maintaining business ties.

In interviews, business leaders throughout the world underscored the importance of doing business face-to-face. In an uncertain economic and political climate, they contend, direct dialogue and human connection are more important than ever.

IDENTIFYING WAYS TO CAPITALIZE ON THE DISRUPTION

Cities are working to become more agile, using their geography, language, political ties, and other strengths to seize new trade and investment opportunities created by economic turmoil. According to Neil Kidd of WTC Perth, "Cities have to lead. Yes, uncertainty creates more



Direct dialogue and human connection are more important than ever.



WORLD TRADE CENTER Arkansas

COMMERCIAL DIPLOMACY FOSTERING TRADE AND INVESTMENT

The renegotiation of the North American Free Trade Agreement created a great deal of uncertainty for farmers in Arkansas. Mexico and Canada are Arkansas' largest trading partners and represent half of its total exports; 72 percent of its agricultural exports are in the Western Hemisphere. Direct diplomacy with national and local policy leaders and trade ministries north and south of the border has been crucial not only for preserving strong trading relationships, but also for expanding them. "We try to do grassroots engagements," said Melvin Torres of WTC Arkansas. "If we don't have the right engagement with the government of Canada and with the government of Mexico, then it becomes more difficult to help our companies. I learned that opening up the diplomatic channels was key, and it's something we are doing right. Our exports to Mexico are growing 3.6 times faster than to any other country. We're doing multiple outbound and inbound diplomatic missions not just to cities and regions in Canada and Mexico, but Argentina and elsewhere, and inviting them to Arkansas. It's an area of opportunity to foster not only trade, but also investment."



risk, but if you don't engage and go in, you are risking not capitalizing on it." As Brexit looms, and as the trade tensions between the United States and China continue, many cities are presenting themselves as lower-cost, lower-risk partners for trade and investment.

The trade war between the United States and China was deemed the most destabilizing current threat to business in interviews and polling, given the size of the economies involved and the cascading impacts that tariffs and other trade barriers are already having on supply chains. "The U.S. and China are the world's largest and second-largest economies," said Steve Lo from WTC Harbin. "Whatever happens with these two countries, either internally or between them, will have great impacts throughout the rest of the world." While companies have largely absorbed or passed on the initial costs, the prolonged and escalating tensions are shifting sentiment and investments, and local leaders in other countries are making the most of the situation. "India was actually thinking we could benefit from it," said Khair Nissa from WTC Noida. "We've had a few meetings in the U.S. where there's been a lot of positivity turned toward India and the potential to transfer business."

Likewise, Eugenio José Reyes Guzman of WTC Monterrey noted, "Monterrey has taken advantage of the fact that there's currently a trade war between the U.S. and China. We're attracting Chinese companies to take advantage of the USMCA [United States-Mexico-Canada Agreement] and re-export to the U.S." In just one example, Fuling Global, a Chinese producer and distributor of plastic and paper serveware, opened a \$4-million factory in Monterrey early in 2019 to circumvent business costs and trade risks from the U.S.-China trade war.²² Another part of this economic competition is China's Belt and Road Initiative, which has channeled billions in foreign direct investment into major infrastructure, logistics, and other sectors. According to Mehran Eftekar of WTC Cyprus, "The city of Gwadar, Pakistan, is well positioned to benefit from Belt and Road investment. China has earmarked an investment of \$50 billion in order to upgrade the port to compete with the Jebel Ali port in Dubai, providing such an opportunity for Gwadar and the surrounding area."

Across the Atlantic, Brexit has created risks for businesses throughout Europe. Tariffs and transaction costs will increase for companies which have long reaped the benefits of economic integration. Yet this new economic reality will bring opportunities for strategically located cities and those that have a special status with the United Kingdom, such as Gibraltar and Dublin. Gibraltar's business community is poised to make



From financial technology (fintech) hubs in Montreal, Montana and Accra, to bio-tech and information technology industries in Noida, Philadelphia, Poitier, to an industrial engineering defense cluster in San Diego, cities are focused on leveraging expertise, partnering with anchor research institutions, and fostering integrated technology clusters to establish leadership in these rapidly evolving and high-demand sectors.

the most of any Brexit scenario, given the island's status as a British Overseas Territory. Sitting next to Spain, Britain's largest trading partner, it serves as a pathway for thousands of workers and cross-border economic activity. Despite being a British territory, it could be given special access to the EU customs union and single market through a special protocol or carve-out in the Brexit withdrawal agreement.²³ While remaining cautious, Ed Allison-Wright of WTC Gibraltar is optimistic. "Gibraltar has the potential, resilience, and determination to actually come out of Brexit very well," he said. "The offer that Gibraltar brings to businesses and the talent within them remains a globally competitive one."

