



**TESTIMONY OF**

**MR. NOEL H. NEVSHEHIR  
DIRECTOR OF INTERNATIONAL BUSINESS SERVICES  
AUTOMATION ALLEY  
TROY, MICHIGAN**

**BEFORE**

**STATE REPRESENTATIVE WAYNE A. SCHMIDT-DISTRICT 104  
CHAIR OF THE HOUSE COMMERCE COMMITTEE  
MICHIGAN HOUSE OF REPRESENTATIVES**

**HOUSE OFFICE BUILDING  
ROOM 308  
LANSING, MICHIGAN**

**MARCH 13, 2012, 10:00 A.M.**

Good morning, Chairman Schmidt and members of the House Commerce Committee. My name is Noel Nevshehir, director of International Business Services (IBS) at Automation Alley located in Troy, Michigan. Created twelve years ago to stimulate entrepreneurial activity in Southeast Michigan, we provide funding to start-up companies with innovative products, services and technologies with the most promising market potential worldwide. Today Automation Alley has grown to 1000 member companies representing a cross section of high-tech industries and emerging technologies that includes cleantech/renewable energy, life science/medical, IT/information communication technologies (ICT), robotics and defense.

Built on a collaborative network of partnerships between academia, business and industry, and government, Automation Alley stimulates the growth of new and existing businesses and ensures that our region remains at the forefront of technological excellence. My specific role at Automation Alley is to enhance the global competitiveness of small- and mid-sized enterprises (SMEs) through exporting. In our ongoing effort to bring new business and jobs to our region, my organization also markets and promotes Michigan as a high-tech powerhouse and global center of innovation to companies exploring investment opportunities in our state.

For the purposes of today's session, I will focus on international trade and selling Michigan-made products overseas. Briefly stated, Automation Alley helps local companies spot global business trends and trade opportunities and assist them to navigate around the hurdles commonly faced by first-time exporters. In addition, we develop country- and industry- specific conferences and export workshops aimed at making SMEs "export ready." We then invite them to participate on Automation Alley trade missions overseas (including virtual missions using our video-conferencing technologies, significantly reducing the costs and time associated with actually travelling abroad) where they meet directly with buyers and/or end-users of their goods and services.

Automation Alley trade missions have thus far generated \$166m in export sales and new business development for our company participants. They have also generated 917 direct and indirect jobs for our region. As a result of our trade successes, Automation Alley received the President's "E" Award from President George W. Bush at a White House reception in May 2008. The Award is the nation's highest and most prestigious international trade award granted to organizations in recognition of their accomplishments in promoting U.S. trade and economic development. It marked the first time that a Michigan economic development organization received the Award since President John F. Kennedy created the program 50 years ago.

To follow are sample testimonials from our trade mission participants:

*"We have secured more than \$7m in new business and created 27 local jobs as a result of participating on Automation Alley trade missions to China, Central Europe, and India. The extreme professionalism and conscientiousness of the Alley staff along with their ability to arrange meetings with the right companies were instrumental to our success."*-**Daniel Kocks, CEO, Enterprise Automotive Systems-Warren, Michigan**

*Clean Emission Fluids' participation in Automation Alley's trade mission to Brazil exceeded all expectations, specifically: caliber of individuals at trade meetings, planning and foresight, utilization of time, level of support and advance assistance, during and after the trade mission. Business objectives are on solid footing to yield long term value."*-**Oliver Baer, CEO, Clean Emission Fluids-Grosse Pointe, Michigan**

*"The business opportunities that Automation Alley arranged for us in Israel were exceptional. We fully expect to build strategic relationships there as a result."*-**Greg Guidice, CEO, RazorThreat Inc.-Pontiac, Michigan**

President Obama noted in his first State of the Union Address two years that the lack of exports was a major factor hampering our nation's ability to create jobs and increase our GDP. As a result, he launched the National Export Initiative (NEI) aimed at doubling U.S. exports by 2015 and creating 2 million American jobs. Although the U.S. is a major exporter, we are underperforming as a nation. In fact, we have slipped behind China and Germany to become the world's third leading exporter. Exports as a percentage of GDP are well below nearly all of our major economic competitors. In fact, less than 1% of America's 30 million companies export. And of the 30,000 companies that do export, 58% sell to only one country. Yet 95.5% of the world's population lives outside our borders (*Source: U.S. Census Bureau*).

This is especially alarming given that our nation's GDP is projected to grow anemically in the near term (2.1%) as we continue to struggle through our worst economic crisis since 1929. In sharp contrast, Brazil, China, and India's GDP are projected to grow this year by 3.3%, 8.2%, and 6.9%, respectively (*source: The Economist, March 10, 2012*). Taken together, these three countries represent an emerging middle class of 700 million consumers (more than twice the size of our nation's population) with discretionary income to satisfy their demand for high-quality American products.

