
THE SIGNIFICANCE OF NONPROFIT AND PUBLIC SECTOR COLLABORATION IN FACILITATING INTERNATIONAL TRADE IN WEST MICHIGAN

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In the last few years, dramatic developments have heightened U.S. attention focused on international trade. A distinguishing feature of global restructuring has been the increase of U.S. investment abroad and the even sharper expansion of foreign investment in the United States. In 1995, global trade practices were dramatically impacted by the creation of the World Trade Organization (WTO). This agreement (replacing GATT) assists in the sweeping reduction and elimination of duties and tariffs. The accord will promote a regulatory infrastructure that advances the trend toward a global village. In addition to these developments, the European Union grew to 15 countries. The passage of the North American Free Trade Agreement (NAFTA) further escalated the movement towards a global economy.

As global trade increases, the cadence of change will continue to accelerate, making it essential for communities to seek access to new or expanding markets if they hope to prosper. Although as recent WTO meetings in Seattle indicate, these transformations are not without uncertainty and opposition. Yet, additional foreign markets are opening as many countries that have tightly controlled economies begin to participate more freely in the international marketplace. In the past, American firms may have been hesitant to tap into foreign markets, because the American market had not been fully saturated. This logic contrasts with many of our economic

competitors such as England, Germany and Japan who have long understood the need to expand the search for new markets due to the limitations inherent in their domestic markets. However, many U.S. firms have begun to realize that they are dealing with foreign imports in our domestic market or are using parts from foreign firms, even if the firm is not directly engaged in exporting.

With growing concerns about the loss of manufacturing jobs due to import competition, exports are seen by many state and local policy makers as a way to save domestic manufacturing jobs and industries. For the West Michigan regional economy, export trade promises greater stability that diverse foreign markets can provide over the business cycles of the traditional domestic market with its substantial uncertainty and turbulence. Clearly, no sector has a greater multiplier effect than the manufacturing sector. The U.S. Department of Commerce estimates approximately 19,000 jobs are created for every \$1 billion in export trade. Growing regional interest in international trade has taken two broad strategies. One has been to promote "reverse investment" by encouraging the location of foreign business operations and investments on U.S. soil. The other strategy and focus of this research has been public and nonprofit sector efforts to stimulate export trade for local business.

Recently *Fortune* magazine (1998) listed Grand Rapids among the top ten cities (number 10) in the United States that have demonstrated the most growth and wealth creation and was named one of the "Best Cities for Business" over the last five-ten years. This research investigates the importance of collaboration by the nonprofit, public and educational sectors in efforts to promote international trade in the West Michigan region. West Michigan includes Kent, Ottawa, Muskegon and Allegan counties (KOMA) with Grand Rapids as the largest city. This four-county area functions as an interconnected economic region. City/county boundaries have little significance in the day-to-day functioning of the regional enterprise economy.

Certainly one of the reasons for the escalation of local economic development activity can be explained by the increased mobility of capital which is now international in scope, leading to intense competition for cities to maintain their economic and fiscal

bases (Friedland 1983; Kantor and David 1988; Clark and Gaile 1989). For most cities, international economic restructuring has resulted in hard economic times, especially for regions dependent on manufacturing employment (Fainstein et al. 1983; Judd and Parkinson 1990). Policy making in the States has shifted from efforts to lure foreign investment to helping local producers capitalize upon existing opportunities. One of the primary demand-side entrepreneurial strategies pursued has been to help identify investment opportunities in new markets, new products and new industries. Indeed, Peterson's seminal and highly contested work (1981), *City Limits*, contends cities have a unitary interest in promoting the well-being of their economy and in attracting economic activity. He emphasizes the importance of promotion of export activities:

...they seek to improve their market position, their attractiveness as a locale for economic activity...it is only a modest oversimplification to equate the interests of cities with the interests of their export activities (p. 22-3).

Clark and Gaile (1989, 1992) support Eisinger's argument (1988) that cities are turning away from conventional strategies and towards "entrepreneurial" strategies that involve greater government flexibility, innovation and risk. Efforts to stimulate new enterprise, the use of government authority to shape market structure, joint public-private ventures and public strategic investments are examples of such strategies. Virtually all the economic development literature emphasizes the central role of business in local economic development politics and policy making. Indeed, Logan and Molotch (1988), Barnekov and Rich (1989) and Fainstein et al. (1983) suggest the near absolute dominance of business in economic development processes. However, Kantor and Savitch (1993), Jones and Bachelor (1993) and Swanstrom (1985) emphasize the exchange relationship between local government, business and sometimes the involvement of the nonprofit sector.

Given the highly volatile and tenuous nature of international trade, it would appear this exchange process is especially critical for successful export activities. Businesses need information about

foreign trade leads. They require education in the ins and outs of international trade. They may need help in locating export financing and in the coordination of local trade shows. Local businesses face numerous obstacles and are often at a decided disadvantage in taking a leadership role in expanding international trade. Therefore, in promoting robust export trade, where does the economic development loci exist? This research investigates the emerging roles for the public, private and nonprofit sectors and the significance of their collaborations in fostering and promoting international trade. The global competition for new markets will be fierce, and real opportunities for expansion of international trade exist. This paper suggests the private sector will be hard pressed to take full advantage of these markets without ancillary support from the public and nonprofit sectors.

The Federal and State Context

Growing interest in West Michigan exporting is consistent with U.S. and State of Michigan trends. By 1991 about one-third of U.S. manufacturing companies exported manufactured goods. About one in six U.S. manufacturing jobs in 1991 were linked to exports (U.S. Trade Facts 1993). The U.S. top export destinations in 1988-1998 include (See Table 1: Top U.S. Export Destinations):

Table 1
Top Ten U.S. Export Destinations
(\$ millions)

Export Destination	1998*	1997	1994	1993	1988	Avg. annual change '88-98
Canada	156,603	151,451	114,254	100,190	60,917	15.7%
Japan	57,831	65,673	53,480	47,949	37,732	5.3%
Mexico	78,773	71,378	50,840	41,635	20,643	28.2%
U.K.	39,058	36,431	26,832	26,375	18,403	11.2%
Germany	26,657	24,467	19,236	18,956	14,331	8.6%
South Korea	16,486	25,067	18,028	14,776	11,289	4.6%
Taiwan	18,165	20,388	17,077	16,249	12,130	5%
France	17,729	15,982	13,622	13,266	10,085	7.6%
Netherlands	18,978	19,822	13,590	12,839	10,094	8.8%
Singapore	15,694	17,727	13,021	11,675	5,769	17.2%
Total	n/a	n/a	339,986	303,915	201,398	N/A

