

# THE ARIZONA REPUBLIC

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## Ariz. looks outside for growth

Leaders see opportunity in foreign markets, California

**By Ronald J. Hansen**  
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Arizona is increasingly looking outside its borders, especially to Silicon Valley and foreign markets, for a new generation of economic growth, business officials said Wednesday.

Still giddy about Mesa landing a supplier for Apple Inc., Barry Broome, president and

CEO of the Greater Phoenix Economic Council, vowed this year would feature more such deals for the state as word about its business climate spreads.

"We're gonna pound California," Broome told 900 business leaders gathered at the Sheraton Phoenix Downtown Hotel for the ninth annual trends day presented by the Urban Land Institute in Arizona.

Such confidence is fueled by announcements like the one Wednesday that Google, based in California, is considering making Phoenix, Scottsdale and Tempe one of its new hubs for a fiber-optic network that would make much faster online connections available to customers in the Valley.

It is part of an effort for Arizona to better cash in on its posi-

tion between California and Texas and as a border state to Mexico's fast-rising economy — and as the winter home of many Canadian power brokers, officials told the crowd at ULI.

Last year Gigya, another tech firm based in California, announced it was adding up to 200 high-wage, sales-oriented jobs in Phoenix. Silicon Valley Bank has opened a major branch operation in Tempe.

Earlier this month, Charles Schwab made known that it is

considering making Arizona the home of up to 1,000 jobs being shipped over five years from its headquarters in San Francisco, a place the banking and brokerage firm now considers overly pricey. A spokeswoman for the company said Wednesday it has not decided where or when it will move the jobs.

Although Broome was optimistic about Arizona's near-term prospects, he acknowl-

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edged it lags in attracting international investments.

Eric Nielsen, director of the U.S. Commercial Service in Arizona, said the state did well in international trade last year but needs to keep building its international DNA.

Last year Arizona recorded \$19.4 billion in international exports, according to figures tracked by the International Trade Administration within the U.S. Department of Commerce. That was up nearly \$1 billion, or 5.4 percent, from the year before and easily outpaced the nation's 2.1 percent growth rate.

Still, Arizona ranked 21st among the states for export value in 2013. It ranked ninth in growth rate.

Mexico is easily Arizona's biggest international trading partner, though that relationship seems underdeveloped, officials say.

Former U.S. Rep. Jim Kolbe, R-Ariz., pressed the need for better highways and rail transport linking Arizona and Mexico.

For every dollar Mexico sells in exports, there is 40 cents of U.S.-supplied goods and services that made it happen, he said. By contrast, China's exports include about 2 cents of U.S. input. Arizona in particular should benefit from Mexico's economic rise, Kolbe said.

Mexico is beefing up a port to rival California's Los Angeles and Long Beach ports, something that should allow Arizona to serve as an entry point for goods headed to the Midwest, he said.

One longstanding obstacle, however, is Arizona's archaic rail system, Kolbe said. Rail systems that cross the Mexican border require presidential approval, something that hasn't happened since 1903.

"We're grossly inadequate when it comes to our rail connections," he said.

Arizona could also profit

more from America's other North American trade partner.

R. Glenn Williamson, CEO of Nest Ventures LLC, a Scottsdale-based private equity firm, said Arizona holds only a small piece of the \$1.4 trillion in annual trade and investment between the U.S. and Canada. That should be easy to change given the existing ties many of Canada's wealthier residents already have here, he said.

"The Canadian relationship with Arizona is a very comfortable, well-entrenched relationship. There's not a lot that is negative between the two regions, and tourism pushes that," Williamson said. "Many of the decision makers in Canada are here during the winter. They are here. They are in your backyard."

Williamson suggested Canada has more than two dozen pension funds and private equity firms each worth more than \$100 billion that may be receptive to investment opportunities in Arizona, a place they already know and like.

"They are looking for very sizable projects," he said.

Jeremy Schoenfelder, president of PhoenixMart, an international wholesale-trade center under construction in Casa Grande, encouraged Arizonans to think bigger.

PhoenixMart is chiefly funded with the backing of 300 foreign investors from five continents through the federal government's EB-5 immigrant visa program. The program allows wealthy foreign investors to effectively buy their green cards in exchange for at least \$500,000 of investment in underdeveloped areas that supports jobs for Americans.

Schoenfelder said the EB-5 program, which is heavily used by Chinese investors, brings wider benefits. The investors want to live in the U.S. and often buy homes here that cost millions and look for additional business opportunities locally, he said.

*Ronald J. Hansen covers the Arizona economy. Reach him at [ronald.hansen@arizonarepublic.com](mailto:ronald.hansen@arizonarepublic.com).*