Despite having not taken full advantage of the world's appetite for U.S.-made goods, exports have remained an integral part of the U.S. economy. Last year they accounted for 12.1% of GDP, three times greater than 50 years ago (i.e., \$1.8 trillion in total goods and services sold overseas divided by \$14.8 trillion in total economic output). In addition to supporting nearly 10 million American (7.4 million in manufacturing alone), export-related employment generally pay significantly higher wages than non-exporting industries. Furthermore, according to former U.S. Secretary of Commerce Gary Locke, one job is created or supported for every \$180,000 in exports. Translated, Michigan exports of \$50.8 billion last year propped up 280,663 direct and indirect jobs in our state. As we've seen, exports provide companies with hedge by smoothing out the ebb and flow of downturns in our domestic economy.

So why aren't more U.S. companies taking advantage of the opportunities to grow their sales and profits overseas? Although impediments to trade exist (e.g., lack of trade finance, ITAR restrictions, IP infringement, rule of law, cultural idiosyncrasies, fear of the unknown, etc.), they are far outweighed by the opportunities. Indeed, exporting will play a critical factor in deterring the future success of SMEs--- not to mention their very survival. A recently-published Brookings Institution report entitled "*Export Nation: How U.S. Metros Lead National Export Growth and Boost Competitiveness*," underscores how trade stimulates economic growth and global competitiveness. Beyond creating high-wage jobs, exports also accelerates innovation and industry diversification through the cross-pollination of ideas from what were once considered disparate industries. For example, OEMs and suppliers are producing the bearings, blades, composite materials,

housing, sensors and other critical components for wind mills. This plays well into Automation Alley strategies of identifying gaps in the supply chain and transforming and diversifying Michigan's economy into the higher value-added technologies.

Stanford economist Paul Romer stated that "a crisis is a terrible thing to waste" referring to the competition America now faces from other countries. With no options left and nowhere else to turn, Michigan today is doing what many economists and business leaders advocated long ago: diversify into other industries and markets overseas rather than solely relying on a single industry or country to carry the day without having other sectors to fallback on when auto sales decline precipitously. Ironically, we have been handed an opportunity. The recession has spawned enormous changes in both the structure and composition of Southeast Michigan's economy. For example, health care is now the state's largest private sector employer and the only sector of the economy seeing significant job and wage growth. While not enough to offset the losses in the auto sector, it does portend a different type of economy critical to our State's future success.

Globalization has changed the rules of the game and U.S. companies have been slow to fully embrace it--- paradoxical given that our nation was the first to champion free trade. For its part, Automation Alley will continue to play a leading role in our region by creating awareness and educating companies on how to successfully do business overseas. We look forward to further strengthening our partnership with the Michigan Economic Development Corporation (MEDC) whose staff has contributed much to our organization's past success. Working together provides us with a unique opportunity to formally team up with economic development partners equally committed to promoting regional prosperity and wealth creation through trade.

Michigan's long tradition of exporting will continue. As we've seen, the nature of trade has not changed, but it has rapidly expanded with globalization. And past performance does not guarantee our region's future success. The U.S. has lost its historical pole position as world's largest exporter to China and Germany, respectively. As noted by the Brookings Institute, it is now up to the "public and private sector leaders to collaborate" more closely together to promote U.S. exports abroad and job creation at home. Automation Alley and the MEDC stand ready to deliver.

In closing, I wish to thank Chairman Schmidt and members of the House Commerce Committee for the opportunity to meet with you today to share my thoughts on the importance of exporting to the future success of our great state.

Thank you again for your time this morning. I would be happy to answer any questions you may have.



## **INTERNATIONAL BUSINESS SERVICES (IBS) REPORT FOR 2011**

### **Export Successes**

**Increased member export sales from \$150 million last year to \$166 million today (a \$16 million or 10% increase from 2010) resulting in the creation of 89 new jobs (both direct and indirect) for our region.** For example, Global Impact Group recently closed a \$13 million deal with a German OEM that Automation Alley introduced them to during our trade mission to Central Europe in 2007.

In addition---and not yet counted--- Cinetic Automation ([www.fivesgroup.com](http://www.fivesgroup.com)) is in the process of negotiating a \$15 million joint venture contract with DR Promaq ([www.drpromaq.com.br](http://www.drpromaq.com.br)), a Brazilian company that they met with during our trade mission there in 2009. The partnership is part of a larger project to supply services to Fiat's new plant in Pernambuco, Brazil.