Source: Massachusetts Institute for Social and Economic Research (MISER). *www.ita.doc.gov/

The value of Michigan's exports has also been increasing. Goods and service exports of \$39.3 billion in 1998 ranked Michigan fourth among the 50 states in export activity. This is up from \$13.1 billion in 1987 (U.S. Department of Commerce). Slightly over \$15 billion of the total exports occurred in the transportation equipment industry. Michigan's Governor Engler states, "only through increasing exports can we create the kind of jobs that we need in Michigan" (Hagland 1992).(1) Export trade is critical for future

manufacturing employment. Estimates are that exported manufactured goods alone provided support for 267,800 manufacturing jobs in Michigan in 1987 and 541,500 in 1994 (Michigan's Exports at a Glance). Michigan's top ten export destinations in 1994 and 1998 resemble U.S. patterns (See Table 2: Michigan Export Markets)

Table 2
Michigan Export Markets Ranked By 1998 Dollar Value
(Thousands of Dollars)

1998 Market Rank	1993	1994	1995	1996	1997	1998	97-98
1 CANADA	11,434,093	30,809,105	21,935,931	21,949,620	19,760,186	19,665,885	-.5
2 MEXICO	5,630,458	7,088,510	5,002,780	4,686,817	6,458,029	7,888,063	22.1
3 JAPAN	1,064,206	1,223,391	1,451,793	1,789,527	1,444,305	1,394,292	-3.5
4 GERMANY	911,830	893,571	1,054,500	999,394	1,057,028	1,047,927	-.9
5 AUSTRIA	387,378	403,058	858,854	919,387	751,577	1,040,276	38.4
6 BELGIUM	404,632	541,351	608,828	581,393	1,081,086	951,630	-12.0
7 UK	473,552	688,697	588,562	633,800	742,816	933,957	25.7
8 S.ARABIA	976,551	675,517	477,611	793,058	618,013	666,010	7.8
9 BRAZIL	187,386	299,725	471,382	491,790	550,541	598,564	8.7
10 AUSTRALIA	280,628	329,710	405,476	567,446	543,915	547,004	.6
11 KUWAIT	165,946	221,285	205,013	297,628	191,272	328,753	71.9
12 FRANCE	361,654	392,255	345,913	283,690	297,586	314,362	5.6
13 ARGENTINA	44,704	77,003	68,559	137,103	219,173	297,314	35.7
14 VENEZUELA	199,138	109,997	112,810	214,896	446,324	279,762	-37.3
15 CHINA	211,330	148,841	143,168	216,307	365,522	264,073	-27.8

Prepared by: Office of Trade and Economic Analysis, International Trade Administration, Dept. of Commerce
Source: Exporter Location Series, Census Bureau

It is important to note that many of Michigan's fastest growing export destinations reflect expansion into new markets including Russia (301.9%), Turkey (175%), Portugal (171.6%), Poland (133.2%), Indonesia (128.9%), Denmark (128.1%), Hungary (126.9%), Panama (25.2%) China (124.5%) and Lebanon (119.3%).

Methodology

This research employs a wide array of techniques including intensive semi-structured interviews with nearly two dozen

international advocates and economic development elites operating in West Michigan, participant observation of a number of regional international seminars, conferences and events. In addition, key economic and political data has been gathered to complement the case research. Recent survey research results of 165 West Michigan businesses engaged in international trade was analyzed.

Obviously, no claim of statistical representativeness can be made for this sample. However, in response to traditional concerns about the external validity of such studies, Yin correctly points out that the aim of a case study is to expand and generalize theory (1993, 10). Yin terms this "analytic generalization," and contrasts it with the "statistical generalization" used in surveys (1993, 36). He asserts that the "analogy to samples and universes is incorrect when dealing with case studies" (1993, 36). The task of the qualitative researcher is one of analysis and synthesis. Competent case study research results in theory development.

Internationalism and the Challenge to West Michigan

Economic development is a top concern for cities of all sizes throughout the nation. A 1987 National League of Cities survey of more than 300 mayors in cities of all sizes found that 90 % of them identified economic development as one of three top municipal priorities (Kane and Sand 1988). However, not all regions have come to fully appreciate and recognize the promotion of export activities as a critical component of that strategy. Exporting provides the potential for a richly productive means for businesses of all sizes to expand production and create new jobs.(2) This helps stabilize the local economy by diversifying market outlets. For instance, since 1984, the growing markets in the Pacific Basin countries (Japan, China, Singapore, Taiwan, South Korea, Hong Kong and the Philippines) are almost as large a market for U.S. goods as traditional Western European markets, yet remain largely untapped by most regional economies in the U.S.(3)

Yet barriers to international trade are many, particularly for smaller companies. Misconceptions remain that it is primarily large

multinational companies which are affected by international trade. The evidence from West Michigan suggests otherwise. The sheer size and expanding number of foreign markets recently opened provide significant opportunities for small and mid-size businesses interested in exporting. Recent global developments represent an expanding pie that both business and policy makers have begun to recognize and take advantage of.

Clearly, the complexity of the export process and basic inertia are the foremost obstacles to small and mid-size businesses in advancing international trade. As Eisinger states, even if a firm can get the necessary financing to underwrite the exporting, as a minimum a firm must still: 1) identify and analyze appropriate markets 2) adjust products to foreign specifications and 3) set prices, 4) conduct a marketing plan, 5) find a network of distributors, 6) overcome transportation problems, customs, foreign regulations, licensing, tariffs and 7) possibly arrange for servicing of products. All of this transpires in the context of foreign language and culture (1988).

Part of the escalated interest in the internationalization of West Michigan can be attributed to the region's phenomenal growth patterns and a strong and diversified manufacturing presence. The West Michigan area's increase in manufacturing jobs, versus the state and nation's decline during 1984-1998, dramatically illustrates the growing economic strength of the region and provides clues to the current interest in supporting the public-private partnerships engaged in international operations. During this period, manufacturing employment in the Grand Rapids area grew 17.1%, while Michigan declined 1.5% and the United States declined 5.5% (U.S. Bureau of Labor). In 1995 only 18.5% of workers in the U.S. were employed in the manufacturing sector compared to 25.9% for the State of Michigan and 31.6% for the West Michigan region (U.S. Census Bureau).

