

The company we keep,
keeps getting better.



The 6th Annual Consul Program for New Jersey Life Sciences

October 15, 2009

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Agenda

- International Trade Impact
- Export Activity & Foreign Direct Investment (FDI)
- Country Assignments
- A “Day in the Life” of the International Trade Team
- Upcoming events
- The Three Planks of International Trade Activities
- EDA Incentive Programs
- Questions/Comments



International Trade is Critical to New Jersey's Economic Well-being

- Job creation
- Higher-paying jobs:
 - Exports support 15,000 jobs per \$1 billion. Given this equation, New Jersey exports support 532,185 jobs.
 - U.S. subsidiaries of companies headquartered abroad support an annual payroll of \$364.2 billion, with average compensation per worker of \$68,317, which is 32 percent higher than compensation at all U.S. companies.
- New Jersey is the 10th largest exporter in the U.S. and the 24th largest economy in the world.
- New Jersey is the 6th largest home to global investment.
- The State ranks 7th in the number of employees at foreign firms.



Benefits of Exporting

- 95% of the world's consumers live outside of the U.S., so if a NJ business is only selling domestically, it is reaching just a small share of potential customers.
- Exporting enables companies to diversify their portfolios and to weather changes in the domestic economy.
- Exporting helps small companies grow and become more competitive in all their markets.
- Free Trade Agreements (FTAs) have opened up previously difficult-to-penetrate markets, creating more opportunities for NJ businesses.
- 97% of all U.S. exporters are SMEs and accounted for \$312 billion of global transactions. SME exporters are transaction-driven vs. large companies which are research-driven so there is excellent opportunity for our influence, with both exporter segments.

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New Jersey's Export Activity

Top 10 Export Markets (in millions)

1. Canada	\$6,646
2. United Kingdom	\$2,863
3. Germany	\$1,901
4. Japan	\$1,868
5. Mexico	\$1,461
6. Italy	\$1,372
7. Switzerland	\$1,086
8. Netherlands	\$1,064
9. France	\$997
10. China (Mainland)	\$981
<i>Total Exports:</i>	<i>\$35,479</i>



Benefits of FDI

- FDI helps in the creation of new jobs.
- FDI creates higher paying jobs and assists in increasing the income that is generated through revenues realized through taxation.
- FDI encourages the transfer of high technologies.
- FDI opens up the export window that allows countries the opportunity to cash in on their superior technological resources.
- 1,400 offices of foreign companies employ 252,300 workers – 7.4% of workers in New Jersey.
- Ranks third in the country for share of workforce supported by foreign firms.
- Supports 51,500 manufacturing jobs which is over 15% of New Jersey's manufacturing jobs.



FDI in New Jersey

Top 10 Countries Investing in New Jersey (in millions)

1. Germany	\$8,904
2. Switzerland	\$5,236
3. Japan	\$5,158
4. France	\$4,271
5. United Kingdom	\$3,881
6. Netherlands	\$1,669
7. Australia	\$1,031
8. Canada	\$698
9. Italy	\$524
10. Sweden	\$227

Total Investments: \$44,524



FDI Caveats

- Take existing investors for granted
 - Mistake local features for advantages
 - Fail to see our location from the investor's perspective
 - Believe good is good enough
 - Forget to “talk the talk”
 - Assume firms share your social agendas
 - Hit investors with everything
 - Stand still and not establish, then cultivate the relationship
 - Acknowledge that FDI is driven by business plan/personal preference, not necessarily incentives
- * Highly labor-intensive activity; International Trade Division's main tool is “sweat equity,” cradle-to-grave relationship



International Trade Team Country Assignments

- **Jean Chang:** China, Taiwan, Hong Kong, Australia, New Zealand, The Subcontinent / India and Pakistan, Mongolia
- **Irene Crespo:** European Union (EU27): General Areas: Scandinavia including Non-EU Scandinavia (Iceland), Southern Europe, Parts of Western Continental Europe: Belgium, Cyprus, Denmark, Greece, Finland, France, Italy: Region of Emilia Romagna, Bologna, Spain, Luxembourg, Malta, Portugal, Sweden, The Netherlands, Middle East (including Israel), Turkey, Brazil
- **William Spear:** Cambodia, Commonwealth of Independent States (CIS): Armenia; Azerbaijan; Belarus; Georgia; Kazakhstan; Kyrgyzstan; Moldova; Russia; Tajikistan; Turkmenistan; Ukraine; and Uzbekistan, Indonesia, Japan, Laos, Malaysia, Philippines, Russia, Singapore, South Korea, Thailand, Ukraine, Vietnam
- **Anthony Szymelewicz:** Canada, Central America, European Union (EU27): Eastern Europe, UK & Ireland, Eastern Parts of Western Europe: Austria, Czech Republic, Estonia, Germany, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; Non-EU Eastern Europe: Balkans; Israel, South America (South of Panama), Africa, Mexico, Mercosur
- **I-Li Hsieh:** Office Manager, support for all world markets