*"Promess participated in two trade missions organized by Automation Alley. We accomplished more in one week than we would have in one year. The level of contact, the networking programs, the cultural education all saved time and money by a factor of 10. Thanks Automation Alley for providing the contacts and skills sets to make these trips so productive." -Mr. Larry E. Stockline, President, Promess Incorporated-Brighton, Michigan*

### **Business Attraction Successes**

Leveraged Automation Alley's new 3200 sq. ft. International Business Center to attract six foreign companies to Southeast Michigan. These **investors created 365 well-paying, high-value added jobs for our region in 2011**. They include the following companies:

1. Sunlogics (<http://sunlogics.com/>): Canadian-based (British Columbia) solar integrator selected by General Motors to build solar photovoltaic canopies and electric vehicle charging stations at GM facilities, development centers, and Chevrolet dealerships in North America (referred to as Chevrolet Volt "Green Zones"). Sunlogics opened their new global automotive headquarters and R&D facility in Rochester resulting in the creation of 200 new jobs plus an additional 100 jobs through their joint-venture partner Dou-Gard Industries located in Canton. Also joined Automation Alley. Total new jobs: 300
2. Van-Rob (<http://www.van-rob.com>): Canadian-based tier-one automotive supplier to Ford and GM located their engineering and sales office in Troy (across the street from Automation Alley) in January 2011. New jobs: 53
3. Elbit Systems Ltd. ([www.elbitsystems.com](http://www.elbitsystems.com)): Israel's second largest defense company opened an office in Automation Alley's Sterling Ponds in Sterling Heights New jobs: 2
4. e-Xstream Engineering (<http://e-xstream.com>): Headquartered in Luxembourg, the engineering firm develops state-of-the-art material modeling software that reduces the time and costs associated with new product development. Opened office in Plymouth and joined Automation Alley. New jobs: 5
5. Heck & Becker (<http://www.heck-becker.com/>): German-based provider of system solutions for the automotive industry (die casting and forging technologies). Opened office in Rochester Hills and joined Automation Alley. New jobs: 3
6. Inphodrive (<http://inphodrive.com/index.php>): Israeli software developer of voice-prompted, command/control solutions aimed at mitigating driver distraction while increasing safety behind the wheel. Set up an office in Franklin. New jobs: 2

*"Automation Alley has the ideal model that the rest of the country should follow to attract investment into their region and providing foreign companies with a place that they can call home until they find a permanent location." -Mr. Satpal Sidhu, President of Sunlogics, Inc. Rochester, Michigan*

### **Funding Successes**

Assisted State of Michigan write and submit their SBA grant application (i.e., State Export and Trade Promotion Program or STEP) which helped **Automation Alley secured \$1.2 million in funding (\$400,000 annually over a three-year period) to support our future trade activities.**



### **INTERNATIONAL BUSINESS SERVICES GOALS, STRATEGIES AND DELIVERABLES- 2012**

- I. Goal One: Increase member exports resulting from their participation on Automation Alley trade missions from \$166m today to \$200m (+20%) in 2012--- and jobs created (both direct and indirect) from 917 to 1100 (+183). Strategies include:***

**A) Organize six trade missions (three international, one domestic, and two virtual) to the following countries and/or locales where demand for Michigan-made products, services and technologies are particularly high:**

- |   |                       |
|---|-----------------------|
| • Association of the United States Army (AUSA) Winter Symposium and Exposition-Fort Lauderdale, Florida | February 22-24, 2012  |
| • United Arab Emirates (virtual trade mission)  | March 22, 2012        |
| • Brazil (Rio de Janeiro and Sao Paulo)   | May 19-26, 2012       |
| • India (virtual trade mission)   | June 27, 2012         |
| • Canada (Montreal, Toronto, and/or Vancouver)  | September 16-20, 2012 |
| • Israel and Turkey (Haifa, Tel Aviv, and Istanbul)   | November 2-9, 2012    |

Michigan industries targeted for export include:

1. Advanced automotive
2. Cleantech and renewable energy (including environmental/pollution control technologies)
3. Defense
4. Higher education
5. IT and information communication technology (ICT)
6. Life science and medical
7. Nanotechnology/MEMS
8. Robotics and automation

**B) Develop the following conferences and peer-networking events to educate and create an awareness of market and industry diversification opportunities for member companies expanding overseas (these events will be used to market and cross promote our trade missions and membership with Automation Alley):**