In addition to its strong manufacturing presence, the Grand Rapids metropolitan area has grown in population at a rate of 17.5% during 1980-1994, while the State of Michigan has only grown 2.5% (U.S. Bureau of the Census). The MSA population reached one million in the spring of 1995, by 2010, it is expected to grow by

another 27 % (Make an Investment 1996). The total employment growth in Kent and Ottawa counties alone accounted for over 26% growth between 1985 and 1992, compared to a growth rate in Michigan during that period of less than 2% (Michigan Employment Security Commission). This growth in employment and population is quickly establishing Grand Rapids as a regional leader. Unlike Eastern Michigan, which remains structurally dependent on automobile production, West Michigan has developed a very diversified economic base. This diversity is clearly represented in the manufacturing sector. In fact, the 10 largest employers in the Grand Rapids MSA represent seven different industry categories (Grand Valley...1997). See Table 3: Manufacturing Employment in the KOMA Region.

Table 3
Manufacturing Employment: Koma Region

<u>SI</u> <u>C</u>	<u>Industry</u>	<u>KOM</u> <u>A</u>	<u>Kent</u>	<u>Ottaw</u> <u>a</u>	<u>Muskego</u> <u>n</u>	<u>Allega</u> <u>n</u>
25	Furniture and Fixtures	21,305	12,533	4,309	713	2,500- 4,999
34	Fabricated Metal Products	18,800	11,030	3,370	1,818	2,582
35	Industrial Machinery/Equipment	16,217	10,104	2,222	2,918	973
20	Food and Kindred Products	10,697	4,625	3,628	144	2,300
37	Transportation Equipment	7,447	3,706	2,628	800	313
28	Chemical and Allied Products	8,859	5,378	865	866	1,000- 2,499
30	Rubber and Misc. Plastics	9,192	6,295	2,113	342	442
33	Primary Metal Industries	7,070	3,142	662	3,266	N/A
27	Printing and Publishing	6,693	4,772	935	661	325
38	Instruments	5,014	3,440	1,445	129	N/A
26	Paper and Allied Products	4,896	1,875	334	1,000- 2,499	937
23	Apparel and Other Textiles	5,675	2,500- 4,999	1,000- 2,499	N/A	100- 249
32	Stone, Clay, and Grass Products	3,226	618	620	238	1,000- 2,499
36	Electronics	2,523	1,407	867	249	N/A
TOTAL MANUFACTURING EMPLOY.				134,694		75,317
	29,041	14,407	15,929			

*Note: Ranges are given where exact counts were not available. The median of the range is used to tabulate the KOMA totals.

Source: 1993 County Business Patterns

Annual growth in new businesses has increased by 56% since 1980 (Office for Economic Expansion 1997). Growth in international trade ranks the Grand Rapids metropolitan area 35th nationally in the value of local goods exported, ahead of Buffalo, N.Y., Tampa-St. Petersburg and Baltimore (Weiker 1997) and 34th in total economic activity despite being only the nation's 85th largest metropolitan area.

Important local actors in West Michigan have realized the need to enhance the supports provided to private industry. According to a local trade official, the business community individually does not have the motivation to act as a catalyst for entrepreneurial enterprise in the region. According to a board member of the West Michigan World Trade Association, "It is an uphill battle to get manufacturers to think and act globally. Therefore, taking full advantage of expanded opportunities requires institutions other than the private sector." Grand Rapids has an exceptionally strong reputation for its excellent business climate and its conservative, pro-business political environment. Jay Van Andel, former chairman of Amway indicated, "Few would argue that the underpinnings of a community's quality of life are its economic strength, and its job creation savvy" (Making an Investment 1996).

While cooperation between the private and public sectors is vital to every community, in West Michigan it appears local officials realize that there are tremendous benefits for the public sector in enhancing the international business climate. For instance, due to the growth of the local economy, per capita incomes rose from \$13,914 in 1985 to \$19,989 in 1991 (U.S. Department of Commerce, Bureau of Economic Analysis). Thomas Maguire of the U.S. Commercial Service indicated that it is even more imperative for local action in export assistance because the State of Michigan has been lacking in this area. Instead, the state has focused 90 percent of its energies on reverse investment and only 10 percent on promotion of export (1997).

The Emergence of Nonprofit and Public Roles in Support of Private Sector International Activities

While economic development activity has long been a function of local governments, the great explosion of such activity has occurred only within the last two decades (See Kantor and David 1988). Peter Eisinger (1988) contends that the many facets of the economic development domain have been rapidly changing with more attention given to the demand side of the economic growth equation, branching out from an almost exclusive reliance on supply-side location incentives to stimulate investment. He refers to these activist public sector interventions as the rise of the "entrepreneurial state."

Parkinson and Judd (1988, 2) assert that "most cities are not the helpless pawns of international finance, industry and commerce. They are in a position to mediate and direct their own destinies." The purpose of planned public and nonprofit sector economic development effort is to influence private sector decisions for the benefit of the community. While local officials have little control over national, world or sectoral growth, they may be able to help local businesses increase their market shares through strategies that reach new customers, or by marketing local goods to foreign buyers. According to Kane and Sand (1988), demand-side economic development strategies have the potential to significantly increase sales for local businesses, especially small and medium-size firms.

Kolzow (1994) indicates that successful public/private partnerships are shared commitments to pursue common economic goals that are jointly determined by the community's leadership in both the private and public sectors. It entails much more than the public sector offering cooperation to the private sector to facilitate the profitability of local firms. More is needed than the occasional meetings between city or county councils and local business organizations such as the chambers of commerce. True partnerships create networks whereby business and government work out their differences in private rather than public (Kolozow 1994). Without some form of positive intervention, communities don't generally

become successful centers of new job-creating ventures. This is usually the result of some active and motivated organizations.