Dublin is using its proximity to the United Kingdom, its English-speaking workforce, and its commitment to the EU in order to grow as a financial hub. "Foreign companies are looking at Ireland as a first stop into not just the U.K., but the rest of Europe," said Rani Dabrai of WTC Dublin. Between the June 2016 Brexit referendum and February 2019, 27 financial services companies committed to relocating staff or operations to Dublin, including Bank of America, which is spending \$400 million to make Dublin its new European headquarters.²⁴ Greenfield investment in Dublin increased by 46 percent from 2017 to 2018, 4 times as much as in Ireland as a whole, and its inflows were 30 percent higher than five years ago.²⁵

CULTIVATING AN ECOSYSTEM THAT ATTRACTS AND RETAINS INVESTMENT

As FDI becomes scarcer, competition for it will only intensify. According to an annual survey of global business executives, countries are no longer the starting point for most investors' decisions and 59 percent of investors start their FDI assessment at the regional or city level.²⁶ The most successful cities are fostering not only businesses and economic growth, but also a high quality of life, in order to attract sustainable investment that will strengthen the community and make it more resilient. Such a strategy demands:

- ▶ A strategic vision that takes advantage of local assets and competitive advantages
- ▶ An attractive fiscal and tax environment and business-friendly policies
- ▶ Transparent public planning and decision-making
- ▶ Clear channels for ongoing dialogue between the private sector and local authorities

WORLD TRADE CENTER

Accra



SEIZING ON NEW OPPORTUNITIES EMERGING FROM BREXIT

Ghana's capital city, Accra, isn't waiting for a final Brexit deal to start exploring new trading opportunities. As a Commonwealth nation, Ghana has a long-established trading relationship with the United Kingdom, and Accra plans to take advantage of these historical ties to build new trading partnerships. "We're looking at how we can, as a region, leverage Brexit," said Jane Reindorf-Attoh of WTC Accra. "We were colonized by the U.K., so there is a long historical relationship between Ghana and several, especially West African, countries and the U.K. We see this as an opportunity to increase trade relations, because with Brexit, the U.K. is definitely going to be looking at other markets for selling their goods." Companies in Accra have also increasingly expressed interest in procuring British goods, and they are working with the British High Commission and U.K. export office to expand trade. Reindorf-Attoh believes her city's multicultural population, stable political climate, and favorable business environment make it a logical choice for foreign companies looking for new partnerships, and the WTC is actively seeking them out.

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Collaboration between public, private, and local stakeholders has never been more important to attracting—and retaining—innovation-based FDI.

The region of San Luis Potosí, Mexico, is an illustrative example. Local authorities established a free trade zone there in 2008, the first in the country, to make the area more attractive to investors, with a focus on auto manufacturing. The region's competitive costs, integrated infrastructure, and proximity to the U.S. market boosted growth well above national averages. Though investment in the region dipped amid uncertainty during the renegotiation of NAFTA, the central Mexican region is still experiencing double-digit growth, compared to 2 percent on average nationally, according to Michele Porrino of WTC Industrial Park San Luis Potosí.

FOCUSING ON INNOVATIVE INDUSTRIES TO DRIVE FUTURE GROWTH

Without exception, business leaders consider innovative, high-tech industries essential for cities to stay competitive and resilient—along with support for small and medium-size enterprises and entrepreneurs. Interviews yielded numerous examples of cities developing high-tech clusters in order to attract investment and talent, and to become hubs of advanced industry that will drive the next industrial revolution.

From financial-technology hubs in Montreal, Montana, and Accra, to biotech and information technology industries in Noida, Philadelphia, and Poitiers, to an industrial engineering defense cluster in San Diego, cities are focused on:

- ▶ Modernizing industries in which they have a competitive advantage
- ▶ Partnering with major research institutions
- ▶ Creating integrated technology clusters to become leaders in rapidly evolving and high-demand sectors.

Dense networks of neighboring industries and institutions that are able to use the city's or region's unique assets have reinforced the economy in several cases, creating hubs of economic activity, jobs, and follow-on investment—and models for other cities.

WORLD TRADE CENTER Delaware



DELAWARE'S DRIVE INTO AG-TECH IS ATTRACTING GLOBAL ATTENTION

Forty percent of Delaware's land is devoted to farming, and the state is investing in research infrastructure to become a hub for agriculture technology.²⁷ Private industry is collaborating with academic and research institutions to develop advances in seeding, pest management, antibiotic reduction, and biopharmaceuticals. This push into ag-tech is supporting local farmers, while attracting international investment and world-class partnerships. "Our innovation is second to none," said Carla Stone of WTC Delaware. "People are coming from all over the world to visit Delaware to learn about our technology and wanting foreign partnerships."