- |  |                   |
|--|-------------------|
| • <i>Brazil: The America's Engine of Economic Growth</i>   | February 2, 2012  |
| • <i>Annual Trade Mission Alumni Luncheon Reception</i> (including a presentation on <i>The Global Economic Outlook for 2012 and Beyond</i> )  | March 29, 2012    |
| • <i>Creating Globally-Focused Strategic Plans</i> (two hands-on, half-day workshops that will enable SMEs to develop their international business plan and hear case studies on the do's and don'ts of exporting) | April 19-26, 2012 |
| • <i>World Trade Week Conference and Exhibition May 2012</i> sponsored by the U.S. Department of Commerce (conference theme and location TBD)  | May 2012          |
| • <i>Israel and Turkey: Strategic Cross Roads to the World</i>   | June 21, 2012     |
| • <i>Cybersecurity: Assessing Your Global Risks and Threats</i>  | October 18, 2012  |

**C) Administer annual survey assessing current challenges and needs of SMEs doing business overseas**

- Use Survey Monkey to develop a needs-assessment survey to ensure that Automation Alley is meeting our members evolving needs. The survey results will determine future IBS programs, services and trade mission destinations
- Consult with and solicit feedback from the member-driven International Business Services Advisory Council on global strategies to increase exports and job growth

**II. *Goal Two: Leverage Automation Alley's new 3200 sq. ft. International Business Center to support, promote, and catalyze growth of new business in Southeast Michigan. This includes***

**attracting four foreign companies to our region in 2012 and connecting our members to global market opportunities. Strategies include:**

Automation Alley will continue to market and promote our region as a high-tech powerhouse and global center of innovation. This includes hosting trade delegations from around the world (i.e., reverse trade missions) and meeting with potential investors during our trade missions overseas that are interested establishing a presence in Michigan. Our attraction message will emphasize Michigan's transformation and diversification into other high-tech sectors and emerging technologies in addition to being the center of the automotive industry.

The International Business Center will serve as a landing point for investors and will provide them with complimentary office/meeting space (for up to 90 days) and video conferencing technologies designed to connect them instantly around the world. Our communications technology is also a member benefit for companies participating in our virtual trade missions that link them directly to buyers and end users of their products overseas. In addition to streamlining communications and accelerating the deal-making process, video-conferencing will significantly reduce the costs and time associated with overseas travel. In addition to these services, the IBC will also offer the following:

1. Dedicated business support representatives and local experts to advise clients on accounting, banking, and legal matters. Also, the support representatives can call on local economic developers to assist investors with market research, site selection, quality of life, and practical issues of doing business in Michigan
2. Business partner matchmaking (joint ventures, technology licensing, M&A, etc.)
3. Travel discounts on hotels, car rental, restaurants, and other travel and accommodation
4. Convenient, friendly, and well known office address with instant access to the region's academic, business and government leaders

Automation Alley will actively market and promote the IBC to our regional economic partners and to our following network of contacts overseas:

1. U.S. embassies and consulates worldwide
2. Foreign embassies and consulates in the U.S.
3. American Chamber of Commerce (AmCham)
4. MOU signatories
5. Local, provincial, and federal economic development agencies

In addition, the IBC will apply for a Soft Landing International Incubator Designation through the National Business Incubation Association located in Athens, Ohio ([www.nbia.org](http://www.nbia.org)).

**Goal Three: Transform International Business Services into an Automation Alley profit center. Strategies include:**

- Continually pursue sources of funding to finance operations
- Seek sponsorships to support all IBS events, conferences and trade missions

**Performance Metrics and  
Process for Quantifying Deliverables and Capturing Results**

The IBC's performance will continue to be based on the following metrics:

1. Dollar value of products, services, and technologies exported
2. Jobs created as a result of exports
3. Foreign direct investment (FDI) and jobs created
4. Valuation of other competitive factors that advance global competitiveness and innovation

SalesForce will be used as a tool to monitor, measure, and quantify these results and other trade-related successes. It will also serve as a repository for testimonials from clients whom have benefited from Alley-sponsored programs, events, trade missions and business attraction activities.

### **Summary and Conclusions**

In summary, to follow are the three major IBS goals and deliverables for 2012:

1. Increase member exports resulting from their participation on Automation Alley trade missions from \$166m today to \$200m (+20%) in 2012; and jobs created (both direct and indirect) from 917 to 1100 (+183)
2. Leverage Automation Alley's new 3200 sq. ft. International Business Center to support, promote, and catalyze growth of new business in Southeast Michigan. This includes attracting four foreign companies to our region in 2012 and connecting our members to global market and sales opportunities
3. IBC will apply for and receive a Soft Landing International Incubator Designation through the National Business Incubation Association
4. Transform International Business Services into an Automation Alley profit center