West Michigan's recent successful expansion into international markets overshadows the behind-the-scenes critical support role provided activities emanating from the nonprofit, public and educational sectors. The following profiles some of the major public and nonprofit stakeholders which support international trade in West Michigan. Four primary actors have been identified which lead the way in the regional promotion of international trade: **The Right Place Program, Grand Valley State University, the U.S. Commercial Services Office and the West Michigan World Trade Association.** Interestingly, two of the leading organizations are in the nonprofit sector; one is a regional state university; the fourth is a branch office of the federal government. The City of Grand Rapids itself plays a very limited role, deferring to the other organizations mentioned.(4) The Grand Rapids Chamber of Commerce also plays a very limited role. In addition, a growing number of secondary support organizations have been increasingly active in the promotion of export trade including World Trade Week, the World Affairs Council, the Grand Valley Metropolitan Council, KOM Foreign Trade Zone, Grand Rapids Sister Cities International, and the West Michigan/St. Petersburg Region International Exchange Council.

The Nonprofit Sector Role

The Right Place Program. This unique nonprofit organization, founded in 1985, primarily works to strengthen the existing economic base. At the time of its formation, the State of Michigan was in financial misery, with unemployment reaching over 10 1/2 % (Klohs 1996). Through strategic alliances with the Grand Rapids Chamber of Commerce and the private and public sectors, The Right Place has become a central force unifying all regional economic development efforts. The Right Place Program has become a benchmark organization that has received national attention and numerous visits from economic development officials from other cities and regions around the United States.

The Right Place leadership has resulted in cohesive action in international economic development efforts. According to a local business official, the Chamber of Commerce defers most inquiries and enlists the leadership of the Right Place in all matters pertaining to international trade. President of the Grand Rapids Foundation, Diana Sieger, indicated:

Our community's vibrant growth depends on assertive, collaborative action. The Right Place Program leads the region in bringing together diverse partners integrating economic development with social and health concerns as well as promotion of quality education and much more-creating the climate for business to prosper (Making an Investment 1996).

The Right Place boldly credits a \$3 million dollar private investment in its programs for at least \$210 million in capital investment in the area (Make an Investment 1996).(5) The Right Place Program has a close working partnership with the area business community. In fact, since its formation as a nonprofit economic development authority, the Right Place has received assistance from over 350 private companies. When the organization formed in 1985, it raised 3.8 million dollars, 75% private and 25% public (city/county). Today over 90% of financial support comes from private sources (Klohs 1996). Executive Director Birgit Klohs contends it takes five times as long to replace customers then it does to keep the ones you have. Therefore, key activities focus on retention and expansion rather than attraction.

The Right Place currently has a full-time staff of 12 (which has doubled in the last six years), with further assistance from 22 local CEOs. The Right Place has been especially active in facilitating growth/expansion in the international arena, offering distinctive packages to West Michigan manufacturers, organizing trade missions, hosting ambassadors from several countries (including Hungary, France, Japan, Russia and Argentina) and playing a key role in organizing the annual World Trade Week in Grand Rapids.

The range of support activities varies considerably. For instance, the Right Place Program, working with the Korea Management Association, invited a delegation to West Michigan to

learn about environmental control and protection. Nine top Korean executives from Hyundai Electronics, Samsung Electronics, Kolon Construction, Cheongwoo Coal and Chemical, and Posco Chemical studied global safety practices, safety management and other related environmental issues. Fostering these kinds of international exchanges is an important component of the Right Place Program. The Right Place has excellent data gathering and information resources. A respondent states:

If you wanted to do business in Russia, you might have to wait ten years to make a profit. The challenge is convincing business that they need to explore those markets and then helping them be able to do that. For businesses there is often a sense of immediate gratification. The countries that have been more successful in international trade have been willing to take the long view. American business still tends to be rather short sighted. So as a matter of strategic planning, we have to be able to commit time and learning and resources in being able to help develop new markets in other countries. This challenge can only be met with the assistance of government agencies, economic development agencies like the Right Place and educational support to help the business people in either the manufacturing or service sector develop those markets and convince them that this expenditure of energy and resources is worthwhile.

Recent programing includes co-hosting with the Consulate General of Japan, "Intercultural Communication" between American and Japanese business. They co-sponsored with Japan's External Trade Organization, "Investment Opportunities in the Japanese Sporting/Recreational Goods Market", discussing abundant export and investment opportunities in Japan for US manufacturers of recreational products.

Over the last decade, the Right Place Program has continued to expand its emphasis on international activities. User groups have been established bringing local business establishments together to share trade experiences in a group setting. A unique aspect of peer learning is a focus on "best practices" where user groups visit or

learn from companies who exemplify best practices in international trade in a specific geographic area. A Directory of International Markets was recently published which highlights how and where local manufacturers operate globally.

The Right Place places 95% of its energy on manufacturing. In 1985, the Right Place program created a Manufacturers Support System comprised of over 250 local business executives.(6) The system is a network of collaborative programs aimed at uniting manufacturers and developing a long-term framework for continuous improvement. The networks help identify needs, identify potential challenges and obstacles and assist in achieving world class performance. In conjunction with the support system, the Right Place Program opened Performance Place to provide collaborative learning exclusively designed for manufacturers. Performance Place holds dozens of workshops each year.

West Michigan World Trade Association. The West Michigan WTA provides a forum for the exchange of ideas and experience relating to international trade that will enhance the economic vitality of the region through increased export success. The WTA has been an important catalyst for promoting up-to-date information for the West Michigan business community. The mission of the WTA is “dedicated to maintaining West Michigan’s competitive edge in the global marketplace.” The association works to remove obstacles or barriers that may interfere with or limit international trade and investment. Dinner meetings are the cornerstone of the association, and the WTA brings in guest speakers from around the world. In recent years topics have included: *A Frank Discussion on Doing Business with Mexico Since NAFTA* and *Russian to Trade? Prospects for U.S. Trade and Foreign Policy After the Elections*. The association endeavors to provide timely and necessary information to enhance competitiveness in international markets. Membership has more than doubled over the last decade. Today, the organization boasts over 350 dues-paying members from trade, service industries, education, manufacturing and government. The WTA participates in local trade events and seminars on topical issues. Members consider the directory a valuable tool in itself.