A “Day in the Life” of the International Trade Team

- Establish and cultivate substantive partnership with PANYNJ
- Open dialogue with New Jersey Department of Agriculture & Foreign Agricultural Service (FAS)/ Washington D.C. regarding exports of NJ agriculture “branded” products to “best prospect” global markets
- Conduct a conference call with USTR regarding GPA and related Fed/State rights
- Review proposal letter for potential FDI from China
- Meet with representatives of NJ-Italy Trade Council regarding Governor reception at Drumthwacket and related 2010 TM
- Talk to Governor’s Office about hosting business delegation from Peru
- Identify new trade and investment leads in global business news
- Work with Japanese investor to resolve permitting issues in central New Jersey
- Provide advocacy support regarding “dual use licensing” to allow export sale into Korea
- Develop multi-agency Clean Energy roundtable at State House to present State resources for foreign firms seeking to do business in New Jersey
- Take Shanghai government representatives to NJ Tech Centre (FDI attraction), and then to a New Jersey company for sales meeting (export promotion)
- As Zone #44 grantee, arrange for FTZ briefing



Sampling of International Trade-related Fall 2009 Activities

- Host and organize at least a dozen senior-level international business delegations from around the world
- Launch e-newsletter with Customers Solutions for targeted international trade readership
- Prepare and implement FDI campaign for \$500-700 million potential investment with roots in Taiwan
- Counsel “best prospect” exporters at various outreach gatherings throughout the State
- Recruit B2B participants for Israel Commission Clean Energy Symposium
- Co-organize of Raritan Valley Community College Trade Promotion seminar
- Deliver remarks at Policy Research Institute for the Region (PRIOR) at Princeton University
- Speak on NJ business climate and incentives at Mid Atlantic Russian Trade Council reception with Mayor Nutter celebrating 200 years of trade relations
- Support and give remarks on NJ incentives at NJ Italian Trade Council inaugural seminar for 200 companies
- Organize Trade Finance Info-Seminar with U.S. EXIM Bank, PNC, and SBA
- Initiate biweekly international trade highlights summary for EDA audience
- Represent NJ at regional international trade-related initiatives meetings with ETC, PANYNJ, DRBA, SMART, federal SBA and FDA, among others
- Partner with Saudi-American Business Council, organize briefing roundtable for NJ companies regarding Middle East export opportunities and possible FDI sources
- Evaluate possible overseas speaking and trade mission potential with interested private partners (GADORE/annual governors’ roundtable; Lima Clean Energy Symposium; KOTRA; Taiwan invitation to meet local buyers et al)
- Host plenary session of joint mid-Atlantic and North NJ District Export Councils (White House connection)
- Work with Governor’s office regarding business and protocol details for visit of Turkmenistan President
- Help start-up of “Study NJ” website and promotional activities to attract foreign students
- Implement strategy to open NJ overseas offices
- Cooperate with Rutgers Food Innovation Center to expand agriculture-related exports and FDI



The Three Planks of International Trade Activities

Exports

- EPS:** Tinton Falls → China; \$3.1 million (47 jobs supported*)
- Titanium Industries:** Morris County → Brazil; \$400,000 (6 jobs supported*)
- Medico Labs:** Hamilton → Netherlands; \$500,000 (8 jobs supported*)

FDI

- Critical Links:** Portugal → Fairfield; \$5 million & 5 jobs
- Sun Pharma:** India → Cranbury; initial \$4 million + \$20 million & 318 jobs
- Stentys:** France → Princeton; 5 jobs
- House Foods:** Japan → Franklin Township; \$25 million & 100 jobs

Advocacy

- Church & Dwight:** Certificate of Free Sale; \$15,000
- Fuel Bio Holdings:** Product misclassified by the UK; \$2 to \$3 million/month
- PEG (Precision Electronic Glass):** Export License to facilitate global sales

* U.S. Department of Commerce: One billion dollars of exports support 15,000 jobs.