Looking ahead

TOOLS FOR NAVIGATING THE NEW NORMAL

Knowledge, preparedness, and agility are essential for remaining competitive in the increasingly complex global economy. Through briefings, trade training, and partnerships, WTCs around the world are helping businesses in their communities more effectively assess complex risks, game out scenarios, and seize emerging opportunities. Among the range of services WTCs provide, survey respondents said the most helpful were export assistance, offices and direct networking facilities, partner identification, and trade missions. With these services, WTCs are preparing their members to evaluate the many factors contributing to uncertainty, determine which are most critical to their business, and build the connections they need to help them weather the storm.

KEEPING INFORMED

The unpredictable crosscurrents in the global economy are making strategic business planning and global engagement more complex. The world's largest corporations are reconsidering their investments and reorienting their supply chains, but the situation is especially daunting for small- and medium-size businesses which are already reluctant to venture into the global economy. As even the largest companies turn inward, smaller ones may stop engaging completely.

WTC representatives observed that uncertainty has been causing confusion, hesitation, and even retrenchment among their members. To respond to this fear, WTCs are providing constant up-to-date data and analysis on economic and geopolitical changes, arming their members with information to help them cut through the noise and evaluate which factors are critical to their business.

WTCs provide one-on-one advisory meetings, networking events, conferences, and workshops with customs officials and policy experts,

WORLD TRADE CENTER

Rennes Bretagne



HELPING BUSINESSES NAVIGATE EVOLVING TRADE REGULATIONS

In western France, WTC Rennes is fighting retrenchment by directly addressing the issues contributing to uncertainty and helping companies navigate challenging markets. Upon hearing that their members' greatest concerns going into 2019 were Brexit and U.S. sanctions on Iran, WTC Rennes developed A Practical Guide to Better Understand the Business World in Iran, based on input from diplomats and contacts in Iran. For updated guidance on these issues, members can refer to the guide on WTC Rennes' website or check their bimonthly Brexit Newsletter, published by a partnership between WTC Rennes, the Enterprise Europe Network, and the Franco-British Chamber of Commerce.^{28, 29}



WTCS SUPPORTING BUSINESS

Among the range of services WTCs provide, survey respondents stated that the most important for navigating uncertainty include export assistance (36%), offices and direct networking facilities (22%), partner identification (19%), and trade missions (17%).



“We are getting credible and timely information into the hands of the business community to make informed decisions, while also providing access to officials.”

— ANDREW GELFUSO OF
WTC WASHINGTON, D.C.

with the goal of educating members on how industries, businesses, and supply chains will be affected by disruption. For smaller businesses without in-house experts, WTCs can offer guidance to help navigate and understand complicated legal processes or compliance requirements that might otherwise discourage them.

WTCs are also making use of their global network to give businesses real-time updates from experts and business partners on the ground in other markets. These updates help businesses better understand the local implications of policy changes, giving them a competitive edge as they make decisions. By partnering with governments, chambers of commerce, and private organizations, WTCs are making sure that their members are updated by those who know the issues and sectors best. WTC Washington, D.C., for example, uses its proximity to research institutions and think tanks to engage with some of the country’s foremost trade experts and address business concerns about evolving trade agreements. “We’re lucky to be in D.C. because there are a lot of people that are very well informed about international trade and the global economy,” said Andrew Gelfuso of WTC Washington, D.C. “They are often policymakers, people advising policymakers, or business officials interpreting policy and managing corporate government affairs. We are getting credible and timely information into the hands of the business community to make informed decisions, while also providing access to officials.”

ACQUIRING HARD SKILLS FOR MORE EFFECTIVE GLOBAL ENGAGEMENT

Demand is rising for services to help businesses begin or expand trade or investment overseas. With trade training, preparation, and ongoing support, businesses can respond more deftly to changing