World Affairs Council of West Michigan. Founded in 1949 by a group of community leaders who wanted to avoid isolationism following World War II, the World Affairs Council's primary mission is to foster cultural understanding by addressing public policy issues related to international affairs. The 400-member council has been active in working with other agencies operating in the international arena, including some programs with the West Michigan World Trade Association. In the past few years, the board has tried to make the council more responsive to the needs of the West Michigan international business community, helping to contribute to larger audiences. The council holds over 30 international events and activities. The links with the business community activities are obvious. A World Affairs Council member states:

“Our companies are finally realizing and understanding that there is a huge international market and they are pushing our programming. A good example is our China series. We get business and corporate people coming to that in large numbers. Local business is starting to ‘click’ to the fact that we are a global village. We like to think our activities and programming have been centrifugal to that change in thinking.”

The weekly lecture Series focuses on one region or culture in the world for a year of monthly lectures so one can gain an in-depth knowledge of a particular region/culture, recently focusing on China. A World Affairs Council member indicated, “once you learn about a country from our programs, you are far better prepared to enter its marketplace.”

Grand Rapids Sister City International (GRSCI). This non-profit organization began as an International Relations Committee appointed by the city in 1986. The first sister city relationship was established with Omahachi, Japan. Since that time, four more sister city relationships have been established, and according to a city official, more are in the works. In 1991, Bielsko-Biata, Poland became the second sister city. Perugia, Italy became the third in 1992, followed by the Ga District, Ghana. The GRSCI fosters cultural

and economic exchanges. It is important to note that the Sister City's primary interest is in establishing commerce.(7)

West Michigan/St. Petersburg Region International Exchange Council.

This partnership was formed in 1993 to create stronger ties between West Michigan and Russia. Its Goals: to provide individuals and institutions in both regions with access to educational, business, and cultural opportunities which facilitate better international understanding; and to assist in economic development which will benefit both regions (Doing Business in Russia 1995). The organization is assisting Russia in undertaking the massive economic, political and social reforms which affect its more than 150 million residents. Activities include both cultural and economic exchanges. In the past two years, WMSPRIEC has established or facilitated the following programs:

Bank Exchanges to provide training for the St. Petersburg banking sector, and to provide Michigan banks with the potential to develop future relationships with specific banks in the region; initiated the WMSPRIEC Scholarship Program to benefit the Seidman School of Business in it's efforts to internationalize, to provide Michigan businesses wanting to do business and engage in commerce in Russia with potential employee candidates who have achieved MBA degrees; and to bring Russian problem solving individuals who have had western education and training (The WMSPRIEC Gazette 1995).

What is interesting is the importance of the interplay between education, culture and business. According to a WMSPRIEC board member, the benefit to West Michigan academic institutions include an opportunity to conduct research in areas which will ultimately assist Michigan businesses in decisions regarding entry into the Russian Market as well as assisting St. Petersburg in developing curriculum in economic, business management, entrepreneurialism and marketing. Dick Devos, President of Amway corporation's recent visit to Russia was facilitated by the WMSPRIEC. The WMSPRIEC sponsored a symposium: "Doing Business in Russia."

The Public Sector: Educational

Grand Valley State University - Small Business Development Center (SBDC). Connected with the Seidman School of Business at Grand Valley State University, the Center was created to serve the local business community. Founded in 1984, and originally titled the Office for Economic Expansion, the SBDC is tailored to help business and industry and the public sector take advantage of opportunities. Peter Drucker once said, "What a business needs the most for its decisions- especially its strategic ones- are data about what goes on outside it." This is especially true for the complex and uncertain environment surrounding international trade. Next to the Right Place Program, the SBDC plays a critical role in the promotion of international trade in the region. The office provides an important link between the university, business, government and nonprofit sectors engaged in economic development in Grand Rapids.

SBDC was created to meet the information needs of West Michigan's business, industry, and public sectors by delivering information products tailored to help find opportunities and make important decisions (Office for Economic Expansion 1997). The SBDC established a Regional Information Center, hoping that "good information leads to better decisions" for local government, community organizations, planners, consultants, business researchers and the general public (Grand Valley...1997). In addition, the SBDC works to "effectively support the growth and development of high-technology companies, to improve the competitiveness of traditional manufacturing industries, and to foster the creation of new industries (Performance Report 1994-95). Specifically, the OEE through the creation of the Grand Valley Information Center provides regional, national and international customized data and analysis regarding community demographics, community economics, credit reports/financial information, customer and competitor profiles, government legislation, mailing lists, information on manufacturing technologies, market industry reports, trademarks and patents. The Center also provides other services, including a regional Databook with over 250 subscribers.(8) This extremely comprehensive Databook focuses on information about the four-county region including demographics, employment, government, construction and community profiles. It is hoped, up-to-date regional

economic data and information can have great utility in helping to foster economic development.

The SBDC offers educational seminars, competitive edge seminars and international seminars on a regular basis. The international seminars not only highlight the various systems for doing things in the cultural context of the host country, but also examine the relationship between the participant's culture and other cultures in general. SBDC along with the U.S. Department of Commerce hosted a conference entitled CE Marking Requirements for the European Union (EU). While the international market of the EU presents considerable export opportunities for many small and medium-size companies, compliance with EU standards is complex and may be discouraging many firms from international trade. The EU required a "Conformite Europeen" (CE) Mark, an endorsement required on all U.S. export products covered by EU directives in the 15 member states. The public sector has taken the lead in preparing companies for export opportunities that would otherwise be missed in the EU.

GVSU's future expansion includes an International Trade Center. The International Center will house the GVSU Seidman School of Business and be a clearing house for international information and studies. In 1999, a Free Trade Director was hired by the university. GVSU President Arend D. Lubbers stated, "West Michigan is an area with industries that are active in international trade with many manufacturing sites abroad...all business schools and students educated in them need to have a global perspective, so the West Michigan focus is not incompatible with an international focus" (Vanderveen 1994). The new trade center will provide databases for trade and highlight West Michigan products that are traded abroad. In addition, the university houses the U.S. Department of Commerce's Commercial Services office, in a partnership formed in 1996. The U.S. Commerce Department International Trade Specialist George Frank states "this partnership has provided us with a firm foundation from which both our offices have been able to expand the services we offer to the international business community"(Forum 1997).

The Public Sector

U.S. Department of Commerce: Commercial Services Grand Rapids.

In addition to the local support organizations, the U.S. Department of Commerce has an office in West Michigan called the Grand Rapids Export Assistance Center (GREAC) with the ITA which has been very instrumental in assisting export activities. According to an ITA former employee, the ITA office has been the most important player in serving as the catalyst for local export activities in West Michigan.