How the Competition Views International Trade

- State and federal governments agree that exports and FDI are bright spots in the latest economic downturn.
- Funding for state trade and investment programs continues to rise albeit with large disparities.
- Over 40% of states provide grants to small businesses to assist with trade promotion, in amounts ranging from \$1000 – \$5000.
- State trade offices maintain 245 offices in 34 countries, an increase from 230 offices in 30 countries in 2006. NY has 9 overseas offices and PA 25. At the moment, NJ has no overseas offices.
- Issuance of foreign investor and buyer visas is proving problematic for over 75% of States and an impediment to trade. Therefore, many States have designated a “visa facilitator” under the Department of State.
- Many U.S. locations have applied to the USG and become qualified to serve as “designated regional centers” for approval of EB-5 visa applicants (“immigration by investment” program) – Millville, NJ is interested.



Business Employment Incentive Program (BEIP)

- Grants to businesses that expand or relocate and create at least 25* jobs in New Jersey within two years.
- Grants may be awarded for up to 10 years and range from 10% to 80% of the total amount of income taxes withheld by the company for new full-time employees hired during the calendar year.
- Companies are only eligible if the grants are a material factor in the company's decision to remain in or relocate to New Jersey.

**10 jobs if in the technology or biotechnology industries*

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Edison Innovation Fund

Since inception of the Edison Innovation Fund in October 2006, EDA, CST and the State have invested over \$343 million in technology and life sciences companies seeking to grow in New Jersey.

<i>Financing Type</i>	<i>Investment</i>	<i># of Companies Assisted</i>
Edison Direct	\$22.3MM	34
BEIP	\$76.7MM	40
Tax Transfer Program	\$180MM	300
Venture Fund Activity	\$6MM	2 (funds)
EDA Traditional Lending	\$29.6MM	15
CST grants	\$28.4MM	149
<i>Total:</i>	<i>\$343MM</i>	<i>540</i>



Edison Innovation R&D Fund Wraparound

- The Edison Innovation R&D Fund provides early stage financing and commercialization support to New Jersey life sciences or technology companies.
- Companies that are awarded the Edison Innovation R&D Fund can receive up to 20% of the approved grant, not to exceed \$100,000, in equity-like financing for non-R&D related costs through the R&D Fund Wraparound.



Edison Innovation Commercialization Fund

- The Edison Innovation Commercialization Fund enables life sciences or technology companies that have not yet achieved “proof of concept” to take the next critical steps, such as beta testing, on the path towards commercialization.
 - Up to \$200,000 in the form of a five-year subordinated, convertible note
 - Below market fixed-interest rate, in the range of 4-10%
 - Customized repayment – no prepayment penalty
 - Financing “staged in”

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Edison Innovation Growth Fund

- The Edison Innovation Growth Fund was created to help life sciences or technology companies that have already achieved **“proof of concept”** and successful, **referencable**, independent beta results.
- From \$200,000 up to \$1 million
- Companies must have both technical and experienced business owners



New Jersey Energy Master Plan

- **Blueprint** for the State's Clean Energy Future, released October 2008, updated every 3 years
- **Spells** out how the State will meet our energy needs, spur the development of clean energy businesses, and control energy costs
- **Lists** a series of goals and related action items that will put the State on track to successfully meet the energy challenges facing it:
 - Reduce energy consumption by at least 20% by 2020
 - Reduce peak demand for electricity by 5,700 mW by 2020
 - Achieve 30% of the state's electricity needs from renewable sources by 2020
 - Develop a 21st century energy infrastructure
 - Invest in innovative clean energy technologies and businesses to stimulate the industry's growth in New Jersey

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International Trade Success Factors

- Knowledge of multiple languages
- Experience in and passion for global business
- Knowledge of subtleties in doing global business
- Excellent knowledge of federal and state policies, legislation and regulations regarding trade
- A judicious leap of faith and tolerance for ambiguity
- Cross-cultural resourcefulness, flexibility and sensitivity

Result: Credibility, profit, job creation

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Questions?

Contact the Global Specialists at EDA's International Trade Division!

Tel: 609-292-4240

