

## **Wally Van Valkenburg Comments**

### **2006 Oregon Business Summit**

Thank you Allen.

One of the significant benefits that come out of this summit, and out of the Business Plan itself, is that we maintain a critical line of communication between the policy makers in the public arena and the business leaders who create jobs in the private arena. In my role with the Economic and Community Development Commission, I've seen how important that connection has become as we compete for jobs with other states and other parts of the world.

A first principle in the original Business Plan was that economic development be keyed off particular industry clusters. I'm going to talk briefly about how we moved from strategy to implementation on this point.

A "cluster" is a group of firms that draw productive advantage from being located near each other. Cluster based economic development focuses on companies that are, or have the potential to be, world leaders in the global economy. The basic strategy is that we try to work with companies in those clusters to make Oregon a great place for them to do business. That way, we keep them here, benefit from their growth, and attract new companies that want to be near the companies already here.

And if companies in the cluster do well, a lot of other companies benefit -- retailers, construction companies, health care providers, real estate brokers, and, yes, even the lawyers and accountants.

OECD, the Oregon Economic and Community Development Department, is the agency responsible for Oregon's economic development strategy at the state level. During the past few years, following the recommendation of the Business Plan, OECD has aggressively embraced the concept of clusters as a key part of its job creation strategy.

Among other things, OECD appointed a cluster coordinator, whose principal responsibility is to facilitate communication with Oregon's clusters on issues relating to job growth. We also started collecting and tracking data so we can understand how different clusters are performing. Finally, we established a Cluster Network Leadership Council which brings leaders from various clusters together with partners in the public sector. This gives the folks from higher ed,

workforce development, the Governor's office, and other parts of state and local government a chance to hear what works, and what doesn't, from the business leaders themselves.

Partly as a result of these efforts, a number of cluster initiatives are alive and flourishing. A partial list includes defense, display technologies, logistics, food processing, footwear and apparel, forest products, metals, nursery, recreational vehicles, software, and sustainable industries.

These efforts have helped generate positive results for our economy. As many of you know, after we fought our way through the recession, Oregon's growth in employment has been among the fastest in the nation.

Perhaps more important for our long-term prospects, our traded-sector firms are out performing their counterparts nationally.

Oregon's productivity is high in critical industry clusters. In frozen fruit and vegetables, value added per worker is 46 percent above the national average. We are 27 percent above the national average in sawn lumber, 18 percent above in instruments, and more than four times the national average in semiconductors.

The strength of the Oregon economy also is reflected in the growth of our value added exports. Total exports are projected to be nearly \$15 billion in 2006, up from \$12 billion in 2005. Today, value-added exports of computers, machinery, transportation equipment and metals account for 70 percent of Oregon exports. Commodity products are shrinking as a share of exports.

What matters most in all of this is that new jobs are being created for working Oregonians. But I'm also proud to tell you that our efforts to build economic development around industry clusters has resulted in Portland being chosen as the site for the 2007 annual meeting of The Competitiveness Institute, a global organization headquartered in Spain that focuses on economic development efforts around the world.

This meeting, which in past years has been held in places such as Lyon and Hong Kong, is expected to bring over 300 delegates to Oregon to discuss economic development strategy and to see some of what we've been doing around the state. In an example of regional partnership, the State of Washington will be a co-sponsor for the event, along with the Portland Development

Commission and OECDD. I know many of you will join me in welcoming these guests to the Pacific Northwest next October.

A year ago, in his comments at this summit, Michael Porter observed that Oregonians seem to have an unusual willingness to collaborate with one another. When I heard that, I was reminded of my two teenagers, who always seem better behaved to outsiders than they do to their parents.

But I actually think Dr. Porter had it right about us. We may be smaller than some of our neighbors, but the difficult economic times we've come through have shown us that we do know how to work together, and how that can be a great competitive advantage. Whether it's the cluster developments I've described this morning or some of the other things you'll hear about later today, our capacity to collaborate is one of our true strengths. I know I speak for both OECDD and for the Business Plan Steering Committee when I say: We look forward to accomplishing great things in the future together.