The Export Assistance Center's support includes customized one-on-one export counseling, domestic export assistance, overseas export support on-location, instant access to international market research, trade contract facilitation programs, international trade promotion events and general government support to help Grand Rapids firms of all sizes win overseas contracts through (U.S. Export...1997). The Center facilitates trade finance through coordination of export working capital programs of the U.S. Small Business Administration (SBA) and the Export-Import Bank (ExIm Bank). The ITA also nominates Michigan business leaders for membership to the Michigan District Export Council (MDEC). MDEC serves as a group of experienced exporters who serve as an information referral sources for beginning exporters.

The ITA can tap into a network of 3,000 trade experts in 67 countries, 280 embassies and consulates, 68 U.S. cities and at Commerce headquarters in Washington, D.C. (Export Programs 1997). The Commerce Department's export network is the U.S. Government's eyes and ears in the international marketplace, be it in Mexico or Malaysia, Italy or India. The Commercial Service offers rare expertise, one-on-one guidance, exporting seminars and support to all private businesses regardless of size or expertise in exporting. Their immediate access to foreign market information, export statistics, credit check and individual foreign company information, foreign agent/distributor matching services, customs regulation information, duty rates and basic information on applicable forms for exporting, make the International Trade Administration's Commercial Service the most effective and comprehensive service for West Michigan's exporting businesses. According to a former Commerce Department employee, it is estimated that 50-70 West Michigan businesses use the ITA service weekly or very frequently,

about 300-400 use the services once or twice a year. The ITA has over 900 businesses in total on their database that receive occasional service.

Around the globe, U.S. commercial officers teamed with local professionals are adept at spotting opportunities for U.S. companies. They speak the local language. They have experience in the business. And, they are part of U.S. diplomatic missions, representing 95 % of the world market for U.S. products and services (Export Program... 1997).

A Right Place employee considers the role of the U.S. Department of Commerce representative as most critical to the success of international trade in the region.

Grand Valley Metropolitan Council. West Michigan is the fastest growing area in the state of Michigan. In fact, the area's population is growing considerably faster than state or national averages. Between 1985 and 1992, it increased by 12 %. By 2010 it is expected to grow by another 27 % (Make an investment.. 1994). Of increasing concern were regional barriers to promoting economic development strategies. For instance, variance in local zoning ordinances, regulations and services makes for a confusing picture for marketing the region. Until recently, no organized efforts were successful in creating an institution capable of responding to regional interests.

Richard Knight (1986) stresses the importance for regional/metropolitan strategy of planning to provide a better framework in which to compete in a global environment. Local government and business leaders have begun to realize the barriers that political fragmentation creates and assembled in late 1989 to plan for the formation of a Metropolitan council.(9) In the last ten years, the council has grown from eight members to over 33 surrounding member communities. Its immediate strategic mission is to guide the area's future growth and development, focusing on 1) land use 2) transportation 3) utilities and infrastructure and 4) environment. The GVMC has expanded its capacity in recent years with movement to create a 25 year regional plan and the development of REGIS, a regional economic and geographic information system which serves the informational and development needs of West Michigan.

KOM Foreign Trade Zone. Through the cooperative efforts of business and industry, Grand Rapids area importers and exporters have benefited by the establishment of a designated foreign trade zone, the KOM Foreign Trade Zone Authority in January 1993.(10) In 1996, the management of the zone was transferred to Grand Valley State University. This partnership is the only foreign trade zone operated by a public university. The KOM Zone is a duty-free, quota-free, point-of-entry into the United States. It is industrially-zoned and considered to be outside of U.S. Customs territory. There are no duties, excise taxes or quota restrictions levied on goods located within the zone if re-exported. Duty payments are not required until the merchandise leaves the zone for domestic consumption. The deferred tariffs help the efforts to expand markets internationally. Both foreign and domestic goods can be brought into a foreign-trade zone without formal customs entry procedures because the FTZ is considered outside the U.S. Customs territory. Therefore, goods can be tested, sampled, repackaged, repaired, processed, manufactured, destroyed, salvaged, assembled and if the merchandise is re-exported, no U.S. Customs duties are due (Santo et al. 1995). A special purpose subzone is a site ancillary to the general purpose zone which is given foreign-trade zone status for the benefit of a particular user who cannot be accommodated at the general purpose zone site.

According to a KOM FTZ administrator, there are substantial benefits to many West Michigan businesses, but many remain unaware of the advantages offered by the FTZ. As a result, the FTZ is currently being marketed and promoted more aggressively. Two examples of West Michigan firms that have benefited from the zone are Esco and Diesel Technology. Esco produces waxy paper products for fax machines, grocery receipts, etc. The process requires a number of chemicals that are only available internationally. Because they never have to pay duties on the chemicals imported and a fair amount end up as waste or scrap, they only have to pay for the final product, resulting in savings between \$250,000 and \$500,000 annually (Pleasant 1997). Diesel Technology imports millions of German parts for fuel injectors and pumps that are the exported. The decision to apply for a FTZ special purpose subzone will save millions of dollars

but will require complex documentation and reporting requirements which zone administrators will assist with.

International Trade Network

Each of the organizations described collaborate within an informal and sometimes formal network. Close partnership between area businesses and the Right Place program, Grand Valley State University, The International Trade Administration and other organizations is evident. The *World Trade Week*, founded in 1990, is an excellent example of the kinds of networks that are created by the collaborative partners in West Michigan. *World Trade Week* links exporters with delegations from foreign countries, to learn what product lines are expanding, where to invest and how to form alliances with foreign counterparts. To date the organization has focused on Italy, Germany, Japan, China, India, Brazil, France, Argentina and Spain. The most recent annual budget approached one million dollars. The Right Place Program and the Small Business Development Center, the ITA, the World Affairs Council, the Michigan District Export Council and the World Trade Association all operate as a network around this event. Like many of the international trade related programs and activities in West Michigan they are able to secure the financial support and assistance of many financial and accounting actors in the regions such as Comerica, Deloitte and Touche, Arthur Anderson, Bank One and National City. The goal in creating such a network is to offer significant long-term opportunities for manufacturing and service companies in West Michigan.