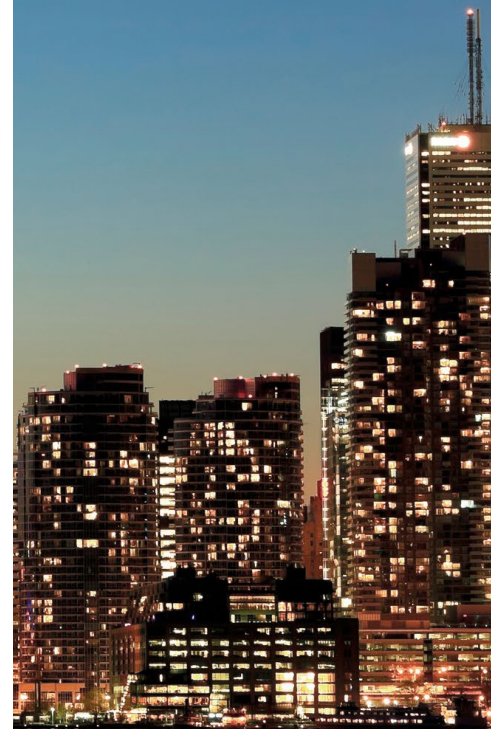
WORLD TRADE CENTER

Toronto



WTC TORONTO'S TRADE ACCELERATOR PROGRAM

After realizing that Toronto's local small- and medium-size businesses and entrepreneurs weren't competing on a global scale, WTC Toronto created a training program to help them overcome export barriers and successfully reach foreign markets.³⁰ The Trade Accelerator Program, or TAP, connects participants with leading export and business advisors during six weeks of workshops that train them to develop and execute an export plan, preparing them to bring Canada's extensive trade and investment resources to the global market.³¹ The Canadian government has recognized TAP's success—one year after participation, export sales grew by 47 percent, more than 85 percent of participants entered new markets, and nearly 90 percent of them felt better prepared to do business—and began investing funds in the program so that it can reach more businesses. Now, a total of six Canadian WTCs—Toronto, Vancouver, Winnipeg, Saskatoon, Montreal, and Edmonton—are engaging SMEs in their local Trade Accelerator Program and increasing their cities' global economic engagement as a result.



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market conditions, manage risks, and seize new opportunities to build their business. This is particularly relevant for small- and medium-size enterprises, which can adapt more quickly to changing conditions in the economy. WTC members have reported that smaller businesses often do not know who to work with, what resources are available, or how to mitigate risks as they expand.

By assessing companies' business plans and growth strategies, WTCs are assisting companies to refine their models, match them with resources, and serve as a partner as they begin to enter global markets. WTC Mumbai has its own education wing, the World Trade Center Mumbai Institute, which offers postgraduate diplomas in foreign trade and foreign-exchange and risk management, import-export certifications, and courses in practical Chinese for business. WTCs also offer classes on general business principles and specific topics, market research, and consulting. Such preparation can help flatten the learning curve and decrease risks, allowing businesses to compete more confidently in the international marketplace.

LEVERAGING NETWORKS TO GO LOCAL

Dialogue between businesses is also essential for keeping up trading relationships and finding new opportunities. International trade missions have long helped make such connections possible, but direct business-to-business connections are taking on heightened importance. Missions assist both established and smaller businesses in tailoring their offerings to specific markets and identifying the local partners best suited to their industry and objectives. WTC representatives from Cyprus, Manila, Riyadh, Mumbai, and Accra all noted how trade missions helped companies understand markets undergoing rapid political or economic transition.

Scott Center from WTC Savannah captured WTCs' impact on businesses of all sizes seeking to expand their operations abroad: "A small or large company that has never had any experience overseas could leverage the World Trade Center network. The WTCA network is very powerful. And no matter how big you are, unless you have representatives in every country, you can't really have what World Trade Center provides. We have people on the ground in 300 different locations." WTCs with real estate holdings and office space can further facilitate those connections, helping business travelers to hit the ground running and business clubs to connect with local industry leaders and counterparts.

WORLD TRADE CENTER

Algiers



USING LOCAL BANKING RELATIONSHIPS TO UNLOCK OPPORTUNITIES IN CENTRAL ASIA AND AFRICAN CITIES

In Algeria, trade financing presents a major barrier to companies trying to enter new markets in Central Asia and Africa, as Algeria has no banking presence in those regions. To address that gap, WTC Algiers made an agreement with French bank Société Générale, which has a presence in Central Asia and 17 African countries. Together, they have identified a range of exporters, from agribusiness to cosmetics, and are conducting a matchmaking mission to Abidjan to connect them with importers. If the model proves successful, it could be replicated in markets across Africa—expanding bilateral import and export opportunities through direct facilitation and financing.



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WTCs are also collaborating to make digital platforms for member companies to access current information, tools, and global contacts—helping companies of all sizes connect with each other. A collaboration between WTCs in Dublin, Washington, Boston, and Mexico City created **"WebPort Global"** to help companies, especially small- and medium-size ones, accelerate international business and grow domestically through exports and imports. The portal, which is linked with WTCs around the world, provides trade research and advice, along with access to local economic development agencies, trade support organizations, online marketplaces, and local trade events. The WTCs screen and verify the information to engender trust and credibility, increasing companies' confidence that their business can grow abroad.