Many of the international seminars have been products of collaboration between the Commercial Service, the Right Place Program and the SBDC. Last year seven seminars highlighted various aspects of international trade. Six new programs were repeated on a regular basis in 1997. In 1998 the partnership sponsoring a seminar on NAFTA update, providing up-to-date information on the procedural and documentation requirements for exporting to Canada and Mexico. In 1999, along with the SBDC sponsored new conferences on "Doing Business in Japan" and "Basic of Exporting" - providing basic information on the various options of establishing successful partnerships overseas.

Recently, the Right Place has expanded its attention to human resources, authoring a book "World Class Employees" with strategies of how to assist local k-12 school to work transitions and foster continuous improvement on the part of the workforce. The Right Place provides financial and staff resources for design, development and implementation. The Right Place cooperates with education and research institutions towards identifying needs, core competencies and upgrading training programs. In addition, Right Place works closely with local, regional and state government towards upgrading local infrastructure and creating a better business climate. All of these ancillary support activities help facilitate the export trade opportunities for businesses in West Michigan.

Results of Collaboration: Illustrative Cases

Attributing direct causality between the export success in West Michigan and the increasingly complex interplay between the nonprofit, public, educational and business community is a tenuous task. However, survey research findings and the following cases help to further illustrate the results of the collaboration between all sectors in West Michigan. The Office for Economic Expansion in the summer of 1994 conducted a comprehensive survey of regional companies with international interests. The International Trade Survey was mailed to 839 manufacturing firms in Kent, Muskegon and Allegan counties known to have an interest in an international market.⁽¹¹⁾ The 165 respondents who completed the survey represent nearly every manufacturing industry. Seventy-eight percent of respondents indicated total sales for 1993 to be between \$1 million and \$50 million. Data collected included the product(s) a firm makes and exports, recent export growth, expected export growth and import information. International trade in the region is expanding with 76.9 % of firms indicating an increase in exports over the last five years (Santo et al. 1995). Survey research indicates that the small and mid-size businesses that make up over 52 % of the respondents are also actively involved in exporting. Indeed, small and mid-size businesses expect the largest growth in that part of their operations in upcoming years. The average increase in exports over the past five years was 81 % with some firms reporting well over

100 % (Santo et al. 1995). Large company size was not found to be essential to a high export-to-sales ratio. In fact, in the Grand Rapids region, more than 93 % of 13,650 area companies employ fewer than 50 people. The two largest sectors - fabricated metals and furniture-account for only about nine percent of total jobs (Community Profile 1996).

Manufacturing constitutes the major employment by industry in Kent County constituting 28.0 % of the workforce, compared to only 7.0 % statewide (Business...Profile 1992). Currently, the international market is estimated at more than four times larger than the U.S. market. For many West Michigan businesses, growth rates in many overseas markets are already far outpacing domestic market growth (Export Programs...1997). According to George Frank, International Trade Specialist for the U.S. Department of Commerce "If you're not competing with your foreign competitors, you will be competing with them here. Its better to put them on the defensive" (Weiker 1997).

The U.S. Department of Commerce has gathered export sales data by zip code. Three of the zip codes in West Michigan region show an increase of over \$2 billion between 1987-96 (See Table 5 below) attesting to the region's success in export trade. Indeed, the Kent County International Airport freight transmission is 14 years ahead of forecast due to this increase in export activity. (Klohs 1996).

Table 5
Export Sales from West Michigan Area Zip Codes
(\$ millions)

Zip Codes	1987	1992	1993	1996	1998
493	191,560	378,267	578,309	n/a	n/a
494	260,524	589,918	711,545	n/a	n/a
495	202,864	366,114	429,067	n/a	n/a
Total	654,948	1,334,299	1,718,921	2,656,49 7	3,063,523

International Trade Administration, U.S. Department of Commerce

In 1998, the last year for which figures are available, \$3.06 billion in goods were exported from the Grand Rapids-Holland-Muskegon area. That's a steady rise from the \$1.7 billion reported in 1993 and \$2 billion recorded in 1994 (Exporter Location Series, Census Bureau). West Michigan's top export destinations include Canada: \$907 million, Japan \$343 million, Mexico \$129 million, Korea \$112 million, Taiwan \$97 million, U.K. \$92 million and Germany \$73 million (Weiker 1997). The fastest growing international markets for local companies are in Asia, especially China, India and Korea, followed by Great Britain, Germany, Japan, Israel and Saudi Arabia (Weiker 1997).

Among the larger employers in the region, Amway corporation has taken the lead in expanding its international focus. Amway is completing construction on a \$40 million, 650,000 square foot catalog warehouse - ensuring employment of 300 current employees and adding 100 new jobs (Make an Investment 1996). Amway almost relocated to Centerville, GA but the Right Place leveraged its resources and the "homeboy" connections to retain hundreds of jobs.(12)

Amway is among the handful of local companies to truly become a multinational company by building manufacturing plants overseas. Amway officials have already achieved a degree of success in Eastern Europe. Because of that success Amway believes that Russia may at some point become a positive market for them and made two fact-finding trips to Russia in 1994 (Calabrese 1994). The company is also optimistic about selling products in Vietnam with the lifting of the decades old U.S. trade embargo. Their most important activity however occurred in 1995, when Amway officially launched its largest and most comprehensive overseas initiative with China. China represents an enormous opportunity in sales and production for Amway. Initial sales just part of 1995, ranged between \$25 million and \$35 million (VanderVeen 1995). By the first quarter of 1997, China sales rose to \$65.1 million. Amway's emergence in China took five years to implement.

Amway also built a plant in Korea, is planning on building a second plant in China and is looking into expansion into other Pacific Rim nations. For Amway, incursion into the global market has overshadowed the domestic market. Amway's sales overseas surpassed its U.S. sales and now accounts for about 70 % of the firm's total sales (Weiker 1997). Amway Asia Pacific reported record sales of \$231 million for the quarter ending May 31, 1997. The sales were up 29 % from the same quarter of last year (Grand Rapids Press July 2, 1997).

Steelcase, Wolverine, Cannon, Diesel Tech, Bissell, Whirlpool/KitchenAid and Rapistan are other companies with a significant presence in West Michigan which have benefited from multisector collaboration. Steelcase as the area's largest employer with 8,440 employees has had a huge impact on sponsoring economic development seminars, participation at international events, and providing local leadership. In 1995, Wolverine World Wide, Inc. in close partnership with the Right Place Program added more than 500 new jobs in its West Michigan shoe factories and warehouses. A new 227,000 square foot international distribution center opened in the region in 1996. The company's footwear brands are marketed in more than 80 countries (Community Profile 1996). Cannon-Muskegon Corporation produces specialty high-temperature alloys for high-tech products like surgical implants and jet engines, exporting 29 % of their sales to Japan, Taiwan, France, Korea, Germany, UK and Switzerland. Cannon began searching for international markets, feeling too dependent on the U.S. market and have enlisted the aid of the Right Place Program, the OEE and the U.S. Commercial Service. When Diesel Tech Co. was bought from General Motors it was a big money loser. With local assistance, they are now a \$30 million enterprise, retaining 800 existing jobs in Grand Rapids and creating 400 new jobs.

Recently, the Right Place Program in cooperation with the Michigan Jobs Commission succeeded in acquiring a zoning change for Rapistan Co. on property located near its headquarters. This approval will allow Rapistan to build a Technical Center to serve as a demonstration site for its products. The new \$7 million Center is expected to provide 200 to 300 new jobs (The Right Place Report 1996).

Conclusion

This paper identified the emergence of an interrelated community “network” with new or expanded roles for the nonprofit, public and educational sectors and described the complex activity and the interplay of these groups in their efforts to facilitate international trade. Few local companies have sufficient internal resources to accomplish export expansion without external support. This paper identified the network of external support providers. The National Governors Association states: “It is almost impossible for most small companies to have knowledge of all these variables; hence the need for outside assistance” (Eisinger 1988).

Recent action in West Michigan reflects the conviction that substantial export potential exists among small and mid-size businesses. Over a dozen interview respondents assert that the local public and nonprofit response has been critical in helping overcome the various market barriers. The escalation of the public, nonprofit and educational sector’s role in West Michigan has enhanced the “entrepreneurial” capacity in helping firms obtain financing, absorbing many of the costs of gathering information about the export process and overseas market conditions and characteristics.

While the regional image of West Michigan does not yet fully encompass the image of foreign trader, export trade has however, increasingly evolved as part of the lexicon of the public and private entities engaged in economic development in the region. The capacity for private actors in most firms will remain insufficient to master these forces. Private capital often shuns foreign export markets as too risky and problematic and has difficulty overcoming various inertial forces.

Until very recently, concerted planning efforts involving collaboration between the public, nonprofit, private and educational sectors were rare. Today, these efforts have become prolonged and routine. The changing nature of the economic development landscape has led to partnerships across institutional sectors portrayed in this research. This case illustrates the increasing level

of activity of the public and nonprofit sector in response to international trade opportunities. This level of collaboration may help attest to why the Grand Rapids region was the only area in the Midwest selected (and the smallest) to *Fortune* Magazine's (November 1998) top ten list of "Best Cities for Business" in America.

According to a Right Place official, the concentrations of businesses in which some aspects of their operations involving international trade continue to grow faster than domestic operations. With the global reorganization, West Michigan businesses will need to be continuously apprised of developments of which present both hazards and opportunities. By all projections, unrestricted free trade will likely continue to increase.

Many cities in the U.S. worried about the loss of jobs to import competition may not fully recognize the opportunities available. Indeed, even in the developing world, new foreign direct investment rose to a record \$70 billion in 1993 (Haley 1994). The West Michigan experience attests how local efforts to assist export trade may help save domestic manufacturing jobs and industries. The West Michigan case asserts the importance of cultivating ancillary support from the nonprofit, public and educational sectors to better promote the creation and expansion of international trade activities for local businesses. In West Michigan these responses reflect a genuine increase in the sophistication of intervention in response to great international forces.

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Notes

According to U.S. Department of Commerce estimates, the growth in exports in Michigan from 1987 to 1994 represent 190,000 jobs.

By the mid 1980s approximately 5.5 million jobs in the U.S. are related to export activities, with twice as many indirectly related (Eisinger 1988).

GDP Growth rates between 1975-81 include Hong Kong at 12.0%, South Korea at 7.2%, Singapore at 9.0% and the Philippines at 6.0%.

The city of Grand Rapids was so impressed with the Right Place Program they have contracted out many of their economic development activities in late 1995. Under that contract, the Right Place Program will perform key economic development functions for the city through a new creation, the Urban Redevelopment Council, including redevelopment of brownfield sites, keeping jobs in the neighborhoods and other activities.

Put another way, the Right Place Program claims \$70 in growth for every dollar invested.

Currently the Right Place Program is facilitating twelve active user groups which allow manufactures to meet on a regular basis to discuss *Battenfeld* Concurrent Engineering*Continuous Improvement*EDM*Four Slide*Human Resources*Information Technology Management*Premier Class Injection Molding*Sales and Marketing*Sales and Marketing*Sensors*Set-up Time Reduction*Small Manufacturers.

Support for this program actually began during the Eisenhower administration in 1956President Dwight D. Eisenhower stated "The Sister Cities program is an important resource to the negotiations of governments in letting the people themselves give expression of their common desire for friendship, goodwill and cooperation for a better world for all." Since its establishment, sister city programs around the nation have promoted more than

1,200 relationships between 780 cities in the U.S. and cities in 86 foreign countries (Grand Rapids Sister Cities International 1997.)

The Grand Valley Metropolitan Council, The Grand Rapids Economic Club, the Upjohn Institute for Labor and Employment Research, the Right Place Program and Ottawa County Economic Development are data sharing partners. In addition there are over 80 local, state and federal agencies and numerous private sector organizations which provide the data (Regional Databook 1997).

This idea had originated in Grand Rapids as early as 1940s- it was first presented to the Grand Rapids City Commission in 1946 by the League of Women Voters. It was given impetus with Senate Bill 352 calling for the formation of a Metro Council in areas of the state by combining two or more local government units.

Authorized by the Foreign-Trade-Zone Act of 1934, FTZs are designed to increase the use of American labor and increase capital investment in the United States by allowing activity to occur in the United States prior to the application of U.S. Customs laws ("Reducing Duty..." 1997).

Manufacturing in the KOMA region is led by Kent with 72,644 jobs (55%), Ottawa with 26,604 jobs (22%), Allegan with 14,442 jobs (12%) and Muskegon with 16,352 jobs (11%) (Book of Lists 1997).

Presidents Jay Van Andel and Dick Devos grew up in Grand Rapids.